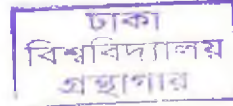


# **“The Role of Asian Development Bank as a development Partner in Bangladesh”**

**Master of Philosophy**



**Submitted By**

**Abdul Bareq**

Session: 2004- 05

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**University of Dhaka  
Dhaka, Bangladesh  
May 2011**

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গ্রন্থাগার

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## Declaration

This thesis entitled “ The Role of Asian Development Bank as a development partner in Bangladesh” submitted by me for awarding the Degree of Master’s of Philosophy at the University of Dhaka. This is my original work and has been carried out under the supervision of Professor Dr. Dil Rowshan Zinnat Ara Nazneen, Department of Political Science, University of Dhaka.

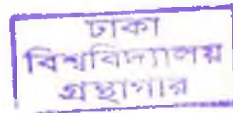
I would like to declare that neither of this thesis nor any part of it has been submitted for publication or for any degree.



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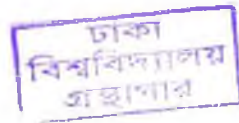
## Certificate of the Supervisor

This is to certify that Abdul Bareq. Reg: No: 166/2004-2005, Department of Political Science has completed his thesis “ The Role of Aisan Development Bank as a development Partner in Bangladesh” for the Degree of Master of Philosophy under my direct supervision. This is his original work. This thesis or any part of it has not been submitted anywhere for publication or for any degree.

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## **Abstract**

Asian Development Bank is a multilateral development bank owned by 67 members, 48 from this region and 19 from the other parts of the world. Bangladesh joined Asian Development Bank (ADB) in 1973.

Economic growth, poverty reduction and human resources development have been key strategic thrusts of the government of Bangladesh. Over the past two decades, Bangladesh Governments Human Resource Development priorities arena were planned on basic education, covering Primary education (Grade 1-5) and non formal education (such as open university), later extended to cover secondary education (Grade 6-10). During the early 1990's only 35% of the countries adult population was illiterate and heavily, skewed between males and female (44%, Versus 22%) as well as between urban and rural areas. The primary education gross enrollment rate was only 68% and recycle drop out rate was as high as 60%. The government of Bangladesh commitment to improving basic education is reflected in its adoption of the education for all. Agenda in the early 1990's which provided the basic for assistance from various development partners. It is consistent with the millennium development Goals (MDG) which aims to halve poverty and achieve substantial HRD improvements by 2015 with which joint govt. and development partners efforts. Universal gross involvement rate has almost reached with gender balance but the institutional capacity and quality aspects have not improved much.

### **Primary School**

The projects comprised three major components that were in line with the project objectives-

This component focused on the development of primary schools facilities all over the country. In particular, It included construction of new primary schools, reconstruction of dilapidated primary school, construction of additional class rooms repair of old

primary schools construction of additional latrines and tube-wells construction of blackboards, supply of furniture and targeted assistance for school supplies of stationery for the poor students. Componentized to develop the institutional capacity of NCTB to review and update the curriculum proved quality textbooks more cost effectively to all primary school students.

These components focused on improving the information monitor and evaluation system and strengthen local planning management and monitoring.

The projects design was highly relevant to ADB's country strategy for human development. The design emphasized on poverty reeducation and human development through the provision of quality primary education. The projects design was consistent with government plans and policies focusing on education for all through expanded access to primary education to develop human resources and skills to combat poverty. I surveyed 20 schools of different Thanas of Dhaka District (Lalbagh, Katowali, Sutrapur, Karanigonj, Kamrangirchar) that found 80% of programs are successful. The rest of percent are trying to go ahead for succession of the project.

### **Secondary School**

Most of the activities of the project were accomplished as envisaged at appraisal. Reform of the secondary curricula and instructional materials reform of the teacher education curriculum, supply of science kits and books. Teacher training of headmaster on management, supply of furniture expansion of school building and provision of stipend for female students and vehicles for supervision were accomplished.

I found that from 20 schools (Lalbag-5, Karanigong-5, Sutrapur 2, Katwali-5 and Kamrangirchar-3) over the entire project is reacted successfully, based on a detailed assessment of relevance and effectiveness in achieving outcomes. Effect on achieving outputs and outcome sustainability and inputs I have found that most of the teacher is

trained through ADB project (Teacher quality improvements). Some of teachers are part time, but they are not trained. Students attendance rate is increasing day by day. I observed that SBA (School based assessment) is not introduced in most of the rural schools.

### **Open School**

The Open University project was completed in December 1998 at appraisal the project cost was estimated at \$143.00 million, comprising 10.5 million in foreign exchange and \$32.5 million equivalent to local currency. An ADB loan of \$34.3 million from its special funds resources was approved to finance 79.8% of the total cost including \$10.5 million of foreign exchange cost and \$23.8 million equivalent of local currency cost. The government was to provide the remaining \$8.7 million. BOU was executing.

It focus on the contributions of the component outputs to achieving each objective and on the projects long-term goal, efficiency and sustainability. The study is based mainly on the finding of the three comprehensive field surveys conducted 1) 15 schools survey of 30BOU staff and 78 Part-time tutors (ii) a tracer survey of 100 who has completed SSC program and 45 employers (iii) a beneficiary survey of 500 open school students. The study also uses finding from (i) focus group discussions with BOU staff, school staff and text books writers, government agency concerned and some beneficiaries (ii) a desk review of project and related documents and consultation with the consented ADB division including the Bangladesh, Resident mission.

I have surveyed 15 schools in Lalbag, Sutrapur, Kotowali and Keranigong thana. Most of the targets are fulfilled. But overall 60% projects target is accrument. Some of problems are (i) Poor quality teacher (ii) Insufficient instruction time, inadequate instructions materials and lack of a system to assess student achievements (iii) Weak management and monitoring capacity. After all, the project is improving day by day.

## **Acknowledgement**

First of all I express my solemn gratitude to Almighty Allah, the most merciful, who has created and given me the abilities, strengths and opportunities to perform this thesis work.

I would like to express my heartfelt thanks and profound gratitude to my supervisor, Professor Dr. Dil Rowshan Zinnat Ara Nazneen, Department of Political Science, University of Dhaka for her supervision and kind guidance ranging from developing a theoretical framework to analysis of data. Her patience, sagacity, and affection have always been a source of inspiration for me in development arena.

I am grateful to her not only for accepting me as a student of M.phil, but also for helping me in every step to improve the quality of the research. Much of this work owes to her critical insights and careful suggestions with which she helped me in spite of her extreme busy schedule.

Professor Dr. Ataur Rahman, Department of Political Science, University of Dhaka is my Ex-supervisor. His contribution is unforgettable for his valuable helping to start the M.Phil.

Professor, Md. Ferdous Hossain, Department of Political Science, Prof. Dr. Md. Wadud Bhuyan, Dept. of Political Science and Md. Azizur Rahman, Asst. Prof., Political Science, Rover Polly Degree College, Gazipur. (Ph.D Researcher) deserve special thanks for their valuable inputs in giving the Research a final shape.



This research work would not have been possible without the valuable contribution of my respected teachers, friends, and respondents. This is indeed my pleasure to get a chance to give them thanks for their support and encouragement, which was outmost necessary to complete this research work.

It is also gives me a great pleasure to express my deepest thanks to my parent and all of my respected teacher for their helpful suggestions and kind cooperation.

I would like to express my appreciation to my relatives; friends, library staff, ADB staff, and the respondents who have cheerfully answered my queries, provided me information. I apologize for inadvertent omission.

## **Abbreviations**

ADB	-	Asian Development Bank
ADTA	-	Advisory Technical Assistant
Aus AID	-	Australian Agency for International Development
BANBEIS	-	Bangladesh Bureau of Educational Information & Statistics
B.Ed.	-	Bachelor of Education
BIDE	-	Bangladesh Institute of Distance Education
BOU	-	Bangladesh Open University
BR	-	Bangladesh Radio
BRM	-	Bangladesh Resident Mission
BBS	-	Bangladesh Bureau of Statistics
BTV	-	Bangladesh Television
BISE	-	Board of Intermediate and Secondary Education
C-in-Ed	-	Certificate in Education
Com	-	Community School
CELP	-	Certificate in English Language Proficiency
CIDA	-	Canadian International Development Agency
DP	-	Development Partner
DFE	-	Directorate of Primary School
DPEO	-	District Primary Education Officer
DFID	-	Department for International Development of UK
DSHE	-	Directorate of Secondary and Higher Secondary Education
DD	-	Deputy Director
EA	-	Executive Agency
EFT	-	Education for All
EED	-	Education Engineering Department
EMIS	-	Educational Management Information System
EM	-	Ebidayee Madrasha
GS	-	Generally Successful
GD	-	Gender and Development

GI	-	General Investor
GPS	-	Government Primary School
GEP	-	General Education Project
GER	-	Gross Enrollment Rate
GIR	-	Gross Intake Rate
GOB	-	Government of Bangladesh
HSEP	-	Higher Secondary Education Project
HSC	-	Higher Secondary Certificate
HD	-	Human Development
IA	-	Implementary Agency
KG	-	Kinder Garten
KPI	-	Key performance Indicator
JSF	-	Japan Special Fund
LC	-	Local Center
LGED	-	Local Government Engineering Development
MIS	-	Management Information System
MOE	-	Ministry of Education
MPO	-	Monthly Payment Order
MOPME	-	Ministry of Primary and Mass Education
M&E	-	Monitoring & Evaluation
NAEM	-	National Academy for Educational Management
NCTB	-	National Curriculum and Management Text Book Board
NAPE	-	National Academy for Primary Education
NGO	-	Non-Government Primary School
NER	-	Net Enrollment Rate
NFE	-	Non Formal Education
NGPS	-	Non-Government Primary School
NIR	-	Net Intake Rate
O & M	-	Operation and Maintenance
OEM	-	Operation Evaluation Mission
PEDP	-	Primary Education Development Program
PEDP-II	-	Second Primary Education Development Program

PMED	-	Primary and Mass Education Division
PP	-	Project Pro-forma
PE	-	Primary Education
PTR	-	Pupil Teacher Ratio
PCR	-	Project Completion Report
PPTA	-	Project Preparatory Technical Assistance
PESP	-	Primary Education Sector Project
PIMU	-	Project Implementation Management Unit
RRC	-	Regional Resource Center
RNGPS	-	Registered Non-Govt. Primary School
SMC	-	School Management Committee
SPMU	-	School Performance Monitoring Unit
SRM	-	Supplementary Recording Material
SSC	-	Secondary School Certificate
SE	-	Secondary Education
SEEPA	-	Sector wise Program Approach
SBA	-	School Based Assessment
SEDP	-	Secondary Education Development Project
SESDP	-	Secondary Education Sector Development Project
SESIP	-	Secondary Education Sector Improvement Project
SPBMS	-	School Performance based Management System
TA	-	Technical Assistance
TRC	-	Technical Completion Report
TTC	-	Teacher Training College
TLM	-	Teaching Learning Material
TR	-	Transition Rate
TC	-	Tutorial Center
TV	-	Television
TQISEP	-	Technique Quality Improvement in Secondary Education Project
UNICEF	-	United Nation Children Education Fund

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## CHAPTER ONE

### **Introduction:**

Bangladesh is located in South Asia enclosed to the West, North and East by the India to the southeast by Myanmar and bordering the Bay of Bengal to the South. Bangladesh declared independence from the West Pakistan in 1971 and became a republic after successfully fighting a liberation war. The capital is located in Dhaka.

The vast majority of the country of 150 million inhabitants are Muslim (overwhelmingly Sunni). Most others are Hindu. Bangla is the official and majority language. Hindu and Urdu are minority languages and English is also widely used. The population is largely rural and youthful, with 60% of the population is 25 years old or younger. Bangladesh is one of the most crowded nations and has an area of approximately 144,000 square kilometers.

Bangladesh started her journey for socio-economic development taking a huge debt and liabilities of Pakistan. The term, development partner has become an essential component for the development in the third world countries like Bangladesh. Development partner is globally viewed as a critical component of the growth paradigm, which influences development concepts, plans and strategies for more than half a century. The term came into a common usage in the early sixties and became popular through the declaration of official aid agencies, non-government organizations and, ironically, by the critics of foreign aid. As such, "the term assumed different meanings according to the various interest groups who viewed and used it from different points of view. There are so many theoretical perspectives regarding the role of development partner in development. The modernization, dependency, neo-Marxist, or radical Marxist theorists are having their own explanations about its role in economy and society. However, There is need to analyze it from the sociological points of view

that somehow did not get priority among them. Currently, most of the developing countries are dependent on the external assistance or foreign aid for their development planning and implementation. There are numerous donors; bilateral and multilateral organization, such as regional Banks, World Bank and IMF, etc., which provide assistance to the third world countries like Bangladesh from their own interests of development.

The understanding regarding development hitherto was mostly based on economic issues. However, since the middle of this century, a new outlook on development has emerged in the contemporary world. During the first half of this century, two World Wars occurred which had changed economic order as well as the notions of development. One of the consequences of those World Wars, particularly the World War II, was the independence of the colonies from colonial rule. The economic thinkers have prescribed the experience of western development modernization model, and to promote that model, they have made a linkage between external assistance and development. After World War-II, external assistance and its dimensions have been, changing overtime, which might have some intended and unintended consequences, that needs to be developed with keen interest.

"The operational usage of aid in Bangladesh classifies external assistance into four kinds: Project aid, Commodity aid (non-food), food aid and technical assistance. This classification has been followed for the identification and analysis of the issues relating to aid utilization".

There are some issues, which are more crucial for determining the policy orientation of the government to external assistance for the economic and social development. The activities of non-government organizations (NGO) are also important and familiar phenomena in the socio-economic development of the country, because alongside the government sector the non-government organizations have an important role in the aid regime.

The government bodies and the non-government organizations are involved in aid utilization. The aid utilization process itself perpetuates the emergence of this new system. The aided development efforts, forming a social class, on the one hand, and building a distinct socio-cultural system, on the other, that affected the traditional social relations in the society. The kind of relations developed as such may be looked from the viewpoints of both intended and unintended beneficiaries of the development programs.

However, development assistances somehow conditional in nature, which by and large serves the interests of the donors as well. The volumes and its disbursements also depend on the attainment of the conditions. The donors are more interested in the policy of reform lending in the third world countries including Bangladesh. The inclusion of the imposed conditions by the donors is also determining factors for the amount of aid allocation and disbursements. The implementation of prescribed policies in the recipient countries is creating the opportunities for those who have access to professional capacities and capital.

There are some problems, mostly related to management and inappropriate state policy that influence largely the utilization of available volume of aid. It seems that it also creates opportunities for the unintended beneficiaries of the society. In most studies, conducted by different individual and organizations, only the quantitative impacts (target and achievements) of the external assistance have been addressed, but the qualitative aspects that are intangible also might change social relations as an impact of the external assistance, which has been largely ignored in the recent times. The impact of such aided development on different social aspects that are qualitative in nature has been taken into account in this study. It is interesting to note as to whether any relation exists between external assistance and class formation. In course of our exegesis, we may find out



some crucial variables in this relation, and to this end, this work has been devoted.

The development programs assisted by the external donors might have an important role to the intended or unintended beneficiaries through the process of aid utilization in the recipient countries. Whether such development initiatives have a role to create a social class has been analyzed in terms of the development project implemented by the government of Bangladesh with assistance from bilateral and multilateral donors. If a project substantially impacts on a specific interest group, which has some sort of relationship with local resources, it leads to a beneficial class formation. However, it is not in typical Marxist Varsity, but nevertheless, in the sense of general beneficiaries group, that it may be defined as a class. External assistance plays an influential role in the emergence of social class in society.

Development assistance including policy lending creates opportunities for capital accumulation due to weak state mechanism and inappropriate policies for regulating and operating the aid utilization process. At the same time, a group of professional beneficiaries has emerged based on external assistance. Alongside, changes have also occurred in rural power structure and benefit acquiring system. The people from the poorer section did not have the access to different local institutions and decision-making bodies in the larger society. Now, it is evident that some of the people from poorer sections are taking part, to some extent, in decision-making activities.

### **Concept of ADB:**

Asian Development Bank (ADB) is a regional development bank established in 1966 to promote economic and social development in Asian and Pacific countries through loans and technical assistance. It is a

multilateral development financial institution owned by 67 members (as of 2nd February 2007), 48 from the region and 19 from other parts of the globe. ADB's vision is a region free poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their citizens.

The work of the Asian Development Bank (ADB) is aimed at improving the welfare of the people in Asia and the Pacific, particularly the 1.9 billion who live on less than \$2 a day. Despite many success stories, Asia and the Pacific remains home to two thirds of the world's poor.

The bank was conceived with the vision of creating a financial institution that would be "Asian in character" to foster growth and cooperation in a region that back then was one of the world's poorest. ADB raises funds through bond issues on the world's capital markets, while also utilizing its members' contributions and earnings from lending. These sources account for almost three quarters of its lending operations.

Although recent economic growth in many member countries have led to a change in emphasis to some degree, throughout most of its history the bank has operated on a project basis, specifically in the areas of infrastructure investment, agricultural development and loans to basic industries in member countries. Although by definition the bank is a lender to governments and government entities, it also provides direct assistance to private enterprises and has also participated as a liquidity enhancer and best practice enabler in the private sectors of regional member countries.

The primary human capital asset of the bank is its staff of professionals, encompassing academic and/or practical experts in the areas of agriculture, civil engineering, economics, environment, health, public policy and finance. Professional staff are drawn from its member countries and given various incentives to relocate to Manila. It is conceivable that once all of

Asia-Pacific reaches a certain level of living standard the bank will be wound down or reconfigured to operate as a commercial enterprise.

### **Bangladesh-ADB- Relationship:**

Bangladesh joined the Asian Development Bank (ADB) in 1973 and, as of 31 December 2009, cumulative public sector lending amounted to about \$ 10.8 billion for 202 loans, with 195.2 million for technical assistance (TA) grants for 348 projects. The country is one of the largest borrowers of concessionary Asian Development Fund resources. The loans and TAs have supported all key sectors, including energy, transport, social infrastructure, agriculture, and natural resources. ADB has also supported eight private sector projects worth \$242.18 million, including the Meghnat Power Project-the first build-own-operate power project in the country-and GrameenPhone, which substantially expanded rural access to mobile phone services.

In the late 1980s, ADB was primarily a lender for growth-promoting investment projects. In the 1990s, loans became more closely linked to institutional and policy support, with program loans targeted at the agriculture, industry, railway, finance, and energy sectors. There was also a growing emphasis on social infrastructure with the focus on human development, gender equality, and poverty reduction. In line with the 1999 country operational strategy, ADB expanded its support into new areas in urban and rural infrastructure, and education to encompass decentralization and good governance.

Under the current Country Strategy and Program (CSP) covering the period 2006-2010, ADB is playing a major role in the energy, transport, education, urban health, and urban water supply and sanitation sectors. In other areas, such as agriculture (i.e., agribusiness), water resources management, the financial sector, and small- and medium-sized enterprise development, ADB supports initiatives led by other development partners.

Disaster mitigation, regional cooperation, gender, and environment continue to be addressed as key crosscutting issues. ADB policy dialogue on governance has focused on reducing corruption and on improving financial management, procurement, and institutional capacity.

**Objective of the study:**

Politically the history of Bangladesh is the history of movements but the economic history from the beginning of this century is the history of dependency. As one of the underdevelopment countries in the world, the economic development of Bangladesh is dependent on donor countries and financial organization. However, development itself is a composite concept comprising social and economic indicators. Since the membership of the country, Asian Development Bank is playing a pivotal role of socio-economic development on different fields. The main objectives of this study are to measure the socio-economic impact of ADB particularly on the human development such as education, health and poverty reduction. The following issues will be critically examined.

- ❖ To identify the role of ADB in formatting human development and ensuring sustainable development in Bangladesh.
- ❖ To focus on the challenge faced by ADB to operate its activities in Bangladesh.
- ❖ To find out the options to trace the challenge by ADB in Bangladesh.
- ❖ To know about the reality of ADB in Bangladesh.
- ❖ To trace the background and establishment of the ADB.
- ❖ To examine the main objectives and vision of ADB.

**Rationale of the study:**

Bangladesh has made major socio-economic progress in recent years the country has structured macro-economic stability; health and education have improved; there is gender parity in primary and secondary education; and poverty had decline steadily. ADB is aware of the level depth and systematic nature of problems of socio-economic in Bangladesh. ADB also feels that there is an immediate need for action to curb the impact and influence of socio-economy problems on urban and rural life. In this connection, this subject bears greater importance.

**Hypothesis:**

The different forms of development partners Plays important role in the development of Bangladesh. To assess the overall impact of ADB'S development's assistance on the socio-economic condition and social structure of the country the following propositions will be examined:

1. ADB assistance benefits those who already access to either capital or professional skill and on the other hand, marginalize further the conditions of those who do not have any of the two.
2. As an impact of development assistance, the GOP between rich and poor is gradually increasing.
3. A professional class has emerged basing on externally assisted programmes/projects activities.
4. ADB'S resources mobilization is shifting activities from the philanthropic motives to the commercial motives.
5. The role of the education sector in Bangladesh.
6. Poverty reduction and human development in direct and indirect system.

**Methodology:**

The methods and techniques are the key components of any study. The outcome of research depends on methodological base, its appropriateness and proper implementation over the whole process of study. The method must be consistent with the objectives of the study that cover the whole area of interest. However, sometimes a single method could not address the areas of the study; then it becomes essential to select more than one method. This research paper has been both quantitative and qualitative in nature. So, subjective qualitative analysis method has been followed in this research focus group discussion and community discussion.

In this study those who are involved in ADB, the beneficiaries of the projects of ADB in Bangladesh on education sector and institutions related to human development organization have been interviewed and structure questionnaire. As a result, the secondary data have been used to complete the study.

**Research Area:**

Primary data collection were collected from different school. The selected thanas were Lalbag, Sutrapur, Kotuali and Keranigong with Kemragirchar of Dhaka district. We selected purposively four thana's to compare between urban and rural education system and its progress.

**Sample Size:**

Four thana's were purposively selected from different project and programme areas. About 20 primary schools (5 schools per Thana) 20 high schools (5 schools per Thana) and 15 Open school center (SSC and HSC Program) were selected & 500 respondents are interviewed through structured questionnaire.

In the 500-

Primary School Teacher	=	50
High School Teacher	=	50
Open School Teacher	=	50
Guardian	=	80
Student's	=	120
Local People	=	80
ADB Staff	=	20
School Management Committee	=	50
		<hr/>
		500

**Method of data collection:**

1. Structured questionnaire was used for data collection and interviewed with project Beneficiary.
2. Some case study were collected from project beneficiary through interviewed.

**Data processing and analysis:**

Data have been processed, analyzed and presented in tables; graphs and figures to present major findings; case studies have been presented in details emphasized the vibration comments of the respondents.

We analysed in three parts of this study.

1. Part one- Primary School (Class I-V)
2. Part Two- Secondary School (Class VI-X)
3. Part Three- Open School (SSC and HSC Program)

**Limitation of the Study:**

Every research study encounters some problems in terms of time management, availability of relevant information, documents and literature, access to information, etc. This study is not free from those limitations. The given time for this study was not adequate in comparison with the magnitude of the problem. No-allocation of fund for such as study can be regarded as another hurdle in carrying out the study within the given time frame. However, I have tried to complete the study within the given time.

**Scope of the study:**

The study comprises seven chapters and the first chapter gives an introduction of the study and Methodology Second Chapter describes Conceptual Framework of the study. The Third chapter focuses on the ADB and his functions. The Fourth Chapter contains Bangladesh and ADB's Relationship. Chapter fifth deals with contained the Program and Project of ADB in Bangladesh some specific indication of the process responsible for emerging new aid beneficiaries have been presented in the chapter. The Sixth Chapter deals with the Bank Operation in Bangladesh adjustment policy implementation in Bangladesh alongside many other developing countries. In addition to that, this chapter also sheds light on the government's and ADB strategy. The Seventh Chapter reveals the data collection and the case study on education sector funded by ADB with special focus on the general achievement of the antipated beneficiaries of the projects. The performance has been evaluated using both the quantitative and qualitative methods. The major findings and evaluation of ADB working is presented in Chapter Eight. Finally, Chapter Nine has been followed by the recommendation and conclusion.



**Conclusion:**

The new results-based Country Strategy Paper (CSY) is an important step toward the commitments made at the Paris high level forum on AID effectiveness in early 2005 between developing country governments and the development partners. Implementing the CSP requires continued strong partnership with all stakeholders in Bangladesh. Including the private sector, civil society and development partners ADB also-co-operates extensively with civil society organizations in Bangladesh to strengthen the effectiveness quality and sustainability of its service. An example is the second urban primary health care project.

## CHAPTER SECOND

### **Introduction:**

Bangladesh has made major progress in recent years, with sustained macroeconomic stability, health and education, gender parity in primary and secondary education, and a steady decline in poverty levels.

However, maternal and child mortality rates are still high and, despite improvements, the quality of education remains poor, with gender discrimination continuing in many areas.

Government revenues, at just 10.3% of gross domestic product, remain far too low to meet the growing demand for infrastructure and social services. Poor infrastructure, weak governance, and limited access to finance make the cost of doing business high.

The Multifibre Arrangement was phased out in 2005, but the country's important garment industry is more constrained by the infrastructure problems in ports, roads, rail, and power supply than by inadequate trade access.

### **Concept of Development:**

The concept of development is a changing phenomenon. "The meaning and paradigmatic status of development has changed over the years. Such changes have occurred with the political and economic order of the world. Theoretically, the different meanings of development are development as economic growth, development as redistribution with growth, development as improvement in life chances and development as liberation from dependency and exploitation. This shift in the meaning of development gained further impetus in the middle of the present century when so many countries of the Third World attained freedom from the colonial rule and confronted the problem of economic reconstruction. Consequently, the term development

acquired a strong economic connotation, so strong as to become synonymous with, economic growth. The works of W.W. Rostow on the stage of development bears an ample testimony to this shift in the meaning of development.

With the changing conditions of world economic and political order,-both the existing paradigms of development -capitalist and socialist- are in a crisis today. As a result, the development process is taking new shape as well as includes various components like external assistance as part of it. The concept of external assistance is the by-product of the Second World War that has become an indispensable part of development at the middle of this century. The role of external assistance (either positive or negative) needs to be analyzed from different viewpoints of development theory. The early work of social scientists reveals that the term 'development' was used to refer to the course of social evolution. L.T. Hobhouse, for instance, defined the term as increase in the scale of efficiency of social organizations. As implied in this outlook, development is the metaphor of growth, and thus it was conceived as organic, immanent, directional, cumulative and irreversible. "With the rise of industrial system and emergence of capitalism, new western development thinking emerge centering economic growth. This economic growth is measured in terms of Gross National Production (GNP). It reveals that 'development is an autonomous process of societal growth and change". In strict economic terms, 'development' means the capacity of national economy where- initial economic-condition has been more or less static for a long time but subsequently able to generate and sustain an annual increase in its gross national product at certain rates. This is a totally growth-oriented approach to the definition of development based only on the GNP of a country.

Celso Furtado defined development as economic development being fundamentally a process of incorporating and defusing new techniques, implies changes of structure in both the systems of production and distribution of

income. The way in which these changes take place depends, to a large extent on the degree of flexibility of the institutional framework 'within which the economy operates. This process is somehow very complex in nature.

Development is a long-drawn-out complex process, which required thinking in terms of a generation or more, rather than of a decade or an annual appropriate cycle. Lappe defined 'development as social process in which people join together to build economic and political institutions serving the interest of the majority. In that process more and more people unite to acquire the knowledge and techniques they need to develop their resources and free themselves from hunger, diseases and ignorance. The traditional idea of development was 'advancement towards certain well-defined general objectives which correspond to the specific condition of man and society of the modern world. From the viewpoint of economic growth, economic development is the idea of structural changes in the economy reflected in the sectoral shift from agriculture to industry or from the primary sector to the secondary and tertiary sectors. The development of the labour force is also supposed to change correspondingly. Investment in skill development, energy production and technological innovations forms the backbone of development

Resource crisis, lack of modern technology as well as lack of capital for investment are considered to be the main causes of underdevelopment in the Third World countries. This viewpoint gives emphasis on imported capital and technologies in the development of Third World countries. "The traditional measures of national economic progress cannot satisfactorily measure the extent to which the human needs of individuals are being met." The concept of development as economic growth perspective, having enjoyed mounting importance in the fifties and sixties, has been facing very rough weather since the seventies. It has been criticized for its crude methods of estimating GNP, the inadequacy of GNP growth as development, for overstressing and concealing dependency and the assumption of an automatic trickledown effect.

The GNP of the country may grow, while the majority of the people may experience even greater hardship. This may happen when the growth of GNP is accompanied by a more unequal income distribution, which is what usually happens. However, there is no necessary positive relationship between GNP growth and the impoverishment in the life chance of the people. Many countries of a high per capita income give a poor account of themselves in respect to the life chances of their people while many with a low per capita income give evidence of better life chances. The life chance approach is a flourishing approach that fulfills the demand of social analysis and economic relations among the different sections of the society. A more serious challenge to the GNP conception came from those who underscored the lack of correspondence between economic growth and satisfaction of basic needs. This resulted in reinterpretation of development as an endeavor to provide for the basic needs of people. The elements of key importance in this perspective is the fulfillment of the basic needs of the people measured in terms of the provision of necessary service or an increase of the life chance of people.

The critics of the growth oriented development approach viewed that "the strategy of imported capital and technology for development has its own risks. First, foreign aid without strings is hard to come by. Secondly, dependence on foreign aid entails the possibility of political and cultural dependence too. Thirdly, the idea of economic dependence negates the idea of economic self-reliance, which by any standard is the true measure of economic development." In consequence of structural inequalities and class contradiction in the underdeveloped countries, the benefit of economic growth have generally remained concentrated in a few monopoly houses and have not trickle down to the vast majority of the people.

The focus of development shifted from the growth of Gross National production to the reduction of poverty by the mid-seventies. The reduction of poverty is an essential component of development therein. Accordingly, the

concept of development got enlarged to refer to economic equity and social reliance along with economic growth. This development strategy received support from the contribution of some economists. Those economists were concerned with the balanced and big push approaches immediately after the Second World War. For example, P.N. Rosenstein and Rangner Nurske, have advocated for well-balanced and simultaneous investment in the major sectors of the economy. In such a case, the role of foreign aid was to supplement private investments and domestic savings of the recipient countries. However, under both balanced and big push strategy, self-sustaining growth was the major goal. P.N. Rosenstein, even calculated the aid requirement for the underdeveloped countries in order to "accelerate their economic development to a point whose satisfactory rate of growth can be achieved on a self-sustaining-basis.

The growth theory received further impetus from the work of economists like W.W. Rostow and J. P. Lwis. Rostow's lineal approach and Lwis's surplus labor model gave further impetus to the growth-oriented developing countries' attempt to transit from traditional economy to take-off stage by raising the level of investment and institutionalizing development efforts and developing a strong manufacturing sector. Both these theories emphasize on investment and growth determinants. So, the developing countries should invest in socio-economic overheads and modern infrastructure sector in order to create avenues for growth. It was assumed that these were required. They also assumed an interventionist role for the state because of structural bottlenecks and market imperfections. It is also viewed that the growth-oriented development theory brought more pessimism than optimism. By the early seventies, it was clear that mere maximization of the growth could not solve the poverty problems of the majority population in the developing countries, though the growth rate of the developing countries were higher than that of the developed countries. Hence, "the idea of aggregate growth as a social objective has increasingly been called into question. The economic growth conception of

development has its lack of concern for distribution. As a result, the western capitalist thought came under fire and created the relevance of the Marxian approach of development analysis. Accordingly, development is redefined as distribution with growth, which positively correlates development with growth and distribution of the national resources.

The distribution with growth approach of development reveals that only economic growth should not be, the basis of development measurement, it needs the aspect of distribution of the resources. The distributional aspect has not been considered in measuring the development in growth-oriented development approach. 'Realizing the limitation of economic growth as a measure of development, many analysts have redefined the scope of economic development in terms of distribution with growth' or 'a trinity of economic growth, equity and self-reliance.' Indicators have been devised to measure each of the three development objectives.

The principal indicators of economic growth are the rates of increase of per capita GNP, together with separate estimates of the rate of the growth of the two major goods-producing sectors: agriculture and industry. The equity objective is held to comprise of the equality of the current -income and employment opportunities with their indicators as follows:

- a) the degree of equality in the overall distributions of income class;
- b) differential between average levels of living in urban and rural areas;
- c) dispersion of average levels of living among the different regions of the country;
- d) the range of income accruing to people working within the economic enterprise from the highest paid executive manager to lowest paid : worker; and

- e) the extent to which employment opportunities are available to the working population, as well as the adequacy of provisions made for the unemployment and the underemployment.'

Finally, the indicators for economic self-reliance of nations are:

- a) the extent to which the control over productive enterprises is exercised by nationals,
- b) the extent to which the country has remained free of-foreign exchange problems and foreign debt;
- c) the extent to which the country has been able to do without foreign aid; an
- d) the extent to which the country has developed an independent technological base of economic activity.

This conception of development is different in some respects from the GNP growth conception of development. First, it envisages economic growth without external dependence, which is evident from the premium. Thus, it rejects the dependent capitalist development paradigm, which remains an

Integral part of the conventional economic growth paradigm. Second, the importantly, it lends no credence to assumption of an automatic trickledown effect; instead, it places an accent on planned redistribution leading to the diminution of economic disparities. Finally, it acknowledges the importance of agriculture for economic development without at the same time underrating the contribution of the industrial sector. This is in line with the development experience of many developing nations.

This enlarged vision of economic development is no doubt an improvement over the conventional conception. However, to be sure, economic self-reliance is the true measure of development. The skewed distribution of world resources is one of the constraints of such approach. Economic self-reliance cannot be



achieved by hundreds of underdeveloped countries without effective redistribution of the world resources. Furthermore, given the structure of powerful vested interest groups within each developing country, one can never be too sure whether economic disparities can be eliminated at all without effective state regulations.

Another problem with this conception is that of the strain between the twin objectives of growth and redistribution. In some cases, distribution tends to impede growth. Done without considering the farm size land reforms can be counter-productive for growth. As a result, these two development objectives are thus difficult to reconcile. There are many other constraints of this perspective of development in the Third World countries like Bangladesh due to these limitations of the possibility of redistribution that results in the emergence of another conception with its focus on human basic needs. The beginning of the human basic need conception may be traced to the United Nations Development Programme as well as other international agencies like International Labor Organization, Overseas Development Council, etc. These organizations provide support to developing countries to meet up basic human needs of those who *are* affected by unjust social system and also by resource distribution pattern in society. However, a new approach to development -the improvement of life chance' has emerged as a flourishing approach in the recent times due to the limitations of the distribution with growth approach.

#### **Development as Improvement of Life Changes:**

The focus of this development approach is to ensure the fulfillment of basic needs and welfare of the people.

Practically, this approach can be treated as the dominant approach of multilateral donors and international development agencies. After the fall of the Soviet Union, the political and economic world order has virtually been unipolar i.e. led by the western world. With the changing socio-economic

conditions, the new approach, improvement of life chances' of development has flourished through a course of time. The development programmers of international agencies make it clear that they view development as an endeavor to provide all the basic needs of people. Declaring that the "ultimate purpose of development is to provide increasing opportunities to all people for the better life, the United Nations maintains that "it was essential to expand and improve facilities of education, health, nutrition, housing, social welfare, and to safeguard the environment". The UNICEF's development policy focuses on the provisions of daily needs such as safe water, nutrition, vaccination, sanitation, basic education and relief of women's drudgery. Similarly, the International Labor Organization (ILO) calls for production plans on the basis of basic needs of the people, though without neglecting the needs of the modern sector.

Thus, development has acquired a different connotation with the changes in emphasis from economic growth to provision of basic human needs. As an operative reality, now it refers to all those programmes launched by any international, national or voluntary agencies, which seek to provide for the basic needs of people like disadvantaged sections, the poor and landless, *small* and marginal farmers, slum dwellers and so on. Programmes like Health for all, Food for Work, Food for Education, Female Secondary School Assistance Project, etc., are some examples, which have been designed to address the basic needs of the people. This is how development as improvement of life chances has become a new theme in development arena. As regards widespread poverty and scarcity of resources in the poor countries, those have been conceptualized as a situation to facilitate the analysis of development aiming at meeting the basic needs of people. For achieving the objectives of welfare for the disadvantaged, the country needs economic base and capabilities. However, the third world countries always face the budgetary crisis; so they need financial support from donors, either bilateral or multilateral, for materializing their objectives.

A number of international institutions like ILO, FAO, UNDP, the World Bank as well as some economists have talked about different development goals, like meeting of the basic needs of the majority population, human rights, strengthening institutional capacity building in the developing countries.

Although all the institutions and individuals agreed upon 'distributive justice/ we find different approaches to reach this goal. However, emphasis has been given to raise the level of domestic savings, reallocating investments in favor of poor groups, introduction of fiscal measures to distribute benefits and transfer of existing assets.

Confusing has been compounded by the identification of growth and development. However, they laid down five main components for new development strategies, such as: 'the satisfaction of material and non-material needs, the eradication of poverty, self reliant and participatory development, the exercise of public power and balanced development.

The major message of those strategies is that the developing countries should adopt 'new values' that constitute development and progress. These three approaches preach recommended that meeting basic needs and rural development should be the major development goals, which had different implications for foreign aid agencies. However, the difficulty was that these two goals became Catchwords for the donor agencies in allocating their aid, though majority of them subscribed to the first approach. Because, the second and third approaches urged the donor agencies for a massive restructuring of aid in favor of the poorer countries, less tying of aid financing of the recurrent costs, etc. Though the donor agencies restructured their aid in the above-mentioned strategies, the volume of aid that has gone to the low-income countries comes to about 40 per cent; the rest goes to the middle-income countries.

The critics of such approach underscored the need for meeting the basic needs of the underdeveloped countries with human resources and limited-funds to be provided by the international development agencies. Piecemeal development projects launched by the UNICEF, World Bank, and many other international agencies may help meet some of the needs of some people in select sites, but cannot cope with the needs of the masses in general. In fact, success histories of the development projects sponsored by the international donors and voluntary agencies are few and far between. But, it has been voiced from different corners that the managers and implementers as well as those who have access to professional capacities and capital make the maximum benefit from the aided development efforts.

### **Concept of Development Partnership**

The development approach and international relations determine the requirements of the aid for development. The development approach relates the external assistance and social dimensions that are considered to be the influential factors for development. In the new economic world order/ development is an output of multifarious relationships of different factors and efforts. Among the factors of development, foreign influence is an essential component for the third world countries in the recent period;

A large number of countries were under colonial administration and those colonial states were exploited directly by the western countries before the Second World-II. After the independence from colonial rules/ those countries inherently got a very poor economic base and minimum resources. However/ after independence they became dependent on rich countries or international agencies in many ways for their socio-economic development. This process relates to external assistance of various forms like financial/ technical and or policy prescriptions.

From the past experiences/ it might be indicated that the programme aid has replaced the old colonial relations between the donors and the recipients, and the recipient countries increasingly screen private investment. As a result/ external assistance and development has become interrelated for most of the third world countries.

Due to financial crisis/ developing countries are not free from external interference/ because they are somehow depended on donors. Development planning and policies encompass not only economic but also political and administrative factors. They contract on and reinforce economic and development policies, produce differential impact on various socio-economic class or interest groups. Furthermore, various interest groups or socio-economic classes participate with varying degrees of influence and power in the political process, and hence, in the decision making process for economic.

Governments have non-economic objectives of various kinds, which compete with facilities to achieve economic objectives. It also influences the economic strategies and policies of the government. So, the donors' policy and interest influence the policy formulation process of recipient countries.

The interplay of economic as well as non-economic factors gives shape to the evolution of economic policy making. Development planning in Bangladesh is formulated considering the availability of external assistance. Every year the consortium of the donor countries and agencies determine the extent and type of aid for Bangladesh. The decision is not entirely unilateral, it considers government's request, if not totally, at least partially. Since independence, the volume of foreign aid has increased significantly. It is disbursed either in the form of grants or loan with covert or overt conditions. The aid has been received for ensuring the institutional development, resource utilization, human resource development and much other socioeconomic well being of the people. So relationship between development partner 'assistance/and development is

very axiomatic in the light of programmes and policies formulated by the government of Bangladesh.

But, the donors have their own policies and objectives to give any assistance to recipient country. In the recent times, the issue of local resource mobilization is coming up at the front line of donors. It might be due to change of international economic policy and geopolitics that might have a relation between development of the third world and aid relations. Foreign assistance and domestic resources mobilizations are complementary, and domestic savings is considered as important performance criteria in the allocation of foreign economic assistance. Foreign aid is used as stimulating factor for greater domestic savings efforts, so that the receiving countries would not be dependent on the generosity of the donors for a long time. But, in practice things are opposite.

There was a both complementary and competitive relationship between foreign economic assistance and domestic resources mobilization. Starting from the very low level of domestic resources mobilization, an increasing amount in domestic savings was essential for utilizing and absorbing an increased amount of economic assistance. The domestic efforts are of prime importance to ensure the proper utilization of food aid. On the other hand, for the utilization of project assistance, local expenditure is required to ensure the proper implementation of the projects. If the local resources could not be mobilized by the national administration, the available project assistance might remain unutilized. However, some project's local cost financed is by donors; so, foreign aid instead of uplifting the saving has been determining saving investment gap. Foreign aid would be needed again to fulfill this gap. Bangladesh suffers from chronic balance of payment deficit due to the excess of aggregate demand over aggregate supply and due to over valuation of currency. Again, development assistance becomes an essential component to meet up such deficit. "Foreign" aid now comes in many different forms and

front many sources. Originally the term was used only for government-to-government grants. Then it was expanded further to include all transfers, private or public, loan or grant, there bringing in all foreign investment". According to the modernization theorists, it is impossible on the part of the under- developed countries to have economic progress without foreign aid. However, a group of intellectuals analyzed that assistance hamper economic development in the Third World countries.

After the independence, Bangladesh was in various crises for reconstruction of the devastated infrastructure and meeting up of food crisis. However, at that stage, the highest amount of aid was in the form of grants; but over time the project and commodity aid has been increasing gradually. As consequences of increasing disbursement of commodity aid, home market of local products has been reducing as well as consumption of imported goods increasing correspondingly. Therefore, external assistance is not only single objective (development) phenomenon but interrelated with economic, social and institutional activities, which influences the socio-economic life of the people of the third world countries.

The socio-economists have accepted unanimously that there is a relationship between development partner assistance and development, though there are two opposite views about the impact of external assistance in developing countries. The economists of the modernization approach as a way of development found a positive role of aid in the development. On the other hand, the radical thinkers delineated the negative impacts on the society and economy of the recipients. However, the radical thinkers are not dead against external assistance, but they are against the present forms, dimensions and conditions of external assistance. Aid like goods, service and technical know-how is the essential part of the development of the poor countries in modern time. The policy should have to be in favor of development of third world countries, instead of exploitation and expansion of the market of the donors' good and

services in the recipient countries. . However, one thing is clear from the history of development and external assistance and different approaches of development with historical context: a strong relationship has been established between external assistance and the development in the developing countries. Resource deficit, budget deficit and the trade deficit are the common phenomena in the poor nations. External assistance is the main source to deal with these deficits. The development plan and its implementation of almost of all developing countries need external assistance. It reveals that over the course of time external assistance and development is interrelated to each other. Implementing the CSP requires continued strong partnership with all stakeholders in Bangladesh including the private sector, civil society and development partner.

From the human development viewpoint, those who do not complete schooling, particularly women, are effectively excluded from improving their lives when damage is done to the poor people, it leads to four macro harms: 1. unequal development is created; 2. inequality of income is increased; 3. wealth is concentrated, and 4. sustainable development is locked. This process is ongoing in Bangladesh society. The system is disbanding social cohesion by not valuing all people's stake and responsibility in building a fair and just society. However, the globalization policies promote by the IFCs somehow benefits the capitalists, non-government organization, professionals and people having power relations. On the other hand, the above-mentioned four macro harms affect the poor people's lives.

Distributional Effect of the Fund Supported Programme: The conditions imposed by the donors with aid sometimes leads to the emergence of the background of unequal benefit distribution among the different sections of society. Such distribution pattern might have an impact in giving rise to beneficiaries of external assistance. In most of the cases, the setting of fund's conditionality impacted on the resources distributional system. However, the



conditions tied with assistance also enhance restructuring of the policy instrument in the recipient countries. The restructuring of donors' policies also influences the recipients' programme activities. Article one of the International Monetary Fund's Charter called on the IMF to make financial resources available to members on a temporary basis and with adequate safeguards to permit them to correct payments imbalance. In 1952, the principle of conditionality was empirically incorporated with the fund's lending policies. The conditionality was conceived to encourage policies that would make it more likely for a member country to be able to cope with its balance of payments problem and to repay the fund within three to five years. The inception of the practice of conditionality accompanied the birth of the standby arrangement. In its infancy 'the standby arrangement was intended to be a precautionary device used to ensure access on the part of the members who had no immediate need for such resources in the near future'. The arrangement matured quickly by device for linking economic policy to financial assistance. The arrangement can be described as 'line of credit outlining the circumstances under which a member can make drawing on the fund'.

Until mid-70s, the typical conditions placed on the use of fund resources involved policy that influenced level and composition of aggregate demand. During this period, excess demand was perceived as the most important cause of inflation, currency devaluation and ultimately payment difficulties. From the monetarist point of view, the expeditious elimination of excess demand was viewed as an essential condition for restoring payment equilibrium. According to this approach, excess demand is the root cause of inflation and exchange rate disequilibrium. Its goal is the rapid alleviation of inflation and restoration of exchange rate equilibrium vis-a-vis policy that alter the size and composition of aggregate demand.

Monetarist policy 'generally calls for control of money supply, reduction of the government deficit, exchange devaluation, deregulation of prices, reduction of

consumer subsidies, and elimination of tariff and trade barriers'. The six initiatives stated above have negative impacts on poor and middle-income groups. As exchange rate devaluation, reduction of consumer subsidies and deregulation of price severely affect the poorer section of the society, they increase the gap between the rich and the poor. Like that of other third world countries, the economy of Bangladesh is based on agriculture. The poor farmers fall into danger due to cut of subsidies by the government those results in massive economic crisis in the country.

The origin of the debate over the distributional impacts of IMF and IFCs stabilization programmes can be traced to Cheryl Payer's vociferous critique of fund-supported adjustment policies. Payer starkly asserts that "IMF-supported stabilization programmes inherently promote sharp, regressive income shift". Payer states that the adverse effect of stabilization on unemployment is also an issue of analysis. Hayter, Grivin, and Bernal<sup>38</sup> have also made similar criticism about the fund-supported activities. The distributional aspects of South America stabilizing programmes during the 70s also reported a tendency, of, IMF-supported adjustment policies to encourage income movement. Diaz Alejandro and Foxely both concluded that the net effect of adjustment programmes on the income distribution in the southern cone appeared to have been regressive. Ahluwalia and Lysy, indicated that there is no inherent theoretical economic reason for income to become more or less concentrated after the onset of an adjustment programme. It is also argued that income could become more or less equitably distributed depending on the conditions of several external variables. Foxely (1981) has outlined several ways in which particular adjustment policies can promote regressive income movements. First, deregulation of prices can deleteriously affect money holders; in the likely event, that price would increase. Price deregulation would thus act as an effective tax on the poorer segments of the economy, since the poor are more likely to hold assets in the form of money. Secondly, deregulation of the interest rates can make it increasingly difficult for small and medium-size firms

to gain access to credit. Large, more established firms, particularly multinationals, are more likely to gain access to foreign capital markets, where interest rates are often one-half to one third less those prevailing in domestic markets after deregulation. These can lead to an increased concentration of assets. Thirdly, in the event that nominal wages are held relatively constant by restrictions imposed by the government, currency depreciation can lead to a decline in real wages as the price of traded goods approaches the price of non-traded goods, raising the overall process of goods.

In 1995, World Bank formed the non-government organization advisory committee with leading non-government organization. This committee has an important role in influencing the Bank's assistance strategy to the government. Alongside, the Asian Development Bank plays the crucial role in influencing the government policies to ensure wider space in development activities for NGOs and civil society representatives.

As part of a seven-country exercise, Asian Development Bank had commissioned a study on NGO in Bangladesh in 1989. To assess the role and impact of non-government organizations in Bangladesh, a follow up study was also undertaken a few years later'. The study identified 23 NGOs that, by virtue of their size, experience, competence and attitudes, have the potential to collaborate with Bank- financed future projects. That study suggested the bank to enter into a policy dialogue with the government of Bangladesh to create a modality of such collaboration. In order to facilitate wider participation of non-government organizations in development, the study also felt that both government and non-government institutions need involvement in the process. The study also proposed a technical assistance project entitled 'institutional Strengthening for Government-NGO Cooperation'. This technical assistance project is designed to achieve an improved policy and institutional environment for government-NGO collaboration by establishing effective mechanism for government-NGOs cooperation, strengthening the NGO Affairs Bureau of

government and providing training assistance to NGOs. However, the question is why the international financial institutions have begun to peruse such policies towards Bangladesh. The Bank has its own strategies of implementation in Bangladesh. In materializing the strategies, it takes different initiatives that directly or indirectly create the background in initiating new elements. In addition, the non-government organizations get higher exposure at national and international levels for their activities, which also create a space for them. As a result, non-government organizations are drawing attention at all levels and getting higher priority. This helps them to come into touch with the power structure of society.

## **CHAPTER: THREE**

### **What is Asia Development Bank (ADB)**

ADB is an international development finance institution whose mission is to help its developing member countries reduce poverty and improve the quality of life of their people.

Headquartered in Manila, and established in 1966, ADB is owned and financed by its 67 members, of whom 48 are from the region and 19 are from other parts of the globe.

ADB's main partners are governments, the private sector, nongovernment organizations, development agencies, community-based organizations, and foundations.

Under Strategy 2020, a long-term strategic framework adopted in 2008, ADB will follow three complementary strategic agendas: inclusive growth, environmentally sustainable growth, and regional integration.

In pursuing its vision, ADB's main instruments comprise loans, technical assistance, grants, advice, and knowledge.

Although most lending is in the public sector - and to governments - ADB also provides direct assistance to private enterprises of developing countries through equity investments, guarantees, and loans. In addition, its triple-A credit rating helps mobilize funds for development.

### **Background of ADB**

#### **Origins**

ADB was conceived amid the postwar rehabilitation and reconstruction of the early 1960s. The vision was of a financial institution that would be Asian in character and foster economic growth and cooperation in the region - then one of the poorest in the world.

A resolution passed at the first Ministerial Conference on Asian Economic Cooperation held by the United Nations Economic Commission for Asia and the Far East in 1963 set that vision on the way to becoming reality.

The Philippines capital of Manila was chosen to host the new institution - the Asian Development Bank - which opened on 19 December 1966, with 31 members to serve a predominantly agricultural region. Takeshi Watanabe was the first President.

For the rest of the 1960s, ADB focused much of its assistance on food production and rural development. The next three years saw ADB's first technical assistance, loans (including a first on concessional terms in 1969) and bond issue (in Germany).

### **1970s**

Assistance expanded in the 1970s into education and health, and then to infrastructure and industry. The gradual emergence of Asian economies in the late 1970s spurred demand for better infrastructure to support economic growth. ADB focused on improving roads and providing electricity.

When the world suffered its first oil price shock, ADB shifted more of its assistance to support energy projects, especially those promoting the development of domestic energy sources in member countries.

Cofinancing operations began to provide additional resources for ADB projects and programs. 1970 saw ADB's first bond issue in Asia - worth \$16.7 million - in Japan.

A major landmark was the establishment in 1974 of the Asian Development Fund to provide concessional lending to ADB's poorest members.

At the close of the decade, some Asian economies had improved considerably and graduated from ADB's regular assistance.

### **1980s**

It was also becoming clear that the private sector was an important ally in driving growth. ADB thus in the 1980s made its first direct equity investment. ADB also began to use its track record to mobilize additional resources for development from the private sector.

In the wake of the second oil crisis, ADB continued its support in the 1980s to infrastructure development, particularly energy projects. ADB also increased its support to social infrastructure, including gender, microfinance, environmental, education, urban planning, and health issues.

In 1982, ADB opened its first field office - a Resident Mission in Bangladesh - to bring operations closer to their intended beneficiaries. Later in the decade, ADB approved a policy supporting collaboration with nongovernment organizations to address the basic needs of disadvantaged groups in its developing member countries.

### **1990s**

The start of the 1990s saw ADB begin promoting regional cooperation, forging close ties among neighboring countries through an economic cooperation program in the Greater Mekong Subregion.

In 1995, ADB became the first multilateral organization to have a Board-approved governance policy to ensure that development assistance fully benefits the poor. Policies on the inspection function, involuntary resettlement, and indigenous peoples - designed to protect the rights of people affected by a project - were also approved.

ADB's membership, meanwhile, continued to expand, with the addition of several Central Asian countries following the end of the Cold War.

But in mid-1997, a severe financial crisis hit the region, setting back Asia's spectacular economic gains. ADB responded with projects and programs to strengthen financial sectors and create social safety nets for the poor. ADB approved its largest single loan - a \$4 billion emergency loan to the Republic of Korea - and established the Asian Currency Crisis Support Facility to accelerate assistance.

A milestone came in 1999 when, recognizing that development was still bypassing so many in the region, ADB adopted poverty reduction as its overarching goal.

## **In the 21<sup>st</sup> Century**

The new century brought both hope and tragedy, as well as a new focus on helping its developing members achieve the Millennium Development Goals and to enhance development effectiveness.

2003 saw severe acute respiratory syndrome (SARS) hit the region, making it clear that fighting infectious diseases was a public good that required regional cooperation. ADB began providing support at national and regional levels to help countries more effectively respond to HIV/AIDS and the growing threat of avian influenza.

ADB had to respond to other unprecedented natural disasters, committing more than \$850 million for recovery in areas of India, Indonesia, Maldives, and Sri Lanka hit by the Asian tsunami disaster of December 2004 and a \$1 billion line of assistance to help victims of the October 2005 earthquake in Pakistan.

As 2007 drew to a close, ADB celebrated 41 years of fruitful cooperation with the governments and peoples of the Asia and Pacific region, looking back on phenomenal economic growth in the region alongside abiding development challenges.

Now in 2008, it is looking to the future with its Strategy 2020 that will determine the organization's future direction and vision for the next dozen years.

## **Formation and Functions of ADB**

### **Organization:**

The highest policy-making body of the bank is the *Board of Governors* composed of one representative from each member state. The Board of Governors, in turn, elect among themselves the 12 members of the *Board of Directors* and their deputy. Eight of the 12 members come from regional (Asia-Pacific) members while the others come from non-regional members. The Board of Governors also elect the bank's *President* who is the chairperson of the Board of Directors and manages ADB. The president has a term of office



lasting five years, and may be reelected. Traditionally, and because Japan is one of the largest shareholders of the bank, the President has always been Japanese. The current President is Haruhiko Kuroda,


**Location:**

The headquarters of the bank is at 6 ADB Avenue, Mandaluyong City, Metro Manila, Philippines, and it has representative offices around the world. The bank employs approximately 2,400 people, coming from 55 of its 67 member countries, and with more than half of the staff being Filipino.

**Member:**

ADB has 67 members (as of 2 February 2007).<sup>[29]</sup> *Names are as recognized by ADB.* The year after a member's name indicates the year of membership. The largest share holders of the ADB are Japan and USA, each holding 15.57% of the shares.<sup>[30]</sup> At the time a country ceases to be a member, the Bank shall arrange for the repurchase of such country's shares by the Bank as a part of the settlement of accounts with such country in accordance with the provisions of paragraphs 3 and 4 of this Article.<sup>[31]</sup> Republic of China (Taiwan) initially joined as "China" as a founding member representing the whole of China. However, its share of Bank capital was based on the size of Taiwan's capital, unlike the World Bank and IMF where the government in Taiwan had had a share representing the whole of China prior to the People's Republic of China joining and taking the Republic of China's seat. In 1986, a compromise was effected when the People's Republic of China joined the institution. The ROC was allowed to retain its membership, but under the name of Taipei, China — a name it protests. Uniquely, this allows both sides of the Taiwan Straits to be represented at the institution.

**Asian and Pacific region: 48 members**

<b>Asian and Pacific region: 48 members</b>		
 Afghanistan (1966)	 Taipei, Republic of China <sup>[32]</sup> (1966)	 Marshall Islands (1990)
 Australia (1966)	 Thailand (1966)	Micronesia,  Federated States of (1990)
 Cambodia (1966)	 Viet Nam, Socialist Republic of (1966)	 Mongolia (1991)
 India (1966)	 Hong Kong, China <sup>[33]</sup> (1969)	 Nauru (1991)
 Indonesia (1966)	 Fiji (1970)	 Tuvalu (1993)
● Japan (1966)	 Papua New Guinea (1971)	 Kazakhstan (1994)
 Korea, Republic of (1966)	 Tonga (1972)	 Kyrgyz Republic (1994)
Lao People's  Democratic Republic (1966)	 Bangladesh (1973)	 Uzbekistan (1995)
 Malaysia (1966)	 Myanmar (1973)	 Tajikistan (1998)
 Nepal (1966)	 Solomon Islands (1973)	 Azerbaijan (1999)
 New Zealand (1966)	 Kiribati (1974)	 Turkmenistan (2000)
 Pakistan (1966)	 Cook Islands (1976)	 Timor-Leste (2002)
 Philippines (1966)	 Maldives (1978)	 Palau (2003)
 Samoa (1966)	 Vanuatu (1981)	 Armenia (2005)
 Singapore (1966)	 Bhutan (1982)	 Brunei Darussalam (2006)
 Sri Lanka (1966)	 China, People's Republic of (1986)	 Georgia (2007)

**Other regions: 19 members**

 Austria (1966)	 Netherlands (1966)	 France (1970)
 Belgium (1966)	 Norway (1966)	 Spain (1986)
 Canada (1966)	 Sweden (1966)	 Turkey (1991)
 Denmark (1966)	 United Kingdom (1966)	 Portugal (2002)
 Finland (1966)	 United States (1966)	 Luxembourg (2003)
 Germany <sup>[34]</sup> (1966)	 Switzerland (1967)	 Ireland (2006)
 Italy (1966)		

### **Shareholders**

The two largest shareholders of the Bank, as of 31 December 1997, were Japan and the United States, each accounting for 16 percent of total subscribed capital. Forty regional members accounted for 63 percent of total shareholding, while 16 nonregional members contributed 37 percent of total.

### **Factions**

The Bank's principal functions and (i) to extend loans and equity investments for the economic and social development of its developing member countries (DMCs); (ii) to provide technical assistance for the preparation and execution of development projects and programs, and for advisory services; (iii) to promote and facilitate investment of public and private capital for development purposes; and (iv) to respond to requests for assistance in coordinating development policies and plans of its DMCs.

## **REGULATIONS OF THE ASIAN DEVELOPMENT FUND**

The ASIAN DEVELOPMENT BANK (hereinafter called ADB) is empowered by its Articles of Agreement (hereinafter called the Articles) to establish and administer Special Funds and to carry out special operations financed from such Funds, including the making of loans of high developmental priority, with longer maturities, longer deferred commencement of repayment and lower interest rates than those established by ADB for its ordinary operations;

The Board of Governors of ADB, by Resolution No. 62, has authorized the establishment of a Special Fund to be known as the ASIAN DEVELOPMENT FUND (hereinafter called the Fund) which is intended to serve as an instrument for carrying out the concessional lending operations of ADB;

The Board of Governors, by Resolution No. 67 and Resolution No. 68, has approved arrangements for the establishment of the Fund and for the initial

mobilization of resources in the form of contributions from developed member countries of ADB, and has directed the Board of Directors of ADB to make Regulations to govern the Fund and the administration of its resources;

The Board of Governors has from time to time adopted resolutions authorizing replenishments of the Fund, subject to the terms and conditions contained in the relevant authorizing Resolutions;

The Board of Governors has authorized ADB to provide, in addition to loans, financing in the form of grants for certain types of projects and programs as specified in the relevant authorizing Resolutions;

The Board of Directors, pursuant to the foregoing authority, has adopted the following Regulations for the administration of the Fund and the resources thereof;

## **SPECIAL FUNDS RESOURCES**

### *Asian Development Fund (ADF)*

Report of Independent Auditors

- ADF-1** Special Purpose Statement of Assets, Liabilities, and Fund Balances, 31 December 2005 and 2004.
- ADF-2** Special Purpose Statement of Revenue and Expenses For the Years Ended 31 December 2005 and 2004.
- ADF-3** Special Purpose Statement of Cash Flows For the Years Funded 31 December 2005 and 2004
- ADF-4** Special Purpose Statement of Changes in Fund Balances For the Years Ended 31 December 2005 and 2004
- ADF-5** Special Purpose Summary Statement of Loans, 31 December 2005 and 2004

- ADF-6** Special Purpose Statement of Resources, 31 December 2005  
**ADF-7** Notes to Special Purpose Financial Statements, 31 December 2005 and 2004

***Technical Assistance Special Fund (TASF)***

Report of Independent Auditors

- TASF-1** Statement of Financial Position, 31 December 2005 and 2004  
**TASF-2** Statement of Activities and Changes in Net Assets For the Years Ended 31 December 2005 and 2004  
**TASF-3** Statement of Cash Flows for the Years Ended 31 December 2005 and 2004  
**TASF-4** Statement of Resources, 31 December 2005  
**TASF-5** Summary Statement of Technical Assistance Approved and Effective For the Year Ended 31 December 2005  
**TASF-6** Notes to Financial Statements, 31 December 2005 and 2004

***Japan Special Fund (JSF)***

Report of Independent Auditors

- JSF-1** Statement of Financial Position, 31 December 2005 and 2004  
**JSF-2** Statement of Activities and Changes in Net Assets For the Years Ended 31 December 2005 and 2004  
**JSF-3** Statement of Cash Flows for the Years Ended 31 December 2005 and 2004  
**JSF-4** Notes to Financial Statements, 31 December 2005 and 2004

***Asian Development Bank Institute Special Fund (ADBISF)***

Report of Independent Auditors

- ADBISF-1** Statement of Financial Position, 31 December 2005 and 2004  
**ADBISF-2** Statement of Activities and Changes in Net Assets For the

Years Ended 31 December 2005 and 2004

**ADBISF-3** Statement of Cash Flows for the Years Ended 31 December 2005 and 2004

**ADBISF-4** Notes to Financial Statements, 31 December 2005 and 2004

***Asian Tsunami Fund (ATF)***

Report of Independent Auditors

**ATF-1** Statement of Financial Position, 31 December 2005

**ATF-2** Statement of Activities and Changes in Net Assets for the Period from 11 February to 31 December 2005

**ATF-3** Statement of Cash Flows for the Period from 11 February to 31 December 2005

**ATF-4** Notes to Financial Statements, 31 December 2005

***Pakistan Earthquake Fund (PEF)***

Report of Independent Auditors 104

**PEF-1** Statement of Financial Position, 31 December 2005

**PEF-2** Statement of Activities and Changes in Net Assets For the Period from 14 November to 31 December 2005

**PEF-3** Statement of Cash Flows for the Period from 14 November to 31 December 2005

**PEF-4** Notes to Financial Statements, 31 December 2005

## CHAPTER FOUR

### **Bangladesh and ADB**

Bangladesh joined ADB in 1973 and became one of the largest borrowers of concessional Asian Development Fund (ADF) resources. Cumulative public sector lending to Bangladesh by the end of 2009 amounted to about \$10.8 billion for 202 loans, and technical assistance grants amounted to \$170.95 million for 348 projects in key sectors, including energy, transport, social infrastructure, and agriculture and natural resources. ADB has also supported eight private sector projects worth \$242.18 million, including the Meghnaghat Power Project, the first build-own-operate power project in the country, and GrameenPhone, which substantially expanded rural access to mobile phone services.

Under the country strategy and program (CSP) for 2006-2010, ADB is contributing to the energy, transport, education, urban health, governance, and urban water supply and sanitation sectors. In other areas, such as agribusiness, water resources management, and financial sector and small- and medium-sized enterprise development, ADB is supporting initiatives led by other development partners (DPs). Disaster mitigation, regional cooperation, gender, and environment continue to be addressed as key cross-cutting issues. ADB's private sector operations have been oriented to complement public sector operations to address critical infrastructure and policy constraints to mobilizing private investment, both domestic and foreign. In recent years, ADB has played a significant role in encouraging a constructive dialogue to lead reforms in the energy, transport, and education sectors. ADB policy dialogue on governance has focused on reducing corruption and on improving financial management, procurement, and institutional capacity. The results-based CSP was developed as a landmark harmonization initiative jointly with the Department of International Development (DFID) of the United Kingdom, the Government of Japan, and World Bank, which together provide about 80% of all development

assistance to Bangladesh. The CSP is fully aligned with the vision, strategies, and priorities of the Bangladesh National Strategy for Accelerated Poverty Reduction. Implementation of the CSP has deepened progress made in harmonizing and aligning external assistance. In conjunction with the lending program, ADB continued to actively pursue various forms of partnership arrangements and seek cofinancing from grant and concessional loan sources. Close coordination has been maintained through regular contact and dialogue with the major DPs, and special efforts are made to involve the DPs early in the identification stage of new projects. Commercial cofinancing is being explored to enhance financial resources from capital markets and to mitigate political and/or credit risk. In addition, ADB's guarantee resources will be utilized as required.

**The Bangladesh Resident Mission (BRM) has the distinction of being ADB's first field office.**

The Bangladesh Resident Office, as it was originally named, was opened on 22 July 1982, after ADB signed an agreement with the Government on 16 July 1982. BRM was established as an experiment intended to improve working relationship with the Government, complement ADB's aid cooperation efforts with other development partners, and focus attention on implementing ADB-assisted projects.

Operations of ADB's first resident office in Dhaka started at the Hotel Sonargaon with nine staff members. As its responsibilities and staff expanded, the resident, office transferred locations several times. Finally, on 30 October 2002, the BRM laid the first foundation stone of its own building. BRM then relocated to the new building upon its completion in 2004. Growing steadily over the years, BRM is now one of ADB's larger field offices with over 50 staff members. Having the BRM experience proved the effectiveness of the resident mission concept; ADB has established 19 resident missions, 3 subregional missions, a special liaison office, and 3 representative offices in Europe, North America, and Japan to liaise with its donor countries.



**BRM Chronology**

22 October	1981	ADB Board of Directors approved the establishment of Bangladesh Resident Office (BRO)
16 July	1982	ADB and the Government of Bangladesh signed the agreement establishing BRO
22 July	1982	Premises at the 2 <sup>nd</sup> floor of Bangladesh Steel and Engineering Corporation (BSEC) Bhaban at Kawran Bazar were inaugurated. Song Chil Lee was the first head of office of the BRO
22 October	1982	Operations started in temporary rented space in Hotel Sonargaon
August	1988	BRO relocated to the 7 <sup>th</sup> floor of BSEC Bhaban
January	1995	BRO renamed Bangladesh Resident Mission (BRM)
15 August	1996	BRM transferred to the 3 <sup>rd</sup> floor of BSL Office Complex, Hotel Sheraton Annex Building
30 October	2002	Foundation stone of BRM office building was laid at Agargaon, Sher-e-Bangla Nagar, Dhaka
22 June	1995	ADB President Tadao Chino and Finance Minister to the Government of Bangladesh officially opened BRM office building

## **Key Functions of BRM**

- country programming;
- economic, thematic, and sector work and studies;
- processing loans and technical assistance projects;
- managing the portfolio of ongoing loan and technical assistance projects;
- processing loan disbursements;
- managing relations and undertaking policy dialogue with the Government and other national stakeholders, including the private sector, academia, and nongovernment organizations (NGOs);
- seeking cofinancing from grant and concessional loan Sources and coordinating with other development partners active in Bangladesh; and
- external relations and information dissemination.

ADB's partnership with Bangladesh is set out in a country strategy and program (CSP) for 2006-2010. The CSP, now referred to as the country partnership strategy, in accordance with ADB's current operational guidelines, is prepared typically every 5 years to support national development priorities.

The CSP was formulated through an extensive process of consultation with the Government and other national stakeholders, in coordination with other development partners. It is preceded by a series of analytical studies on the current status and challenges in key development sectors and areas. A 3-year rolling business plan outlining ADB's assistance program of lending and technical assistance operations is reviewed and updated annually.

As of September 2007, ADB's assistance portfolio for Bangladesh consists of 44 ongoing loans with a net loan amount of \$2.9 billion. BRM has delegated responsibility to administer 70% of the ongoing projects, with the balance

administered by ADB headquarters sector divisions. This is the highest level of portfolio delegation among all ADB resident missions. Also ongoing are 31 technical assistance (TA) projects, amounting to about \$22.37 million in grant funding. The ongoing portfolio in public sector lending is dominated by five sectors: energy (43%), transport and communications (17%), education (12.3%), multisector (11.2%), and agriculture and natural resource (7.78%). Lending in other sectors including water supply, sanitation and waste management, industry and trade, finance and health operations has been small, although these sectors have been given more prominence in recent years. The sectoral distribution of ADB's public and private sector lending and TA grants are presented in figures 1-3.

Responsibilities have been delegated to BRM for undertaking analysis and preparing reports on Bangladesh macroeconomic, social, and sector developments to support ADB's operational activities. Among its widely regarded publications is the Bangladesh Quarterly Economic Update.

### **Bangladesh Quarterly Economic Update**

BRM regularly publishes the Quarterly Economic Update (QEU) featuring up-to-date assessment of macroeconomic developments in the country. QEUs assess real sector developments, fiscal management, monetary and financial developments, balance of payments, inflation and exchange rates, and capital markets. Being one of the few regular publications of its kind, QEUs have a large readership and are considered by the Government, development partners, private sector, and the academia as a dependable source on macroeconomic assessment in Bangladesh.

Since the first issue in March 2001, the QEUs have steadily gained popularity and acceptance, and are widely referred to in the press, electronic media, and documents of various national and international agencies. Also each issue of

the QEU contains essays analyzing key policy, sectoral, and development issues relevant to Bangladesh. Some of these essays provided valuable insights into the formulation of policies and adoption of desired actions.

BRM regularly consults with key national stakeholder groups, usually quarterly, to exchange views on current development issues and brief them on ADB's operations. Stakeholders include representatives of the private sector; civil society and NGOs; and academic, research institutions, and think tanks.

BRM actively participates in the local consultative group (LCG) of development partners to coordinate external assistance, and is a permanent member of the LCG executive committee. The LCG comprises 22 active sector and thematic working groups, and provides a forum for exchanging views on development and policy issues, with a plenary co- chaired by the Economic Relations Division of the Ministry of Finance. BRM plays a lead role in coordinating development partners' assistance to support the Government's reform initiatives in the transport, energy, education, and urban sectors, as the chair of the respective LCG subgroups.

BRM's external relations unit oversees the implementation of ADB's public communications policy in Bangladesh, disseminating information on ADB operational activities to the public through a quarterly newsletter and press releases, and organizing press tours and briefings to mark special occasions, including visits by high- level officials and publication of key reports such as the Quarterly Economic Update and Asian Development Outlook. A public information center, with internet facilities, is also available in BRM to enable public access to ADB publications, reports, and information resources.

**Conclusion:**

Bangladesh still lags behind its rapidly improving Asian neighbors in economic performance and social outcomes because of deficient social services and infrastructure. Catching up will require capitalizing on regional growth. The country aims to achieve an annual GDP growth of 7%-8% over the medium term to reduce poverty more rapidly. This will require a substantial increase in investment to at least 28% of GDP annually from 24.5% in past years. Intensifying reforms in key sectors including education, energy, and transport are critical for unlocking growth potential and require increased support from development partners.

## **CHAPTER FIVE**

### **Programmes of ADB in Bangladesh**

#### **Introduction:**

The global recession's late-unfolding effects will, this year, slightly slow growth, but it will likely improve next year as the worldwide recovery strengthens. Macroeconomic stability has been maintained, but liquidity pressures in banking have emerged and will need to be dealt with decisively. Power and natural gas shortages will have to be tackled through large and quick investments, and policy and institutional reforms accelerated, to raise medium-term growth. Therefore, greater implementation capacity is needed for government development projects and infrastructure investments under the new public-private partnership scheme.

#### **Development Challenges:**

Infrastructure investment needs to be boosted for faster economic growth and poverty reduction. Underinvestment over the years has resulted in acute deficiencies, especially in power and gas, ports, and roads, which are restricting business opportunities and access to public services. Consequently, the government has to substantially raise project implementation capacity in public sector agencies, lift ADP utilization, and carry out PPPs in infrastructure. To launch the PPP scheme, the legal framework for setting the responsibilities of stakeholders, for cost-recovery provisions, and for compensation and redress mechanisms needs to be put in place quickly.

A combination of cheap labor and a supportive policy environment helped Bangladesh emerge as a major exporter of garments over the past two decades. However, overwhelming dependence on one industry has made the country's export earnings acutely vulnerable to a global slowdown. Recent experience underscores the urgency of diversifying into other promising industries such as ceramics, pharmaceuticals, food processing, leather products, and spare parts

for machinery and shipbuilding. An important requirement for such an export transformation is the necessary utility services such as power, gas, and water. Streamlining the export duty drawback system and improving customs and bonded warehouse facilities are also required. Population pressure is a related concern. It is straining ecosystem services, such as safe water supply and habitat as well as other natural resources, and pressuring the government in terms of providing infrastructure, utilities, and other services. Although Bangladesh has made progress over the past two decades in nearly halving the total fertility rate to slightly above the population replacement rate, further progress is needed-by raising investment in family planning and reproductive health-to push the fertility rate to below the replacement rate. Job opportunities will also need to be created for the large number of youths entering the job market each year.

Climate-induced disasters are endemic in Bangladesh, ruining the lives and livelihoods of millions of people, damaging infrastructure, and harming the physical environment. Climate change multiplies these inherent risks, undermining development prospects and eroding the gains in poverty reduction. Major efforts need to be mounted for mobilizing funds for adaptation measures, putting in place the right policy frameworks, and building institutional capacity.

#### **Development Strategy of ADB :**

Medium-term economic growth must accelerate to 7-8% per annum if MDG income poverty targets are to be attained. This requires increased private investment, both domestic and foreign, in all sectors; agricultural diversification and increased agribusiness activity; and increased efficiency in the industrial and service sectors. Enhanced access to irrigation, finance, and new technologies including ICT, rural electrification, and improved local transport and market infrastructure can help to raise farm productivity stable macro economy; stronger institutions; robust Government, private sector, NGO partnerships; and a gender-sensitive policy framework and budgetary process

will be needed to underpin higher pro-poor growth. Progress on these fronts, together with efficient public investment in essential infrastructure and services, will be needed to bolster investor confidence and expand opportunities for sub regional trade and investment.

Notwithstanding Bangladesh's significant progress in fostering social development over the past decades, the quality and efficiency of basic services, such as education, health, and water and sanitation, remain poor. Key priorities are to improve quality of primary and secondary education, make vocational education more relevant, and ensure that *madrasah* education empowers students with marketable skills. Faced with rapid and unplanned urbanization, improvements of basic municipal services are urgently needed, with a priority for providing primary health care to the poor, clean drinking water, and improved sewerage and sanitation services.

Reform of institutions and the implications for governance has become an urgent priority. Poor law and order, weak law enforcement agencies, ineffective judiciary, and rampant bribery and extortion in the public sector cast a shadow across all development activities. Governance reform and capacity building are required in all sectors, and in the political, executive, and judicial spheres to help build investor confidence and to increase returns to public sector interventions. Local governments need to be empowered, and the poor accorded a voice in local decision making if limited resources are to be used in a way that best addresses local needs.

#### **Strategies and Programs of ADB for development:**

In line with the NPRS strategies and priorities, the country strategy and program (CSP) aims to assist Bangladesh in addressing critical constraints to broad-based economic growth, social development, and good governance. Specifically, the strategy is built on (i) improving the investment climate for private sector-led growth and employment, (ii) advancing the social



development agenda to empower the poor so that all benefit from growth, and (iii) addressing key governance issues on a sector and thematic basis as a crosscutting enabler. The joint strategic approach with DFID, Japan, and World Bank enables ADB to be more selective and focused, to build on experience and sector strengths and available resources, and to make a judicious choice of lending and no lending instruments. It also enables ADB to strengthen engagement with the Government and other stakeholders in sectors where reforms are difficult but are fundamentally essential to growth and poverty reduction (e.g., power, port and railways).

ADB will play a major role in supporting policy and institutional reforms to improve sector governance and increase sector efficiency in energy, transport, education, urban health and urban water supply and sanitation sectors. In other areas, such as agriculture (i.e., agribusiness), water resource management, and the financial sector (including small- and medium-sized enterprise development), ADB will play a supportive role to initiatives led by other DPs. Consistent with the CAPE's recommendations, ADB will provide capacity building for capital market development, and only provide major support when the Government is prepared to proceed with key reforms. A sector approach will be considered for the railway subsector, jointly with the World Bank and other DPs, to ensure that institutional reform and investment requirements are addressed in a comprehensive and integrated manner. Compared with the 1999 country operational strategy, ADB in the new CSP period will scale-up its assistance in improving sector and local governance, and play a catalytic role in addressing core governance issues including measures aimed at combating corruption, improving access to justice, and building governance management capacity in cooperation with other DPs.

Building country capacity and ensuring community participation (especially by women and disadvantaged groups) in designing and implementing projects will remain a key feature of ADB operations. In line with lessons learned from the

ongoing portfolio, the CSP emphasizes designing projects that are better prepared for implementation, i.e., less complex; have a high degree of preparedness in terms of needed Government approvals, advanced stage of recruitment of project consultants and finalized procurement plans; consider capacity constraints; and include covenants that are realistic, focused, and properly sequenced. ADB's private sector operations will be aligned to complement public sector operations, and to play a catalytic role in attracting private investment, both domestic and foreign. Disaster mitigation, regional cooperation, and environment will be addressed as crosscutting thematic concerns.

ADB will no longer provide support for activities in biodiversity, forestry, land administration reform, standalone crop diversification, livestock development, rural livelihood development, clean fuel development, and early childhood development. Working in close cooperation with the other DPs, careful attention will be given to ensure that the benefits of past investments are not compromised by the withdrawal of ADB support from any sector or area.

The CSP's strategic focus is based on (i) extensive stakeholder consultations;(ii) a careful assessment and alignment of assistance with the development partners; (iii) a specific joint results framework with DFID, Government of Japan, and World Bank based on the development outcomes drawn from the NPRS; and (iv) ADB's experience and sector strengths. Figure 1 presents the strategic framework, illustrating the conceptual linkages between ADB interventions and the NPRS strategic goals and objectives. A process of joint monitoring and managing for results with the Government and the DPs has been agreed to, and will help maintain the momentum and spirit of harmonization and alignment to support poverty reduction in years to come.

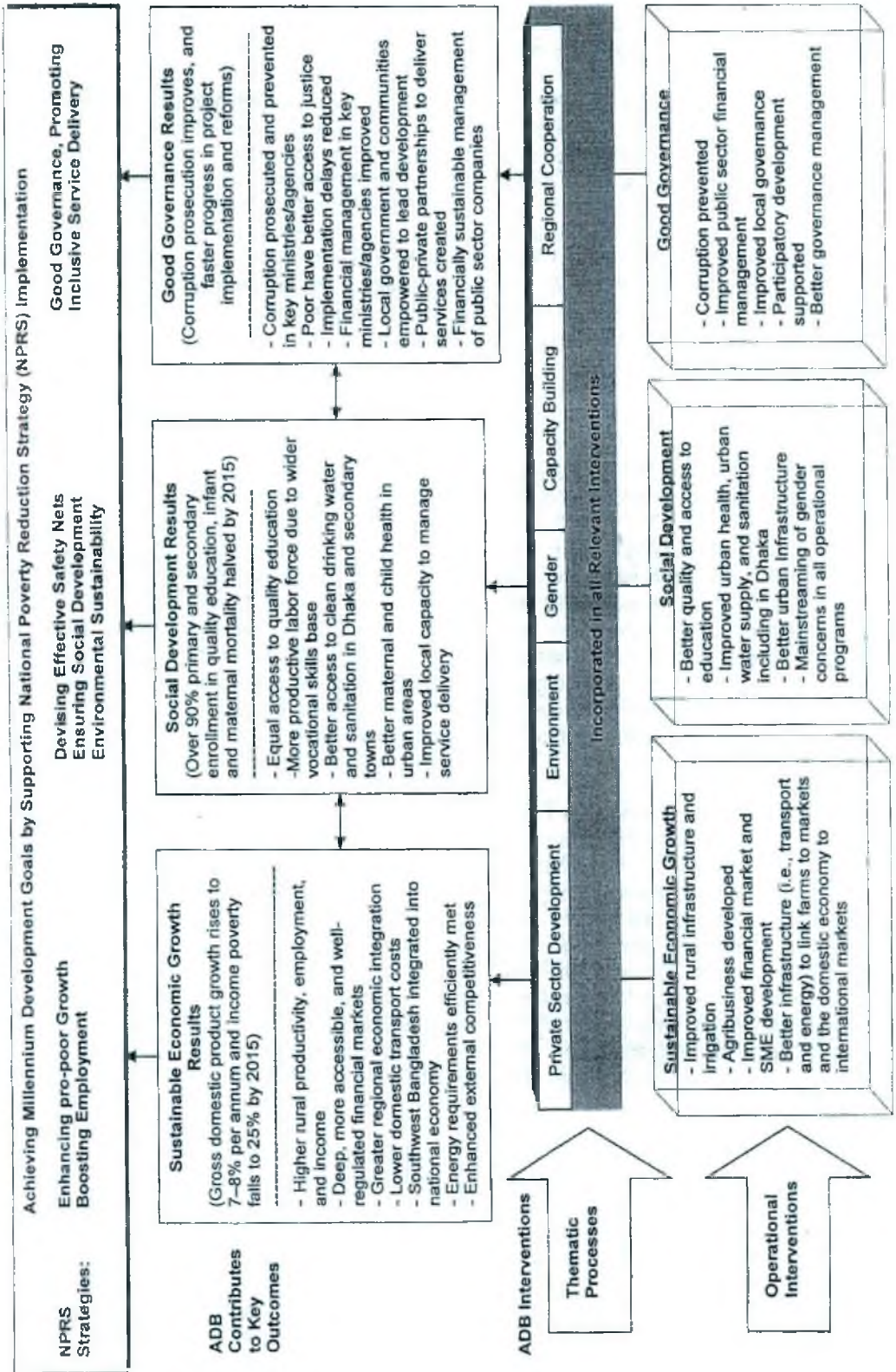
ADB will draw on its full range of lending and nonlending instruments (including its recent pilot financing instruments and modalities being

considered under the innovation and efficiency initiative such as the multitranche financing facility), TA, economic and sector work, policy dialogue, private sector operations, and DP coordination to contribute to the delivery of the results targeted in the NPRS. The CSP gives special emphasis to the sector development program modality, by combining programs of incremental reform with capacity building and investment support, to foster an integrated and long-term approach to sector needs and enhance ADB's leverage for promoting policy and institutional reforms. The choice of assistance instruments will be made as part of the design and delivery of the program. Strategically, ADB assistance will be integrated with that of other DPs to maximize synergies, build and foster use of country systems, and encourage ownership and participation in designing and managing the program.

**Strategies for Sustainable Economic Growth:**

ADB will assist the Government to improve policies and institutional capacity to support broad-based, private sector-led growth. This catalytic process will build upon, increase, and deepen reforms initiated through long-standing programs of support to key sectors (Fig 1). Specifically, ADB will contribute to the achievement of the Government's pro-poor economic growth strategy by (i) developing and upgrading strategic transport corridors (including Dhaka-Chittagong) by modernizing management and catalyzing private sector investment, and facilitating cross-border trade and investment flows; (ii) increasing access and improving quality of energy supplies by fostering competitive, impartially

Figure 1: The Strategic Framework



regulated, and financially sound power and hydrocarbon entities; (iii) connecting the southwest region to the balance of the country, and linking national and regional economies by developing the Padma Bridge; and (iv) complementing support by the International Monetary Fund (IMF) and World Bank for improving the soundness and depth of the financial markets, particularly to enhance SME access to sustainable financial markets.

ADB will help the rural poor to boost productivity, diversify production, and stimulate off-farm activity by (i) strengthening farm-to-market linkages; (ii) expanding access to irrigation and associated flood protection through command area and small-scale water resource management; and (iii) improving the enabling environment for agribusiness, with particular emphasis on initiatives by women and other excluded groups.

**Strategies for Social Development:**

ADB will continue to play a leading role in providing support for social development. To build the skills base of the next generation and to facilitate access for the poor, women, and excluded groups, key priorities will be to improve the quality and relevance of primary and secondary education, and technical and vocational training. Complementing the initiatives of the other DPs in rural areas, ADB will support the Government's efforts to target the provision of maternal and child health care services to poor women and children through public-NGO partnerships in service delivery in urban areas. This will be done in conjunction with support for initiatives to improve infrastructure in urban slums, and improve the delivery and management of water supply and sanitation services in a financially sustainable manner in urban areas, including Dhaka.

**Strategies for Good Governance:**

The cumulative effects of decades of poor governance cannot be overcome immediately or on all fronts at once. Selectivity, recognition that a long time frame will be required to forge progress, and greater attention to transforming organizations and building local government capacity is required in light of the range and severity of issues that need to be addressed. Recognizing its key comparative advantage, ADB will continue to play a major role in improving sector and local governance; this will be complemented by catalytic support to address critical constraints to core governance. In close cooperation with other DPs, ADB will support measures aimed at combating corruption, improving access to justice, and building governance management capacity. Good governance will be advanced by encouraging the Government to play a more effective regulatory and policy-making role; widening scope for private sector, NGO, and community-based organization provision of essential services; improving financial management; modernizing procurement practices; and promoting the spread of e-governance facilities. ADB will support improved local governance by focusing on decentralizing and strengthening local government; improving local resource mobilization, planning, and management capacity; and supporting the involvement of communities (including women and other excluded groups) and the private sector in planning and delivering local services.

**Strategies for Disaster Mitigation:**

A full complement of regional and national initiatives is needed to improve Bangladesh's ability to prepare for and manage risks arising from floods and other natural disasters. ADB will work with other DPs to ensure that the best international approaches to the development of early warning systems and disaster mitigation technology are adopted. At the global level, United Nations agencies are best poised to lead the effort to develop early warning systems and protocols for disaster preparation and management. At the regional level ADB will support

and complement global initiatives by assisting the Government to tap best regional practices and develop regional planning, cross-border resource management, and risk-mitigation capacity. At the country program level, ADB, in close cooperation with other DPs, will support public policies aimed at better preparedness, and adjusting and adapting to regular flooding, rather than intervening to alter the natural hydrology, with the exception of selective support for flood control structures in major urban centers. Disaster-risk considerations will be mainstreamed by ensuring that flood risks are assessed during project preparation; designing projects that can withstand anticipated flooding; and including site-specific flood control measures into ADB-supported investments, such as rural irrigation facilities, whose performance hinges on mitigating the risks of major floods.

**Strategies for Capacity Building:**

This is one of the key results of a well-harmonized external assistance effort. Institutional capacities in the key ministries and agencies where ADB is involved will be strengthened by supporting tailor-made approaches to enhance governance in these front-line organizations. Project design and implementation will increasingly rely on local experts to build country capacity and a skills base that can be relied on after projects conclude. Participatory development will be encouraged to build the capacities of local communities to lead local development initiatives, safeguard natural resources, and deliver services efficiently and effectively on a sustainable basis. To help prepare for progressive devolution of responsibilities to local governments and communities, special emphasis will be accorded to building local government (and agency) capacity to plan, finance, operate, and maintain specific social and economic services; and to fostering community participation in development activities.

**Strategies for Private Sector Development:**

Better infrastructure, public policies, regulatory regimes, governance, and improved law and order will be needed if higher rates of private investment are to materialize. ADB's public and private sector operations will work in harmony to improve the enabling environment to make Bangladesh more attractive to FDI; and to widen opportunities for public-private partnerships in energy, transport, social, and financial sectors. More specifically, **private** sector development will be supported by easing key infrastructure bottlenecks to growth; **budding** the basic education, skills, and health foundation for a more productive labor force; fostering public-private partnerships to provide essential infrastructure and services; nurturing a SME sector; improving private financial governance; facilitating the restructuring and privatization of selected SOEs; and assisting the Government in improving the policy and regulatory environment for private sector development.

ADB, through its public sector operations, will help the Government improve the climate private sector development through a combination of investments and technical support for policy, institutional, and regulatory reform in key sectors where ADB operates. Complementing public sector operations, ADB's private sector operations will be designed to introduce vocative models and approaches to catalyze private sector investment, through equity: anticipation, lending, and introduction of new instruments and contractual arrangements for -an aging private sector investment risk. Support for key infrastructure development and uncial sector reforms will be the main focus of ADB's private sector operations.

**Strategies for women:**

ADB's gender strategy will continue to focus on empowering women and -arrowing gender gaps through policy dialogue, and by incorporating measures aimed at stering women's effective participation in all projects and programs.



Mainstreaming gender considerations will involve (i) promoting women's participation in ADB-sponsored projects at the planning, implementation, and monitoring stages, in line with project-specific gender action plans; (ii) reducing gender-based wage gaps in ADB-supported activities; (iii) building capacity of local government institutions and other partners in gender-sensitive policy and program planning; (iv) providing support for sector studies to identify opportunities to close gender gaps; (v) helping the Government to mainstream gender considerations in the activities of various ministries/agencies; and (vi) developing detailed monitoring mechanisms involving women's groups to track and report on progress in overcoming gender discrimination. ADB will also support development and implementation of the national action plan for women's advancement and other gender promotion measures identified in the NPRS.

**Strategies for Regional Cooperation:**

ADB recognizes economic cooperation as an important means of achieving more efficient use of regional resources; making economies more complementary; and promoting the orderly expansion of foreign trade, in particular, sub regional and interregional trade. Improving connectivity, facilitating trade and investment, developing regional tourism, facilitating cooperation in energy to meet growing regional energy needs, and promoting private sector cooperation are the key strategic objectives of ADB's RCSP for South Asia. Through its country program, ADB will assist the Government to reform the external trade regime, to participate actively in sub regional cooperation initiatives by providing regional TA and knowledge products aimed at building the capacity to respond to cross-border challenges (e.g., trafficking and disaster management), and by establishing an integrated sub regional transport and energy network to enhance Bangladesh's position as a transport and transshipment hub. Key investment priorities expected to have important regional integration payoffs include (i) upgrading and developing key transport corridors, including Dhaka-Chittagong, and building

capacity at the Chittagong port to facilitate trade; (ii) improving the network and management of strategic transport links, including highways, the Padma Bridge, rail system, and ports to better integrate Bangladesh's multimodal transport with neighboring states; and (iii) providing the knowledge and expertise needed to improve public policies and institutional arrangements to support regional energy trade.

**Strategies for Environment Management:**

Environmental management considerations will be incorporated in all ADB operations because of the fragility of the natural resource base, Bangladesh's extremely high population density, and the strong link between poverty and resource degradation. ADB will mainstream environmental concerns in its operational program. Toward this end, ADB will help the Government promote improvements in water and air quality, mitigate arsenic contamination, promote environmentally benign interventions in energy and transport, foster sustainable agriculture development, and raise knowledge and awareness of environmental management in Government and society as a whole.

**Improving policies of external assistant:**

External assistance can only generate results if implementation improves. To help address key implementation constraints, future ADB assistance will focus on fewer sectors, project designs that are less complex, and policy and institutional reform support well-sequenced keeping in view the country context. To reduce the project burden on the public sector, ADB will strive to better harmonize its assistance with that of other DPs. Building effective partnerships to deliver services will be supported by (i) promoting private sector and civil society, including NGO participation in delivering infrastructure and other services; (ii) increasingly relying on local experts to design and implement projects in the Bangladesh context and to build country capacity in the long run; (iii) ensuring

transparency and accountability in the flow of funds and implementation mechanisms; and (iv) involving civil society in the monitoring and evaluation of ADB operations. To accelerate implementation of ongoing projects, intensive reviews and constant monitoring and follow-up will continue following the agreed project- and sector-specific actions plans and results framework. In addition, an assessment will be undertaken jointly with the Government to seek greater harmonization between the DPs' procurement guidelines and the Government's 2003 public procurement regulations, aiming to reduce delays in procurement—a serious impediment to project implementation. Greater delegation of project supervision responsibilities to the resident mission will facilitate more intensive project monitoring and help accelerate decision making to improve project implementation.

The Government is leading the harmonization process by actively promoting greater cooperation between the DPs and improving alignment of their assistance programs with the NPRS. Coordination of external funding is accomplished through the local consultative group (LCG), which comprises 22 active sector and/or thematic working groups, and provides a forum for exchanging views on development and policy issues. ADB plays a lead role in supporting a coordinated assistance response to the Government's reform initiatives in the transport, energy, education, and urban sectors, and chairs the local consultative group subgroups on transport, energy, and urban sectors. Sector approaches have been adopted in primary education (Box 2) and health. Practically, all of the large-scale infrastructure projects will be co financed by several partners; and several agencies will provide direct budgetary support to the Government. ADB, DFID, Japan Bank for International Cooperation and World Bank have started to hold regular portfolio reviews with the Government. The DPs are making a coordinated effort to assist the Government in addressing generic issues that hamper

development effectiveness, such as delays in the use of funds, concerns about the efficiency of fund use, and uncertainty about project effectiveness.

**Summary of ADB's strategies & Programmes:**

This CSP signals ADB's intention to manage assistance activities to achieve better development results. It is results-based in that it (i) identifies the poverty reduction results sought by the Government to which ADB will contribute; (ii) identifies what outcomes are expected over the short- to medium-term; (iii) provides a management framework that links strategic development goals, outcomes that are directly influenced by ADB's program, key results that are necessary to reach those outcomes, with the proposed mix of ADB support; and (iv) provides a basis for monitoring and evaluating the success of this CSP (Matrix 1). The results orientation is designed to help ADB, the Government, and other DPs more effectively monitor and manage development assistance to ensure that it effectively contributes to meaningful development results. Specifically, Matrix 1, which focuses largely on specific sector/project indicators, will assist the Implementation, Monitoring, and Evaluation Division (IMED) of the Ministry of Planning to track sector reforms and the physical progress of project implementation under various ministries, with a greater focus on sector impact.

The monitoring framework of the CSP relies on coordinated activities at two levels. The joint result matrix by the four strategy partners (Matrix 2), which covers a wide spectrum of both macro and sector issues relating to investment climate, inclusive social development, and governance improvement as set out in the NPRS, will be the basis for assessment by the General Economics Division (GED) of the Planning Commission on the overall progress in poverty reduction and delivery of key results under the NPRS. The results framework will be periodically updated to ensure its continued relevance as adjustments are made to the strategy and programs to achieve desired results. Capacity building of both

government institutions (i.e., IMED and GED) and strengthening their functional linkages will be supported to ensure effective tracking of progress.

ADB's contribution to the achievement of intermediate outcomes in the next 4-5 years will primarily depend on its ongoing projects and programs. More timely and effective implementation of ongoing operations, therefore, will be central to achieving development results. Regular portfolio reviews will assess progress made in achieving targeted results. The results framework also serves to link ongoing operations to indicators of their key expected outcomes for review and update during the CSP update and the annual portfolio review jointly conducted with DFID, Japan Bank for International Cooperation, and the World Bank.

#### **Work of ADB:**

The Asian Development Bank (ADB) has been supporting the development of Bangladesh since 1973, with 183 approved loans totaling \$10 billion for 163 projects and programs through the end of 2008. ADB's support has covered many sectors, but has focused mostly on agriculture and natural resources (ANR), education, energy, and transport. At the end of 2008, ADB's portfolio of active loans totaled \$3.7 billion, financing 37 projects and programs over 10 sectors.

This country assistance program evaluation (CAPE) is the second for Bangladesh, evaluating ADB's support from 1999 to the end of 2008, focusing on the 2005 country strategy, and covering 24 completed and 37 ongoing projects and programs. It updates Bangladesh's first CAPE in 2003, which covered ADB support from 1986 to 2001. Where the two CAPEs overlap in 1999 to 2001, this evaluation study focuses on issues that could not be fully evaluated at the time of the first one. The evaluation follows ADB's Guidelines for the Preparation of Country Assistance Program Evaluation Reports.

ADB's program has been generally consistent with the country strategies and the Government's priorities. The top four sectors in ADB's program have been agriculture and natural resources (ANR), education, energy, and transport sectors which were identified in ADB's country strategies, and which are also the Government's top priorities. Programming under ADB's 1999 country strategy met its aim to cut the number of subsectors. Programming under ADB's country 2005 strategy, however, has continued supporting some subsectors (e.g., crop diversification, livestock development, livestock development, rural livelihood development) that the strategy aimed to cut, apparently because ADB felt other development partners were not prepared to step in to replace ADB's support.

Although the 2005 strategy pledged to focus on fewer sectors, ADB's financing of projects and programs has broadened slightly. ADB added a sector it had not supported in recent programming (law, economic management, and public policy), while continuing to support all previous sectors. A major reason for this addition was to support governance reform at the request of the Government. ADB's sector focus is at least as good as its other partners in the joint approach.

ADB's program responded well to the country's needs and the Government's priorities, especially for disaster risk management and emergency support. From 1999 to 2008, ADB's support for disaster risk management (DRM) amounted to 15% of ADB's financing, making DRM a de facto major part of ADB's program, comparable in size with ADB's programs in education and ANR. Despite its size and importance, however, ADB has not fully mainstreamed DRM in its program, with DRM not fully addressed in some projects.

ADB administered its portfolio in a difficult environment. All projects in Bangladesh proceed slower than expected, including those financed by the Government and by ADB. ADB's disbursements, however, are lower than those of other major dev

elopment partners, and are regularly below the ADB average. ADB's portfolio in Bangladesh has \$1.88 billion uncontracted and \$2.13 billion undisbursed balances. The success rate of completed projects and programs from 1973 to 2008 (58.1%) is lower than the ADB average (63.7%), but the rate has improved over time, from 57% in the 1980s to 79% for projects and programs closed during this CAPE period. The results framework in ADB's 2005 country strategy included monitoring indicators and targets to meet by 2008; in late 2009 ADB issued a revised set of monitoring indicators in its mid-term review of the 2005 country strategy. Only 26% of the original indicators had met their targets by 2009, and only 39% of the revised indicators had hit their targets by the time of the mid-term review. Most progress was in governance, energy, and transport. The CAPE evaluated contributions to long-term development in seven key areas of ADB's support. ADB's strongest contributions were in energy, disaster risk management, and urban development and water supply and sanitation. In energy, ADB contributed substantially to sector reforms. In DRM, ADB introduced effective and efficient technologies, while in urban development and water supply and sanitation, ADB helped improve urban public health. The contributions to long-term development results were rated as substantial in four of the key areas, and modest in the other three. The overall assessment for ADB's program in Bangladesh is *successful*. ADB's strategic positioning was highly relevant to the country's needs, the Government's priorities, and ADB's own strategies. ADB's country strategy was developed through a partnership that has strengthened coordination and leadership among the Government's four main development partners. ADB's programming largely followed through on the course set in the strategies, and although sector focus has broadened slightly, ADB's focus in recent programming is adequate. Although disbursement improved in 2008, ADB's disbursements are low compared with the ADB average. ADB's contributions to long term development results were modest, judging by progress in the monitoring indicators for the results framework, and by contributions to long term development results in seven areas of ADB's program. Stakeholders' perception of ADB's performance is

s positive. ADB's programs for education and energy are rated *successful*, but these two sectors account for less than half of ADB's financing. The other five parts (agriculture and natural resources, disaster risk management, education, transport, and urban development and water supply and sanitation) have been rated *partly successful* due to shortfalls in achieving intended objectives, implementation delays, concerns regarding efficiency, and issues related to sustainability of outputs and outcomes.

### Portfolio, Performance of ADB:

ADB's loan portfolio in Bangladesh is diverse, covering several major sectors including agriculture, water resources, education, urban primary health, energy, transport, and finance. As a result of intensified portfolio management during recent years, major portfolio indicators have improved<sup>11</sup> and are now generally at par or better than ADB averages. For instance, before mid-2005, all 2004 loans have become effective. As a result of combined efforts by ADB and the Government to improve project implementation, portfolio indicators are expected to further improve during 2005. This will result in a significant increase in overall disbursement, thereby contributing to a much-needed increase in the net transfer of resources, which became negative during 2004.

**Table 1: Portfolio Indicator-Disbursements and Net Transfers of Resources (Public sector loans)**

Disbursements and Transfers	OCR	ADF	Total
<b>Disbursements<sup>a</sup></b>			
Total Funds Available for Withdrawal (\$ million)	589.5	1,722.7	2,312.2
Disbursed Amount (\$ million, cumulative)	119.1	425.1	544.3
Percentage Disbursed (disbursed amount/total available)	20.2	24.7	23.5
Disbursements (\$ million, latest year)	20.2	69.3	89.5
Disbursement Ratio (%) <sup>b</sup>	4.1	4.8	4.6
<b>Net Transfer of Resources (\$ million)</b>			
1999	0.0	172.9	172.9
2000	0.0	158.4	158.4
2001	0.0	84.9	84.9
2002	5.8	50.7	56.5
2003	17.5	47.9	65.4
2004	67.7	(69.9)	(2.2)
2005 (as of 30 June 2005)	17.4	(9.8)	7.6

Source: Asian Development Bank estimates.



A wide range of portfolio management initiatives have been pursued by both ADB and the Government over the last few years to enhance portfolio performance. Following a results-based approach, these include (i) improving project quality at entry by introducing a project readiness filter for all projects being formulated, and adopting project designs with realistic and well-sequenced policy conditions; (ii) restructuring and redesigning ongoing projects with partial cancellation;<sup>13</sup> (iii) adopting new streamlined Government project approval procedures and formats;<sup>14</sup> (iv) implementing more efficient and transparent public procurement regulations (2003); (v) intensifying project and procurement reviews by ADB's Bangladesh Resident Mission and reviews by independent auditors along with commencement of performance auditing of projects as part of anticorruption efforts; (vi) adopting a new monitoring system for efficient and transparent recruitment of consultants along with simplified recruitment procedures; (vii) strengthening executing agencies' implementation capacity with upfront commitment of critical resources and continuous monitoring and follow-up on results; (viii) strengthening ADB's implementation capacity with further delegation of project administration to the resident mission, and increasing staff resources for project implementation; (ix) strengthening financial management, reporting, and auditing; (x) preparing a national involuntary resettlement policy with ADB assistance; (xi) increasing allocations for operation and maintenance (O&M) to sustain project benefits; and (xii) conducting regular portfolio reviews and continuous follow-up meetings with the Government. Project- and sector-specific action plans have contributed to improved project implementation, most notably in the power and roads sectors during 2004 and 2005.

The NPRS highlights the urgent priority of improving the implementation of the annual development program. ADB will continue to work closely with the Government and the DPs, particularly the joint strategy partners, to address

common project implementation constraints. Prioritized portfolio management activities include continued and intensified joint country portfolio reviews, introduction of results-based project and sector reviews, special in-depth reviews of poorly performing projects or sectors, strengthening of project management, enhanced financial management with increased resource allocation, and independent performance and procurement auditing. The Government has agreed to use a results-based framework to assess implementation and measure project, sector, and country results; continued support will be provided for capacity building to ensure that the framework is used as an effective management tool.

### **Lessons from the Strategies and Program**

ADB's assistance in key sectors has contributed to steady achievements, particularly in energy, transport, rural development, education, and urban health. Success has been greatest and sustained the longest when ADB has maintained long-term involvement in the sector; combined programs of incremental reform with capacity building and investment support; and built effective partnerships with other DPs, the private sector, and civil society. The poverty impacts of ADB-assisted operations will, however, be amplified by concentrating resources on a few priority sectors, and operating in those sectors in which the Government is firmly committed to necessary policy and institutional reform.

Addressing critical bottlenecks to sustain high rates of economic growth, improving the quality of basic social services, and building a well-governed public sector are Bangladesh's most important priorities. Scaling-up good-practice initiatives in key sectors that combine policy reform, capacity building, and new investment can catalyze the delivery of tangible poverty-reduction results. Doing this in a manner that builds a durable, results-oriented partnership between the Government, private sector, and civil society is critical to achieving poverty reduction goals and objectives. Development effectiveness can be improved if

ADB focuses its assistance on key areas vital to NPRS success, harmonizes its interventions with those of other DPs, and maintains a clear focus in all operations on contributing to the delivery of well-defined development results. A long-term commitment to capacity building, encouragement of good governance practices, and an appropriate policy environment are critical, together with ownership and commitment to reforms by political leaders, Government, and civil society.

## **CURRENT DEVELOPMENT TRENDS AND ISSUES**

Despite poor conditions at the time of independence and its extremely high vulnerability to natural disasters, Bangladesh's achievements in macroeconomic management and social development have been impressive compared with many Asian countries (Table 2). The country has achieved steady annual economic growth of 4-5% since the 1990s, with fiscal and current account imbalances contained at manageable levels, low inflation rates, moderate public debt, and stable interest and exchange rates. During the 1990s, national poverty fell from 59% to 50%, one of the fastest rates of decline recorded worldwide. Infant mortality was halved and life expectancy increased from 56 to 65 years. Over the past 5 years, average economic growth exceeded 5% and poverty incidence continued to decline. The vast majority of children now attend primary school, and gender parity has been achieved in primary and secondary education with a committed Government policy for girls' education.

Table 2: Key Social and Economic Indicators in Selected Countries

	Gross National Income Per Capita (\$)	Average Fiscal Balance % of GDP	Average Inflation Rate	Poverty Headcount Index	Gini Index	Access to Improved Water Source	Net Primary School Enrollment Rate	Life Expectancy at Birth
<b>South Asia</b>								
Bangladesh	400	(4.7)	5.1	50	32	75	85	65
India	540	(8.7)	6.7	29	33	86	83	63
Nepal	240	(4.8)	5.9	42	37	84	70	60
Pakistan	520	(5.9)	6.5	33	33	90	59	64
Sri Lanka	930	(8.4)	9.3	25	33	78	97	74
<b>East and Southeast Asia</b>								
China, People's Republic of	1,100	(2.7)	3.0	5	45	77	95	71
Indonesia	810	(0.8)	15.1	27	34	78	92	67

GDP = gross domestic product, () = negative.

Source: World Bank. 2004. *2004 World Development Indicators*. Washington D.C. and Government of Bangladesh.

Although the overall governance setting is marked by poor law and order, systemic corruption, and a decline in civil service quality, several positive aspects of governance explain Bangladesh's success in accelerating growth and reducing poverty over the past decade. Since the 1990s, the Government has increasingly supported private sector development through sound macroeconomic management and measures to open up the economy. The sustained use of public resources to support technological progress in agriculture, rural infrastructure, health, and education, combined with progressive policies to ensure community participation and strong partnerships with nongovernment organizations (NGOs) to deliver grassroots public services, have helped Bangladesh make a strong start in meeting the Millennium Development Goals (MDGs). As a result of open labor market policies, income from remittances and peacekeeping is now equivalent to 50% of export earnings, much of which directly benefits the rural poor.

Still, national income remains extremely low, with national gross domestic product (GDP) at about \$56.5 billion and per capita GDP at \$418 in fiscal year (FY) 2004. As a result, nearly half of the population remains poor, maternal and child mortality rates are extremely high, education quality is poor, gender discrimination continues, and efforts to overcome poverty face numerous constraints. The population growth rate fell from 3% in the 1970s to 1.3% in 2004.

With about 140 million occupying 147,570 square kilometers of land (population density nearly

1,000 people per square kilometer), Bangladesh is one of the most densely populated countries. Two thirds of the rural population are landless or near landless, and the productive agricultural land is often inundated by regular floods. The population of Dhaka, one of Asia's megacities, has expanded to 12 million, straining urban services, threatening public health and adversely affecting the environment. Providing the necessary infrastructure while generating productive employment, safe habitats, and responsive public services for the poor and for new entrants to the labor force are tremendous challenges.

A dynamic private sector, a growing skilled labor force, a capable network of NGOs, and dedicated elements of the public service are drawing on their respective resources, talents, and capacities to address the tremendous array of constraints that are keeping the country from realizing its full economic and social potential. But Bangladesh faces even formidable challenges: the urgent need for improved law and order, better infrastructure, sound financial markets, quality social services that are accessible and affordable, clean urban habitats, and an enabling environment for private sector development.

### **Economic Growth**

Rapid economic growth has underpinned poverty reduction efforts. Real annual GDP growth averaged 5.3% during 2000-2004 up from 4.8% in the 1990s, and 3.5% in the 1980s. The GDP growth rate reached a record level of 6.3% in FY2004. Although income inequality increased over the past decades, the poor benefited from the growth process with a decline in rural and urban poverty. The stable macroeconomic environment and measures to open up the economy resulted

in annual export growth of 11% in the 1990s with substantial employment generation, especially in the ready-made garment (RMG) sector. Macroeconomic stability, strengthened banking operations, and open labor markets contributed to a significant rise in remittances, at approximately 6% of GDP by FY2004. Remittances have reached the rural poor, helped to finance the purchase of land and agriculture inputs, and contributed to improved human resources. Furthermore, investment in irrigation, research and extension, together with more liberal agriculture input and output markets, triggered a rise in productivity, especially in rice cultivation and fisheries. Pro-poor public expenditures directed at rural infrastructure also contributed to a significant increase in nonfarm activity, employment, and income.

The positive economic growth momentum continues. Growth is estimated at 5.4% in FY2005, a remarkable achievement considering the severe floods that affected about 38% of the country, extensively damaging standing crops, infrastructure, and livelihoods of 36 million people across 39 of the 64 districts. Private sector-led growth in FY2005 remained buoyant despite shocks resulting from US dollar depreciation, higher oil prices, and increased frequency of *hartals* (general strikes) and violence.

A decade of double-digit growth in exports of goods and services and increased remittances have generated the resources required to boost imports of capital goods and raw materials, and to maintain a comfortable level of external reserves. Inflation has been contained in the single digits for nearly two decades. Since 1995, the total stock of government debt has stabilized at 45-50% of GDP, while external debt service has fallen from 16% of total exports in FY1992 to 6.6% in FY2004, largely due to a sharp increase in exports and the concessionary nature of the external debt. Though fiscal policy remains expansionary, the fiscal deficit was reduced from 6.2% of GDP in FY2000 to 4.5% in FY2005. While fiscal

performance has been broadly consistent with the goal of price stability and debt sustainability, it has been less successful in promoting full employment: 40% of the population is estimated to be unemployed or underemployed. With Government revenues at less than 11% of GDP (compared with a regional average of 19%) the growing demand for infrastructure, social services, and other basic public goods cannot be met. For example, the energy sector requires \$600 million per annum to meet existing and growing demand for energy, compared with the actual investment of \$300 million.

Public and private investment has remained stagnant since the mid-1990s, with the former making up 6-7% of GDP, and the latter 15-17%. Although much more public investment in infrastructure and services is badly required, prospects for a significant increase in public investment are limited by the very low government revenue base, and major new quasi-fiscal obligations that will need to be addressed in coming years, including for recapitalizing nationalized commercial banks, and covering retrenchment costs of employees of loss-making state-owned enterprises (SOEs).

New sources of growth will need to be nurtured to sustain the country's current achievements, and to move to a higher annual growth path of 7-8% needed to achieve poverty reduction objectives and related MDGs. New sources of growth can be achieved by expanding the nonfarm rural economy, promoting small- and medium-sized enterprises (SMEs), fostering export diversification, tapping information and communication technology (ICT), and enhancing investment opportunities by boosting factor productivity. To accelerate pro-poor growth, private investment will need to increase and become more productive. This is a daunting challenge, given changes in global and domestic markets. The phase-out of the Multi-Fiber Arrangement poses an immediate threat to RMG manufacturing, which has been a major contributor to the economy's growth over

the last decade. Availability of cultivable land, which has been an important source of agriculture growth, has been declining, affecting not only agriculture production but also the rural nonfarm sector. Expansion of private investment is constrained by inadequate infrastructure (e.g., power and ports), poor law and order, corruption, and burdensome regulation. Inadequate access to finance is a major constraint to investment, disproportionately affecting SMEs, the largest segment of Bangladesh's enterprise sector.

### **Political Environment**

Although democracy is firmly entrenched, confrontational politics is a source of potential instability and political uncertainty that adversely affects Bangladesh's international reputation and investment climate. The two major political parties—the Bangladesh Nationalist Party and the Awami League—have yet to reconcile their differences. The frequency of *hartals* and violence has increased, impeding economic progress as the country enters the fifth year of the Bangladesh Awami League lead alliance Government. The Government has stepped up measures to improve the law and order situation, but progress has been limited. The Bangladesh Nationalist Party has been boycotting parliamentary sessions, making political consensus difficult. However, party manifestos and policy debates suggest that the two major political parties have a near ideological consensus on economic policy matters; all major parties support democratic, market-oriented development.

### **Poverty**

A few decades ago, poverty in Bangladesh was primarily caused by landlessness, vulnerability to natural disasters, and limited opportunities for employment in subsistence-oriented agriculture. As a result of vastly improved transport and communication networks, rural labor has become more mobile; farming has



become more market-oriented; and the poor are now able to draw their livelihoods from a continuum of farm, off-farm, rural, and urban activities. Microfinance initiatives, the RMG sector, and rural education have fueled the increasing participation of women in the labor force and their growing economic empowerment. This has helped spread access to cash income throughout the year. Urbanization and repatriation of out-of-country remittances, while fueling income inequity, have made a positive contribution to poverty reduction. Overall, the rural poor tend to be landless, live in remote areas, and have inadequate access to basic infrastructure and services. Urban poverty is associated with limited employment opportunities, poor health, inadequate water supply and sanitation facilities, and frequent eviction of squatters by the authorities. Human security in both rural and urban areas is particularly inadequate due to crime, violence against women, and uneven law enforcement. But increasing mobility, flexibility, social networks, and human capital influence the livelihoods and prospects for poverty reduction for the majority of the poor.

Despite considerable progress, Bangladesh is still one of the world's poorest nations, with average GDP per capita only marginally higher than the dollar-a-day international poverty standard. In 2000, about 50% of the country's population was classified as having incomes below the national poverty line, compared with 59% in 1991/1992.<sup>1</sup> In the 1990s, the incidence of extreme poverty declined from 43% to 34%. Still, the absolute number classified as poor remained virtually unchanged at around 63 million in 2000 because of population growth. While its methods are not comparable to the 1990 and 2000 surveys, the results of the 2004 poverty monitoring survey suggest that poverty incidence decreased by about 5 percentage points between 1999 and 2004.<sup>2</sup> This is consistent with the performance recorded in poverty reduction during the 1990s.

Over the past two decades, progress in reducing human poverty proceeded even faster than the progress in reducing income poverty, due largely to the positive effects of substantial public investment in rural transport and social services. The human poverty index fell from 61% in 1981/83 to 47% in 1993/94, and to 36% by 2000.<sup>3</sup> In 2003, for the first time, the United Nations Development Programme (UNDP) placed Bangladesh in the medium human development category, along with its neighbors—Bhutan, India, and Sri Lanka. Bangladesh has made steady progress toward achieving the MDGs, and is broadly on-track to achieve its 2015 targets. Major achievements include higher rates of primary education enrollment, gender parity in primary and secondary education, higher literacy rates, rapid decline in the population growth rate, and steady reduction in infant mortality. However, overall levels of human development including functional literacy are still low. Child malnutrition rates are among the highest in the world, while maternal mortality rates are among the highest outside sub-Saharan Africa.

In the past decade, progress in reducing the poverty head-count was faster in urban than in rural areas, due to expansion of labor-intensive manufacturing and services. In contrast, more progress was made in addressing absolute deprivation in rural areas, as measured by the improving trend in the rural poverty gap, due in large part to microfinance and other NGO-supported initiatives targeted to poor rural women. In the 1990s, inequality increased as economic growth rates accelerated, but income poverty rates decreased more quickly. Real agricultural wages increased from about Tk20/day in 1983/84 to about Tk32/day in 2004, boosting the welfare of the landless and land-poor farm community.

### **Governance**

Economic growth and poverty reduction continue to be frustrated by a lack of accountability, transparency, and predictability in the way government operates. In addition to corruption and poor law and order, key governance issues include

excessive centralization of decision-making authority, lack of judicial autonomy, weak enforcement of contracts and inadequate access to commercial justice, rigid administrative orientation of the public service, scant use of modern governance technology (e.g., e-governance), and dearth of opportunities for ordinary citizens to participate in public decision making.

The Government is making steady progress in addressing some broad governance issues, including improving fiscal management, financial management, and project documentation and processing, public sector management efficiency, and corporate governance in key sectors. Recent measures by the Government to address core governance issues include the creation of the Anti-Corruption Commission (ACC), strengthening of law enforcement agencies, establishment of regular courts in the hill districts where the majority of the country's indigenous peoples reside, initial steps to separate the judiciary from the executive, and various civil and criminal justice reforms. The Government has initiated a national integrity strategy aimed at combating corruption in the Government. A broad consultation process has commenced for this purpose with the support of Bangladesh's development partners (DPs).

The results of sector reform programs are encouraging, particularly in terms of reconstitution of regulatory bodies (e.g., the Energy Regulatory Commission, now functional), corporatization<sup>4</sup>, tariff setting and the separation of policy making from management functions in the power sector, enhancement of stakeholder participation in urban sector planning and management, improvement of capital market regulation and supervision, and adoption and enforcement of regulatory standards in the transport sector.

The needs of the poor are well met in areas that have a diversity of service providers, more local decision-making, and active efforts to empower the weak

and excluded segments of society. Creating space for private sector and NGO service provision, commercializing public sector activities, fostering public-private partnerships, and gradually decentralizing responsibilities to local governments have helped transform many poorly performing and unresponsive central government services into competitive, accountable, and demand-driven services that reach the poor and provide good value for money.

### **Flooding and Disaster Management**

Every year, large parts of Bangladesh are flooded, but severe floods inflict the most damage. In 2004, severe flooding caused an estimated \$2.3 billion in damage and income loss. In total, 39 of 64 districts and 36 million people (27% of the total population) were affected. The Government is adopting a holistic response that integrates disaster prevention; development of early warning and monitoring systems; awareness building, education, and training (of both experts and citizens); and relief and reconstruction. In the medium to longer term, however, more emphasis is needed on mitigating and managing future floods rather than attempting to prevent them completely. A culture of disaster prevention and resilience must be fostered at all levels.

A combination of international, regional, and national interventions will be needed to reduce disaster risks and improve mitigation capacity. A high regional priority is to improve management of the Ganges, Brahmaputra, and Meghna rivers, including regular exchange of key data and information on flood and water levels. The Government has proposed establishing a multilateral river commission, with representation of the governments of Bangladesh, Bhutan, People's Republic of China, India, and Nepal to improve transboundary river management.

### **Country Capacity**

The civil service comprises over 1 million staff in 37 ministries, 11 divisions, 254 departments and 173 statutory bodies. While the size of the civil service has doubled over the past three decades, the quality of public administration has declined, as has the real purchasing power of salaries paid to civil servants. Weaknesses in public sector capacity stem from politicization of the civil service, poor quality of intakes, a generalist approach to administration, bureaucratic centralization, a culture of secrecy resulting in low accountability, lack of results orientation with an emphasis on process over efficiency, inadequate training and capacity-building efforts, limited performance incentives, and weak performance monitoring. Technical and administrative constraints, combined with inadequate resources and limited authority, hamper efforts to build local capacity. To improve public administration, the Government is reorganizing the ministries along functional lines and providing a 40% civil service pay increase over 18 months beginning January 2005.

Forging robust public-private-NGO partnerships is essential to ensure that capacities to serve the poor are in place. Bangladesh has a flourishing civil society, including some of the world's most innovative NGOs and community-based organizations, and a diverse free press. The private sector is growing rapidly, and foreign investors, while a small force in the total institutional landscape, are growing in number and influence, particularly in the labor-intensive manufacturing, energy, and telecommunications sectors.

### **Gender Assessment**

Women in Bangladesh remain particularly vulnerable to poverty. Historically, socially prescribed roles have limited women's access to economic resources, political participation, and other forms of decision making. Women's earnings are almost 50% less than men's, and women's employment is concentrated in sectors

characterized by low returns and temporary employment terms. About 30% of adult women are able to read and write compared with 50% of men. Human trafficking, particularly of women and children, continues as an extreme manifestation of both deprivation and gender violence. Although attention to gender concerns is increasing, women continue to have a limited political and economic voice.

The role of women in economic and social development has improved over time, making a major contribution to poverty reduction. Participation of women in the wage labor force has increased, particularly with the 2 million jobs in the RMG sector. In rural areas, women regularly provide cash contribution to household income because of their widespread access to microfinance schemes. With higher cash incomes, more women are able to access health services', this has contributed to a decline in infant mortality rates and an increase in female life expectancy. Women's social mobilization has contributed to reduced fertility rates and improved health of family members. Girls are now enrolling in primary school on an equal basis with boys, indicating a significant change in family attitudes to the value of girls, not only economically, but also as individuals with a right to learn.

### **Private Sector**

The private sector accounts for close to 70% of total investment, 80% of GDP, and 90% of total employment. Successive governments have recognized the need to foster development of the private sector as the main engine of growth. Maintaining a stable macroeconomic framework, opening up the economy including privatization of a number of nationalized industries, allowing private investment in many previously restricted sectors (including finance, energy, and telecommunications), and removing government involvement in trade and distribution of agricultural inputs (seeds, fertilizers) have boosted investor confidence and contributed to private sector-led growth. Attracting private

investment in large infrastructure projects, particularly in energy and telecommunications, has substantially reduced the Governments budgetary burden.<sup>5</sup> Nonetheless, Bangladesh continues to be an underperformer in terms of attracting foreign direct investment (FDI), averaging about \$430 million annually in recent years.

Although the investment climate compares favorably with most South Asian countries, particularly in terms of its competitive labor costs and flexible labor laws, the cost of doing business in Bangladesh is perceived to be high. High costs are a reflection of corruption; weak law and order; inadequate infrastructure and services, particularly in the power and port sectors; gaps in the skills base; and distressed financial markets. While policies relating to private sector development are generally favorable, an effective regulatory framework to ensure that such enabling policies are actually enforced has yet to develop. Public procurement procedures remain vulnerable to political interference, while excessive bureaucracy imposes additional costs and reduces transparency and efficiency.

SMEs, which contribute 40% of manufacturing output and about 80% of the industrial work force, are hampered by limited access to medium- to long-term credit, markets, technology, and information. Banks and other financial institutions generally prefer large enterprise clients because of the lower transaction costs, and greater availability of collateral. SMEs also fall outside the reach of microfinance schemes, and are thus compelled to depend more on informal sources of funds at much higher interest rates.

### **Environment**

Water and air pollution have emerged as serious problems in most urban areas, particularly in Dhaka, due to unplanned urban development, unchecked vehicle and industrial pollution, and inadequate urban sewerage and sanitation services.

The arsenic contamination of groundwater is a major environmental concern—contaminated wells exceeding the Ministry of Health standard of 0.05 milligram (mg) arsenic per 1 liter of water have been identified in 61 districts and in about 30% of the nation's total tube wells. In addition, immense risks to the natural ecology could result from global climate change, including more intense natural disasters in the form of recurrent floods, cyclones, storms, and drought. Some progress in environmental management has been made: in Dhaka, recent efforts to introduce compressed natural gas and to substitute unleaded for leaded fuels, while yet to be fully enforced, are showing encouraging results; and the ban on plastic bag use for packaging has helped reduce long-life urban waste.

### **Regional Cooperation**

Bangladesh has the potential to become a transport and transshipment center for the subregion. Bangladesh borders India and Myanmar and is in close proximity to the landlocked countries of Bhutan and Nepal. With the opening of the Jamuna Bridge and development of the Padma Bridge, the Dhaka-Chittagong transport corridor and other strategic transport corridors can serve to link the northeastern states of India to Bhutan, Nepal, and West Bengal. Bangladesh is a key member of several regional cooperation initiatives including South Asian Association for Regional Cooperation (SAARC); South Asia Free Trade Area (SAFTA); and Bay of Bengal Initiative for Multi-Sector Technical and Economic Cooperation (BIMSTEC).<sup>6</sup> Bangladesh's economic ties to East and Southeast Asia have increased as a result of FDI associated particularly with the RMG sector. Deepening economic ties with East and Southeast Asia, by easing barriers to trade and investment, is central to Bangladesh's regional cooperation vision.

Deficiencies in key infrastructure and a lack of transit rights frustrate opportunities for economic integration with Bangladesh's near neighbors. Improvements in regional initiatives under the SAARC and, particularly, bilateral agreements



between Bangladesh and India are required to facilitate trade in energy, to enhance cross-border transit trade, to effectively promote environmental cooperation including cross-border watershed management and disaster management, and to combat trafficking of women and children.

ADB's regional cooperation strategy and program (RCSP) for South Asia (2005-2008)<sup>7</sup> focuses attention on the need to accelerate economic cooperation between Bangladesh, Bhutan, India, and Nepal. Subregional projects being formulated include improving road networks connecting the participating countries, and developing regional railway and power projects. The ADB-supported South Asia Subregional Economic Cooperation (SASEC) program identifies several multiregional projects and initiatives. Other Subregional groupings, such as BIMSTEC, are advancing rapidly and will serve to/braden the regional cooperation focus from South Asia to parts of East and Southeast Asia.

#### **ADB's Assessment of the Government's Development Strategy**

The Government's national poverty reduction strategy (NPRS)<sup>8</sup> reaffirms that reducing poverty and accelerating the pace of social development are the most important long-term strategic goals. Fully consistent with the MDGs, the NPRS aims to halve the number of poor people by 2015, and to achieve substantial improvement in all aspects of human development (Table 3). The NPRS builds on past achievements, aims to prevent slippages in areas where progress has been made, addresses weaknesses in implementation, and includes number of targets and benchmarks to enhance the results-orientation.

**Table 3: Selected Poverty Reduction Baselines and NPRS Targets**

Indicators	1990	2002 Benchmark	Annual Progress	
			1990–2002 (%)	2015 2002–2015 (%)
Income Poverty	59	50*	(1.5)	25 (3.3)
Extreme Poverty	28	19*	(3.2)	5 (4.9)
Adult Literacy	35	50	3.5	90 6.3
Primary Enrollment	56	87	4.6	100 1.2
Secondary Enrollment	28	36	7.4	95 6.1
Infant Mortality Rate	94	53	(3.6)	18 (5.1)
Under-5 Mortality Rate	108	76	(2.5)	25 (5.2)
Maternal Mortality Rate	480	320	(1.6)	179 (4.2)
Life Expectancy	56	65	1.3	73 1.0
Population Growth	2.1	1.4	—	1.3 —
% Children Underweight	67	51*	(2.4)	26 (3.3)

\*Indicates benchmark data for 2000.

Sources: Government of Bangladesh. 2005. *Unlocking the Potential: National Strategy and Accelerated Poverty Reduction*. Dhaka. Government of Bangladesh, 2004. *National Strategy for Economic Growth, Poverty Reduction and Social Development*. Dhaka.

Building on the policy triangle of growth, human development, and governance, the NPRS aims to make progress in (i) employment generation, (ii) nutrition, (iii) maternal health, (iv) quality of education, (v) sanitation and safe water, (vi) criminal justice system, (vii) local governance, and (viii) monitoring of results. The NPRS emphasizes that progress requires (i) providing an open and competitive environment that is conducive to private investment, with an emphasis on exports and rural development where 85% of the poor live; (ii) raising poor people's capabilities to participate more fully in the growth process through access to better quality education, health, safe water, and nutrition; and (iii) fostering good governance by improving government capacity, promoting local governance, tackling corruption, enhancing access to justice for the poor, and improving security and public order.

Private sector development is a central theme of the NPRS. To stimulate pro-poor growth, the NPRS accords priority to (i) accelerating growth in rural areas and

developing agriculture and nonfarm economic activities led by the private sector; (ii) assisting SMEs; (iii) improving rural infrastructure (e.g., irrigation, rural roads, and electrification) including measures to reduce natural and human-induced shocks; and (iv) better access to ICT. With prudent macroeconomic management and steady improvement in the enabling environment for private sector investment, economic growth is forecast to increase from 6.3% in FY2004 to 7% in FY2008. Growth is expected to continue to accelerate, ultimately averaging 7-8% per annum by 2015. Medium-term macroeconomic forecasts will be revised annually to ensure that poverty reduction efforts are underpinned by a stable financial framework. The FY2006 budget corresponds to the first year of the NPRS, and seeks to operationalize its strategic elements through ensuring broad-based people's participation, good governance, improved service delivery, and environmentally sustainable development. The Government introduced a medium-term expenditure framework in four ministries effective FY2006; this is to be extended to another 11 ministries in FY2007.

Access to primary education has increased at a tremendous rate over the past decade; however, its quality and relevance remains a major concern. The NPRS aims to foster social development by increasing education quality by improving delivery, management, finance, and assessment systems. Particular attention is accorded to developing skills, boosting access, and fostering community participation in the management of education and training services. In the health sector, the NPRS accords priority to improving maternal and child health care; strengthening nutrition programs; controlling communicable diseases; and reorienting health care assistance, finance, and governance to better serve the poorest groups. Women's advancement will be fostered by enhancing women's access to banking services over and above microfinance, combating violence against women, and assisting female migrants.

Good governance is to be fostered by reforming the criminal justice system, strengthening public administration, combating corruption, promoting local governance, and improving public expenditure management. This will be complemented by fostering partnerships between government, private sector, and civil society organizations to improve service delivery. Environmental management is an integral component of the NPRS. The NPRS includes specific measures to address the problems of air and water pollution in Dhaka and secondary cities and towns, reverse land degradation and salinity, preserve biodiversity, promote afforestation, and mitigate arsenic contamination of the groundwater supply.

The NPRS envisages periodic stocktaking of progress in poverty reduction to guard against slippages in implementation. A key challenge to implementing the NPRS is to design and adopt a results framework that can be used at the project, sector, and country levels to establish measurable links between interventions and outcomes, and establish clear mechanisms to reassess and calibrate interventions to achieve intended outcomes.

### **National Poverty Reduction Strategy**

The national poverty reduction strategy (NPRS) confirms that poverty reduction and accelerating the pace of social development are Bangladesh's most important long-term strategic goals. It emphasizes the importance of multiple routes to attacking the underlying causes of poverty and mitigating its consequences. Consistent with the Millennium Development Goals (MDGs), the NPRS aims to halve the number of poor people by 2015, and to improve substantially several aspects of human development (Table 4). The medium-term macroeconomic framework will be updated every year to make the macroeconomic projections realistic and sound to address poverty reduction. The Government recently introduced a medium-term budgetary framework in four ministries effective

FY2006, ensuring better integration between strategies and outcomes for poverty reduction. The budgetary framework will be extended to another 11 ministries in FY2007.

The NPRS (i) builds on past achievements, (ii) aims to prevent slippage in areas where progress has been made, (iii) addresses weaknesses in implementation, (iv) emphasizes the centrality of employment creation, (v) strengthens the focus on women's empowerment, (vi) scales up microcredit, (vii) emphasizes connectivity, (viii) addresses the need to make policy processes and governance work for the poor, and (ix) includes many targets and benchmarks to enhance the results orientation. In addition, the NPRS addresses the multiple dimensions of poverty through a strategic choice of priorities; and aims to unlock the socioeconomic potential through a judicious mix of public action, private initiatives, and community mobilization.

The NPRS builds on the policy triangle of growth, human development, and governance. It aims to generate broad-based growth and reduce poverty through (i) employment generation, (ii) nutrition, (iii) maternal health, (iv) quality of education, (v) sanitation and safe water, (vi) criminal justice system, (vii) local governance, and (viii) monitoring results.

The NPRS emphasizes that progress towards these goals would require (i) establishing an open and competitive environment that is conducive to private investment, with emphasis on exports and rural development where 85% of Bangladesh's poor live; (ii) raising poor people's capabilities to participate more fully in the growth process through access to better quality education, health, safe water, and nutrition; and, most importantly, (iii) addressing governance by improving the Government's capacity, promoting local governance, tackling

corruption, enhancing access to justice for the poor, and improving security and public order.

To stimulate pro-poor growth, the NPRS prioritizes (i) accelerated growth in rural areas, and development of agriculture and nonfarm economic activities; (ii) small and medium manufacturing enterprises; (iii) rural electrification, roads, water supply and sanitation, and supportive infrastructure, including measures to reduce natural and human-induced shocks; and (iv) The goal of accelerated poverty reduction can be pursued through eight avenues: (i) a supportive macroeconomic setting conducive to rapid and stable growth; (ii) special emphasis on the rural, agricultural, informal, and small and medium enterprise sectors, and improved connectivity through rural electrification, roads, and telecommunications; (iii) safety net measures to protect the poor, especially women, against anticipated and unanticipated shocks through targeted assistance and other efforts; (iv) human development of the poor to raise capabilities through education, health, sanitation and safe water, nutrition, and social interventions; (v) participation and empowerment of the poor, especially women, and other disadvantaged and marginalized groups; (vi) promotion of good governance by improving implementation capacity, promoting local governance, tackling corruption, enhancing access to justice, improving sector governance, and enhancing service delivery; and (vii) care for the environment by promoting sustainable development information and communication technologies. With prudent macroeconomic management, and steady improvement in the enabling environment for private sector development, economic growth is forecast to increase from 6.3% in FY2004 to 7% in FY2008. Growth is expected to accelerate after that, with Bangladesh achieving an average economic growth rate of 7-8% per year by 2015.

The NPRS aims to foster social development by raising the quality of all aspects of the education service through improved delivery, management, finance, and

assessment systems. Particular attention is accorded to skills development, boosting access, and fostering community participation in the management of education and training services. In the health sector, the NPRS prioritizes (i) improving maternal and child health care; (ii) strengthening nutrition programs; (iii) controlling communicable diseases; and (iv) reorienting health care assistance, finance, and governance to serve the poorest groups better. Improvements in the social safety net are to be achieved by (i) consolidating many programs, (ii) improving coverage and benefits, (iii) enhancing social and geographic targeting, (iv) introducing insurance programs to deal with natural disasters, and (v) prioritizing those programs that allow the ultra-poor to work in exchange for social assistance. Women's empowerment and gender equality will be fostered by enhancing women's access to banking services in addition to microfinance, combating violence against women, developing and scaling up microenterprises, and assisting female migrants.

Good governance is to be fostered by (i) reforming the criminal justice system, (ii) strengthening public administration, (iii) combating corruption, (iv) promoting local governance, and (v) improving public expenditure management. This will be complemented by encouraging NGO and community based organization (CBO) development, focusing public sector activity in areas for which it is most suited, and fostering partnerships between government, the private sector, and civil society organizations to improve service delivery.

The NPRS has the requisite ingredients of a sound poverty reduction strategy—i.e., an insightful poverty diagnostic, a wide-ranging consultative process, short- and medium-term poverty and sector development targets, a comprehensive set of sector and thematic strategies, and a consistent medium-term expenditure and macroeconomic framework. The NPRS does an especially good job of analyzing the magnitude and causes of poverty; correctly stresses the links between

investment, growth, job creation, and poverty reduction; and identifies clearly key areas where reforms are needed, public investments are required, and the policy process needs strengthening. The goals and targets of the NPRS are consistent with the MDGs. Moreover, many reforms, socioeconomic targets, and indicators that can be monitored are included to make the strategy results-oriented.

Implementation of the NPRS, which lists more than 300 strategic goals, might be difficult. While most of these goals might be sensible in their own right, no attempt is made to prioritize or cost them. Thus, trade-offs will be difficult to identify in a world of limited resources. Those near-term development activities in the NPRS vastly exceed what Government could finance, implement, or maintain. The NPRS also appears ambitious in a number of its key targets. For instance, the baseline macroeconomic framework projects a considerable increase in investment. This would require a significant acceleration of structural reforms, which should improve the investment climate, and a substantial improvement in domestic resource mobilization by the Government. However, the prospects for ambitious reforms in the next 2 years is questionable, given the political divisions, volatile law and order situation, dearth of reform champions, and upcoming national elections. Moreover, the NPRS gives little attention to the effectiveness of capital spending through the Annual Development Program (ADP), including (i) how ADP spending will be targeted to achieve poverty reduction; (ii) the appropriateness of the mix of capital spending versus maintenance expenditure (recurrent) through time; and (iii) completion delays for ADP projects, which often undermine the contribution of development spending to growth and poverty reduction.

### **Strategic Implications for ADB**

Bangladesh has achieved substantial reductions in poverty, along with some acceleration of growth, in the 1990s. However, the per capita growth rate in



Bangladesh remains modest compared to the rapidly developing countries of East and Southeast Asia. Income distribution has worsened, which has worrying consequences for growth and poverty reduction in the future. Moreover, the need to develop new engines of agriculture and manufacturing sector growth clouds the long-term growth outlook. With nearly half of the population classified as poor, the payoffs of targeted interventions pale in comparison to those with broader, sector-wide impact. Accordingly, ADB must accord the highest priority to assistance that creates the greatest number of opportunities to increase incomes and improve social development in Bangladesh.

To deliver results, ADB needs to focus its assistance, as well as harmonize it carefully with that of other development partners (DPs). The effectiveness of ADB's contribution to poverty reduction could be minimized if ADB-supported efforts are pursued on too many fronts at once— even though poverty reduction undoubtedly will require progress on many fronts at once.

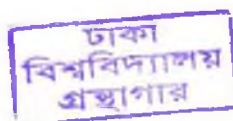
Although the growth process was accompanied by widening inequality in the 1990s, growth rates must increase substantially if Bangladesh is to raise productivity and expand employment opportunities for the poor. Given the high incidence of poverty and vulnerability in Bangladesh, strategies that aim to boost growth and those that focus on pro-poor growth will have considerable overlap. Fostering pro-poor growth implies a need to (i) make public policy far more conducive to savings and investment; (ii) meet gaps in critical infrastructure and municipal services, and ensure that infrastructure is operated and maintained in an efficient and sustainable manner; (iii) promote effective water resources management; (iv) revitalize agriculture and rural development; and (v) improve the institutional foundations of the market economy.

Gains in social development have been notable, though serious problems remain. While enrollment in basic education has improved impressively, dropout rates have remained high and the general quality of education has declined. In health, the rapid improvements in infant mortality and food availability have not been matched by similar improvements in the overall nutritional status of the population. The rate of malnutrition remains stubbornly high with a gender disparity. Increased attention to improving education quality, as well as maternal and child health care, will be essential to meeting the MDGs and maintaining positive momentum in human development.

Better governance, on many fronts, is needed to translate poverty reduction strategies into meaningful development outcomes. The burdens of corruption, waste, inefficiency, lawlessness, and public sector unresponsiveness fall heaviest on the poor. What is required is a combination of measures aimed at (i) reducing corruption, (ii) improving access to justice, (iii) strengthening local government capacity, (iv) empowering women, (v) promoting private-public and NGO-public partnerships to ensure peoples' participation, and (vi) steadily advancing the quality of governance in all sectors. Institutional change will take time, and requires the strong and sustained commitment of national leaders. Almost every aid agency to Bangladesh is involved in helping the Government improve governance in one dimension or another. This implies a need for ADB to be selective, nurture political support, and adopt a long-term perspective to governance and institutional reform.

### **Resource Mobilization and Investment**

The NPRS envisions an increase in gross domestic investment from 24% of GDP in FY2004 to over 26% in FY2008 to support the target growth rates. The Government aims to increase public investment by increasing domestic revenues, reducing SOE losses and subsidies, and increasing external borrowing. The tax-



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GDP ratio will be increased from 8.1% of GDP in FY2004 to 9.9% in FY2008 by expanding tax bases, minimizing exemptions and exclusions, reducing evasion, and implementing procedural and administrative reforms. The private investment will be substantially boosted, and greater inflows of FDI are to be facilitated by improving infrastructure and governance, reducing tariffs, and deregulating.

### **ADB's Assessment of the Government's Development Strategy**

ADB, DFID, Government of Japan, and World Bank jointly assessed the NPRS. The four joint strategy partners agree that it has the requisite ingredients of a sound poverty reduction strategy, i.e., an insightful poverty diagnostic, a wide-ranging consultative process, short- and medium-term poverty reduction and sector development targets, and a comprehensive set of sector and thematic strategies underpinned by a consistent medium-term expenditure and macroeconomic framework. The NPRS provides an excellent analysis of the magnitude and causes of poverty; correctly stresses the links between investment, growth, job creation, and poverty reduction; and clearly identifies key areas in which reforms are needed, public investments required, and policy process needs to be strengthened. The goals and targets of the NPRS are consistent with the MDGs, and a large number of monitorable reforms, socioeconomic targets, and indicators make the strategy results oriented.

Achieving the NPRS's projected increase in investment will require a significant acceleration in the pace of structural reforms and a substantial improvement in domestic resource mobilization. The extent to which ambitious reforms can be achieved in the next 2 years is highly uncertain given intense political division, escalating violence, and upcoming national election.

**COUNTRY STRATEGY AND PROGRAM RESULTS FRAMEWORK**  
**Achieving Millennium Development Goals by Supporting the National**  
**Poverty Reduction Strategy Implementation**

<b>NPRS Strategies</b>	<b>Enhancing Economic Growth Boosting Employment</b>	<b>Devising Effective Safety Nets Ensuring Social Development</b>	<b>Promoting Inclusion, Good Governance, Service Delivery, and Environmental Sustainability</b>
<b>Medium- and Long-Term Impacts</b>	<b>Economic Growth Results</b> <ul style="list-style-type: none"> <li>• Annual growth rate rises from 5% to 8% by 2010</li> <li>• Income poverty reduced from 50% to 25% in 2015</li> <li>• Private sector-led development fostered</li> <li>• Conducive macroeconomic framework</li> </ul>	<b>Social Development Results</b> <ul style="list-style-type: none"> <li>• Adult literacy from 50% to 90% by 2015</li> <li>• Secondary enrollment from 36% to 95% by 2015</li> <li>• Maternal mortality from 320 to 179 per thousand live births by 2015</li> <li>• Infant mortality from 53 to 18 per thousand live births by 2015</li> </ul>	<b>Good Governance Results</b> <ul style="list-style-type: none"> <li>• Corruption prosecution improves</li> <li>• National Integrity Plan implemented</li> <li>• Court case backlog reduced</li> <li>• Solid progress registered in project implementation and sector governance practice</li> </ul>

<p><b>Key Constraints</b></p>	<p><b>Major Constraints on Higher Growth</b></p> <ul style="list-style-type: none"> <li>• Limited rural income-earning opportunities</li> <li>• Energy shortages</li> <li>• Overloaded and underdeveloped transport network</li> <li>• Post-MFA global competition</li> <li>• Port bottlenecks</li> <li>• Corruption and high-cost regulation that impedes private sector initiative</li> <li>• Weak law and order</li> <li>• Shallow, distressed financial markets</li> <li>• Large parts of Bangladesh isolated from national and regional markets</li> <li>• Flood (and other disaster) risks</li> </ul>	<p><b>Major Constraints on Social Development</b></p> <ul style="list-style-type: none"> <li>• Lack of access and poor quality of basic health services to the poor</li> <li>• Poor-quality primary and secondary education, and a <i>Madrasah</i> (Islamic religious school) system that doesn't convey marketable skills</li> <li>• Discrimination against women in politics and social practice</li> <li>• Unsafe drinking water, sewage, sanitation in urban areas</li> <li>• Unplanned urbanization and weak planning and financial performance of municipalities and local governments</li> </ul>	<p><b>Major Constraints on Good Governance</b></p> <ul style="list-style-type: none"> <li>• Corruption</li> <li>• Weak human security</li> <li>• Poor excluded from legal system</li> <li>• Polarized polity</li> <li>• Low pay and few positive performance systems in public sector</li> <li>• Weak capacity, especially in financial management, procurement, and organization to govern effectively in key sectors</li> <li>• Overcentralized government</li> <li>• Weak local government capacity</li> </ul>
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<p><b>ADB Contributes to Results by:</b></p>	<p><b>Fostering Broad-Based Economic Growth</b></p> <ul style="list-style-type: none"> <li>• Higher rural productivity, employment, and income</li> <li>• Deep, more accessible and well-regulated financial market</li> <li>• Greater regional economic integration</li> <li>• Lower domestic transport costs</li> <li>• Southwest Bangladesh integrated into the national economy</li> <li>• Energy requirements efficiently met</li> <li>• Enhanced external competitiveness</li> </ul>	<p><b>Encouraging Social Development Through</b></p> <ul style="list-style-type: none"> <li>• Equal access to quality, modern education</li> <li>• More productive labor force resulting from a wider vocational skill base</li> <li>• Better access to clean drinking water and sanitation in Dhaka and secondary towns</li> <li>• Better maternal and child health in urban areas</li> <li>• Improved local capacity to manage service delivery</li> <li>• Reduced risk of violence against women and trafficking of women and children</li> </ul>	<p><b>Supporting Governance Reform</b></p> <ul style="list-style-type: none"> <li>• Corruption prosecuted and prevented in key ministries and agencies</li> <li>• Poor have better access to justice</li> <li>• Project implementation delays reduced</li> <li>• Financial management in key ministries and agencies improved</li> <li>• Local government and communities empowered to lead development</li> <li>• Public-private partnerships to deliver services created</li> <li>• Financially sustainable management of public sector <u>companies</u></li> </ul>
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<p><b>ADB and DPs Provide Support for:</b></p>	<p><b>ADB-Assisted Economic Growth Interventions</b></p> <ul style="list-style-type: none"> <li>• Rural infrastructure</li> <li>• Irrigation development</li> <li>• Financial sector governance and securities market</li> <li>• SME development</li> <li>• Agribusiness development</li> <li>• Ports/railway, road, major bridges</li> <li>• Power and gas</li> </ul>	<p><b>ADB-Assisted Social Development Interventions</b></p> <ul style="list-style-type: none"> <li>• Primary, secondary, vocational, and <i>Madrasah</i> (Islamic religious school) education development</li> <li>• Urban sanitation and water supply (Dhaka and secondary towns) improvement</li> <li>• Basic urban infrastructure</li> <li>• Primary health care services</li> <li>• Social and legal protection of <u>vulnerable groups</u></li> </ul>	<p><b>ADB-Assisted Good Governance Interventions</b></p> <ul style="list-style-type: none"> <li>• Corruption prevention</li> <li>• Good governance</li> <li>• Public sector financial management and improved sector governance</li> <li>• Local governance and participatory development support</li> <li>• Governance management</li> </ul>
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<p><b>2005 Expected Outcomes, Outputs, and Impacts of Ongoing Portfolio:</b></p>	<p><b>Economic Growth Results</b></p> <ul style="list-style-type: none"> <li>• Increased provision and better access to nt restructure such as power, gas, and transport</li> <li>• Access to electricity increased to 35%</li> <li>• Per capita generation increased to 155 kWh</li> <li>• BPDB zones system oss reduced to 12%</li> <li>• DESA system loss reduced to 203%</li> <li>• Private sector investments in 11 IPPs</li> <li>• Enacted amendments to the Motor Vehicle Ordinance; new framework for private sector investments in infrastructure</li> <li>• Integrated Multimodal Transport Policy approved 2005</li> <li>• Creation of road fund in 2005</li> <li>• 2,000 km of roads under private sector road maintenance contracts</li> </ul>	<p><b>Social Development Results</b></p> <ul style="list-style-type: none"> <li>• Reduced under-5 child mortality from 108 deaths per 11000 live births in 1990 to 82 in 2005</li> <li>• Reduced maternal mortality from 480 deaths per 100,000 live births in 1990 to 300 in 2005</li> <li>• Gender disparity in schooling eliminated</li> <li>• Net primary education enrollment increased from 737% in 1992 to 87% in 2005.</li> <li>• Primary-school dropout rates reduced from 35% in 1999 to 32% in 2005</li> <li>• Primary-school attendance rates increased to 65% from 60% in 1998</li> <li>• Increased access to urban primary health care through 15 NGO partnership agreements and completed 143 health centers</li> <li>• Increased provision of credit to the poor l specifically women</li> </ul>	<p><b>Good Governance Results</b></p> <ul style="list-style-type: none"> <li>• Anticorruption commission is fully operative in 2005</li> <li>• Energy regulatory commission is fuhy operationalized in 2005. Four new independent companies created with ADB support: PGCB, Ashuganj Power Station, DESCO, and WZPDC.</li> <li>Strengthened accountability</li> <li>• New public procurement law enacted</li> <li>• Strengthened financial management with improved reporting in line agencies</li> <li>• Strengthened auditing, introducing private sector auditors and performance auditing</li> </ul>
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<p><b>20DB CSP Monitorable Progress Indicators:</b></p>	<p><b>Sustainable Growth</b></p> <ul style="list-style-type: none"> <li>• Increased infrastructure</li> <li>• provision and improved access to power, gas, and transport</li> <li>Increased funding for infrastructure maintenance</li> </ul>	<p><b>Social Development</b></p> <ul style="list-style-type: none"> <li>• Eliminated gender disparity in</li> <li>• schooling opportunities, achieving the MDG in this area by 2008</li> <li>Increased gross enrollment primary (grades</li> </ul>	<p><b>Good Governance</b></p> <ul style="list-style-type: none"> <li>• Strengthened functioning and</li> <li>• operation of Anticorruption Commission</li> <li>Strengthened functioning and operation of Energy Regulatory</li> </ul>
<p><b>2008 CSP Monitorable Progress Indicators:</b></p>	<ul style="list-style-type: none"> <li>• Increased access to electricity from 35% today to 42%</li> <li>• Increased access to natural gas from 6% today to 10% of all households</li> <li>• Increased per capita generation to 178 kWh</li> <li>• BPDB zone system loss reduced to 10%</li> <li>• DESA system loss reduced to 15%</li> <li>• Reduced gas system loss from 6% today to</li> <li>• Improved financial performance, management, and accounting in power and gas sectors</li> <li>• Rationalized tariffs and improved cost recovery for infrastructure entities and utilities</li> <li>• Road maintenance funding increased</li> </ul>	<p>5) from 97% today to 106%</p> <ul style="list-style-type: none"> <li>— secondary (grades 6-10) from 44% today to 55%</li> <li>— higher secondary (grades 11-12) from 20% today to 30%</li> <li>Reduced dropout rates</li> <li>- primary from 35% today to 20%</li> <li>— secondary from 52% today to 40%</li> <li>— higher secondary from 41% today to 30%</li> <li>• Improved primary-school completion rate from 68% today to 75%</li> <li>• Improved pass</li> </ul>	<p><b>Commission</b></p> <ul style="list-style-type: none"> <li>• Initial phase completed of judicial reform program</li> <li>• Siddhirganj power station corporatized and fully operational</li> <li>• DESA corporatized and fully operational</li> <li>• Additional power sector distribution companies in place</li> <li>• BPDB corporatized and fully operational</li> <li>• Petrobangla restructured into a holding company with unbundling of units</li> <li>• RHD reorganized</li> <li>• Road maintenance fund established</li> <li>• Multimodal Transport Policy implemented</li> <li>• Strengthened port regulation</li> <li>• Establishment of a national highway</li> </ul>

	<p>from Tk6 billion today to Tk10 billion</p> <ul style="list-style-type: none"> <li>• Three new large IPP contracts awarded in the power sector</li> <li>• Increased modal shares for railway and inland waterway transport relative to today</li> <li>• Decreased transport cost for road, rail, and IWT per ton-kilometer and per passenger kilometer relative to today</li> <li>• Irrigated farmland increased from 50% today to 55%</li> <li>• Financial services to the private sector and SMEs improved 4%</li> </ul>	<p>rates in secondary education from 41% today to 55%</p> <ul style="list-style-type: none"> <li>• Improved adult literacy rate from 50% today to 60%</li> <li>• Increased provision of credit to the poor, specifically women</li> <li>• Urban access to safe water increased from 82% today to 88%</li> <li>• Rural access to safe water increased from 72% today to 78%</li> <li>• Improved urban access to sanitation from 56% today to 65%</li> <li>• Improved rural access to sanitation from 29% today to 35%</li> <li>• Wastewater treatment increased from 60% today to 70%</li> <li>• Reduced</li> </ul>	<p>authority</p> <ul style="list-style-type: none"> <li>• Promulgation of a new public road act</li> <li>• Promulgation of a new highway code</li> <li>• Promulgation of a road transport and traffic act in place of the Motor Vehicle Act and Ordinance</li> <li>• BR restructured and corporatized</li> <li>• Promulgation of a national water act</li> <li>• A national water management plan implemented</li> <li>• Arbitration laws reviewed</li> <li>• Judicial sector medium-term budgetary framework introduced</li> </ul>
<p><b>2008 CSP Monitorable Progress Indicators:</b></p>	<ul style="list-style-type: none"> <li>• Increased investor confidence in the financial sector</li> <li>• Annual growth of SMEs improved</li> <li>• Nonresident portfolio investment increased</li> </ul>	<p>vulnerability to floods</p> <p>Reduced number of road accidents by 20% relative to today</p>	

ADB Asian Development Bank, BPDB Bangladesh Power Development Board, BR Bangladesh Railway, DESA = Dhaka Electric Supply Authority, DESCO = Dhaka Electric Supply Company, OPs development partners, IPPs = Independent Power Producers, IWT inland water transport, MUG = Millennium Development Goal, MFA = multi-fiber arrangement, NSa Nor government Organization, NPRS = National Poverty Reduction Strategy, PGCB = Power Grid Company o Bangladesh, PRSP = Poverty Reduction Strategy Paper, RHO Roads and Highways Department, SME = Small and Medium Enterprise, WZPDC West Zone Power Development Company.

### **Risk and Result based work of ADB**

The political risks to implementing reforms are high. With elections approaching, a significant risk is that political instability may increase. The Government's reform program might be diluted or deferred by confrontational politics and lack of political consensus. Moreover, should political confrontation trigger an upsurge in *hartals* and the Government fail to improve law and order, private sector investment may not be forthcoming at the levels anticipated in the NPRS. While ADB can do little to mitigate the political risks, some bilateral DPs are actively engaged in a dialogue with the Government on these issues aimed at fostering multiparty harmony. In anticipation of these risks, the CSP emphasizes reforms that are formulated in a participatory manner, implemented incrementally and sequentially, and generate short-term, visible payoffs. The CSP also provides support for a large number of consultative and participatory processes to help build broad-based, bipartisan commitment to the NPRS reform agenda.

Another related risk is weak implementation capacity. Deterioration in civil service efficiency and weak incentives due to low public sector salaries and poor

management of the civil service could contribute to slow progress in NPRS implementation. The CSP will mitigate these risks by strategic interventions in support of governance management training and capacity building to improve implementation capacity to foster reforms and improve project implementation. Greater emphasis will be placed on linking substantive governance training to promotions policy and making greater use of e-governance to improve public sector performance.

A challenging external environment and a vulnerable domestic eco-setting pose risks to the economic growth assumptions underlying the CSP outcomes. Garment exports could be adversely affected by the phasing-out of the Multi-Fiber Arrangement trade preferences. In addition, higher global petroleum prices may threaten external balances. The CSP acknowledges the seriousness of these risks, but recognizes that more open and competitive global markets present tremendous opportunities for the export of labor-intensive goods and services. To help manage risks arising from global market uncertainties, the CSP accords special emphasis to improving competitiveness and efficiency, deregulating energy prices, building the skills base, deepening regional integration, diversifying exports, and nurturing new sources of private sector-led growth. Finally, natural disasters could disrupt investment operations and aggravate poverty conditions. To help anticipate and mitigate the effects of serious floods, ADB will contribute to the multi-aid effort that is helping the Government build its early warning and disaster response capacity, and will mainstream flood concerns into all ADB operations.

**Result of ADB work in Bangladesh:**

Implementation of the results-based CSP jointly with its strategy partners (DFID, Government of Japan, and World Bank) has enhanced coordination among the partners and effectiveness of policy dialogue with the Government in key sectors. The joint partnership collaboration has enabled ADB to strengthen engagement in

sectors, namely, railways, Dhaka/Chittagong water supply and sanitation, and power where reforms are difficult but are important to economic growth and poverty reduction. In addition to the joint CSP monitoring focused on results, ADB helps the Government adopt managing for development results as an explicit public sector management practice. Technical assistance for capacity building in results-based project monitoring, and evaluation is being provided for the implementation, monitoring, and evaluation division of the planning ministry and the foreign-aided project audit directorate of the comptroller and auditor general's office. ADB is also strengthening capacity in results-based management for four government agencies under a regional technical assistance. Each agency has undergone an institutional readiness assessment for results-based management and will receive capacity building support, including identification of organizational results based on sectoral and national targets, key performance indicators, and strengthening of information systems for monitoring and evaluation.

### **Infrastructure and Growth**

In Bangladesh, infrastructure development is a priority area of ADB's assistance program. As of the end of 2006, the share of the energy and transport sectors in ADB's public sector lending to Bangladesh was 45%. ADB's strong support to the energy and transport sectors has proved especially beneficial over time, combining programs of incremental reform with capacity building and investment support. ADB will continue to focus on efficient public investment in essential infrastructure and services, which will be needed to bolster investor confidence and expand opportunities for sub regional trade and investment. Over the past decades, the Government and the private sector underinvested in infrastructure assets. Thus, Bangladesh faces the most severe power shortages in the region.

### **Urban Infrastructure Development**

Bangladesh has over 140 million people, a quarter of who live in urban areas. The urban population is growing at 2.5% per year and more than half of the urban population is concentrated in Dhaka and the three metropolitan areas of Chittagong, Khulna, and Rajshahi. ADB has been a lead agency in supporting urban development in Bangladesh, with initiatives at the policy and operational levels, through projects on urban infrastructure, water supply and sanitation, and integrated urban flood protection and emergency flood rehabilitation.

Since 1982, ADB has assisted Bangladesh in developing urban infrastructure through four projects amounting to over \$1 50 million. These include projects to improve water supply and sanitation in 14 *pourashavas* (municipalities or secondary towns) and strengthen their administration and financial management, and improve the urban environment and living conditions in another 32 *pourashavas*. The ongoing Urban Governance and Infrastructure Improvement Project will benefit about 2.5 million people by improving living conditions using an integrated approach that includes provision of basic urban services—such as access to water supply, drainage, sanitation, and solid waste management—and supporting health and literacy development activities.

Besides focusing on secondary town development, ADB is collaborating with Danish International Development Agency, DFID, Government of Japan and World Bank to support a medium-term program of policy and institutional reforms, capacity building and investments required to deliver improved water supply, and sewerage and drainage services on a sustainable basis in the major metropolitan cities of Dhaka and Chittagong.

## **Mitigating Flood Damage through Emergency Support**

ADB has helped Bangladesh quickly recover from the devastation caused by recurring natural disasters through eight emergency rehabilitation projects following the floods in 1988, 1998, 2000, and 2004, and the cyclone of 1991. In response to the devastating floods in 2004, ADB, with the World Bank, assessed flood damage and provided the Emergency Flood Damage Rehabilitation Project with co financing from the Swedish International Development Cooperation Agency (Sida) and the Government of the Netherlands. The project was implemented successfully and completed ahead of its 2-year time limit. The project focused on rehabilitating damaged infrastructure (roads, bridges, railways, and water resources) in priority areas identified in consultation with the Government, public and private sector stakeholders, civil society, and affected communities. During rehabilitation, appropriate and cost-effective flood-proofing measures and improved design standards were adopted to minimize future flood damage.

The project's results are clearly evident, as traffic now flows on rehabilitated roads and railways; rural towns are being served by I rebuilt water supply, sanitation, and drainage infrastructure; villages are protected by repaired flood embankments; and farmers are harvesting crops on previously flooded land. Because of its transparency and efficiency of implementation, the project has been recognized as the best-performing development project by the Government.

## **Transport**

ADB has provided substantial assistance to Bangladesh to improve transportation infrastructure, such as roads, bridges, railways, and ports, amounting to over \$1.4 billion. This includes support for the Jamuna Multipurpose Bridge, Jamuna Bridge Railway Link, Chittagong Port, and key sections of the country's national road transport network.

Jamuna Multipurpose Bridge and its railway link contributed to lifting over a million people out of poverty. Besides stimulating the socioeconomic development of the less-developed northwestern region, the Jamuna Bridge greatly reduced transport costs, boosted trade, and increased opportunities in the labor market. Through the bridge and with support from the ADB-assisted Gas Transmission and Development Project, gas supply will be provided through a pipeline crossing the Jamuna River to serve industries and domestic customers in the western region, including the cities of Rajshahi and Khulna, for the first time.

ADB is helping Bangladesh improve road subsector performance through policy support, sector governance reforms, and increased private sector participation. ADB works closely with the Government to realize the approved reform actions in the subsector, including by approving an integrated multimodal transport policy, preparing a 20-year transport master plan, addressing acute transport problems in Dhaka, and approving the Road Fund Act to secure predictable and sustainable road maintenance funding. ADB is supporting improvements in the Dhaka-Chittagong transport corridor, including the railway and the highway. ADB is assisting in the feasibility study of the Dhaka-Chittagong Expressway proposed for implementation through private sector participation.

At Chittagong Port, ADB is providing investment funds and technical assistance to develop the infrastructure and introduce modern automated systems for better



management and improved governance in the port and the Customs House of Chittagong.

ADB is partnering with World Bank and the Government of Japan to improve the performance of the railway sector in Bangladesh. The focus is on (i) implementing policy and institutional reforms to make Bangladesh Railway more commercially focused and to improve governance and accountability; and (ii) investing in infrastructure and rolling stock capacity improvement in commercially important corridors such as Dhaka-Chittagong and Dhaka-Darsana-Khulna. Improving the efficiency of the railway will not only support higher economic activity inside Bangladesh, but will also create opportunities for cross-border transportation of passengers and goods in the region and facilitate major cross-country investment.

### **THE PADMA BRIDGE Realizing Dreams**

Building on the success of the Jamuna Multipurpose Bridge, ADB and other development partners are preparing to support the construction of the \$1.5 billion Padma Multipurpose Bridge. ADB provided technical assistance in preparing the bridge project, which verified the findings of a feasibility study by the Japan International Cooperation Agency that construction of the Padma Bridge would increase GDP growth by 1.2%, and create over 700,000 jobs.

The project preparatory technical assistance also confirmed that the bridge is expected to generate substantial benefits for economic development, particularly of the relatively underdeveloped western region of the country, and provide a sound basis for subregional transport connectivity. It will have significant impact on the national economy by facilitating an increase in production, employment, and income, thus helping reduce poverty. It will also contribute at the subregional level by providing Bangladesh with a second access for transit of goods among its

South Asian neighbors, including Bhutan, India, and Nepal. ADB is financing the detailed engineering design of the Padma Multipurpose Bridge, including an in-depth analysis of the scope for public-private partnership in constructing the bridge.

### **Power for Development**

ADB has been helping the Government achieve its goal of providing reliable electricity to the entire country by 2020, focusing on transmission, distribution, and peaking power plants, and helping the Government carry out specific reforms. Since Bangladesh joined ADB in 1973, the \$1.7 billion to improve the capacity and quality of power supply and another 23 technical assistance grants, totaling about \$14.6 million.

ADB's power subsector strategy for Bangladesh focuses on changing the business environment through corporatization, commercialization, and increasing public-private partnership, institutional improvements in key power sector entities, enlarging the scope for rural electricity supply cooperatives, and strengthening long-term planning and regulatory processes. ADB will also continue to support the Government in improving sector governance and in implementing its power sector reform plans while promoting a regional approach to harness the power generation potential with cross-border trading.

The Ninth Power Project (1996) and the Dhaka Power System Upgrade Project (1999) helped create commercially oriented corporate entities, rationalize the area between distribution entities, and promote private sector participation in power generation. The West Zone Power System Development Project (2001) helped supply electricity to the district towns and villages in southwestern Bangladesh, and facilitated private sector participation in distribution.

Under the Sustainable Power Sector Development Program (2007), ADB, together with German Development Cooperation, is assisting the Government improve the sustainability of the power sector by facilitating further reforms; and expanding and improving clean energy generation capacity, production, transmission, and distribution systems. Under the project a national action plan for power sector reforms will be prepared, sector entities will be further restructured, and private sector participation and public-private partnerships will be promoted. With ADB's support, unbundled power entities-Power Grid Company of Bangladesh and Dhaka Electric Supply Company Ltd-have demonstrated improved management and operational efficiencies, as reflected in significantly reduced system losses and improved revenue collection.

### **Making Gas Visible**

ADB has helped Bangladesh develop major gas fields (Titas, Habiganj, and Bakhrabad), gas transmission systems, and most distribution networks across the eastern part of the country, with over \$676 million in loans and \$5 million in technical assistance grants since 1975. The Third Natural Gas Development Project (1993) improved infrastructure, increased gas supply, and introduced structural reforms in the gas sector. The Dhaka Clean Fuel Project (2002) is focusing on advancing the use of domestic resources for the transport sector by creating the initial infrastructure for the supply of compressed natural gas (CNG) fuel in Dhaka as well as establishing the initial critical number of CNG-fueled vehicles. It also helped improve Dhaka's air quality. Under the Gas Transmission and Development Project (2005), four gas transmission pipelines totaling 353 kilometers will be constructed to transport about 360 million cubic feet of natural gas per day to the less developed western region of the country, with a population of nearly 1.5 million.

ADB's operational focus in the gas sector is to create an enabling environment for private investment, segregate the functions of sector regulation and operation, help make sector entities fully autonomous, strengthen the regulatory framework, rationalize prices, reduce system losses, and improve efficiency. ADB will promote regional cooperation and assist the Government develop policies to maximize the economic benefit of gas resources and connect major reserves in the region.

**Education Sector:**

ADB has played a lead role in improving the education sector in Bangladesh, encompassing primary, secondary, nonformula, constructing primary schools, improving teacher's education, and providing students with free educational materials through two primary education sector projects.

The Government is now implementing the Second Primary Education Development Program (PEDP-II) under a sector wide approach supported by 11 development partners. Launched in September 2004, PEDP-II aims to provide quality primary education to all eligible children in the country and contribute to sustainable socioeconomic development and equity as envisaged in the Millennium Development Goals.

PEDP-II promotes comprehensive policy reforms, including improving governance and results-based monitoring, focusing on quality equity, and reforms. Key program policies focus on developing and implementing strategies and action plans for inclusive education, establishing a national assessment cell to conduct national student assessment to benchmark student achievements, establishing a primary education cadre, and devolving *greater* authority to schools to improve accountability and service delivery. PEDP-II supports classroom construction, teacher recruitment, teacher and school management training, timely supply of instructional materials, and filling critical vacancies.

- Some tangible achievements of PEDP-II in 3 years are:
  - i) recruitment of over 12,000 new teachers out of a target of 35,000;
  - ii) training of over 45,000 teachers out of a target of 90,000;
  - iii) distribution of over 60 million textbooks (full set) annually to all eligible primary school children; and
  - iv) construction of over 15,000 classrooms out of a target of 30,000.

Focus is now at the school level to improve teaching and learning, including through:

- i) provision of second-round supplementary reading materials,
- ii) expansion and implementation of second-round innovative grants,
- iii) fast-tracking of school-level improvement plans and upazila primary education plans,
- iv) development and establishment of time-series data on school-level indicators, and
- v) social mobilization and advocacy program.

A strategic objective of PEDP-II is to promote harmonization in line with the Paris Declaration, with a focus on reducing transaction costs through the sector-wide approach that requires continuous reflection and improvements. Harmonization among the Government and development partners has improved, and further improvements are envisaged as the process matures further. Current achievements include progress in common procurement, financial management, monitoring and reporting, auditing, annual planning and budgeting, and joint review.

In non-formal education, ADB assistance began in 1996, under which the Government established a Directorate of Non-formal Education, supporting about

2.9 million learners of whom 57% were women. A follow-up project beginning in 2001 was reformulated to support the newly established Bureau for Non-formal Education within a newly approved Non-formal Education Policy Framework to better integrate literacy with skills by engaging NGOs in Bangladesh.

A unique contribution of ADB to the education sector of Bangladesh is the establishment of the Bangladesh Open University in 1992, which brought benefits through distance education to rural people and adults who must work to support their families while pursuing education.

Since 1999, ADB has helped develop policies to reform the secondary education sector through strategic planning, management decentralization, and development of performance-based management. The Secondary Education Sector Development Program, a follow-up project approved in 2006 to support implementation of the reforms across the nation, helps improve sector governance and teacher education, furnish and equip schools, and upgrade the curricula. It will also assist the Government modernize the *madrrasah* (Islamic schools) education curriculum by introducing contemporary subjects such as science and computers so that graduates have better employable skills.

#### **Strengthening Human Development (Health):**

In Bangladesh, ADB has supported an array of successful projects in the health sector. In the early 1990s, the ADB-assisted First and Second Health and Family Planning Services projects improved selected district hospitals, teaching hospitals, nursing institutions, family planning, and health services. The Urban Primary Health Care Project supported urban primary health care provision by contracting out services to NGOs in four city corporations. Under the first phase, the project established health care centers in the low-income areas of four major cities. It has supported preventive and curative health care and family planning services; and

provided advice, counseling, and health and hygiene advocacy. Building on the success of the innovative program, a second phase was taken up in 2005 to expand into two more cities and five smaller municipalities. The follow-up project, with co-financing from DFID and Sida, focuses on targeting the poor (at least 30% of all the services have to be accessed by poor households), HIV/AIDS, sexually transmitted infections, and reproductive tract infections.

In collaboration with the United Nations Food and Agriculture Organization and World Health Organization, ADB pioneered initiatives in 2005 to assist Bangladesh prevent and control avian influenza as part of its initiatives in tackling a possible avian influenza outbreak in Asia and the Pacific. ADB assistance was critical when avian influenza was detected in Bangladesh in early 2007. The Government initiated a number of preemptive and proactive actions to eliminate any possibility of its further proliferation. At least 150,000 birds were culled as further spread of the avian influenza was contained.

### **Agriculture and nature Resources**

Agriculture constitutes 21% of the country's GDP and employs about 52% of the total labor force. Because over 80% of the country's poor live in rural areas, progress in reducing rural poverty continues to be the key challenge facing the country. To help Bangladesh meet these challenges, ADB has supported policy reforms and innovative interventions for increasing food grain production, diversifying crops, and developing the livestock and fisheries sectors. ADB has also assisted in conserving the environment, creating irrigation systems, fostering small-scale water resources, building flood protection, and ensuring village people's greater access to markets.

A series of rural infrastructure enhancements, water resources improvement, and microfinance projects have contributed to reducing rural poverty. The Food Crops Development Program (1990) was instrumental in deregulating and privatizing

input markets. ADB's support to the Bangladesh Agricultural Inputs Program (1987) has helped sustain food grain production by providing timely availability of diesel fuel and pesticide supplies to farmers. The Participatory Livestock Development Project (1997) particularly supported women farmers in subsistence livestock production.

Over 500,000 people—mostly women—were able to put more food on the table, educate their children, and even save enough to lease or buy agricultural land. The Northwest Crop Diversification Project (2000) is helping raise farm outputs and incomes, accelerating poverty reduction, and stimulating the economy of the relatively less-developed northwest region by tapping the enormous potential of high-value crop production, value addition, and agribusiness. The Agribusiness Development Project approved in 2005 promotes agribusiness activities to create jobs and helps reduce poverty. ADB's forestry sector interventions assisted Bangladesh in natural resources management, improving the environment, and creating jobs.

### **Water Resources Management**

Bangladesh is a lower riparian country located within flood plains of three great rivers—the Ganges, Brahmaputra, and Meghna. Over 90% of the rivers' catchment area lies outside Bangladesh. As a result, huge inflows of water, over which Bangladesh has no control, enter the country. It is a challenge for Bangladesh to manage floods in a manner that mitigates its adverse effects but prevents losing the beneficial effects.

ADB has been a major development partner of Bangladesh in the water sector. ADB's water sector assistance, with co-financing from the Government of Netherlands and other development partners, contributed to the establishment of policy and institutional frameworks for decentralized and participatory water management, including sustainable operations and management by water



management associations. The interventions also contributed to agricultural and rural growth, market orientation, and increased farmers' access to irrigation water. ADB-assisted projects-such as the Ganges-Kobadak project, Pabna Irrigation and Rural Development Project, and Meghna-Dhonagoda Irrigation Project-have substantially improved flood plain management in Bangladesh. In recent years, ADB has pioneered or led in some areas such as strengthening irrigation water management associations and infrastructure through a multisectoral approach. The Small-Scale Water Resources Development Sector Project (2001) is supporting the Government's poverty reduction efforts by increasing sustainable agricultural and fisheries production, applying principles of community-driven development, and promoting effective participation of women in decision making and sustainable environmental management.

The Jamuna-Meghna River Erosion Mitigation Project (2002) established cost-effective, innovative, and sustainable riverbank protection by pilot-testing low-cost technologies (sand-filled geo-textile bags) and establishing the management systems to provide protection in an adaptive manner to the natural river processes. The Secondary Towns Integrated Flood Protection Project II (2005) is promoting economic growth and reducing poverty in nine selected pourashavas by providing a flood-free and secure living environment.

### **Rural Infrastructure Development**

ADB has extended support to Bangladesh to improve rural infrastructure including the Chittagong Hill Tracts region. Since the First Rural Infrastructure Development Project was approved in 1988, ADB has provided a total of six loans amounting to about \$440 million ADF, with another \$172 million in grant co-financing mobilized from several development partners. With improved rural roads and associated infrastructure, people gain improved access to markets, trading centers, and social services. ADB also supported the government's efforts

in strengthening local government units to enable them to plan, manage, and maintain the infrastructure.

The Rural Infrastructure Improvement Project approved in 2002 is reducing rural poverty in 16 districts of Khulna and Barisal Divisions in southwestern Bangladesh, by increasing economic opportunities for the poor through participatory planning and rehabilitation of sustainable rural infrastructure, social and gender development, and improved rural local governance. Based on the project's success, a follow-up project replicating the activities in 23 districts of central and northwest Bangladesh was approved in 2006 with co financing from DFID and German Development Cooperation.

## **FINANCE**

Over the past decade, ADB has largely concentrated in the financial sector focusing on the development and reform of the capital market. This has been done through the Capital Market Development Program approved in 1997 at the outbreak of the equity market scam in 1996, and through several technical assistance (TA) grants and, more recently, a TA loan. ADB also facilitates the provision of finance to small and medium-sized enterprises (SMEs). The key objective of ADB's financial sector assistance in Bangladesh will continue to be on establishing a healthy and operationally efficient financial system. The focus is on securities market, rural microfinance, and SME development through improved financial access.

In 2004, ADB approved a program to help the Government implement a new national policy for SME development, and further strengthen the newly established SME foundation charged with improving access to development finance for SMEs. The program also addresses specific regulatory, information, market access, and technology bottlenecks to broaden SME operations, and supports reforms and capacity building of financial intermediaries relevant to SME development. The Financial Market and Insurance Governance Improvement TA

loan approved 2006 will improve good governance practices in the financial system.

Under the CSP for Bangladesh for 2006-2010, ADB will help Bangladesh promote good financial sector governance and expand its focus on policy and institutional *reforms* for the banking subsector in close coordination with the International Monetary Fund and World Bank.

### **Governance for Development Effectiveness**

Good governance, including anticorruption actions, is critical for achieving higher economic growth and rapid poverty reduction. ADB, as one of the major development partners, has made good governance one of the strategic priorities in its assistance to Bangladesh. ADB has been focusing on catalytic support to address critical constraints to core governance, including continuing support for effective functioning of the anticorruption commission; developing a national integrity strategy and corruption prevention measures in line ministries and agencies; reforming the judiciary with a focus on performance, transparency, and accountability; and building governance management capacity in cooperation with other development partners.

In Bangladesh, ADB traditionally focused on sectoral governance reforms and played a key role in encouraging incremental improvements in sectors, including education, health, energy, power, and transport. ADB continues to support improving sector governance by strengthening financial management systems, internal controls and audit, and accounting and procurement practices in different sectors. ADB has adopted a number of measures to further enhance governance of ADB-assisted sectors. It also helps improve local governance by building local government capacities in planning and delivering local services through partnerships with the private sector and civil society. To more effectively support

ADB's assistance in core and sectoral governance initiatives, a governance unit was established in BRM in 2005.

### **Developing a National Involuntary Resettlement Policy**

ADB is assisting Bangladesh develop a national policy on involuntary resettlement to complement the present Acquisition and Requisition of Immovable Property Ordinance II (1982). The policy is being formulated through broad stakeholder consultation addressing broader social and economic impacts of land acquisition and resettlement. These include land replacement or land compensation paid as replacement cost; income restoration; relocation assistance and allowances; consultation and grievance redress; assistance to vulnerable groups such as indigenous people, informal settlers or squatters, female-headed households, the elderly, and disabled; and provision for resettlement sites and services.

The policy will set standards and provide the legal and administrative framework for efficient resettlement management in implementing development projects. It will also ultimately strengthen the institutional capacity of infrastructure agencies in better planning and management of resettlement.

### **Regional Cooperation :**

ADB recognizes economic cooperation as an important means of achieving more efficient use of regional resources; making economies more complementary and promoting the orderly expansion of foreign trade, in particular, subregional and interregional trade. Improving connectivity, facilitating trade and investment, developing regional tourism, facilitating cooperation in energy to meet growing regional energy needs, and promoting private sector cooperation are the key strategic objectives of ADB's regional cooperation strategy and program (RCSP) 2005-2008 for South Asia.

ADB's RCSP focuses on the need to accelerate economic cooperation between Bangladesh, Bhutan, India, and Nepal. Subregional projects being formulated include improving road networks connecting the participating countries, and regional railway and power networks. The ADB-supported South Asia Subregional Economic Cooperation (SASEC) program identifies several multiregional projects and initiatives. Other subregional groupings, such as the Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation (BIMSTEC), are advancing rapidly and will serve to broaden the regional cooperation focus from South Asia to parts of East and Southeast Asia.

Deficiencies in key infrastructure and a lack of transit rights frustrate opportunities for economic integration with Bangladesh's near neighbors. Improvements in regional initiatives under the South Asia Association for Regional Cooperation (SAARC) and, particularly, bilateral agreements between Bangladesh and India are required to facilitate trade in energy, enhance cross-border transit trade, effectively promote environmental cooperation, including cross-border watershed management and disaster management, and combat trafficking of women and children.

Through its country program, ADB is assisting Bangladesh to participate actively in subregional cooperation initiatives. This is done by providing regional technical assistance and knowledge products aimed at building the capacity to respond to cross-border challenges (such as trafficking and disaster management), and by establishing an integrated subregional transport and energy network to enhance Bangladesh's position as a transport and transshipment hub. Key investment priorities expected to have important regional integration payoffs include (i) upgrading and developing key transport corridors, including Dhaka-Chittagong, and building capacity at the Chittagong port to facilitate trade; (ii) improving the network and management of strategic transport links, including highways, the Padma Bridge, rail system, and ports to better integrate Bangladesh's multimodal

transport with neighboring states; and (iii) providing the knowledge and expertise needed to improve public policies and institutional arrangements to support regional energy trade. With the opening of the Jamuna Bridge and development of the Padma Bridge in the near future, the Dhaka-Chittagong transport corridor and other strategic transport corridors can link the northeastern states of India to Bhutan, Nepal, and West Bengal.

### **Gender and Development**

In the past decades, Bangladesh women have made substantial progress in accessing education, health, economic resources, employment, and in participating in the political process as a result of interventions by the Government and civil society organizations. Yet women continue to face both deprivation and gender-based violence and discrimination, and continue to have a limited political and economic voice.

To reduce the gender gap, ADB's strategy for Bangladesh focuses on:

- increasing the return on women's labor (through improved skills, jobs in nontraditional sectors, access to credit markets, improved access to infrastructure, and appropriate technologies);
- facilitating women's empowerment;
- strengthening the capacity of institutions to facilitate women's participation in decision making, particularly within local government and executing agencies;
- fostering women's human development, including health and educational attainment;
- providing livelihood support to women who are most vulnerable to economic and social shocks; and
- promoting a positive image of, and role for, women as agents of social change and positive contributors to a prosperous economy.

DB-supported projects contribute significantly to narrowing gender gaps by ensuring that women participate in project and program activities; influence decisions concerning the selection, management, and maintenance of project outputs and benefits; and foster wage parity. In the infrastructure sector, particular emphasis is given to women's needs in infrastructure design and provisions for women to ensure that they benefit equitably from employment opportunities. Women's economic empowerment is promoted by developing women's market corners, which has increased female presence in rural markets- the heart of the rural economy-and their participation in commerce. Special training on business management for female shop owners is provided. Access of poor rural women in the open spaces of rural markets has been ensured for trading. This has boosted women's earnings and helped change attitudes and awareness on the role of women in the rural distribution sector. Women's participation in higher-value agriculture activities and agribusiness has significantly improved their status in the family and society.

### **Private Sector Development**

ADB considers private sector development crucial to economic growth, job creation, and poverty reduction in the Asia and Pacific region. ADB's private sector window extends financial assistance to private sector projects in the infrastructure, capital markets, and financial sectors by mobilizing funds from local and foreign sources. ADB's public sector operations support private sector development by encouraging reforms; creating business-friendly policy and regulatory environment; and improving infrastructure, human capital, and governance. Public sector projects also offer specific opportunities for private sector participation.

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In Bangladesh, ADB has financed private sector projects in the power, mobile telephone, textile, cement, capital market, and leasing sectors. Through its public sector interventions, ADB has been supporting efforts to strengthen capacities of key capital market institutions and improving the legal and regulatory environment in the capital markets. ADB is also keen to assist authorities in developing a bond market in Bangladesh. To address difficulties in project finances arising out of likely currency mismatches, ADB is exploring possibilities of extending local currency financing in Bangladesh by issuing local currency bonds and arranging cross-currency swaps.

ADB's assistance in developing the country's infrastructure, such as transport, energy, urban infrastructure and utilities, is improving the environment for private investment by enhancing productivity and removing constraints on growth. ADB's support in the social sectors is helping create an educated, skilled, healthy, and productive workforce, essential for increased private investment.

ADB's public and private sector operations work in harmony to improve the enabling environment to make Bangladesh more attractive to foreign direct investment, and to widen opportunities for public-private partnerships. ADB's support in improving public policies, regulatory regimes, and governance is creating a conducive environment for materializing higher rates of private investment. ADB's assistance in developing the small and medium sized-enterprise



sector and facilitating the restructuring and privatization of selected state-owned enterprises will expand the scope of private sector operations in the country.

### **Telecommunications and Poverty Reduction**

ADB has extended support to boost the telecommunications infrastructure in Bangladesh. The GrameenPhone Telecommunications Project helped finance the construction, expansion, and operation of a nationwide cellular telephone system that provides cellular telephone services in the main cities, and a village pay-telephone service in the rural areas. It reaffirms ADB's role in the information and communication sector by supporting the private sector to lead information technology (IT) networks development; encouraging government to create a predictable, transparent, and nondiscriminatory policy and regulatory environment; and ensuring that IT-related rules and practices are responsive to the emerging revolutionary changes in the way people conduct business.

Massive investments in mobile telecommunications have financed rapid network expansion—now covering 97% of the country's population and 82% of the land area. It has become one of the most vibrant services subsectors in the economy. Subscribers doubled in 1 year—up from 11 million in 2006 to over 23 million in mid 2007, and are forecast to rise to 44 million by 2009. This industry directly employs 14,000 and indirectly creates jobs for 650,000. The rapid growth in mobile telephone subscriptions has raised the country's telecommunications density to over 16% from only 7% a year ago.

Availability of phones in rural areas has created new opportunities for income generation and self-employment by providing villagers with access to modern technology—offering real-time business and market information, promoting health care awareness, developing agribusiness, and raising social status. Innovative value-added services such as community information centers—providing Internet

access, voice communications, videoconferencing, and other IT services-have facilitated connectivity. It has broadened access to banking, education, and entertainment services; and stimulated the growth of other businesses.

### **NGOs and Civil Society**

ADB recognizes civil society organizations, including NGOs, as important partners in development, and cooperates with them to improve the impact, sustainability, and quality of its services. NGOs provide value-added services in promoting sustainable development, which is characterized by innovation, accountability, responsiveness, participation, and sustainability.

Recognizing that NGOs in Bangladesh have valuable experience in a wide range of areas, BRM periodically brings together NGO representatives to brief them on ADB activities and to solicit feedback. The CSP for Bangladesh 2006-2010 was prepared through active and extensive consultations with NGOs and civil society. Besides providing inputs for country programming and country portfolio review mission? every year, civil society organizations and NGOs are playing important roles in implementing ADB loans, technical assistance grants, and other initiatives. In recent years, ADB has prepared two major policy documents, ADB-Government-NGO Cooperation: A Framework for Action, 2003-2005, and the Public Communications Policy/through multistakeholder consultations.

**Conclusion:**

During the last decade, Bangladesh's economic and social development achievements have been impressive. Gross domestic product (GDP) growth averaged 5% per annum with fiscal and current account imbalances contained at manageable levels, low rates of inflation, sustainable public debt, and stable interest and exchange rates. During the 1990s, income poverty fell from 59% to 50%, infant mortality was halved, and life expectancy increased from 56 to 65 years. Over the past 5 years, average economic growth exceeded 5% and poverty incidence continued to decline. The vast majority of children attend primary school, and gender parity has been achieved in primary and secondary education with a committed Government policy for girls' education.

Although the overall governance setting is marked by poor law and order, systemic corruption, and declining quality of the civil service, several positive aspects of governance explain Bangladesh's success in accelerating growth and poverty reduction. Since the 1990s, the Government has increasingly supported private sector development through sound macroeconomic management and measures to open up the economy. Macroeconomic stability and an increasingly open trade environment have contributed to vigorous annual export growth of 11% with substantial employment generation, especially in the ready-made garment sector. The sustained use of public resources to support technological progress in agriculture, rural infrastructure, health, and education, combined with progressive policies to ensure participation and strong partnerships with nongovernment organizations (NGOs) to deliver grassroots public services, have helped Bangladesh make a strong start in meeting the Millennium Development Goals (MDGs). Open labor market policies have resulted in income from remittances and peacekeeping equivalent to 50% of export earnings, much of which directly benefits the rural poor.

However, nearly half of the population remains poor and per capita GDP remains extremely low at \$418 in fiscal year 2004. Maternal and child mortality rates are

extremely high, the quality of education is poor, gender discrimination continues, and efforts to overcome poverty face numerous constraints. Broad-based growth and social development is needed to create the opportunities and capacities required to accelerate poverty reduction.

Although the investment climate in Bangladesh compares favorably with many Asian countries, the cost of doing business is high, due to the combination of poor infrastructure, corruption, burdensome regulation, and limited access to finance. Government revenues (at only 10.6% of GDP compared with a regional average of 19%) remain far too low to meet growing demand for infrastructure and social services. In addition, the country's garments exports could be affected by the phase-out of the Multi-Fiber Arrangement, although no obvious adverse effects have been experienced so far.

A dynamic private sector, a growing skilled labor force, a capable network of NGOs, and dedicated elements of the public service have drawn on their respective resources, talents, and capacities to address the tremendous array of constraints that have kept Bangladesh from realizing its full economic and social potential. But the country faces even more formidable challenges: the urgent need for improved law and order, better infrastructure, sound financial markets, quality social services that are accessible and affordable, clean urban habitats, and an enabling environment for private sector development.

## **CHAPTER SIX**

### **Bank Operation in Bangladesh**

#### **Introduction**

The Asian Development Bank, better known as ADB, was established in November 1966. The Bank began operating as a development finance institution in December 1966 from its headquarters in Manila, Philippines. The ADB is owned by the governments of 56 countries, of which 40 countries are from the region and 16 are from outside the region.

During the past three decades, the Bank has become a major catalyst in promoting the development of the Asian and Pacific region. Its principal functions are to:

- make loans and equity investments to promote socio-economic development;
- provide technical assistance;
- promote investment of public and private capital for development purposes; and
- encourage regional cooperation among its developing member countries.

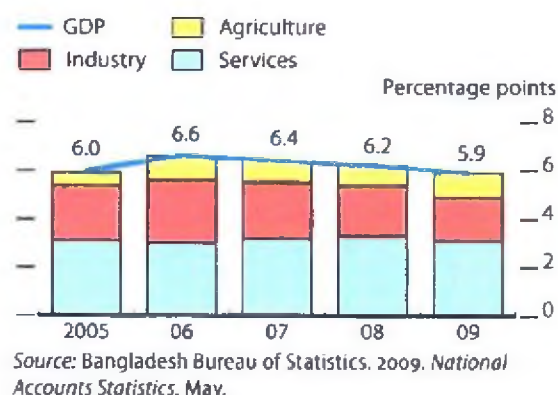
Bangladesh became a member of the ADB in 1973. The Bank's Board of Directors consists of 12 Executive Director (each with an Alternate). Bank staff are from 43 member countries, including Bangladesh.

To facilitate its operations in the country, the Bank set up the Bangladesh Resident Mission (BRM) in July 1982. The BRM was the Bank's first resident mission.

#### **Economic Prospects in Bangladesh**

This economy has performed better than many others in Asia due in part to its lack of integration with global financial markets as well as the nature of its garment and labor exports, which are targeted mainly at the low end of the market (a segment that was less affected during the early stages of the crisis).

Figure 1: Contributions to growth (supply)

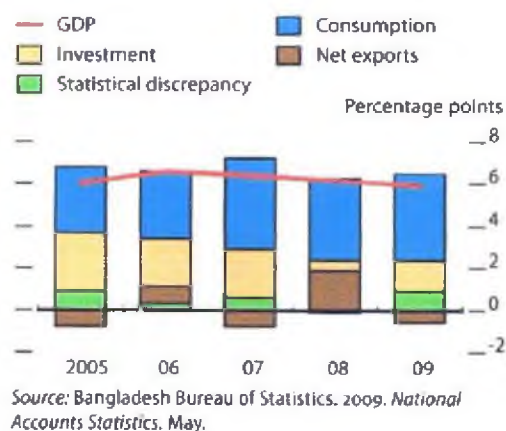


Official sources estimate that GDP growth declined slightly to 5.9% in FY2009 (ended June 2009) from 6.2% in the previous year largely because of industry’s decelerating growth (Figure:1), as export production slowed during the global recession. Industry’s growth was also constrained by power and natural gas shortages and by a weakening in construction activity.

Agriculture performed well, aided by favorable weather and government support to farmers that improved their access to inputs and credit. Expansion in services decelerated as the slowdown in industry crimped trade and transport activity.

On the demand side, private consumption remained the major driver of growth (Figure 2), fueled by a healthy expansion in workers’ remittances from abroad. Total fixed investment, at 24.2% of GDP in FY2009, was unchanged as the marginal rise in private investment was offset by a decline in public investment due to continued sluggish implementation of the government’s annual development program (ADP). The contribution to growth of net exports of goods and services was negative.

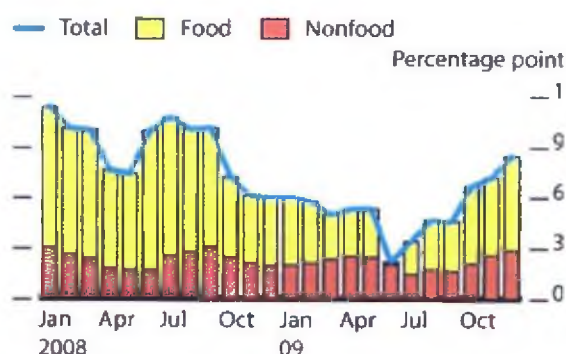
**Figure: 2 Contributions to growth (demand)**



Foreign direct investment (FDI) has stagnated at the meager level of less than \$1 billion annually over the past 5 years. In an attempt to boost FDI into gas, the government invited bids for offshore gas exploration and awarded contracts for three offshore blocks. To attract potential investors into the power sector, it relaxed the cap on producers' gas sales prices to bring them close to international levels.

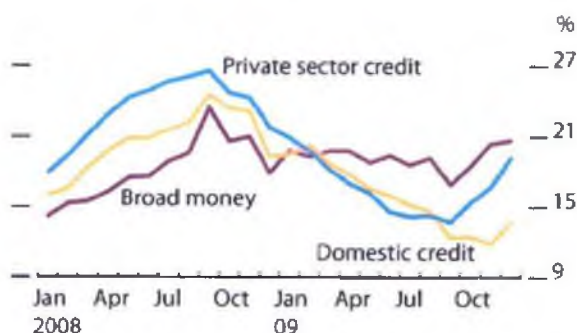
Average inflation dropped to 6.7% in FY2009 from 9.9% the year before, with the fall in food prices steeper than that in nonfood prices. The steep decline in petroleum and food import prices and an uptick in domestic agricultural performance were the main factors contributing to easing price pressures. However, after falling to a 90-month low of 2.3% year on year in June 2009 (Figure 3), inflation accelerated to 9.0% in January 2010, with food and nonfood prices rising sharply. This upturn reflected the impact of unfavorable weather on domestic crop production and the strengthening of global prices of rice and other commodities.

**Figure: 3 Contributions to inflation**



Sources: Bangladesh Bureau of Statistics. <http://www.bbs.gov.bd> (accessed 7 March 2010); ADB estimates.

**Figure: 4 Growth of monetary indicators**



Source: Bangladesh Bank. <http://www.bangladesh-bank.org> (accessed 1 February 2010).

Growth in broad money was strong throughout FY2009, advancing 19.4% year on year in June 2009, compared with the 17.5% program target of Bangladesh Bank, the central bank (Figure 4). This buoyancy largely reflected unexpected strength both in the banking system's net foreign assets and in the balance-of-payments outturn. Expansion in private sector credit fell to 14.6% year on year in June 2009 (against a target of 18.5%), as slower domestic economic activity and business uncertainty curtailed demand.



Bangladesh Bank cut its policy rates (repo and reverse repo) by 25 basis points in March 2009 in an effort to bolster economic activity. Moreover, its operations in the foreign exchange market substantially raised commercial banks' excess reserves and lending capacity. Reflecting these factors, the average interbank call money rate dropped sharply to 1.8% in June 2009, from 8.3% in March 2009. However, commercial banks' weighted average lending rate declined only marginally to 11.9% in June 2009 and credit flows did not strengthen perceptibly. In October, the central bank cut the two policy rates by 400 basis points in an effort to encourage banks to reduce lending rates and to stimulate credit demand.

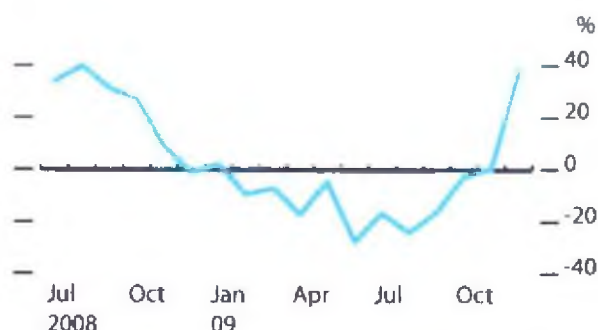
After that move, credit to the private sector climbed strongly. The taka-dollar exchange rate remained stable at about Tk69/\$1 in FY2009, as Bangladesh Bank intervened heavily in the interbank market, purchasing \$1.5 billion during the year (up from only \$0.2 billion in FY2008) to prevent that rate from appreciating. However, the real effective exchange rate appreciated by 7.2% over the year due to higher domestic inflation than in its major trading partners, implying erosion in export competitiveness.

**Figure 5A: Monthly import growth**



Source: Bangladesh Bank. <http://www.bangladesh-bank.org> (accessed 1 February 2010).

**Figure 6: Monthly import growth**



Source: Bangladesh Bank. <http://www.bangladesh-bank.org> (accessed 1 February 2010).

Revenue collection rose slightly to 11.2% of GDP in FY2009, but fell well short of the FY2009 budget target, mainly because of the slower growth in imports. Total spending at 15.3% of GDP was also lower than target. Lower international prices of food, fuel, and fertilizer contained current spending on subsidies, and the ADP was also substantially under spent due to continuing human resources constraints in key line agencies. The overall budget deficit was therefore only 4.1% of GDP, well below the target of 5.0%.

Export growth decelerated to 10.1% in FY2009 from 17.4% in FY2008, with essentially stagnant year-on-year export gains after the September 2008 global financial meltdown (Figure 6). Readymade garments posted a still-healthy growth of 15.4%, which helped raise their share in total exports to 79.3% from 75.8% the previous year, as other products' exports declined by 5.7% on weak demand and lower prices.

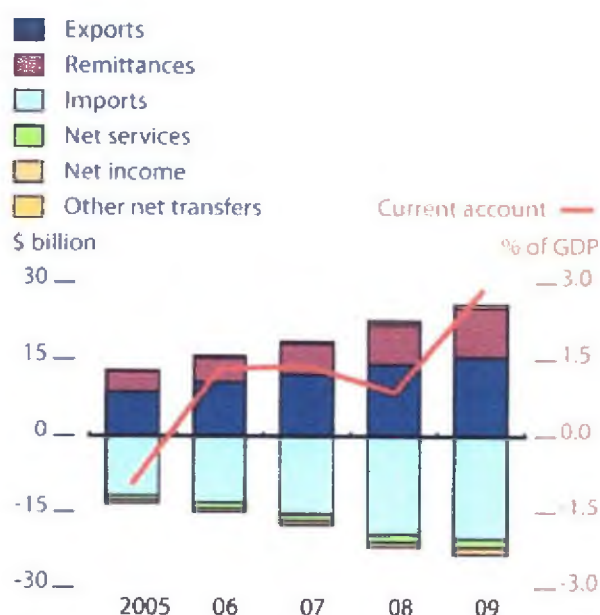
Contracting in the second half from year-earlier levels, imports plummeted to only 4.2% growth in FY2009 from 25.6% A good domestic crop and a combination of falling global commodity prices and weaker imports of capital machinery and raw materials were the major factors.

The improved trade deficit, together with 22.4% growth in workers' remittances, lifted the current account surplus to \$2.5 billion (2.8% GDP) from \$702 million (0.9% of GDP) in FY2008. A small deficit in the capital and financial account resulted in a surplus of \$2.1 billion in the overall balance of payments in FY2009, dwarfing the prior-year's \$331 million surplus. Foreign exchange reserves rose to \$7.5 billion (3.8 months of imports) at end-June 2009, and surged to \$10.6 billion at end-February 2010, nearly twice the level of a year earlier, and equivalent to over 5 months of imports .

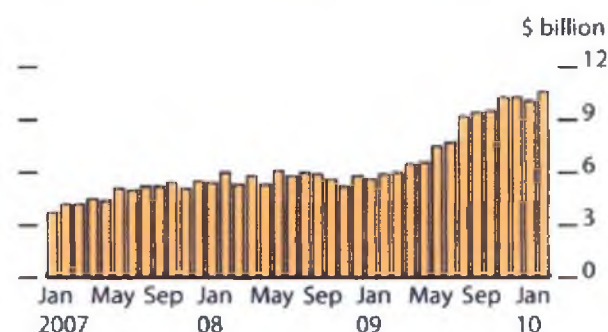
### Economic prospects

Economic forecasts for FY2010 and FY2011 assume continued prudence in macroeconomic management and steady progress in governance reforms. Commissioning of new power generation capacity should moderately reduce supply shortages.

**Figure 7: Components of the current account balance**



Source: Bangladesh Bank. 2010. *Annual Report 2008-09*.  
<http://www.bangladesh-bank.org>

**Figure 8: Gross foreign exchange reserves**

Source: Bangladesh Bank. <http://www.bangladesh-bank.org> (accessed 8 March 2010).

GDP growth in FY2010 is forecast at 5.5%, somewhat lower than in FY2009 due in part to the lagged effects of depressed external demand on Bangladesh's mainly low-end garment exports. In FY2011, growth is expected to rise to 6.3%, underpinned by the global recovery and strengthened business confidence and investment.

Despite continued policy support, agricultural growth is seen moderating in FY2010 to a still-high 4.1% from 4.6%, as the *aus* (summer) crop has been affected by drought and the *aman* (monsoon) crop by inadequate rainfall. The high base of the previous year and less remunerative farmgate prices are also factors. Sector growth is projected to nudge up to 4.3% in FY2011 on an expected return to normal weather.

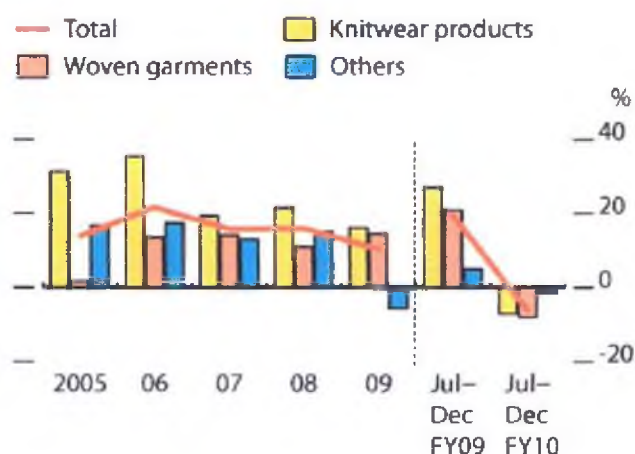
Figure 9: Selected economic indicators (%)

3.15.1 Selected economic indicators (%)

	2010	2011
GDP growth	5.5	6.3
Inflation	7.5	7.8
Current account balance (share of GDP)	1.8	0.5

Source: ADB estimates.

Figure 10: Growth in exports and components



Source: Bangladesh Bank. 2010. *Annual Report 2008-09*.  
<http://www.banqladesh-bank.org>

Industrial growth is seen decelerating to 5.6%, reflecting subdued domestic and external demand in the first half of FY2010. Several indicators suggest that industry will remain sluggish throughout the year. Export performance was dismal in the first half, declining by 6.2% with most items (including garments) contracting due to weak retail sales in industrial countries. In addition, domestic investor sentiment has not fully revived following the initial uncertainty over the extent and depth of the impact of the global recession on Bangladesh.

Moreover, decelerating remittance growth will limit growth in consumer demand. Still, industrial performance is expected to strengthen in the second half of FY2010 as exports return to a positive growth path on recovering global momentum.

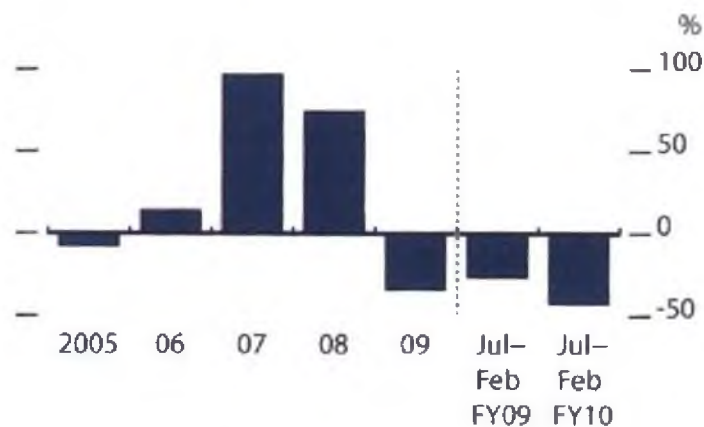
In FY2011, industry is likely to grow more robustly at 7.5% with further recovery in global demand and improved domestic business confidence that will raise construction activity and investment. Other domestic factors, such as financial support to small and medium-sized enterprises spearheaded by the central bank, should also help boost industrial output.

Services growth in FY2010 is forecast to slow to 5.9% from 6.3%, reflecting weaker performance in agriculture and industry. Trade and transport activity are especially affected. Growth is projected to rebound to 6.5% in FY2011.

With the rise in year-on-year inflation, the 12-month average has also picked up. In FY2010, average inflation is forecast to climb to 7.5% and then to 7.8% the following year. The excess liquidity in banks and international commodity price pressures are expected to stoke inflation.

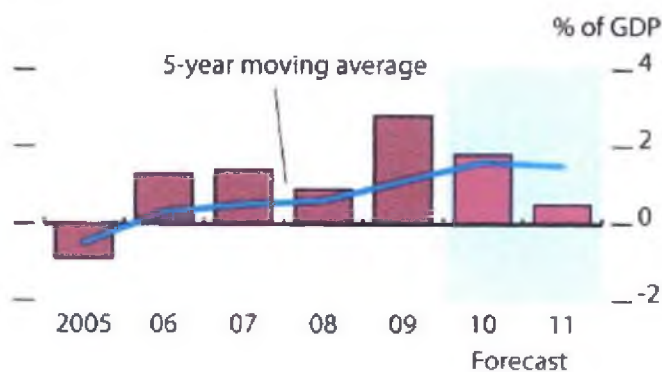
The Monetary Policy Statement announced in January 2010 continues the accommodative stance. The statement seeks to maintain supportive monetary conditions to help exports recover and investment pick up.

**Figure 11: Growth in overseas employment**



It also anticipates that the boost to production from improved credit availability and the November 2009 cut in fertilizer prices will help contain FY2010 inflation. The year-on-year growth in broad money (20.7%) in December 2009 was higher than the central bank’s annual program target of 15.5%, while growth in private sector credit at 19.2% was also above its program target of 16.7%.

**Figure 12: Current Account balance**



Remittances reached a peak of \$1.1 billion in November 2009, before falling to \$844.1 million in February 2010. Remittance growth dropped to 19.2% in the first

8 months of FY2010 from 27.0% in the year-earlier period. Job placements abroad also tumbled (42.2%) in this period and many workers came home. Reflecting a decelerating rise in the number of new migrants and an increasing number of returnees, remittance growth is expected to slow further, to 16.5% in FY2010 and to 12.5% in FY2011.

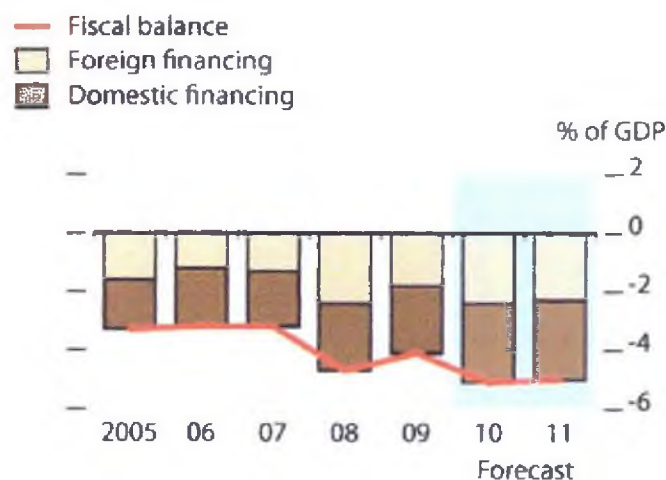
Based on orders received, exports are set to perform better in the second half but, because they declined in the first half, full-year FY2010 growth is projected at only 5.0%. The first-half decline also suggests a more pronounced impact of the global recession in FY2010 than a year earlier. The government announced a Tk10 billion (\$145 million) package in November 2009 to boost exports' performance. With continued global recovery, growth is projected to rise to 11.0% in FY2011.

Imports declined sharply by 5.7% in the first half of FY2010 but are likely to pick up in the second half, with overall growth rising to 4.0% in FY2010 and to 14.0% in FY2011, as international fuel and nonfuel commodity prices recover and as domestic demand for imported raw materials and capital machinery grows.

The surplus in the current account is expected to decline to 1.8% of GDP in FY2010 as export and remittance growth slow, although import growth will also decelerate. The surplus will slide further to 0.5% of GDP in FY2011, as the trade deficit widens due to a recovery in import growth and a further slowing in remittance growth.



Figure 13: Fiscal balance



In June 2009, the government set an expansionary fiscal stance in the FY2010 budget. It included sizable spending on a new public-private partnership (PPP) scheme, a much larger ADP, an expanded social safety net program, and a special stimulus package. Although ADP utilization of 35% in the first 7 months of the fiscal year is an improvement over past years, based on its current pace, the ADP allocation is unlikely to be fully spent. The allocation for PPPs is also likely to remain largely unused, as the preparatory work for launching the scheme is taking longer than foreseen. Thus, the FY2010 budget deficit is expected to be contained within the projected level of 5.1% of GDP.

The government has not raised the administered prices of domestic fuels since it lowered prices of diesel and kerosene (together, close to 75% of domestic consumption) in January 2009, despite subsequent increases in international oil prices. The Bangladesh Petroleum Corporation (BPC) is suffering losses from selling these products at below cost. It is making some profit on gasoline (petrol), which accounts for about 15% of consumption; the price was reduced in December 2008. Effective 1 March 2010, the Bangladesh Power Development Board (BPDB) increased tariffs by 6%–7%. Without domestic price increases,

BPC is likely to incur a sizable deficit. The FY2010 budget earmarked \$370 million for subsidies to BPC and to BPDB to cover their likely losses.

Several downside risks could undermine projections. These include a weaker than expected global economic recovery, failure of planned measures to address growing power and gas shortages, business confidence weakened by a lack of progress in economic and governance reforms, and an unexpected surge in commodity prices or in bank credit pushing inflation much higher. The threat of natural disasters always looms.

### **Methods of Loan Distribution**

The Bank's strategic development objectives, as defined in the bank's Medium Term Strategic Framework (1995-1998), are to promote economic growth, reduced poverty, support human development (including population planning), improve the status of women, and protect the environment.

The desirable project mix between social aid economic developments -adopted by the bank for all of its public sector lending operations - is a 50:50 ratio; at least 50 percent of the total number of projects will have social or environmental objectives either as primary or secondary objectives; the remaining will support projects with economic growth as the primary objective. In terms of lending volume, the Bank's desirable lending mix s to have 40 percent of total public sector lending for projects with social or environmental objectives by the end of the decade.

Operating objectives in each DMC fall within four areas: policy support; capacity building for development management; creating/strengthening productive capacity, infrastructure, and services; and regional cooperation. Sector involvement The Bank's operations cover a wide spectrum of activities and have

been classified according to the following sectors: (i) agriculture and natural resources; (ii) energy; (iii) industry and nonfuel minerals; (iv) finance; (v) transport and communications; (vi) social infrastructure; and (vii) multisector, combinations of some of the sectors (i) to (vi).

### **Project Process**

Before any project is identified for Bank financing, Bank staff review a country's economy, particularly its national and sectoral development programs, and determine the prospects for its success. Country programming missions visit DMCs regularly to discuss topics of mutual interest with government officials and to select suitable projects for Bank assistance. Since the levels of economic growth, as well as the priorities for development, vary from one DMC to another, the Bank tries to select those projects which will contribute most effectively to the economic and social development of the country concerned, in conformity with the country and Bank wide strategies. Once it is confirmed that investment in the project is justified, the Bank evaluates the project.

In responding to requests from member governments for loans, the Bank assesses the technical and economic viability, social impact, and financial soundness of projects and the way in which the projects fit into the economic framework and development priorities of the borrowing countries. Standards of accounting and project implementation are maintained. Most contracts are awarded on the basis of international competitive bidding, local competitive bidding, or international shopping, as appropriate. Projects are analyzed and executed and, where appropriate, external consultants are hired to ensure that high standards of performance are achieved throughout the life of the project.

### **Project Quality:**

The Bank aims to achieve better project quality and development impact. An important ingredient of project quality is effective implementation. While implementation of projects is mainly the responsibility of its DMCs, the Bank emphasizes project administration and portfolio review to enhance project effectiveness and efficiency. The four attributes of project quality are economic and financial viability, social impact, implement ability, and sustainability. Emphasis is placed on the broader objectives of capacity building, beneficiary participation, and project performance, rather than simply of the physical competition of projects.

### **Project Examination**

Project amiability, as presented in the consultants' report, is then examined by the Bank, first by a fact-finding mission and then an appraisal mission. The project's technical, financial, economic, social, and environmental and management aspects are closely examined by these missions in consultation with the Government. Discussions are held on loan terms and conditions. Based on its examination in the field, the appraisal mission prepares a report and draws up a draft loan agreement.

### **Loan Negotiations**

Loan negotiations between the Government and the Bank are usually conducted in Manila, where loan terms and conditions are finalized and agreed upon.

### **Loan Approval**

The loan proposal is submitted to the Bank's Board of Directors for approval. The loan agreement is then signed by the President of the Bank and representatives of the Government and the executing agency. Trie loan is declared effective after specified conditions are met.

### **Project Implementation**

The project is implemented by the executing agency in accordance with an agreed implementation schedule and procedures. The implementation phase comprises recruitment of consultants, detailed engineering design and preparation of bidding documents, procurement and installation of machinery and equipment and civil works. The Bank's Project Divisions and BRM closely liaise with the Borrower and the executing agencies in reviewing their action. The Bank disburses the loan for approved expenditures in accordance with the provisions in the loan agreement.

### **Project Completion**

Upon completion and commissioning of project facilities, the Bank prepares a Project Completion Report, based on the Borrower/executing agency's report. Several years later, and on a selective basis, the Bank's Post evaluation Office prepares a Project Performance Audit Report. This report evaluates formulation, implementation and cost aspects, and assesses the economic, financial and social benefits and the environmental impact.

### **Post Evaluation**

The Bank post evaluation projects and programs financed by its to obtain a systematic and comprehensive assessment of the extent to which the project or program objectives have been achieved or are likely to be achieved. Feedback from post evaluation is used to improve the Bank's policies and procedures and the quality of the design and execution of its lending to DMCs. Post evaluation activities include (i) project completion reporting and performance evaluation of a project or program, including evaluation of the efficiency of its implementation after the project or program is completed; and (ii) intensive analysis of certain

specific issues or subjects of broader significance to the Bank's strategic objectives and policies, and country or sector-specific areas of operational relevance.

**Sector wise Loan:**

Cofinancing operations enable ADB's financing partners-government or their agencies, multilateral financing institutions, and commercial organizations-to participate in financing ADB projects. The additional funds are provided in the form of grants, official loans, or credit enhancement products.

In 2009, three projects received supplementary grant cofinancing: \$30.0 million from Canada for the Second Primary Education Development Program, \$24.0 million from the Netherlands for the Emergency Disaster Damage Rehabilitation (Sector) Project, and \$2.5 million from Switzerland for the Post-Literacy and Continuing Education Project. The Participatory Small-Scale Water Resources Sector Project was provided with \$22.0 million loan cofinancing by the International Fund for Agricultural Development. As of year-end 2009, cumulative direct value-added cofinancing for Bangladesh amounted to \$1.16 billion for 27 investment projects and \$58.7 million for 69 TA projects.

From 1 January 1968 to 31 December 2009, contractors and suppliers were involved in 186,281 contracts for ADB loan projects worth \$96.29 billion. During the same period, contractors and suppliers from Bangladesh were involved in 20,527 contracts for ADB loan projects worth \$4.47 billion.

From 1 January 1968 to 31 December 2009, consultants were involved in 10,945 contracts for ADB loan projects worth \$4.38 billion. During the same period, consultants from Bangladesh were involved in 387 contracts for ADB loan projects worth \$82.99 million.

From 1 January 1968 to 31 December 2009, consultants were involved in 20,087 contracts for ADB TA projects worth \$2.52 billion. During the same period, consultants from Bangladesh were involved in 495 contracts for ADB TA projects worth \$24.92 million.

**Table 1: ADB Assistance to DMCs, 2008-2009a**

	<b>2008</b> (\$ million)	<b>2009</b> (\$ million)	<b>Change</b> (%)
Lending	10,123.92	13,230.19	30.68
ADF, Sovereign	1,763.56	2,210.31	25.33
OCR, Sovereign	6,838.78	10,577.01	54.66
OCR, Nonsovereign	1,521.58	442.87	(70.89)
Public Sector	300.00	134.30	(55.23)
Private Sector	1,221.58	308.57	(74.74)
Equity Investments	123.08	220.00	78.74
Grants	808.90	1,113.48	37.65
Technical Assistance	273.20	267.20	(2.21)

ADF = Asian Development Fund, DMCs = developing member countries, OCR = ordinary capital resources.

<sup>a</sup> Excludes terminated loans, equity investments, technical assistance, and grants.

Current Loan project in Bangladesh

Loan Number	Project Name	Fund Type	Amount (US\$-Million)	Term	Interest	Date
			265.000			
			12,787.317			
			140.000			
			75.000			
			1,027.850			
2593	PADMA MULTIPURPOSE BRIDGE DESIGN (SUPPLEMENTARY)	ADF	10.000	32 (8)	1.0/1.5	02
2580	SOUTH ASIA TOURISM INFRASTRUCTURE DEVELOPMENT (REGIONAL)	ADF	12.000	32 (8)	1.0/1.5	16
2569	PUBLIC EXPENDITURE SUPPORT FACILITY PROGRAM AND COUNTERCYCLICAL SUPPORT FACILITY SUPPORT PROGRAM	OCR	500.000	5 (3)	LIBOR + 200BPS	13
2567	PUBLIC EXPENDITURE SUPPORT FACILITY PROGRAM AND COUNTERCYCLICAL SUPPORT FACILITY SUPPORT PROGRAM	ADF	100.000	24 (8)	1.0/1.5	13
2568	PUBLIC EXPENDITURE SUPPORT FACILITY PROGRAM AND COUNTERCYCLICAL SUPPORT FACILITY SUPPORT PROGRAM	OCR	100.000	15 (3)	LIBOR	13
2566	PUBLIC EXPENDITURE SUPPORT FACILITY PROGRAM AND COUNTERCYCLICAL SUPPORT FACILITY SUPPORT PROGRAM	ADF	44.850	24 (8)	1.6	13
2554	URBAN PUBLIC AND ENVIRONMENTAL HEALTH SECTOR DEVELOPMENT PROGRAM (PROGRAM)	ADF	70.000	24 (8)	1.0/1.5	28
2555	URBAN PUBLIC AND ENVIRONMENTAL HEALTH SECTOR DEVELOPMENT PROGRAM (PROJECT)	ADF	60.000	32 (8)	1.0/1.5	28
2549	SMALL AND MEDIUM-SIZED ENTERPRISE DEVELOPMENT	ADF	76.000	32 (8)	1.0/1.5	17
2542	PARTICIPATORY SMALL-SCALE WATER RESOURCES SECTOR	ADF	55.000	32 (8)	1.0/1.5	04



Technical Assistance Completion Reports : Bangladesh

PROJECT ID	PROJECT	SUBJECT	DOCUMENT DATE
TCR: BAN 36268	Promoting Private Sector Participation in the Energy Sector	Energy, Energy Sector Development, Private Sector Development and Finance	Aug 2010
40276: BAN TCR	Promotion of Private Sector Participation in the Power Sector	Economic Development, Energy Sector Development, Power / Power Projects, Technical Assistance	Aug 2010
TCR: REG 40305	Supporting Community-Driven Development in Developing Member Countries	Capacity Building, Economic Development	Jul 2010
TCR: BAN 37332	Chittagong Port Efficiency Improvement	Transport and Communications, Water	30 Jun 2009
TCR: BAN 35225	Support Program Implementation and Coordination of SME Sector Development Program	Industry and Trade, Small & Medium-Scale Enterprises	30 Jun 2009
TCR BAN 34039	Corporatization of the Dhaka Electric Supply Authority	Economic Development, Energy, Governance, Regional Cooperation, Transmission & Distribution	27 Feb 2009
TCR: BAN 39141	Corporatization of the Bangladesh Power Development Board	Economic Development, Energy, Power / Power Projects	17 Feb 2009
TCR: BAN 33233	Efficiency Enhancement of Fiscal Management II	Law, Economic Management and Public Policy, Public Finance and Expenditure	31 Dec 2008

		Management	
TCR: BAN 39230	Participation of the Urban Poor in Municipal Governance	Infrastructure, Urban Development and Housing, Water	5 Dec 2008
TCR: BAN 37017	Supporting Good Governance Initiatives	Governance, Other Health and Social Services	27 Oct 2008
TCR: BAN 37334	Development of a National Involuntary Resettlement Policy	Private Sector Development and Finance, Roads and Highways, Social Development / Dimensions, Transport and Communications	26 Sep 2008
TCR: BAN 37735	Social Protection of Poor Female Workers in the Garment Sector in the Context of Changing Trade Environments Project	Health, Nutrition, and Population, Social Development / Dimensions, Social Protection	27 May 2008
TCR: BAN 35486	Corporatization of West Zone Distribution Operations of Bangladesh Power Development Board	Economic Development, Energy, Governance, Private Sector Development and Finance, Transmission & Distribution	31 Oct 2007
TCR: BAN 38625	Early Warning Systems Study (EWSS)	Environmental Management, Fishery, Governance, Multisector, Social Development / Dimensions	17 Aug 2007
TACR: BAN 33222	Strengthening Project Portfolio Performance	Economic Development, Law, Economic Management and Public Policy, Private Sector Development and Finance, Social	26 Jan 2007

		Development / Dimensions	
TACR: BAN 36299	Preparing the Social Protection for Disadvantaged Women and Children Project	Environmental Management, Health, Nutrition, and Population, Social Development / Dimensions, Social Protection	13 Dec 2006
TACR: BAN 37110	Strengthening Capacities for Poverty Monitoring and Evaluation	Economic Development, Law, Economic Management and Public Policy, Social Development / Dimensions	30 Nov 2006
TACR: BAN 36475	Supporting Urban Governance Reform	Governance, Multisector, National Government Administration, Private Sector Development and Finance, Regional Cooperation	Sep 2006
TACR: BAN 29044	Organizational Reform of Bangladesh Railway Phase III	Economic Development, Environment, Railways, Social Development / Dimensions, Transport and Communications	Dec 2005
TACR: BAN 30323	Land Administration Reform	Land and Land Reform	Aug 2005
TACR: BAN 33226	Capacity Building of the Securities and Exchange Commission and Selected Capital Market Institutions	Capacity Building	Aug 2005
TACR: BAN 34043	Strengthening the National Accounts and Poverty Monitoring System	Others, Poverty Reduction / Alleviation	Jul 2005

TACR: BAN 32232	Corporatization of the Ashuganj Power Station	Power / Power Projects, Technical Assistance	Jul 2005
TACR: BAN 30472	Support a Gas Regulatory Authority Project	Natural Gas	Apr 2005
TACR: BAN 36618	Strengthening Primary Education Development Program	Education	Apr 2005
TACR: BAN 32490	Establishment of a Framework for Sustainable Microfinance	Economic Development, Finance, Governance, Microfinance	29 Mar 2005
TACR: BAN 32230	Support for the Energy Regulatory Authority Project	Energy, Others	Feb 2005
TA3328- BAN	Chittagong Hill Tracts Region Development Plan	Others	Aug 2003
TA 3066- BAN	Efficiency Enhancement of Fiscal Management	Others	Jul 2003
TACR: BAN 29501	Institutional Strengthening of the Privatization Board	Privatization	23 May 2003
TACR: BAN 29501	Insurance Industry and Pension and Provident Fund Reforms	Insurance	23 May 2003
TA 3357	Oil Spill Impact and Resource Management Program	Environment	16 May 2003
TACR: BAN 29501	Capacity Building of Securities and Exchange Commission and Stock Exchanges	Finance, Finance Sector Development	Apr 2003
TACR: BAN 33486	Oil Spill Impact and Response Management Program	Environment	Apr 2003
	Khulna-Jessore Drainage Rehabilitation	Agriculture and Natural Resources	13 Dec 2002
TA 2848- BAN	Second Institutional Strengthening of	Others	28 Oct 2002

	Government-NGO Cooperation		
TA 2921-BAN	Primary School Performance Monitoring Project	Education	27 Sep 2002
IN.156-02	Institutional Strengthening of the Directorate of Secondary and Higher Education	Education	5 Jul 2002
2534	Institutional Development of the Directorate of Nonformal Education	Education	19 Jun 2002
TACR: BAN 25366	Institutional Strengthening of Pourashavas for Urban Water Supply and Sanitation Services	Water	2002
TACR: BAN 26428	Institutional Strengthening of the Department of Public Health Engineering	Health, Nutrition, and Population	Dec 2001
IN.272-01	Kalni-Kushiyara River Management Project	Agriculture and Natural Resources	4 Dec 2001
TCR: BAN 29501	Insurance Industry and Pension and Provident Fund Reforms	Capital Markets and Funds, Finance, Pensions, Insurance, Social Security and Contractual Savings	Sep 2000
TCR: BAN 30009	Strengthening the Management Capacity of the City Corporation Health Departments	Health, Nutrition, and Population	30 Sep 2000
TCR: BAN 27211	Northwest Region Development and Investment Study	Finance, Multisector	29 Feb 2000
TCR: BAN 27119	Study on Insurance Industry and Pension and Provident Fund Operations in Bangladesh	Others, Pensions, Insurance, Social Security and Contractual Savings	Dec 1999
TCR: BAN	Study in the Insurance	Finance, Pensions,	21 Dec 1999

27719	Industry and Pension and Provident Fund Operations in Bangladesh	Insurance, Social Security and Contractual Savings	
TCR: BAN 26284	Strengthening LGED's Management Capability	Law, Economic Management and Public Policy, Subnational Government Administration	Jun 1998
TACR: BAN 31510	Establishment of an Automated Central Depository System	Finance, Finance Sector Development	Apr 1998
TCR: BAN 27445	Strengthening the Post-evaluation Capability of the Monitoring and Evaluation Division in Bangladesh	Capacity Building, Evaluation / Postevaluation	Dec 1997
TCR: BAN 27308	Socio-Environmental Assessment of the Meghna-Dhonagoda Irrigation Project	Agriculture and Natural Resources, Governance	31 Aug 1996
TCR: BAN 24315	Financial Management Upgrade Bangladesh Power Development Board and Dhaka Electric Supply Authority	Energy, Transmission & Distribution	31 Mar 1996

**Project Completion Reports: Bangladesh**

PROJECT ID	PROJECT	SUBJECT	DOCUMENT DATE
PCR: BAN 26624	Rural Livelihood Project	Economic Development, Rural Development	Dec 2008
PCR: BAN 38625	Emergency Flood Damage Rehabilitation Project	Economic Development, Fishery, Governance, Multisector, Social Development / Dimensions	Jun 2008
PCR: BAN 30332	Secondary Education Sector Improvement Project	Education	Jun 2008
PCR: BAN 30032	Sundarbans Biodiversity Conservation Project	Agriculture and Natural Resources, Environment, Social Development / Dimensions	May 2008
PCR: BAN 26623	Forestry Sector Project	Agriculture and Natural Resources, Economic Development, Environmental Management, Gender and Development	Nov 2007
PCR: BAN 30022	Southwest Road Network Development	Roads and Highways, Social Development / Dimensions, Transport and Communications	Jun 2007
PCR: BAN 29033	Urban Primary Health Care Project	Environmental Management, Governance, Health, Nutrition, and Population, Social Development / Dimensions, Social Protection	Mar 2007
PCR: BAN 21182	Ninth Power Project	Energy, Transmission & Distribution	Dec 2006
PCR: BAN 26220	Command Area Development Project	Agriculture and Natural Resources	Nov 2006
PCR: BAN 20063	Third Natural Gas Development Project	Energy	Nov 2005
IN.327-05	Jamuna Bridge Railway Link Project	Railways, Roads and Highways	Nov 2005
PCR: BAN 25311	Coastal Greenbelt Project	Environment, Forest	Oct 2005

PCR: BAN 34545	Southwest Flood Damage Rehabilitation Project	Others, Rehabilitation	Sep 2005
PCR: BAN 24134	Secondary Towns Infrastructure Development Project II	Human Development, Infrastructure, Poverty Reduction / Alleviation	Aug 2005
PCR: BAN 25314	Participatory Livestock Development Project	Law, Economic Management and Public Policy	Aug 2005
PCR: BAN 27148	Second Primary Education Sector Project	Education	Jul 2005
PCR: BAN 21087	Khulna-Jessore Drainage Rehabilitation Project	Rehabilitation	Sep 2004
PCR: BAN 29045	Jamuna Bridge Access Roads Project	Roads and Highways	4 Aug 2004
PCR: BAN 25312	Small-Scale Water Resources Development Sector Project	Development, Water Resource Management	Jul 2004
PCR: BAN 25366	Second Water Supply and Sanitation Project	Water	19 Jul 2004
PCR: BAN 27034	Nonformal Education Project	Education	Aug 2003
PCR: BAN 24103	Capital Market Development Program Loan	Capital Markets and Funds	Aug 2003
PCR: BAN 32501	Flood Damage Rehabilitation Project	Others	Jun 2003
PCR: BAN 02122	Eighth Power Project	Power / Power Projects	20 Jan 2003
BAN 24256	Secondary Education Development Project	Education	30 Sep 2002
PCR: BAN 24097	Dhaka Integrated Flood Protection Project	Urban Development and Housing	27 Aug 2002
BAN 23328	Second Rural Infrastructure Development Project	Agriculture and Natural Resources	26 Aug 2002
BAN 22321	Road Overlay and Improvement Project	Roads and Highways	9 Aug 2002
PCR: BAN 24096	Secondary Towns Integrated Flood Protection Project	Others	Dec 2001
PCR: BAN 24102	Northeast Minor Irrigation Project	Agriculture and Natural Resources	Nov 2001
PCR: BAN 19192	Second Bhola Irrigation Project	Agriculture and Natural Resources	Sep 2001
PCR: BAN 21121	Higher Secondary Education Loan Project	Others	Aug 2001
PCR: BAN 18036	Second Health and Family Planning Services Project	Others	Jul 2001
PCR: BAN	Jamuna Bridge Project	Roads and Highways,	Dec 2000



22237		Transport and Communications	
PCR: BAN 26236	Southwest Area Water Resources Development	Others	Aug 2000
PCR: BAN 23056	Bangladesh Open University Project	Education	Jun 2000
PCR: BAN 21109	Dhaka Urban Infrastructure Improvement Project	Urban Development and Housing	Jun 1998
PCR: BAN 19084	Brahmaputra Basin Gas Transmission and Distribution Project	Energy, Transmission & Distribution	Dec 1997
PCR: BAN 16090	Second Aquaculture Development Project	Agriculture and Natural Resources, Fishery	Jul 1997
PCR: BAN 21177	Meghna-Dhonagoda Irrigation Project	Multisector	Mar 1990
PCR: BAN 30217	Aquaculture Development Project	Agriculture and Natural Resources, Fishery	Sep 1989
PCR: BAN 0393	Foodgrain Storage Project in Bangladesh	Agriculture Sector Development	Apr 1986
PCR: BAN 27115	Khulna-Mongla Road Project	Roads and Highways, Transport and Communications	Jan 1986
PCR: BAN 19008	Bangladesh Railway Project	Railways, Transport and Communications	Dec 1982
PCR: BAN 13004	Chittagong Port Project	Ports, Waterways, & Shipping, Transport and Communications	Jul 1982

## **ADB'S Priority Areas in Bangladesh**

### **Agriculture and Natural Resources**

Agricultural development is critical to food security, poverty reduction, and the overall economic growth of the country, since the rural population depends overwhelmingly on on-farm and associated activities. Agriculture generates half of employment, contributes 20% to gross domestic product (GDP) and 10% of export earnings, and provides a secure supply of food to the population. In the wake of the recent global food price crisis, which led to a sharp rise in domestic food prices, increasing food production has become a top national priority.

Growth drivers in the rural areas are shifting from rice cultivation to higher-value agriculture commodities and off-farm enterprises because of their higher income-earning potentials. Although productivity in rice-based agriculture is lower, three fourths of the 14.3 million hectares of cropped area is used for rice, which accounts for about two thirds of GDP in agriculture. Thus, slow growth in rice output dampens growth in agriculture as a whole.

Other subsectors, including livestock, fisheries, and horticulture, are growing faster because of greater opportunities for income generation, employment, and off-farm processing, particularly for a large proportion of the rural poor and women. The Government is promoting diversification agriculture by weaning private sector-led agribusiness away from its reliance on low-value staple food grains to the production of higher-value commodities with the help of modern and appropriate technologies, wider access to information and finance, and more efficient rural markets. Promoting climate-resilient rice varieties (e.g., saline-, drought-, and flood-tolerant varieties) and other crops to ensure food security is also a high priority of the Government, as is improving the rural transport network and connectivity to raise agricultural productivity by giving the people better access to available services, agricultural inputs, and markets for farm products.

Until the 1980s, ADB's support was aimed at enhancing food production by helping the Government to increase farmers' access to improved inputs like fertilizers and seeds. The emphasis broadened during the 1990s to include crop production, livestock, rural credit, social forestry, and the related sectors of water resource management and rural infrastructure. Water sector assistance contributed to the establishment of a policy and institutional framework for decentralized and participatory water management, including sustainable O&M cost recovery by water management associations, as provided in the NWP. These interventions contributed to agricultural and rural growth, and were in line with the Government's efforts to diversify sources of rural growth. They also contributed to the sustainability, market orientation, and pro-poor impact of public policies.

In several areas, however, progress has been less than anticipated. Despite significant efforts by ADB and other development partners, access of rural households to institutional credit remains low, key sector institutions are not performing as expected, local governments provide insufficient support for O&M of rural infrastructure, and stakeholder participation is not firmly entrenched in public programs. Rural environmental concerns have also become more serious in recent years, as reflected in large-scale arsenic contamination in tube-well water, increased deforestation, and soil erosion and land degradation. Under its long-term strategic framework 2008–2020 (Strategy 2020)<sup>3</sup>, ADB remains committed to supporting agriculture and rural development as a key component of its inclusive growth strategy to ensure sustainable poverty reduction in Asia and Pacific countries. In Bangladesh, to foster a vibrant and diversified rural economy, ADB is supporting agricultural productivity growth through diversification and value addition for food security and balanced nutrition, and promoting productive off-farm employment to improve rural incomes. Special attention is given to addressing the impact of climate change through country-specific adaptation and

mitigation initiatives. Through rural infrastructure and governance improvement, ADB will provide supportive rural infrastructure and institutions, including measures targeting the ultra poor, women, and excluded groups, as well as provisions for climate-vulnerable social groups and gender-directed extension services. Building the capacity of local governments will be emphasized in the financing, planning, design, implementation, and O&M of rural infrastructure. The aim is to ensure participatory, transparent, climate-resilient, and gender-directed service delivery.

Developing efficient and sustainable water resource management (including draining improvements, flood management, water conservation, and command area development) and irrigation systems is the key to boosting agricultural productivity and encouraging livelihood diversification. ADB assistance will build on the NWP and National Water Management Plan, which adopted the basic principles of integrated water resources management, sustainable service delivery, and user participation in water management. ADB assistance will also be directed at the National Adaptation Program of Action and the Bangladesh Climate Change Strategy and Action Plan.

## **Education:**

Bangladesh has made considerable progress in improving access to education, especially formal primary and no formal education. In primary education, it achieved a gross enrollment rate of 97.6% and a net enrollment rate of 90.8% in 2008. The Government is intent on improving the quality of education and learning outcomes of school graduates across the sector. One significant improvement in this regard is the increase in the pass rate of secondary school certificate examination, from 48.0% in 2004 to 70.8% in 2008. Despite the progress, however, a review of the critical issues in the education sector indicates weak policy and planning structures, poor quality, low internal and external efficiency, limited access to education, and lower completion rates for girls, particularly in the rural and disadvantaged areas.

ADB has played a major role in education over the past decades, increasing access and improving quality through various interventions. More recently, ADB has concerned itself increasingly with improving the quality and relevance of education by supporting educational policy improvements, institutional and organizational strengthening, and capacity building. In primary education, ADB is the lead donor for the ongoing \$1.8 billion Second Primary Education Development Program (PEDP II) co financed by 10 other development partners including the World Bank. In secondary education also, ADB has been providing substantial assistance to the Government for the overall development of the subsector. Through the Teaching Quality Improvement in Secondary Education Project<sup>6</sup>, ADB is helping the Government to strengthen the national system and capacity for training secondary school teachers, including madrasah teachers.

## **Energy**

The electrification ratio is still very low: only 42% of the population is supplied with electricity. The country is also facing acute shortage of power supply<sup>7</sup> with frequent power cuts and voltage fluctuations. Rapid economic growth is causing electricity demand to increase sharply. Although it succeeded in bringing in private capital for the establishment of large power stations<sup>8</sup>, Bangladesh is now finding it difficult to mobilize more capital in view of the volatility in the international financial market and the high demand for power plant equipment worldwide.

Inadequacies in power transmission and distribution also require immediate attention to support economic growth and human development. The distribution systems in greater Dhaka have struggled to keep up with the rapid growth in demand. Low power factors worsen voltage problems, contributing to high system losses.

The power sector is also confronted with critical financial challenges. Many power sector entities are financially insolvent. Poor governance, characterized by low billing-collection rates and high system losses, continues to hamper the development and financial sustainability of the sector.

Concerns over the sustainability of gas supply for over four fifths of power generation have arisen in recent years. Growth in the demand for gas has outstripped expansion of production capacity owing to a sharp increase in demand from industry, resulting in an estimated shortage of 250 million cubic feet per day.

Immediate priority needs to be given to least-cost options to maximize efficiency in power generation, transmission, and distribution. Improved efficiency and reduced losses in power supply systems and concerted efforts to encourage

demand-side management are expected to help overcome the power supply shortage.

Since 1973, the power sector has received 19 public sector loans and one private sector investment, totaling about \$1.7 billion. ADB has also provided 24 TA grants, totaling about \$15.0 million. ADB's 2004 evaluation of its power sector assistance program<sup>11</sup> in Bangladesh found the assistance relevant, as it has addressed the sector's changing needs over time, and ADB's consistent support through reform-linked projects has been a key factor behind the sector's ongoing drive for commercialization. Still needed, however, are continuing and more rapid reforms to create an independent regulator, corporatize BPDB, create mutually independent entities whose transactions are governed by commercial contracts, reflect the costs of supply in wholesale and retail tariffs, recapitalize the sector, institute a sound financial policy for the sector, and improve energy efficiency.

ADB has provided eight loans totaling \$446 million to the hydrocarbon sector over the past 30 years. ADB has also provided 16 technical assistance (TA) grants amounting to about \$4.9 million. With the significant discoveries made in the 1990s, natural gas is one of the few large-scale natural resources available in Bangladesh that, if appropriately managed, can accelerate economic growth and improve the living standards of the people.

ADB has provided TA to improve operational efficiencies, prepare a gas master plan, draft a gas law, develop a policy for private sector participation in the development and operation of natural gas pipelines, evaluate options for private sector participation in one gas pipeline, and examine the reform agenda in the gas sector.<sup>15</sup> A strategy for promoting the use of natural gas in the transport sector was supported under the Dhaka Clean Fuel Project, which catalyzed private initiatives in other cities. Recently, ADB funded the preparation of a road map for gas sector reform and a plan for reducing system losses in the sector.

**Finance:**

Financial sector development is critical to mobilizing resources for the different sectors of the economy, including infrastructure development, and providing access to finance for the private sector. Weak institutional capacity, a deficient legal framework, and high amounts of nonperforming loans (NPLs) in the banking sector are major impediments to establishing a healthy and efficient financial system in Bangladesh.

The financial sector is dominated by banks,<sup>17</sup> which account for about 90.0% of the sector's total assets. State-owned commercial banks (SCBs) hold about 30.0% of bank deposits. The ratio of gross NPLs to total loans of all banks declined from 41.1% at the end of 1999 to 12.3% in September 2008. This reduction was achieved through provisioning and write-offs and stronger regulations, and better screening of new loans. The SCBs and specialized banks are still burdened with significant NPLs, but the local private banks, particularly new-generation private banks, have healthier financial positions. The NPL problem of the banking sector can be traced to priority lending to loss-making state-owned-enterprises in the past, a deficient legal and debt recovery framework, weaknesses in loan screening and supervision, lack of accountability of bank officials, and a weak credit culture.

Despite recent improvements, the capital market is underdeveloped and essentially equity oriented. As of June 2008, the total market capitalization was 17.7% of GDP and 378 securities were listed on the Dhaka Stock Exchange. The ratio of market capitalization to GDP is among South Asia's lowest. The limited number of listed securities has constrained growth in liquidity and market capitalization of the stock exchanges. In addition, prospective investors have restricted investment choices because of the lack of high-quality equity issues, investment grade equities, and debt instruments. Government securities and savings instruments



account for almost all nonbank debentures issued in the country. The bond market is in its infancy. Fixed-income securities first came into existence in 1987 with the flotation of debentures by two companies, and the trading of government treasury bonds started in December 2005. Delays in the privatization of state-owned enterprises, high listing costs, the predominance of closely held and family-managed firms, and the small number of initial public offerings contribute to a shortage of high-quality equity on the exchange.

Although the insurance subsector is growing rapidly, it remains small. There is low awareness of insurance, and insurance salesmen are poorly trained and lack motivation. The limited range of possibilities for investing premium income, the weak legal framework for settling claims, and predatory practices among participants constrain the industry. Uneven competition with state-owned insurance companies is another problem that needs to be addressed.

Microfinance institutions have made considerable progress in combating poverty in Bangladesh, particularly in integrating women into the economy as a productive force. Many small microfinance NGOs have inadequate institutional capacity for management, accounting, and operations. The Microcredit Regulatory Authority was set up in August 2006, and is now an independent agency with directors representing the Government and microfinance institutions. But compliance with microfinance regulations could still improve.

The need for housing finance remains largely unfulfilled despite rapid growth in financing in recent years. Banks and specialized housing finance organizations<sup>18</sup> and other financial institutions are active in the sector. Housing finance is limited by the high cost and relative scarcity of long-term funds, reflecting the distortions in deposit and lending rates and the lack of development of the securities and long-term debt markets. Financial instruments to mitigate liquidity and interest rate risks are also inadequate, and there is a maturity mismatch as lenders of housing finance require a stable source of long-term funds.

SMEs, accounting for about 40.0% of gross manufacturing output and about 80.0% of industrial employment, have not realized their full potential because of various constraints: (i) dearth of medium- to long-term credit; (ii) limited access to market opportunities, technology, expertise, and information, relative to larger enterprises; (iii) lack of incentives; (iv) inefficient and limited outreach of government services; (v) failure to consider women as a distinct target group and link them with appropriate business development and financial services; and (vi) weak capacity among SME entrepreneurs to manage functional areas of business. Most financial institutions provide small loans with maturities of 1 year or less, while there is excess liquidity for small, short-term loans. SMEs require larger loans with longer maturities but are significantly underserved, especially in the rural market. ADB Interventions ADB has long been active in finding the most appropriate modality for channeling finance to productive enterprises, in the public and private sectors. ADB played a significant role in promoting the development of a leasing industry in Bangladesh. This, in turn, was followed by ADB's financial backing for the creation of a leasing company in the country. As the World Bank is the lead development partner for the sector, particularly in banking, ADB has taken a specialized role in promoting the development and reform of the capital markets, since 1993. This has been done through the Capital Market Development Program (CMDP) after the equity market scam in 1996 and 9 TA loans totaling \$7 million. ADB has also sought to promote the development of pension funds to introduce more liquidity into the capital market, and create a mechanism for providing retirement pensions both for the vast majority of the population who now have none and for those public employees whose pensions constitute a growing burden for the State. ADB's Small and Medium Enterprises Sector Development Program (SMESDP) will support the strengthening of the policy environment for SMEs, and give SMEs better access to credit and related support services. Key Lessons. The CMDP addressed the need to strengthen market regulation and supervision and develop capital market infrastructure and

support facilities, as well as deal with issues relating to the supply of and demand for capital market instruments. The CMDP also sought to address the need for further interventions to build capacity and streamline laws, rules, and procedures including a shift in emphasis in future programs for the capital market to assisting capital market intermediaries in product development. The successor project of the CMDP has components that would extend its impact beyond the CMDP achievements. The reform actions recommended by the project or program performance audit report include establishing a market-friendly regulatory framework. To support the Government's long-term efforts to develop the capital market, realistic priorities must be assigned to the reform measures and timelines set. SME financing, especially for women and smaller entrepreneurs, needs to be linked with appropriate business development services, market information, and technology.

## **Health & Protection**

The urban poor increased from 7 million in 1985 to 15 million in 2005, and one estimate indicates that, by 2020, the poor will compose 40.0%–60.0% of the urban population. Recent surveys found much higher infant and under-5 child mortality in urban slums than in non-slums and the country as a whole. The main reasons for the poor state of health among the urban poor are weak public and environmental health, poor sanitation and poor nutrition, overcrowding (facilitating the transmission of disease), poverty (preventing or delaying health treatment), lack of affordable primary health care (PHC) and reproductive health care, and lack of a social safety net for the urban poor.

The maternal mortality ratio is 290 per 100,000 live births. Bangladesh has low rates of antenatal care, and only 15.8% of deliveries are in health facilities. Only 48.0% of the children, who reported acute respiratory infection, and 36.0% of the children with diarrhea, were taken to a health facility for treatment. High rates of malnutrition persist and micronutrient deficiencies are widespread. Almost half of all women, and 78.0% of children 6–11 months old, suffer from anemia. Although HIV/AIDS prevalence is low (less than 0.20%), prevention and counseling services need to be expanded in urban areas. The emergence of drug-resistant malaria and tuberculosis is another major concern.

Higher temperatures, erratic rainfall, and humidity will also increase the incidence of waterborne, airborne, and vector-borne diseases. Bacteria, parasites, and their vectors are likely to breed faster in the warmer and wetter conditions expected in future climate-change scenarios in Bangladesh. Children, women, the elderly, and working-class people are likely to suffer more in a heat wave or cold wave. Diseases like avian flu, Nipah virus infections, unknown encephalitic diseases, and

visceral leishmaniasis are also rising in Bangladesh because of climate change. Reduced water quality or access to potable water supplies due to Stalinization will increase the risk of diarrheal cholera and other waterborne diseases. Climate change in the future could create more favorable conditions for the outbreak of such diseases and epidemics, especially if economic development is impeded. Climate-induced natural disasters, riverbank erosion, loss of livelihood assets, etc., cause migration from the countryside to the urban areas. A significant proportion of the population of Bangladesh could be displaced through climate-induced tropical cyclones, storm surges, and flooding. "Climate refugees," who are increasing in number every day and must seek refuge with the loss of their homes, land, and settlements to riverbank and coastal erosion, permanent inundation, and rise in the sea level, are a major concern for the country. Climate-induced impact, already considered a principal reason behind the growing number of climate refugees, has led to social tensions over remaining land and other scarce resources.

The amount of solid waste generated by the urban areas has also grown rapidly in recent years. Few city corporations and *pourashavas* (municipalities) have solid waste sanitary landfills and only about half of the solid waste generated in urban areas is collected. The challenge will be enormous by 2020, when demand for the removal of solid waste will rise to about 50,000 tons/day from about 15,000 tons/day at present. The disposal of medical waste is also fast becoming a major issue. Food contamination and adulteration with dangerous substances, colors, and chemicals is widespread in Bangladesh. There are limited sophisticated analytical laboratories with the needed equipment and chemicals and few well-trained analysts or technicians. Food laws, rules and regulations, and inspection facilities in Bangladesh are obsolete. Sanitary inspectors, the foundation of the food safety system, are too few in number and are poorly trained.

Prevention and promotion are more cost effective in ensuring desired health outcomes.

The multi-sectoral approaches involved include the provision of sanitation and drinking water, and facilities to ensure environmental health, food safety, and hygiene, including the safe disposal of solid and health-care wastes, and health education. The mandates for these essential health functions are fragmented between various departments of the Government, and between the public and private sectors. A more-coherent approach is needed to coordinate the responses of all the various players involved in ensuring public and environmental health. In the cities and municipalities, the mandate rests largely with the urban local bodies (ULBs).

However, in the absence of a strong institutional mechanism, the city and municipal corporations cannot satisfactorily perform the essential public and environmental health functions within their jurisdictions. 89. Modernization has come with increased social mobility, migration, and urbanization, as well as erosion of traditional family and community networks, which were major sources of social protection. Informal safety nets are no longer adequate to safeguard households from risks. The social security system in Bangladesh is restricted to civil servants, army, police, teachers, and some larger enterprises. The effectiveness of the programs is compromised by (i) limited coverage, such that only a portion of the formal sector, often the wealthiest segments, is served; (ii) insufficient funding; and (iii) factors restricting access to statutory social protection schemes, such as legal restrictions, administrative bottlenecks, costs, and compliance problems.

In 1991, ADB provided Bangladesh with a \$51 million loan for the Second Health and Family Planning Services Project.<sup>27</sup> This project financed the improvement of selected district hospitals, teaching hospitals, nursing institutions, family planning,

and health services. In 1997, ADB financed the \$40 million first Urban Primary Health Care Project (UPHCP-1), which supported urban PHC provision by contracting out services to NGOs in four city corporations. This was the first large-scale urban PHC project supported by ADB in the region and the first large-scale PHC project undertaken through public-private partnership (PPP). Building on the positive achievements of the first project, the Second Urban Primary Health Care Project (UPHCP-II) was launched in 2005. In addition to investment support, ADB has provided TA in the health sector to strengthen (i) institutions involved in the procurement of medical supplies (1988), (ii) health-care financing (national health accounts) (1996), and (iii) the management capacity of the city corporation health departments (1997).

The development of urban infrastructure, especially for water supply, sanitation, and solid waste management, has received ADB support, with significant impact on the health of urban residents. The implementation of such interventions and the PPP models developed for the purpose have been found to be very effective in ensuring the delivery of public and environmental services and goods in Bangladesh and other developing countries. The PPP approach should be extended to other areas of public and environmental health, for wider coverage of services.

### **Water Supply and Other Municipal Infrastructure and Services**

Bangladesh has become increasingly urbanized since independence in 1971. In 2008 an estimated 36 million people, or 25.0% of the total population, lived in the urban areas. Though urbanization is still relatively low, population growth in the urban areas has been high, at 6.0% yearly, compared with the total population growth rate of 1.3%. If this growth is sustained, the country's urban population will double to 74 million by 2035, or 40.0% of the total population.

The contribution of the urban areas to GDP grew from 26.0% in FY1973 to 42.0% in FY1999. Rapid urbanization has created growing demand for urban infrastructure and services.

The development of urban infrastructure has not kept pace with rapid urbanization, causing an acute shortage in urban services. Piped water is available in only one third of *pourashavas*, and typically for only 2–4 hours a day. Water quality in many *pourashavas* is poor, with high iron content or arsenic contamination. Except for a very limited system in Dhaka, Chittagong and Khulna, no urban areas have sewerage. Drainage is underdeveloped and poorly maintained. During the monsoon rains, roads and pathways become flooded, causing severe traffic congestion and risks to public health. As roads and bridges have insufficient capacity to meet the growing traffic volume, traffic jams in city centers limit access to economic opportunities and social services.

The economic, environmental, and public health consequences of constrained urban basic services are serious. Climate change adds a new dimension to these challenges. Heavy population pressure, coupled with the impact of climate change, especially higher and more-intense rainfall, will also be felt in the urban areas, where drainage is already a serious problem and sewers often back up in the monsoon season. Climate change will primarily affect Dhaka megacity in two



ways: through drainage congestion and flooding, and through heat stress. The city may also have to face the “urban heat island effect” because the high built density and the lack of open space, water bodies, and vegetation cause temperatures in the city to rise a few degrees higher than in the surrounding areas.<sup>31</sup> Water logging and drainage congestion due to river floods, excessive and erratic rainfall during the monsoon, unplanned urbanization, and encroachment on canals and rivers are already causing very serious damage. Urban governance is weak and lacks effective citizen participation, accountability, and financial management. Citizens, in particular the poor and women, do not have effective avenues to influence decision making. The *pourashavas*, unable to generate enough revenues, depend on budgetary transfers from the central Government, which account for more than half of total revenues for most *pourashavas*. Human resources are limited, with many untrained staff and vacant approved posts. Water supply and sewerage authorities (WASAs), which are in charge of water supply and sewerage in Dhaka, Chittagong, and Khulna, also tend to suffer from insufficient financial and human capacity, resulting in poor services.

ADB is a lead agency in urban development in Bangladesh, actively supporting development initiatives for both policy reform and capital investment. The first Urban Governance and Infrastructure Improvement Project (UGIIP-I) introduced performance-based allocation of investment funds as an incentive for municipal governance reform. ADB has been supporting sector reforms in urban development such as the development of sector policy and new ordinances. The Dhaka Water Supply Sector Development Program supports policy reforms in the urban water and sanitation sector. Given the low capacity of the *pourashavas* and government agencies, effective and sustainable sector development demands institutional reform and capacity development along with capital investments. Progress in policy and institutional reforms has been slow. Long-term engagement and substantial support is needed to materialize and further institutionalize tangible changes in sector governance and management.

## **Transport and Information and Communication Technology**

The transport system of Bangladesh is extensive and diversified. It comprises roads, railways, inland waterways, two seaports, maritime shipping, and civil aviation. While there have been advances and improvements in this sector, the rate of development has been too slow and the quality of service in the subsectors has not reached the level needed to sustain the country's economic growth forecasts. There are critical physical and nonphysical barriers to passenger and freight flows, and the continuing low productivity of state-run transport services is a strain on the national budget. Investment, particularly in asset preservation, has been low and regulatory procedures have been complex. These deficiencies have limited the ability of the national transportation system to respond to user needs. The Government is committed to implementing reforms outlined in the recently adopted National Land Transport and Integrated Multimodal Transport Policies: Strategic Transport Plan (STP) for Dhaka City, as well as related legislation, and has agreed on a program of action with the major development partners to improve the situation. The Government has drafted an integrated multimodal transport policy (IMTP). Once finalized and implemented, this policy will help sustain an integrated communication network in the country.

Since 1973, ADB has been active in four transport subsectors: roads, rail, ports, and urban transport. It has provided 14 loans to the road subsector, four loans to the rail subsector, and two loans to the ports subsector. ADB has financed the rehabilitation and expansion of rural roads as major components of four rural infrastructure projects, and has provided considerable financial assistance in project preparatory and advisory TA.

ADB is implementing seven transport sector loan projects. It introduced for the first time a performance-based routine road maintenance system in Bangladesh, and has been supporting sector reforms in Bangladesh Railway, such as reforming

the railway into a line-of-business structure and transforming it into a government-owned corporate entity, and improving financial governance, management and accounting systems, human resource governance and utilization, and O&M.

Given the low capacity of government agencies, institutional reform and capacity development, along with capital investments, are critical to effective and sustainable sector development. The policy and institutional reforms in Bangladesh Railway, RHD, and Chittagong Port should make faster progress to streamline sector governance and improve management.

## **Governance**

ADB is concentrating on three governance areas that are critical to the effectiveness of development assistance and poverty reduction, and relevant to its lending in Bangladesh. These are: (i) public financial management, (ii) public procurement, and (iii) efforts to combat corruption.

**Public Financial Management.** Public financial management reforms have been undertaken to make resource allocation more effective, prioritize spending, and increase budget execution capability. As a result, information on fiscal and resource management is now more accurate and better presented. Measures have been taken to increase fiscal management capacity in the Ministry of Finance and to develop medium-term macroeconomic and debt management frameworks to improve financial performance.

The 20 ministries under the Medium-Term Budgetary Framework (MTBF) use around 53% of budgetary resources. The MTBF is intended to strengthen fiscal management authority, and the flexibility and capacity of the line ministries to manage resource allocation. Prepared for 3 years, the MTBF links the NPRS and the annual budget and is aimed at integrating revenue and development budget in the future.

The establishment of a web-based integrated budget and accounting system has improved the timeliness of fiscal reporting, facilitating the daily consolidation of accounting data by linking the account offices in the field to the central accounts unit in the office of the Controller General of Accounts. Steps have also been taken to strengthen the reliability of the bank reconciliation system for government accounts. The process of preparing the annual finance accounts and appropriation accounts has been streamlined.

To improve the quality of government audit, the capacity of the Office of the Comptroller and Auditor General (CAG) has been increased and performance auditing introduced. ADB is providing TA to the Foreign Aided Project Audit Directorate, the CAG audit unit that audits donor-assisted projects, to enhance its capacity to perform high-quality audit.

Despite the progress made, some key risks in public financial management still need to be addressed. These are discussed in the following paragraphs.

**Institutional Arrangement and Capacity for MTBF.** The ministries under the MTBF must be able to prepare their budget and spending plans, and must have the trained financial management staff to do so. The planning and budgetary exercises need to be coordinated, with better integration of the capital and no development budgets.

**Credibility of the Budget.** The credibility of the budget needs to be raised through higher revenue collection and capital budget to match annual targets. The large fiscal activities of the local governments and public sector corporations also need to be brought within the government budgetary framework.

**Performance-Based Budgeting.** Specific and quantifiable performance indicators and benchmarks need to be developed and linked to the allocation of resources to further develop the MTBF.

**Government Accounting.** Government accounting does not meet international standards. Public sector accounting standards need to be introduced to raise the quality of accounts. The legal deadline for submitting annual finance and appropriation accounts must be enforced. Improving accounting accuracy, developing proper reconciliation with bank accounts,

and reducing time lag are priority areas of reform. Accounts information must provide reliable data for macroeconomic management and allow the line ministries to make appropriate financial decisions.

**Government Auditing.** Government audit practices and processes (involving audit planning, examination, and reporting) are below international standards. They need to be modernized, and the audit procedures and techniques raised to international standards. Performance audit must be mandated by the constitutional authorities. Greater human resource capacity is needed to conduct high-quality performance audit and to produce good reports. Public accounts committees (PACs) should be formed promptly after each election, for Parliamentary oversight of public spending. The oversight bodies should be provided with adequate research and secretarial staff, financial resources, and logistical support to discharge their responsibilities. Dates for the submission of annual audit reports must be specified in statutes to increase the accountability of the Office of the CAG. Media access to PAC deliberations will promote audit transparency and financial accountability.

**Internal Audit.** The internal audit system is weak. Government offices need to have capable and adequately staffed internal audit units.

**Public Procurement.** Procurement standards and practices have improved since the introduction of Public Procurement Regulations (2003), applicable to all public sector organizations. The passage of the Public Procurement Act (2006) and the Public Procurement Rules (2008), both of which took effect in January 2008, further improved these regulations.

Through staff training, public sector entities have gained increased capacity to comply with the new procurement standards. A core group of national trainers and

procurement experts has been organized to meet the training and capacity building needs of the major procurement entities.

Public procurement is the major source of financial corruption in Bangladesh. Inconsistent application of rules and lack of standards have created opportunities to violate or misinterpret the rules and to resort to illegal, unethical, and noncompetitive procurement practices. The new procurement law and rules are comparable to international procurement

standards, and their application is expected to contribute to more efficient use of resources, improved transparency and accountability, and reduced corruption.

To realize the expected outcomes of the procurement reforms, the capacity constraints of the entities need to be addressed, and the public tendering system needs to be freed from political interference. Procurement reforms will have to be closely integrated with other aspects of public financial management and intensive oversight of procurement systems. The following

institutional and implementation constraints need be addressed:

**(i) Inadequate Financial Delegation and Complex Approval Procedures.**

Financial responsibilities must be adequately delegated, and procurement approval procedures simplified.

**(ii) Inadequate Procurement Performance Monitoring.** The Central Procurement Technical Unit, set up to monitor procurement, must establish links with the performance monitoring of procurement.

**(iii) Political Interference and Collusive Practices.** The patronage and pressures under previous political regimes that undermined the application of procurement principles, especially in local government institutions and field offices, must not be repeated. Better-managed procedures with strengthened confidentiality mechanisms need to be in place.

(iv) **Institutionalization of Capacity Building.** Regular training is needed to raise procurement capacity, including the capacity of bidders across the country.

(v) **Strengthening of the Complaints Handling Mechanism.** The mechanism for handling procurement-related complaints in public sector entities must be strengthened.

(vi) **Control of Corruption.** Wide-ranging anticorruption reforms have been implemented in Bangladesh in recent times. The Anti-Corruption Commission (ACC) was reconstituted. Other notable anticorruption reforms include the ratification of the United Nations Convention Against Corruption (UNCAC) and the revision of the ACC law in line with UNCAC, annual declaration of assets by public servants and lower-court judges, and the establishment of a grievance handling mechanism in the line ministries and agencies. The separation of the judiciary from the executive branch, which took effect in November 2007, complements the anticorruption reforms and ensures neutrality and transparency in the justice system. The Public Service Commission has been reorganized and civil service recruitment rules have been revised to ensure merit and transparency in the public service selection process. ADB assisted in the preparation of an overall National Integrity Strategy (NIS) to address corruption.

The draft report on the NIS has been submitted to the Government and broad consultation with stakeholders will follow before it is approved by the Government. The implementation of the Right to Information Act will promote transparency and accountability across government. The specific challenges needing further progress are outlined below:

(a) **Politicization of Corruption Prosecution.** Corruption cases must not be politically motivated, and must be based on evidence and legal considerations. Neutrality in corruption prosecution would mean that ACC can decide independently on corruption inquiries, investigations, and prosecution matters.



ACC needs to be provided with full functional autonomy and the required financial and administrative resources to function effectively.

(b) **Independent Public Prosecution.** Neutral prosecution of corruption cases also demands the establishment of an independent prosecution service to complement the work of ACC.

(c) **ACC Capacity Constraints.** To remove the capacity constraints at ACC, key managerial positions should be filled and ACC staff made to undergo training. ACC needs to have in-house capacity with appropriate human resources to make inquiries, investigate, conduct surveillance, gather evidence, and prosecute cases.

(d) **ACC Prosecution Unit.** ACC should immediately develop its own prosecution unit by recruiting a core group of legal experts to look after court matters. The hiring of senior lawyers in specific cases, to assist the permanent prosecution unit of ACC, should also continue.

(e) **Compulsory Asset Declaration by Public Servants.** Annual asset declaration has been made compulsory for the 1.2 million public servants and lower-court judges. This is a critical anticorruption tool and deterrent against corruption. The existing rules, which require the submission of these declarations once every 5 years, should be revised.

(f) **Grievance Handling Mechanism.** A grievance handling mechanism has been introduced and focal persons appointed in the line ministries to deal with corruption-related and other complaints. Specific tasks and procedures for dealing with complaints. Including the installation of complaint boxes in office premises and the discussion of the complaints in monthly coordination meetings, have been developed. This important internal control measure against corruption needs to be developed further and carried forward to help control corruption in the public sector.

(g) **Anticorruption Outreach Program.** In the past year, ACC has conducted an anticorruption outreach campaign at the district and grassroots levels. This

campaign is considered useful in developing general awareness of corruption. ACC needs support, with adequate resources, to continue this program.

(h) **Preparation of the National Integrity Strategy.** A comprehensive NIS with a holistic approach to dealing with corruption has been drafted, as the ACC alone cannot address corruption. The NIS draft report, prepared with the ADB's assistance and submitted to the Government, should be discussed in public forums and in the Parliament so that a practical and effective anticorruption action plan and implementation strategy can be developed.

#### **Gender Equality:**

ADB's long-term strategic framework 2008–2020<sup>36</sup> (Strategy 2020) identifies gender and development as one of the drivers of change, and sets targets for effective gender mainstreaming in ADB operations. The current CPS includes a gender strategy that sets out areas of focus for ADB's support. A country gender assessment report<sup>37</sup> on gender, poverty, and the MDGs in 2004 provided background analysis and detailed entry points to promote women's empowerment in various sectors of ADB's operations. A rapid assessment of selected loans in 2005 showed women's increased access to resources and practical benefits, and strategic changes in gender relations with the sustained commitment of the executing agencies to promote gender equality. Gender action plans of projects have proved to be an effective tool for benefiting women equitably and contributing toward achieving project goals. Women's contribution to economic growth through their participation in agribusiness, SMEs, livestock, and crop sectors is evident. Social development and safety nets have improved with livelihood opportunities through microfinance and technology support. Women's improved educational attainment is visible in their leadership roles and in the economic sphere. Infrastructure projects have created wage employment

opportunities for disadvantaged women and given them access to markets, the core of the rural economy. Primary health care and pre- and postnatal health-care provisions have kept infant and maternal mortality under control. Women have participated effectively in various union and municipal governance committees.

The current CPS suggests giving greater attention to (i) increasing the return on women's labor; (ii) empowering women to make decisions; (iii) strengthening the gender capacity of institutions, especially local governments and executing agencies; (iv) promoting women's human development; (v) providing social protection to women, who are most vulnerable to economic and social shocks; and (vi) promoting a positive image of and role for women as agents of change and key economic producers. These issues are still relevant, and gender mainstreaming has taken place in other sectors such as infrastructure.

The approach to promoting gender equality should include devising strategies and action plans consistent with project or program results that empower women, considering their situation within the sector. Besides project or program interventions, policy dialogue and capacity building support for stakeholders are essential. Gender-disaggregated data and analysis should be made available to enrich the policy dialogue and inform program design.

Different approaches to increasing the return on women's labor should be promoted.

## **Co-operation with Other Agencies**

Bank recognizes that private sector development is increasingly important for economic growth. In this context, a priority objective of the Bank is to help Bangladesh establish sound conditions for private sector-led growth. So far, direct equity and loan support has been given to five projects. The Bank also provides credit facilities to small and medium scale enterprises through private commercial banks. It is actively promoting private investment in all major sectors and facilitating privatization of public manufacturing enterprises. The Bank is assisting the Government in the solicitation for private sector implementation of power sector projects with technical assistance. The Bank is also involved in the promotion of Build-Operate-Own/Build-Operate-Transfer (BOO/BOT) investment models.

ADB recognizes NGOs as significant players in the development process and cooperates with them to improve the impact, sustainability, and quality of its services. Bangladesh, along with Pakistan, boasted the largest number of new loans approved in 2007 (10) involving NGOs or other civil society groups of any ADB member country. ADB maintains an ongoing dialogue with advocacy NGOs interested in ADB operations, frequently drawing on NGO suggestions to improve the effectiveness, quality, and sustainability of projects.

NGOs provide value-added services in promoting sustainable development through:

- innovation-identifying new approaches and models for specific development activities and drawing upon their close knowledge of local communities;
- accountability-helping ensure that project components are implemented as envisaged and planned;
- responsiveness-encouraging the implementation of projects to respond to local needs;

- participation-serving as bridges between project authorities and affected communities, and providing structures for citizen participation; and
- sustainability-nurturing continuity in project work, especially when implementing agencies lack capacity or when staffing changes.

ADB's resident mission in Dhaka acts as a focal point for relations with NGOs in Bangladesh. The resident mission often organizes roundtable discussions and briefings with NGOs.

### **ADB and the World Bank**

The ADB and the World Bank share a common strategy and approach to the economic development of Bangladesh. There is a high degree of coordination between the two agencies and there are cases where each specializes by sector or by region, while co financing large projects. In industry, the World Bank is supporting trade reforms and a jute sector restructuring program, whereas the ADB is focusing on privatization and autonomy of public manufacturing enterprises. In finance, the World Bank and the ADB emphasize more financial sector reforms. The ADB is concentrating also on capital market development. In education, the World Bank is the lead agency for primary education while the ADB plays that role for secondary education. The ADB has taken a lead role in the power, railways and urban sectors. There is a close coordination between the ADB and other multilateral as well as bilateral donor agencies in terms of financing and policy dialogue. Donors have been active in annual and mid-year reviews of the public investment program and sectoral issues which are discussed with the Government.

### **Regional Cooperation in South Asia**

South Asia could play a central role in the wider Asian integration. Given its strategic geographic location, the region could act as a land bridge linking neighboring regions, and thereby contributing significantly to the integration of Asia as a whole.

Despite the potential for regional cooperation and integration in South Asia, and South Asia's critical role to the integration of the region as well the as Asian region as a whole, progress in RCI initiatives has been slow. Although the South Asian Association for Regional Cooperation (SAARC) has been in existence since 1985, progress, until recently, had been limited.

Against this backdrop, Bangladesh, Bhutan, India, and Nepal (BBIN) agreed to form the South Asia Growth Quadrangle (SAGQ) in 1997, which was later endorsed in the SAARC Summit in Male. At the request of SAGQ, the ADB launched the South Asia Sub regional Economic Cooperation (SASEC) program in 2001 to help promote the sub-region's economic cooperation initiatives in the priority areas identified by SAGQ, namely: (i) transport, (ii) tourism, (iii) trade, investment and private sector cooperation, (iv) energy and power, and (v) environment; and (vi) information and communications technology (ICT). While good progress has been made in some sectors, such as tourism, ICT, and transport; in others, progress has been slower, particularly in energy and power. The slow progress in energy and power was due mainly to the sensitive nature of the energy development and trade.

In 2003, ADB also launched a program for the countries of the western part of South Asia under the Sub regional Economic Cooperation in South and Central Asia (SECSCA) which comprises of two countries in South Asia - i.e. Afghanistan and Pakistan - as well as countries in the Central Asian region, including

Tajikistan, Turkmenistan, and Uzbekistan, with Iran as an observer. SECSCA's objective is to promote economic cooperation by improving transit corridors connecting land-locked Central and South Asia to seaports in the Arabian Sea and Persian Gulf via Afghanistan. Toward this goal, the member countries' ministers endorsed the establishment of the Central and South Asia Transport and Trade Forum (CSATTF). While ADB has been mainly facilitating cross-border infrastructure development, customs, and trade under the SECSCA program, it has also helped address security issues in the area to minimize the adverse impact of corridor development and prevent illegal human and drug traffic over the corridors.

Another regional grouping of growing importance to South Asia is the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). Established in 1997, this brought together Bangladesh, India, Myanmar, Sri Lanka, and Thailand. With the accession of Bhutan and Nepal to BIMSTEC, all four SASEC countries are now BIMSTEC members. The SASEC Country Advisors' Meeting of July 2005 endorsed closer coordination and cooperation with BIMSTEC to maximize synergies. The ADB is currently facilitating increased cooperation between SASEC and BIMSTEC in order to avoid duplication of efforts between the two sub regional initiatives, intensify cooperation initiatives, and increase the impact of RCI in the region. At the request of BIMSTEC, ADB is now processing a technical assistance for BIMSTEC Transportation Infrastructure and Logistics Study (BTILS).

## CHAPTER SEVEN

### **Data Analysis:**

In almost 4 decades since independence, Bangladesh has made impressive economic gain, especially after 1990. Although the country's 146 million people have endured natural disasters ranging from flood to cyclones Bangladesh, economy continues to accelerate. Between 1996 and 2009, the gross domestic product (GDP) growth rate averaged 5.6% per year, with the unemployment rate holding at 4.3% from 2000 to 2006. Since 1996 moderate inflation, a stable exchange rate and growing foreign exchange reserves have contributed to favorable macroeconomic environment.

Bangladesh's considerable progress in social development and poverty reduction has put the country on track to achieve key Millennium Development Goals, with gender priority in primary and secondary education already a reality.

### **Primary Education:**

The first level of education is comprised of 5 years of formal schooling (class/grade I-V) education, at this stage, normally begins at 6+ years of age up to 11 years. Primary education is generally imparted in primary schools. Nevertheless, other types of institutions like kindergartens and junior sections attached to English medium schools one also imparting it.

### **Primary School**

Bangladesh with its birth committed to the nation the rights of basic education for all children which is clearly stated in the constitution, "the state shall adopt effective measures for the purpose of establishing a uniform, mass oriented and universal system of education and extending free and compulsory education to all children to such stage as may be determined by law,.....".



Primary education system in Bangladesh is one of the largest unitary authorities in the world. The country has undertaken a number of measures to improve primary education since its independence, the primary and mass education Division (PMED) prepared in 1997 a comprehensive Primary Education Development Programme (PEDP) involving a total investment of USD 1600 million (development expenditure only) over a period of five years (1997-2002) as a follow-up programme of General Education project (GEP, 1991-1997). The PEDP-1 followed the same objectives that were successfully pursued in the GEP. The programme aimed at enhancement of education planning management capacity, increasing equitable access to primary schooling and improvement of the quality of primary education through its several project.

#### Coverage the Government Primary Schools

The table below provides total number of schools, teachers working their in and pupils enrolled in those schools. Details are in Table-1.

Table 1: Number of primary schools by type teachers and enrolment in 2009

Type of schools	Number of schools	No. of Female		Number of Enrolment	
		Total	Female	Total	Girls
Govt. Primary School	37672	182899	96453	9537571	4893215
Regd. NGPs	20083	76875	25299	3472799	1753551
Non-Regd. NGPs	966	2460	1579	99564	49046
Other primary level schools	23497	103691	29620	291671	1385956
Total Primary	82218	365925	152921	160001605	8081768

Source: BANBEIS-2009

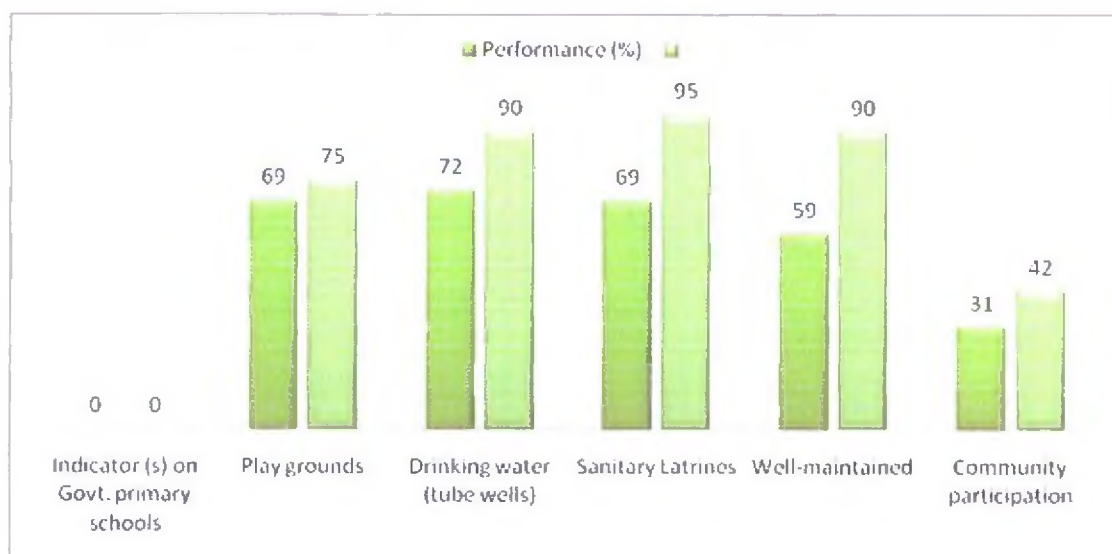
**Improvement of Physical Condition and Maintenance:**

The project improved the primary school infrastructure facilities by developing, playgrounds, building new structure and repairing old structure and repairing old structures and renovating dilapidated structures. The projects also established, among other facilities, latrines and tube-wells. As a result, The percentage of schools having playgrounds increased from 69% before the project to 75% the projects. The percentage of schools with latrines rose from 69% to 95%, while the percentage of schools with sources of drinking water (tube wells) increased from 72% to 90% the percentage of well maintained schools grew from 59% before the project 90% after the project. Community participation in school maintenance also increased from 31% to 42%. Details are in Table 2 and Figure 2A

**Table 2: Improvement of physical conditions of the schools**

Indicator (s) on Govt. primary schools	Performance (%)	
	Before project	After Project
Play grounds	69	75
Drinking water (tube wells)	72	90
Sanitary Latrines	69	95
Well-maintained	59	90
Community participation	31	42

*Source: Field Survey, 2010*



**Figure :2A**

As the project improved the school infrastructure facility the number of physically adequate schools increased. The percentage of physically adequate school is an important indicator of school/environment that is linked to quality of education. The percentage of physically adequate schools increased from 68% in 1997 to 80% in 2008. Details are in table 3 and Figure 3A

**Table: 3 physically adequate schools**

Monitoring indicator	Govt. primary schools (%)						
	1996	1997	1998	1999	2000	2005	2008
Physically adequate schools	68	68	68	70	75	78	80

*Source: Directorate of Primary education 2008 Dhaka*

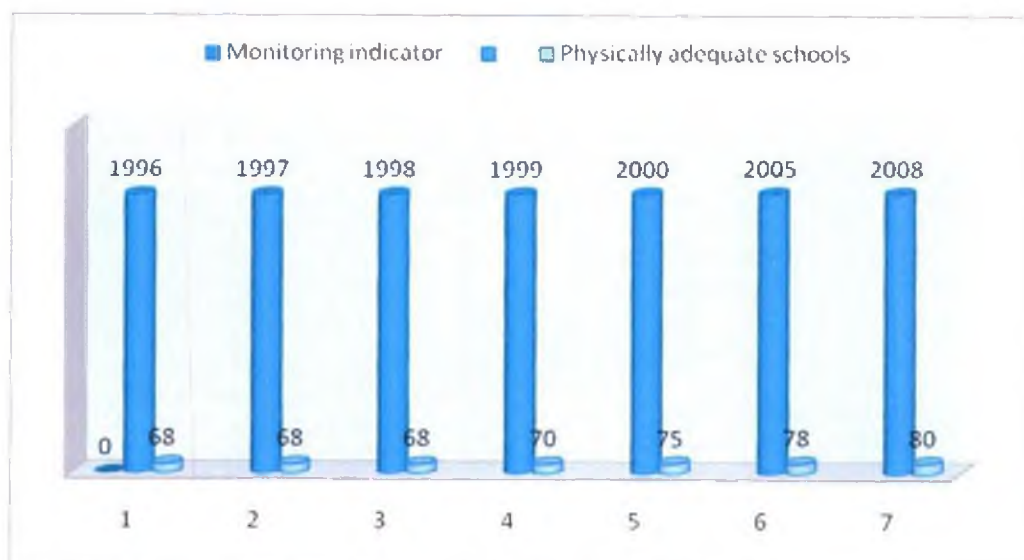


Figure:3A

### Quality of Teachers and Teaching

The projects recruited and trained a sufficient number of qualified primary school teacher. However the teacher student nation got worse during the project due to the rapid increase in student enrollment. Still the percentage of adequate trained teachers in GPS increased from 94% in 1997 to 98% in 2008. More the percentage of female teachers in the school rose from 30% in 1997 to 55% in 2010. Table 4 provide more details.

**Table 4: Quality of Teaching-Teacher-student Ratio and Female Teacher**

Monitoring Indicator	Status						
	1997	1998	1999	2000	2005	2008	2010
Percentage of adequately trained teachers	94	94	95	96	97	97	98
Percentage of Female Teachers	28	30	36	38	40	45	55
Teacher student ratio	1.50	1.63	1.62	1.60	1.59	1.50	1.46

Source: Directorate of Primary Education-2010, Dhaka

The project supported an extensive school sub-cluster training program for all teachers in the project area: as a result, almost all (98%) teachers could receive sub cluster training during the project compared with 74% before the project. Moreover, a higher percentage of teachers reputed the training (up to five time) during the project, the survey also found that higher percentage of teachers applied the knowledge and skills acquired during training in the class rooms 64% before the project and 72% after the project, therefore the project significantly contributed to in-service training of the teachers for improving their knowledge and skills, Details are in Table:5

**Table5: Quality of Teaching-intensive sub-cluster Teachers Training**

Indicator (s)	Performance (%)	
	Before project	After project
Teacher who participated in sub-cluster training	74	98
Once	10	2
twice	12	3
three times	15	6
Four times	18	38
Five times	19	50
Teacher who applied knowledge and skills from training in classroom	64	75

*Source: Field survey-2010*

The project expanded across to primary schooling by building new structures, improving existing structures and providing school supplies and supporting textbooks. As a result, the enrollment in the primary school rapidly increased. The student attendance also increased considerably. Attendance by boys rose from 64% in 1997 to 75% in 2008, while attendance by girls increased from 66% in 1997 to 80% in 2008. Details are in Table 6 and Figure 6A.

**Table 6: Impact of Expanded Access-Enrollment in Primary education**

Indicator (s)	Primary school student Enrollment (%)						
	1996	1997	1998	2000	2001	2005	2008
Gross enrollment	94	96	97	98	98	98	99
Net enrollment (Boys)	79	80	81	81	82	83	85
Net enrollment (Girls)	77	78	79	80	81	82	84
Student attendant (Boys)	63	64	65	66	67	68	75
Student attendant (Girls)	65	66	67	68	69	70	80

*Source: Directorate of Primary Education-2008*

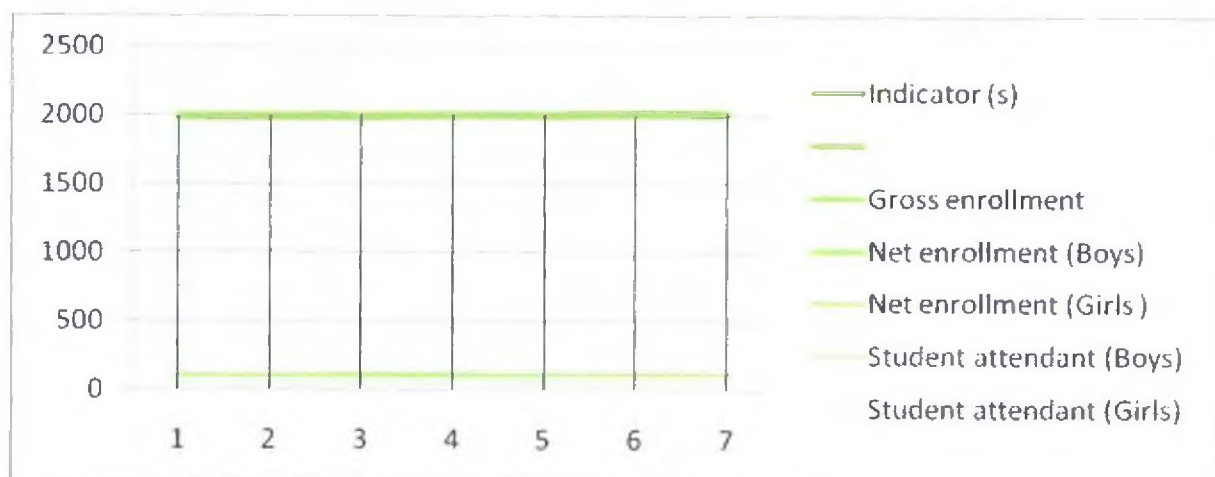


Figure 6A

### Student and school Performance

The project interventions improved the quality of education as demonstrated by the increase in 5 year school completion rates as well as the reduction in dropout rates between 1998 and 2010. Details are in Table 7 and Figure 7A.

**Table 7: 5 years cycle completion and dropout rates**

Year	Completion Rate	Dropout rate
1998	65.0	35
1999	65.0	35
2000	67.0	33
2001	67.0	33
2005	70.0	30
2008	72.0	28
2010	75.0	25

Source: Field Survey-2010 & primary education statistics is Bangladesh, Dhaka

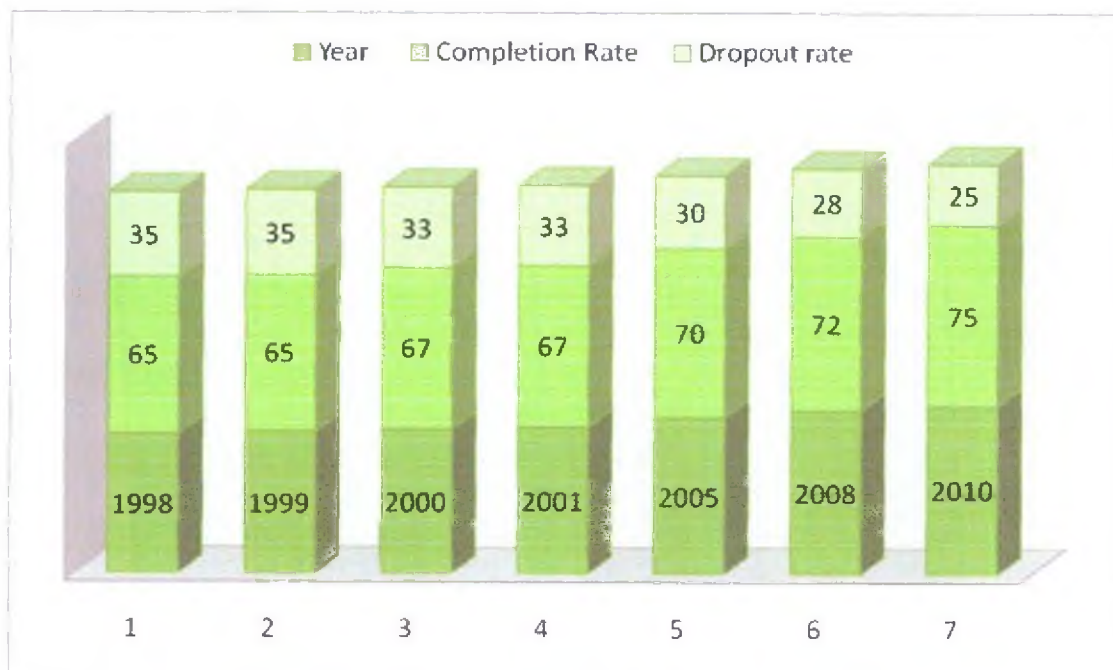


Figure 7A:

The study reviewed the marks obtained by grade v students in Bangla, English and Math in the annual examinations in the surveyed schools. It found that their average marks in all three subjects generally increased, indicating on improvement of the quality of education. Details are in Table-8 and Figure 8A

Table 8: Quality of education improved student performance in classes.

Indictor (s)	Performance (%)	
	Before project	After project
Grade V student who obtained above 45% in Bangla	36	55
Grade V student who obtained above 45% in English	34	45
Grade V student who obtained above 45% in Math	46	53

Source: Field Survey 2010



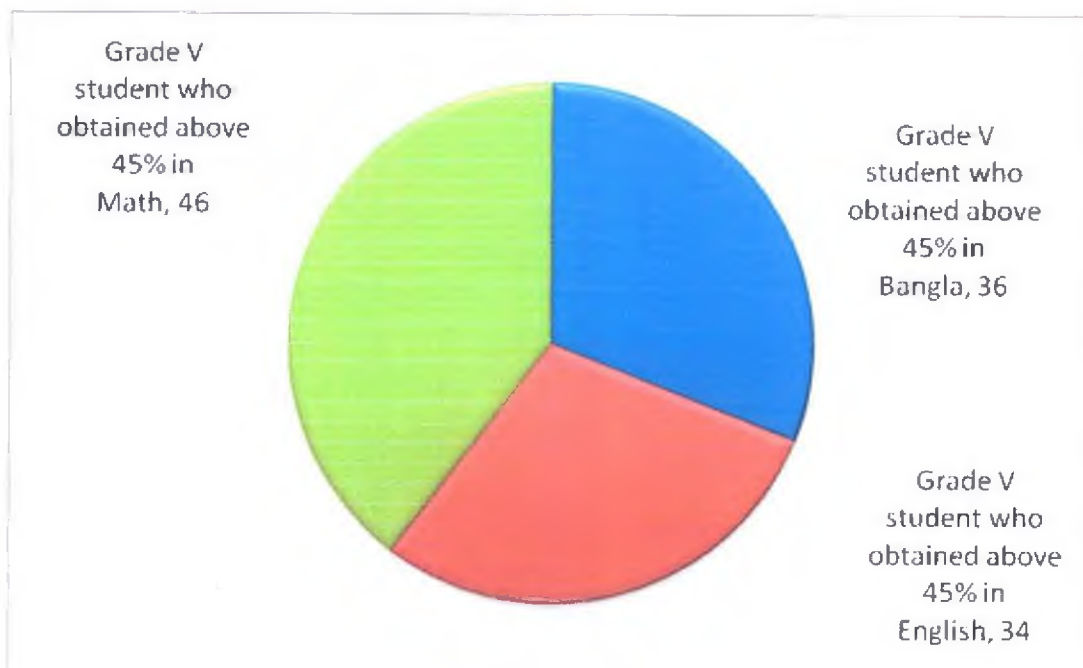


Figure 8A

The study also found that the percentage of poor students in GPS increased due to poverty focused interventions. Such as free textbooks and targeted assistance for school supplies intended for poor students especially girls. The study found that the primary school that enroll in grade vi increased in the project area by 5% during project implementation. Details are in Table9

**Table 9: Impact of quality of education poverty, Higher Education and employment.**

Indictor (s)	Performance (%)	
	Before project	After project
GPS students from poor families-poor by	68	78
Land assets (less than 0.5 acre)	75	82
Income (income less than \$1 per capita)	72	80

Source: Field survey-2010

The higher success rates in primary scholarship examination are another manifestation of the improvement in the performance of the school and the quality of primary education. The success rate, which was only 12.1% in 1996, climbed rapidly to 74.03% in 2008. Details are in Table 10.

<b>Year</b>	<b>Total</b>	<b>Boys</b>	<b>Girls</b>	<b>Total</b>
1996	269871	162636	107235	12.1%
1997	256736	153940	102796	22.4%
1998	258302	148841	109461	25.2%
1999	335745	188959	146786	31.7%
2000	370372	205817	164555	26.34%
2001	380814	210223	170591	36.99%
2002	411774	222804	188970	44.19%
2003	409075	220714	188361	51.94%
2004	447462	236598	210864	54.21%
2005	547987	285358	262629	67.25%
2006	510874	265602	245272	79.43%
2007	501010	257487	243523	79.50%
2008	670346	332719	337627	74.03%

Source: Directorate of Primary Education Statistics

The government prioritized the education sector especially the primary education sub sector to ensure education for all. This was demonstrated by the rapid increase in budgetary allocations to the sub sector between FY 1990-1991 and FY 2007-2008. The allocation to the primary education subsector increased 5 times over that period, averaging 25.8 growth per year the increasing budgetary allocation ensure sustainability of the investment under the project. Details are in Table 11.

**Table 11: Public expenditure in Primary education long term sustainability  
Tk. (billion)**

<b>Fiscal Years (s)</b>	<b>Revenue</b>	<b>Development</b>	<b>Total</b>
1990-1991	5.385	1.939	7.324
1991-1992	6.704	3.446	10.150
1992-1993	7.622	3.958	11.580
1993-1994	8.660	6.286	14.765
1994-1995	9.504	8.578	17.238
1995-1996	9.982	8.895	17.399
1996-1997	11.475	8.059	18.041
1997-1998	11.990	6.821	18.296
1998-1999	13.121	8.171	20.161
1999-2000	13.783	9.365	20.486
2000-2001	13.280	11.445	25.009
2001-2002	15.071	19.000	34.071

*Source: Directorate of Primary School-2008*

### **Text Book Distribution:**

Figure 11A shows the cumulative distribution of textbook in 2005 and 2010. The text book distribution process began a lot earlier in 2008. The govt. has decided that by 1<sup>st</sup> January will be distributed all classes books.

### **Transition rate of primary to secondary education.**

Transition rate of primary to secondary education refers to the students who complete the primary education cycle successfully and enroll in class vi for secondary education cycle.

**Table 12: Transition rate of Primary to secondary Education**

Years	Boys	Girls	Total
2007	82.0%	95.0%	88.4%
2008	88.7%	96.2%	92.4%
2009	80.0%	86.6%	83.3%

*Source: BANBEIS MOE and DPE Official Record.*

### **Teaching Aids and Learning Materials**

(Chalk, duster, Kit box, flipchart, Maps globe)

It is found that 51% of government primary schools area provided with teaching aids and learning materials, including chalk, duste, ktbox, flipchart, map etc.

### **Teacher having C-in-Ed Training**

Primary school teacher are opposed to have one year certificate-in-education (c-in-education) training that prepares them in pedagogical discipline, before taking classes independently. For various reasons a large number of teacher are working without receiving this training. PEDP-11 has planned to provide these trainings to all the teachers in the system.

The survey revealed that 71.9% teachers had received C-in-Ed training. However 74.8% male teachers were trained compared to 67.2% female teachers.

Lalbagh has the highest ratio of trained male teachers (88.5%) and Sutrapur has the highest ratio 85.71% of trained female teachers is GPS. The lowest nation of trained male and female teacher were 53.7% (in Keraningong Upzilla) and 47.2% in Kotowali) respectively.

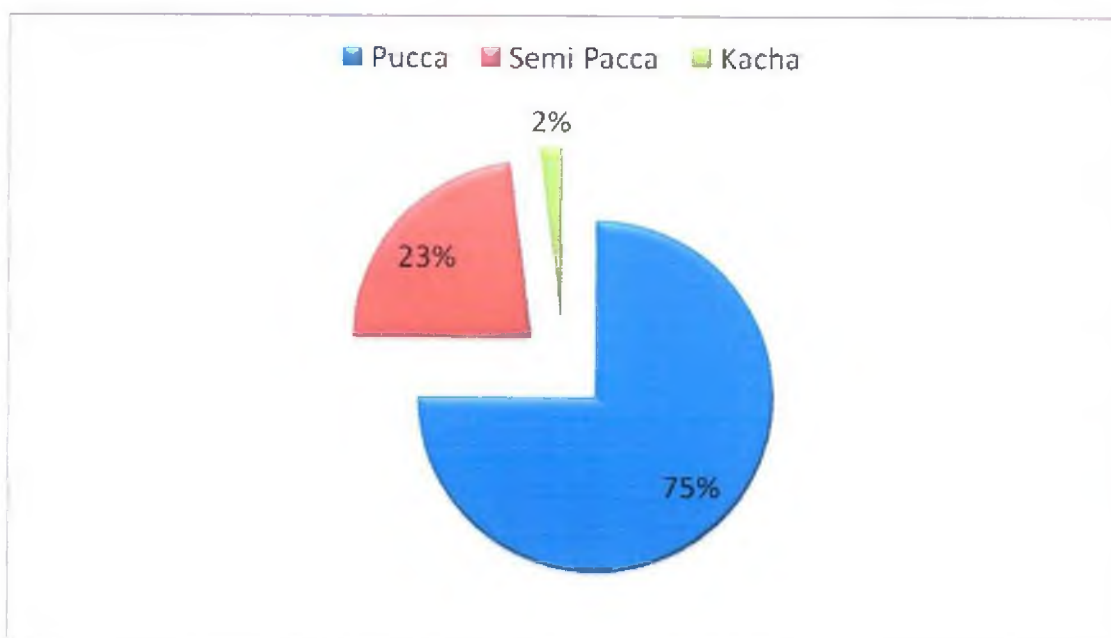
### **Properly constructed Class-rooms**

In the survey 2010 classrooms as well as other parts of school buildings are classified into three categories with aspect to type of construction. namely a) Pacca b) Semi Pacca and C) Kacha Details are in Table 13

**Table 13: Type of construction of usable classroom**

Type of construction	Usable class room
Pucca	75%
Semi Pacca	23%
Kacha	2%

*Source: Field Survey 2010*



**Figure 13A**

### **In-service Training of Teacher**

The training of teachers has been reported below to with respects of three are of training provided to the teachers in the country. Details are in Table 14.

**Table: In-service Training of Teachers**

Name of Training	Male Teachers	Female Teacher	Total
Subject based Training	20%	15%	35%
Teaching Methods in Class room	25%	20%	45%
Sub-cluster training	50%	40%	90%

Source: Field survey-2010

**Head Teacher Training:**

Like teacher's training, the training of head teacher has been also reported with respect to three topics or one of training of head teacher. The percentages of head teacher having received different types of training, desegregated by gender where significant are reported below:

**Table 15: Head Teacher Training**

Name of Training	Performance (%)
School Management	53%
Teacher support and supervision	40%
Community Mobilization and participation	35%

Source: Field Survey-2010

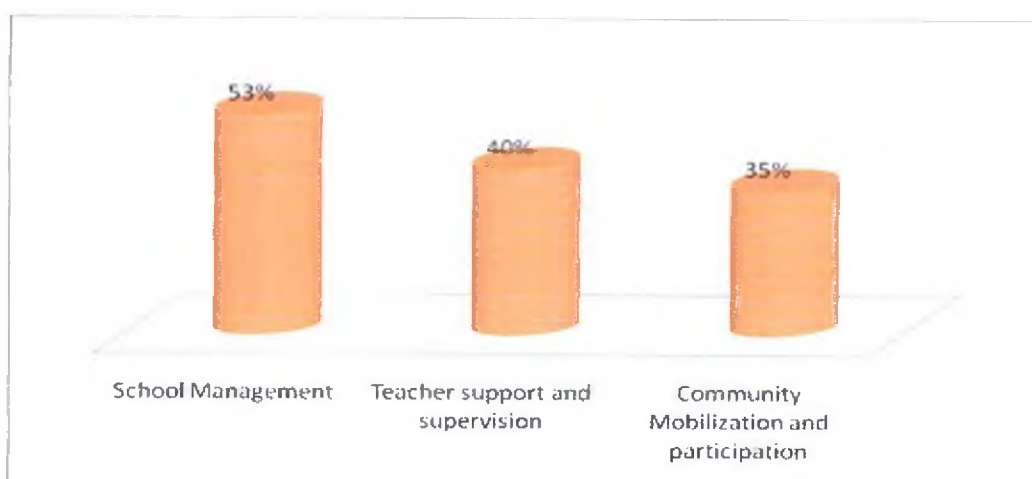


Figure 15A

### SMC Training

SMC (School Management Committee) Training has been reported in two ways a) Percent of school Management Committees where at least one member has received SMC training and b) Percent of SMC members who have received this training. Details are in Table 16 and 16A.

Name of Training	Performance (%)
SMC training	45%
Percent of SMC Member who received SMC training	22%

Source: Field survey: 2010

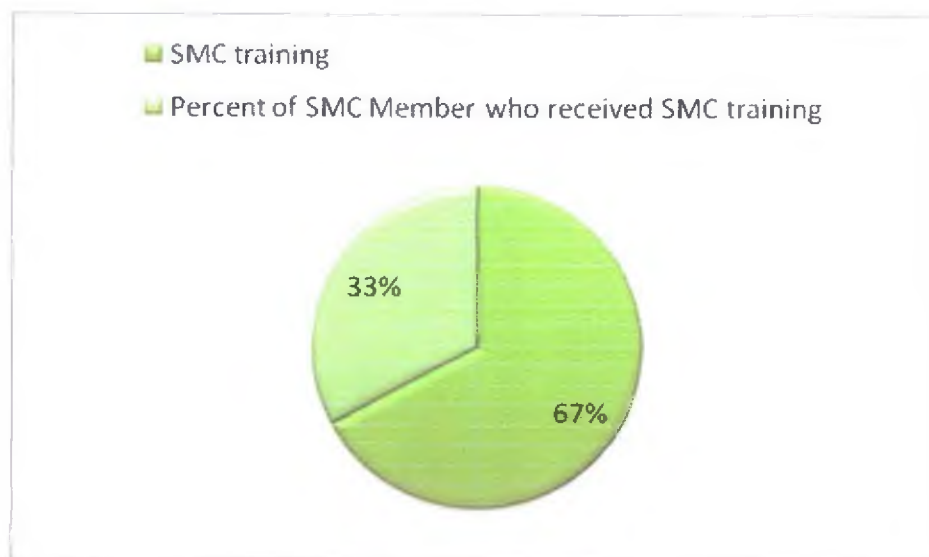


Figure 16A

## Secondary Education

The secondary level of education is comprised of 7 (3+2+2) years of formal schooling, the first 3 years (grades vi-viii) is referred to as junior secondary: the next 2 years grade is secondary while the last 2 years is called higher secondary.

In secondary education there are three streams of courses such as, Humanities, Science, and Business Education, which start at class ix, where the students are free to choose their course (s) of studies.

High Schools are managed either by government or private individuals or organization. Most of the privately managed secondary schools provide co-education. However, there are many single sex institutions in secondary level education.

**Number of secondary school by type and Management-2008**

Type of school	Govt.		Non-Govt.		Total	
	Total	Female	Total	Female	Total	Female
Junior Secondary School	-	-	3458	921	3455	921
Secondary School	317	148	14981	2468	15298	2616
Total (Secondary )	317	148	1843	2289	18756	3537

Source; MOE



### Growth of students, school and Teachers

Data of the Bangladesh Bureau of Educational information and statistics indicated that during 2001-2008 student enrollment increased by 17% number of secondary schools and teacher increased respectively by 44% and 19%. The number of trained teachers increased by 95% during the project time. The projects contributed significant to expanded student access (though enrollment of additional students) improvement of secondary educations quality (through education for the teacher student ration) and extensive teacher training. The study in selected schools noted teaching staff levels were satisfactory, schools had an average of 15 teaching positions with 13 teachers in place, of these 12 received salary subvention and 10 had teacher education. Details are in Table-1

Year	No. of Teacher		No. of teacher		% of trained teacher	
	Total	Female	Total	Female	Total	Female
2001	183277	30196	85914	17719	46.9	58.7
2002	186949	31311	91123	18707	48.7	59.7
2003	206857	39580	100377	19818	48.6	50.1
2004	214673	47255	108362	25230	50.5	53.4
2005	238158	48290	127489	27720	53.6	57.6
2008	209496	46788	141282	34329	67.4	73.4

Source: BANBEIS-2008

**Table 2: Growth of secondary schools. Teacher and student enrollment 2001-2008**

Year	Schools	In excess point of point	Teacher	Increase % point of Point	Student	Teacher student ratio
2001	16166	2.84	183277	5.24	788010	43
2002	16562	2.45	186949	2.00	8162134	44
2003	17386	4398	206557	1049	8126362	39
2004	182675	5.07	241637	3.93	7503247	35
2005	18500	1.28	238158	10.94	7398552	31
2008	18756	2.22	209496	-	6819748	33

Source: BANBEIS-2008

**Table 3: Status of Teaching of teacher for implementation of reform.**

Status of Teaching staff in schools	Status in 2010
Average number of sectioned post of school	15
Average actual number of teacher	13
Average number of post of teacher under MPO	12
Average number of teacher with Bed. Med. degree	10

Source: Field Work-2010

**Preparation for Implementation of SBA, SPBMS, and Examination Reforms**

The Study gathered information from selected schools about the preparedness of the schools for implementation of SBA, SPBMS, and examination reforms in terms of training of teachers, supplies of necessary forms and manuals and guidelines, and creation of awareness among the stakeholders (teachers, school management committee local elites, parents, and students).

It was found from the survey that almost all head teachers and two out of every five SMC members (including the chairperson) had received orientation regarding implementation of SBA, SPBMS, and examination reforms in the respective schools. On average 20% of all teachers at surveyed schools received training on all reforms; 33% of teachers had received training in one of the three reform areas (SBA, SPBMS, and examination reform).

As part of implementation preparedness the Project developed forms and manuals for each reform area; the necessary forms and manuals concerning SBA had been received in adequate quantity by 56% of schools; 33% had received sufficient forms and manuals for SPBMS, and 31% for examination reforms. The PCR Mission noted that successful reform implementation relied on all schools receiving sufficient numbers of the necessary forms (Table 4- 5). The PCR Mission considered that all teachers should have been provided training on SBA, SPBMS, and examination reforms, and all schools supplied with necessary forms before reform implementation commenced.

**Table- 4: Training of Training of Teachers on SBA, SPBMS, and Examination Reforms**

<b>Status of Teaching Staff in Schools</b>	<b>Status in 2008</b>
In average number of head teachers received training on SBA	0.92
In average number of head teachers received training on SPBMS	0.99
Average number of SMC members received training on SPBMS	0.39
Average number of teachers received training	3.00
Average number of teachers received training on SBA	5.00
Average number of teachers received training on SPBMS	5.00
Average number of teachers received training on Examination Reforms	5.00

SBA= school based assessment, SPBMS=school performance based management system

Source: Field Survey, 2010.

**Table- 5: Supply of forms and Manuals for Implementation of SBA, SPBMS, and Examination Reforms**

Adequacy of Forms and Logistics	Adequacy of Forms (% Schools)		
	SBA	SPBMS	Exam Reforms
Quantity (forms and Logistics) received is adequate	56	33	31
Quantity (forms and logistics) received is inadequate	30	28	29
Forms and logistics not received at all	14	39	40

SBA=school based assessment, SPBMS=school performance based management system

*Source: Field Survey, 2010.*

The Study Field found that SBA, SPBMS, and examination reforms had been partially introduced by 62%, 43%, and 51% of schools, respectively. However, with respect to SBA implementation, urban schools had achieved better progress than rural schools, with the latter outperforming urban schools in SPBMS and examination reform implementation. The survey also indicated that implementation of SBA, SPBMS, and examination reforms commenced during the last year of project implementation (2006) and then gradually accelerated. It found that implementation of SBA, SPBMS, and examination reforms had not been implemented by 10%, 47%, and 46% of schools, respectively. Moreover, while some schools have planned full implementation of SBA (79%), SPBMS (50%), and examination reforms (20%), the remainder have developed no plans to implement these important education quality reforms (Table 6- 8).

The Secondary Education Sector Development Project should emphasize reform implementation; stress the need for preparation, commitment, seriousness, planning and identification of targets; and take timely steps to create the necessary awareness of and interest in reforms among stakeholders.

**Table-6: Schools Initiated Implementation of SBA, SPBMS, and Exam Reforms- Urban and Rural**

Status of Implementation	Urban Schools		Rural School		All Schools	
	Number	%	Number	%	Number	%
Schools Partially Implemented SBA	15	75	3	15	20	90
Schools Partially Implemented SPBMS	05	25	5	25	10	50
Schools Partially Implemented Exam Reforms	15	75	5	25	10	50

*Source: Field Survey, 2010.*

**Table- 7: Schools Initiated Implements of SBA, SPBMS, and Exam Reforms- years**

Status of Implementation	%Schools Implemented Reforms in					% Schools not Implemented
	2005	2006	2007	2008	2009	
Schools Implemented SBA	0	12	22	24	32	10
Schools Implemented SPBMS	0	3	29	11	10	47
Schools Implemented Examination Reforms	0	3	8	43	30	46

Source: Field Survey, 2010.

**Table-8: Future Plan of the Schools for Full Implementation of SBA, SPBMS, and Exam Reforms**

Plans of Schools for Implementing Reforms of	Plans for Implementation	
	Plans Full Implementation	No Plans Yet
Schools Plans full Implemented SBA	79	21
Schools Plans full Implemented SPBMS	50	50
Schools Plans full Implemented Examination Reforms	80	20

Source: Field Survey, 2010.

### Creating Awareness and Interests of Stakeholders for the Reforms

The Study assessed the indicative level of awareness and interest among stakeholders (teachers, SMCs, local elites, parents, and teachers). It observed that while the 63% of local elites have a high level of awareness of SBA, far fewer are adequately aware of SPBMS (26%) and examination reforms (28%). The survey found that awareness of reforms among parents was similar to that of the local elites, with 69%, 21%, and 28% of parents conversant with the SBA, SPBMS, and examination reforms, respectively. The students in grade 9 (who will be the first to receive the benefits of the reforms in public examinations) were found to be more aware of the SBA and examination reforms (92% and 66%) than of SPBMS (35%), as the latter relates more to the school than the students (Table 9- 11).

**Table- 9: Level of Awareness of Local Elites about SBA, SPBMS, and Examination Reforms.**

Level of Awareness of Local Elites	Levels of Awareness of Local Elites on SBA, SPBMS, Exam (%)		
	SBA	SPBMS	Examination Reforms
Very High	17	7	4
High	46	19	24
Average	18	22	19
Poor	8	14	12
Absent	3	12	14
Negative	1	4	7
Unaware	7	22	20

*Source: Field Survey, 2010.*

**Table- 10: Level of Awareness of about SBA, SPBMS, and Examination Reforms.**

Level of Awareness of about SBA, SPBMS, Exam Reforms	Levels of Awareness of Parents on SBA, SPBMS, Exam (%)		
	SBA	SPBMS	Examination Reforms
Conversant	13	5	6
Clear	56	16	22
Unclear	17	33	32
Unaware	13	45	33
Negative	1	1	7

Source: Field Survey, 2010.

**Table- 11: Level of Awareness of Grade IX Students about SBA, SPBMS, and Examination Reforms.**

Level of Awareness of Parents about SBA, SPBMS, Exam Reforms	Levels of Awareness of Parents on SBA, SPBMS, Exam (%)		
	SBA	SPBM S	Examination Reforms
Conversant	34	6	14
Clear	58	29	52
Unclear	5	25	30
Unaware	3	30	14

Source: Field Survey, 2010.

The level of interest of the head teacher, teachers and SMC chairperson and members has implications for successful reform implementation in a given school. The survey found that head teachers were highly interested in SBA (92%), SPBMS (68%), and examination reforms (79%); among teachers 40%, 46%, and 35% (respectively) were highly interested, while among SMC chairpersons 80%, 44% and 54% exhibited high levels of interest (Tables 12- 14).



**Table- 12: Level of Interests of Head Teachers in SBA, SPBMS, and Examination Reforms.**

Interests of Head Teachers	% Head Teachers Interested in Reforms				
	Very High	High	Average	Poor	Absent
Interest of head teachers in SBA	61	31	4	3	1
Interest of head teachers in SPBMS	33	35	15	11	4
Interest of head teachers in Exam Reforms	32	47	12	6	3

*Source: Field Survey, 2010.*

**Table- 13: Level of Interests of Teachers in SBA, SPBMS, and Examination Reforms.**

Interests of Teachers	Level of Interest (% Teachers)		
	High	Medium	No Interest
Level of interests of teachers to implements SBA in schools	40	45	25
Level of interests of teachers to implements SPBMS in schools	46	36	18
Level of interests of teachers to implements exam reforms	35	40	25

*Source: Field Survey, 2010.*

**Table-14: Level of Interests of SMC in SBA, SPBMS, and Exam Reforms**

SMC Chairpersons Interested to Implements SBA, SPBMS, and Examination Reforms in Schools	% SMC Chairpersons Interested in Reforms					
	Very High	High	Average	Poor	absent	Unaware
Interest of Chairperson to implement SBA	40	40	8	2	6	4
Interest of Chairperson to implement SPBMS	15	29	24	11	14	7
Interest of Chairperson to implement Exam Reform	21	33	20	4	15	7

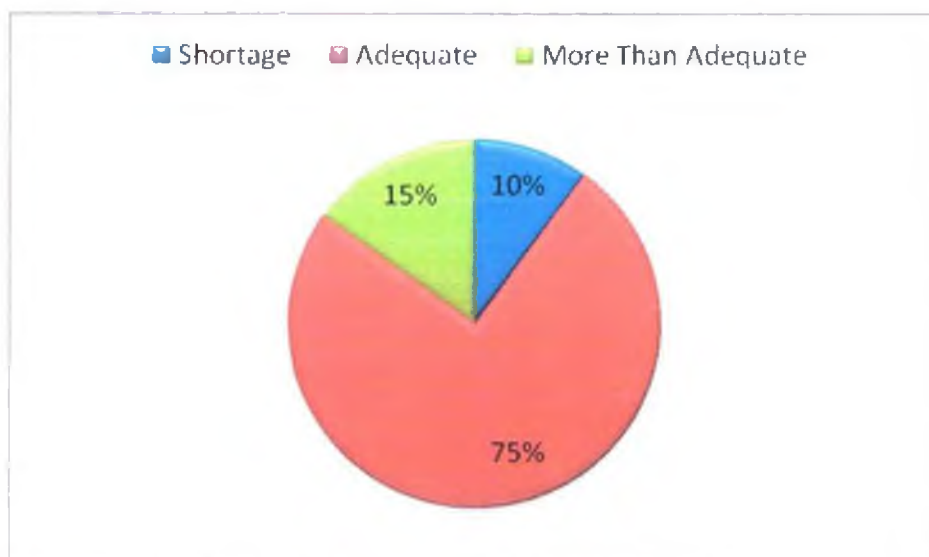
Source: Field Survey, 2010.

### New Classrooms

In each of the 20 surveyed schools, a 3- room building was constructed. Apart from some defects like cracks in walls and rod, cement and concrete (RCC) frame in some buildings (23%), the overall quality of construction seemed to be good in other schools (77%). However, maintenance was poor in at least one half of the schools. Lack of fund was cited as the major cause of poor maintenance.

Shortage	Adequate	More Than Adequate
10%	75%	15%

**Figure 6A**



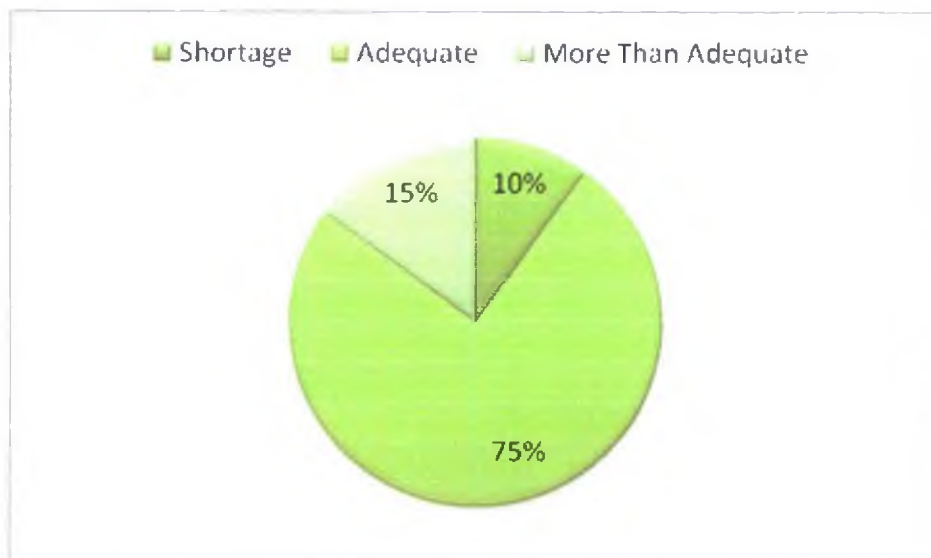
Although there was a rapid increase in enrollment in the 20 schools, 15 (75%) had adequate classroom space to accommodate students, 3 (15.7%) had more than adequate space and only 2 (10%) had shortage of classroom space. Construction of classrooms was a positive factor that allowed the accommodation of an increased number of students.

### Furniture

All the 20 schools received furniture for the use of the students. A total of 15 schools (75%) had adequate furniture, only 2 (10%) had shortage of furniture, while an equal number (15%) had more than adequate furniture in the classrooms. Furniture from the Project enabled the schools to accommodate an increased number of students. Otherwise, the schools would have faced problems in accommodating the large number of students.

Shortage	Adequate	More Than Adequate
10%	75%	15%

Figure 7A



### **Science Kits and Training for Teachers**

Of the 20 institutions surveyed, 18 had a science group. All the 8 schools were given science kits. The headmaster and one senior science teacher of each school received 1-day training in using and maintaining the science equipment. The physical appearance of the science kits indicated that they were frequently used in 5 schools (25%) and seldom used or not used in other schools.

### **Training in Management for Head Teachers**

The heads of 15 (75%) of the 20 schools surveyed received this training. Others either were not headmasters then or could not attend due to personal reasons. Of the 15 trained headmasters, 13 (65%) brought some changes in their respective schools using their training experiences. The changes are following: introducing a monthly examination, using teaching aids, maintaining school records properly, supervising the classroom performance of teachers, introducing the yearly academic plan, etc. Other headmasters were found to be reluctant to make any change in the school, and a few of them seemed incapable.

### **Reform of Secondary Education Curriculum**

As a measure for improving the quality of education the curriculum and instructional materials of grades VI through X were revised, redesigned, and implemented. The curriculum was developed and published in two volumes. Following the new curriculum, 45 textbooks for grades VI through X were developed and introduced in grades VI, IX, and X in 1996 and in grades VII and VIII in 1997. Since then, the curriculum and instructional materials have been in use. The majority of the teachers judged the curriculum and textbooks developed under the Project are better than the previous ones. However, observation of the classroom performance of the teachers and the students revealed that the curriculum was not properly implemented in the classroom; as a result, the benefit of the redesigned curriculum could not be fully reaped.

### **Classroom Performance of the Trained Teachers**

A total of 20 classrooms were observed using a specially designed observation schedule. All the 20 teachers whose classes were observed were trained (having B.Ed. or M.Ed. degrees). Only 16 (80%) of them participated in the curriculum dissemination training organized under SEDP. One out of every 12 teachers was found to apply the appropriate strategies, to some extent, in the classrooms. They succeeded to keep the students actively engaged in learning activities. The majority of the students seemed to have acquired the competencies from their lessons. Others failed to facilitate students' learning. The classroom observation indicated that the success of the teacher training program in producing a positive change in a teacher's performance was limited.

## Bangladesh Open University

<b>BOU at a Glance</b>		
<b>Area</b>	<b>:</b>	<b>35 acres</b>
<b>Established</b>	<b>:</b>	<b>October 1992</b>
<b>No. of Schools</b>	<b>:</b>	<b>6</b>
<b>No. of Divisions</b>	<b>:</b>	<b>9</b>
<b>No. of Regional Resource Centre (RRC)</b>	<b>:</b>	<b>12</b>
<b>No. of Coordinating office (CO)</b>	<b>:</b>	<b>80</b>
<b>No. of Study Centre</b>	<b>:</b>	<b>1106</b>
<b>Formal Program</b>	<b>:</b>	<b>23</b>
<b>Non Formal Program</b>	<b>:</b>	<b>19</b>
<b>Student admitted in 2009</b>	<b>:</b>	<b>3,08,682</b>

### BANGLADESH OPEN UNIVERSITY PROJECT

To increase economic growth and reduce unemployment and underemployment, the Government has given high priority to expanding and upgrading the education system in its "national development plans. With the goal of strengthening human resource development, the major constraints faced by the Government were (i) inadequate access to formal education and training in rural areas, including basic education, secondary education, vocational training, and basic skills programs, particularly for women; (ii) inadequate higher and professional education and training opportunities in areas such as agriculture extension, health and population, teacher education, and the new technologies such as computer science; and (iii) inadequate opportunities for informal and nonformal education for the

general population in areas such as agriculture, health and family planning, environmental protection, and basic skills to help reduce

Under the Fourth Five-Year Plan, FY1 990-FY1 995, the major objectives for the education sector were to (i) provide educational opportunities for out-of-school children, adolescents, youths, and adults, and particularly women, through nonformal channels and continuing education; (ii) reduce the rural-urban gap in educational opportunities; (iii) increase the participation of women in education; and (iv) augment and strengthen technical and vocational education by making it more job oriented.

Consistent with the Fourth Five-Year Plan objectives, in 1992 the Government, with financial assistance from the Asian Development Bank (ADB), established the Bangladesh Open University (BOU). BOU was to supplement the conventional education programs by primarily serving various disadvantaged target groups that had been excluded from access to the conventional education system. The specific objectives of the Project included (i) increasing access to education and training in rural areas, including basic education, secondary education, and vocational training; (ii) providing a mechanism to meet the emerging higher education and professional training needs in areas such as agriculture, health, teacher education, and technical and vocational education; (iii) enhancing the quality and relevance of the education and training system; and (iv) strengthening informal and nonformal educational programs for the general population in areas such as environmental protection, family planning, and basic skills.

BOU was to provide learning opportunities through distance education. The curricula included secondary education, the English language, health and family planning, disaster management, agriculture extension, computer applications,

nursing, and teacher education. BOU was to use written self-instruction materials supported by educational programs broadcast nationally by Radio Bangladesh and Bangladesh Television.

Since 1985, distance education has been available through the Bangladesh Institute of Distance Education (BIDE), which produced and supplied audiovisual materials to educational institutions and organized a bachelor of education (BEd) program for untrained secondary school teachers. However, it was constrained by the lack of adequate specialized staff, physical facilities, and support services, and was merged with BOU in 1992.

Of the estimated total project cost of \$43.0 million equivalent, ADB was to finance \$34.3 million equivalent and the Government \$8.7 million. The Project consisted of an open university with (i) infrastructure development, including the main campus located near Dhaka; 10 regional resource centers (RRCs); and 80 local centers (LCs); (ii) equipment, furniture, and vehicles; (iii) instructional materials production facilities, including a contemporary media production studio system; (iv) staff development; (v) consulting services to design curricula and instructional materials; and (vi) research, and benefit monitoring and evaluation.

### **Bangladesh Open University**

After Independence Bangladesh faced the challenge of meeting the educational needs of mass people. To meet this challenge the necessity for a new mode of education was widely felt. As a sequel to that feeling, the School Broadcasting Pilot Project (SBP) was launched in 1978. Later in 1983, the project was transformed into National Institute of Educational Media and Technology (NIEMT).



NIEMT was later replaced by the Bangladesh Institute of Distance Education (BIDE) in 1985. Apart from producing audio-visual materials, BIDE offered the Bachelor of Education (B Ed) program in distance mode. The success of BIDE encouraged policy makers to take up a major plan for establishing an open university. The plan became a reality in October 1992 when the Bangladesh Open University Act 1992 was passed in the Parliament.

Bangladesh Open University (BOU) is the only public institution in the country that imparts education in distance mode. In place of campus based teaching, this university uses technology including electronic devices to reach people in different corners of the country. The learner in this system is not restricted by time, space or age. A learner can think and learn at his own will, at his own place and at any time whenever he/she feels free to learn.

The main objective of the university is to expand all levels of education in different dimensions in science, agriculture, humanities, social science etc. and all other that come under the purview of human knowledge and understanding by diversity of means including the use of digital technology. It intends to provide opportunities of education to all classes of people and create efficient and skilled manpower by improving the quality of education.

As it is obvious from the objectives, BOU has opened a new horizon for the vast majority of eager learners of Bangladesh who for various reasons drop out of the conventional system of education. BOU serves another target group who wishes to continue to update their knowledge by becoming a life long learner. By imparting knowledge and skill to them, BOU is contributing to human resource development in the country.

In the national education arena this university therefore carries enormous responsibilities and possibilities. BOU is the only Institution in the country which can contribute a lot in fulfilling the objective of the Government regarding eradication of illiteracy from the country.

### **Regional Resources Center (RRC's)**

1. The Regional Resources Center Dhaka
2. The Regional Resources Center Jessore
3. The Regional Resources Center Mymensingh
4. The Regional Resources Center Ranjpur
5. The Regional Resources Center Chittagong
6. The Regional Resources Center Comilla
7. The Regional Resources Center Sylhet
8. The Regional Resources Center Rajshahi
9. The Regional Resources Center Bogra
10. The Regional Resources Center Baisal
11. The Regional Resources Center Faridpur
12. The Regional Resources Center Khulna

### **On going Programs**

Bangladesh Open University offers 2 (two) types of programs Formal and Non-formal, through 6 (six) different schools. BOU already has launched 21 formal and 19 Non -formal programs:

Formal programs consist of four levels Certificate, Diploma, Degree and Masters. Interested people enrolled for the formal programs collect books written specially for them from Regional Resource Centers (RRC), Co-ordinating Offices (CO) and Tutorial Centers (TC). Audio cassettes are also sent out. BOU prepares audio-visual materials and we have been able to arrange for 25 minutes radio broadcast every day and 20-25 minutes television broadcasts

five days a week. Each year for every formal program BOU conducts two examination, one each semester.

BOU's Non-formal Programs: In the case of non-formal programs BOU doesn't conduct any examination. As a rest majority of the people of this country cannot read or write, objectives in the case of non-formal programs is to let people be conversant with modern and sustainable techniques in agriculture, poultry farming, health and nutrition, environment protection etc. in a way which is comprehensible to them.

<b>Program wise total students enrolment in 2009-2010 Session</b>			
<b>SL#</b>	<b>Schools</b>	<b>Name of the Program</b>	<b>Total Enrollment</b>
01	School of Education	M. Ed	2,228
02		B. Ed	1,708
03		C. Ed	1,755
04	Open School	SSC	12,6,491
05		HSC	72,002
06		BBS	923
07	School of Social Science Huminites and Languages	BA/BSS	94,674
08		CELP	193
09		CALP	124
10		BELT	00
11	School of Agriculture and Rural Development	B.Ag.Ed	3,096
12		CPFP	44
13		CLP	177
14		DYDW	117
15	School of Business	PGDM/CIM	271
16		BBA	1982
17		MBA	738
18		CEMBA/CEMPA	556
19	School of Science and Technology	DCSA	782
20		B. Sc in Nursing	821
<b>Total Students enrolment</b>			<b>30,8,682</b>

Sources: Bangladesh Open University

The objective of the non-formal programs is to create awareness and impart knowledge about health, environment, disaster management, basic science,

agriculture, food, nutrition and other branches of knowledge for human development.

The target groups of these programs are people from all walks of life, particularly those who intend to add further to their professional knowledge and skill without attending any institution or training centre. These programs are broadcast at fixed times through the national Television and Radio network.

So far BOU has produced 19 non-formal programs on environment, basic science, elementary mathematics, agriculture (which include irrigation, water management, horticulture, animal nutrition, pest management, use of aquatic weeds and preparation and preservation of food), bank services and marketing management, health, nutrition, population and gender issues.

Formal/Non-formal Programs offered by the following Schools

- School of Education
- School of Social Science, Humanities and Language (SSHL)
- Open School
- School of Business
- School Of Agriculture & Rural Development (SARD)
- School of Science and Technology (SST)

### **Open School**

Open school is one of the largest school among six schools of BOU in respect to the number of students enrollment. Any person has the opportunity to be admitted irrespective of his/her age, gender and profession in any program of the school. At present the school is offering two programs namely Secondary School Certificate (SSC) and Higher Secondary Certificate (HOSC) which are equivalent to National Secondary and Higher Secondary programs prevailing in the Country. The school has also plan to launch more program in future.

Formal Programs

- 1.Secondary School Certificate (SSC) and
- 2.Higher Secondary Certificate (HSC)

SSC Program:

Level	Certificate
Branches	Humanities, Science and Commerce
Semester	02
Credit hour	60
Duration	2 Years
Maximum duration	5 Years
Minimum Requirement for Admission	Class Eight or Equivalent

HSC Program:

Level	Certificate
Branches	Humanities, Science and Commerce
Semester	02 (One-year each semester)
Credit hour	72
Duration	2 Years
Maximum duration	5 Years
Minimum Requirement for Admission	SSC Pass or Equivalent

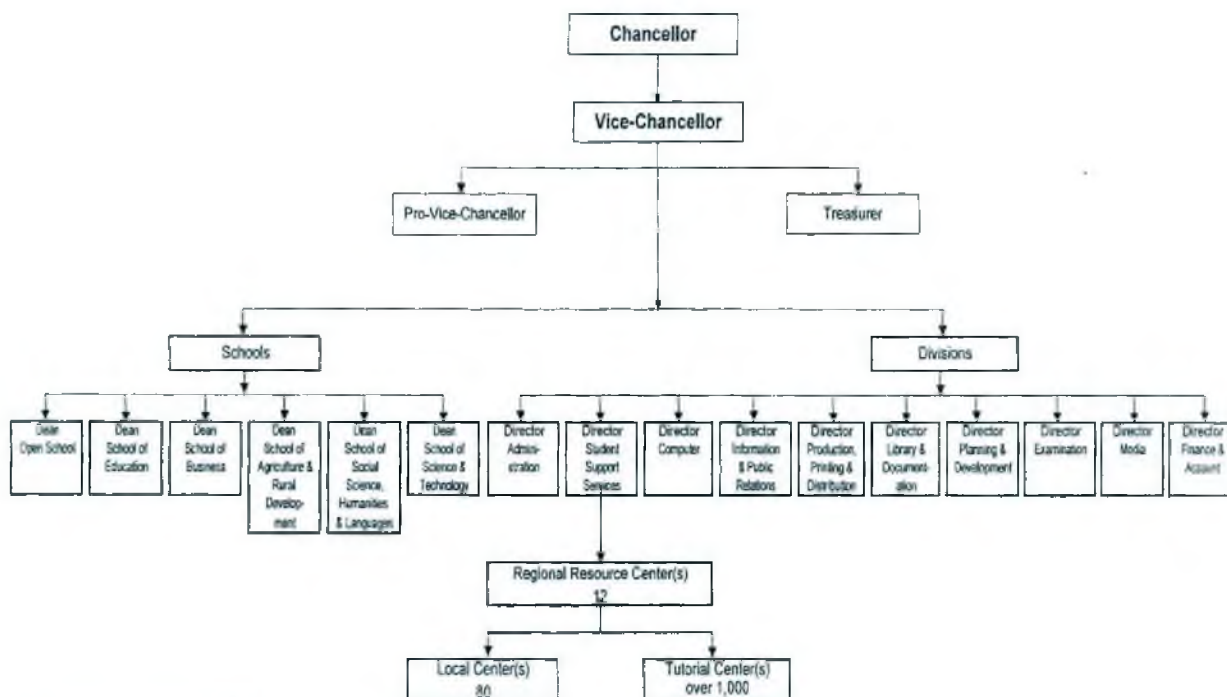
SSC & HSC these two programs are for aged, disadvantaged and working people.

## **Bangladesh Open University**

BOU was established by the Government's BOU Act in 1992 as an autonomous education institution to provide various distance education programs through radio and TV broadcasting, self-study textbooks, audio and video cassettes, and part-time tutoring. The outputs of this component consisted of development of (i) physical infrastructure and facilities for BOU's main campus, located on the 14 hectares of land provided by the Government at Gazipur (22 kilometers from central Dhaka), and its 12 RRCs; (ii) facilities for 80 LCs; (iii) regular programs to enroll many students from disadvantaged groups; and (iv) supplementary programs to disseminate knowledge to the general population, especially the rural poor, to improve their living conditions. BOU's organizational structure consists of six schools and 10 divisions, one of which is responsible for the 12 RRCs, and more than 1,000 tutorial centers (TCs). BOU's main campus is responsible for program development and production; RRCs for registration and examination; LCs for face-to-face student support, and for registration and examination in remote areas, to stretch BOU's outreach; and TCs for classroom tutoring. The subdistrict offices in the same locality as LCs provide free office spaces for LCs, whereas the schools and colleges from which their teachers are hired by BOU as part-time tutors provide free classroom spaces for TCs.

DISTANCE EDUCATION SYSTEM IN BANGLADESH

Table 1: Organizational Structure of Bangladesh Open University



Source: Bangladesh Open University.

This component's outputs have helped reach two of the three project objectives: increased access to basic education and career-development training for the disadvantaged and increased knowledge among the rural poor to improve their living conditions.

### Regular Program (SSC & HSC)

Table shows that their regular programs offered by the BOU Open schools through radio and TV broadcasting, audio and video cassettes, and printed self-instructional materials and formal tutoring. Basic information program, introduction, minimum entry requirements, program duration, and student fees, are also shown in Table-2.

**Table 2: Regular Program (SSC and HSC) Provided by BOU**

Program	Certificate	Year of Introduction	Minimum Entry Requirement	Duration Years	Student per program (Tk.)	Fees per student per year (Tk.)
Secondary School Certificate	SSC	1995	8 Years	2.0	3,000	1,500
Higher Secondary Certificate	HSC	1998	SSC	2.0	4,800	2,400

Source: Bangladesh Open University

### Stock of Enrollment in BOU's Regular Programs (SSC & HSC)

Table shows the yearly stock of enrollment in BOU's regular programs of about 1 0,000 students at the OEM stage (academic year 2001 ) compared to less than 1 20,000 at the PCR stage (academic year 1999).<sup>11</sup> These figures reflect BOU's big capacity to provide access to basic education and professional training for a large number of disadvantaged students who have been excluded from the formal education system.



**Table 3: Stock of Enrollment in BOU's Regular Programs (SSC & HSC)**

BOU Program	1995	1996	1997	1998	1999	2000	2001	2008	Total	%
SSC	16,168	23,667	28,497	40,359	54,612	65,738	97,801	1,10,527	4,37,369	49.20
HSC	0	0	0	12,006	12,006	34626	50,876	59,580	1,69,094	22

Source: Open University

The breakdown of the cumulative flow of enrollment by program confirms that BOU has been catering more to dropout students from the basic level of education as almost half of its enrollment (48%) has been in the SSC program. Another 18% has been in the Higher Secondary Certificate (HSC) program.

### **Increased General Knowledge of the Rural Poor to Improve Their Living Conditions**

Besides regular programs, BOU provides 19 supplementary programs via radio and TV broadcasting to disseminate useful knowledge and practical skills to the general population, especially the rural poor, on programs such as agriculture, bank loans, and environmental sample beneficiaries gained practical knowledge to improve their living conditions and appreciated these programs.

Table 4: Supplementary Programs Provided by BOU

Program	Year of Introduction
<b>Open School</b>	
1. Basic Science	1992
2. Mathematics	1992
<b>Open School/School of Social Science, Humanities &amp; Languages</b>	
3. Religion & Ethics	1995
<b>School of Education/School of Science &amp; Technology</b>	
4. Environmental Protection	1995
5. Maternity & Child Care	1996
<b>School of Business</b>	
6. Bank Loans	1996
7. Marketing Management	1996
<b>School of Business/School of Agriculture &amp; Rural Development</b>	
8. Food Preparation & Preservation	1996
<b>School of Business/School of Science &amp; Technology</b>	
9. Health & Nutrition	1996
10. Family Planning	1996
<b>School of Agriculture &amp; Rural Development</b>	
11. Aforestation	1993
12. Agriculture	1993
13. Fish Processing	1993
14. Horticulture	1993
15. Livestock	1993
16. Pisciculture	1993
17. Poultry	1993
<b>School of Agriculture &amp; Rural Development/School of Social Science, Humanities &amp; Languages</b>	
18. Irrigation Management	1997
19. Women in the Workforce	1997

Source: Bangladesh Open University.

The study shown perceptions of BOU's part-time teachers from the formal mutational sister on the appropriateness and quality of BOU's curricula and textbooks. About 26% of the sample tutors considered them of comparable quality to those of the formal system. Many tutors particularly cited the modular form of the textbooks for making teaching and learning easier. About half (54%)

considered BOU's curricula and textbooks as sufficient and appropriate, although of slightly lower quality than those of the formal system. The 13% who considered BOU's curricula and textbooks of much lower quality, and the 6% who thought they were not comparable to those of the formal system, cited that BOU had not updated the curricula. BOU should start updating its curricula and textbooks, particularly for the programs that started before 1998, to catch up with those of the formal system.

**Table 5: Tutors Perceptions about the Quality of BOU's Curricula Compared to those of the Formal System**

Extent of Relevance	No.	%
Comparable Quality	39	26.2
Slightly Lower Quality	81	54.4
Much Lower Quality	20	13.4
Not Comparable	9	6.0
Total	149	100.0

*Source: Field Survey: 2010*

### Socio-economic status of BOU's Students

The Project did not aim to directly reduce poverty. If the Bangladesh poverty line of Tk8,328 per person per year were applied to the sample of current BOU students, only 10% would be classified as living below the poverty line. However, 30% of the sample students cited poverty as the major reason they lacked access to formal education. Moreover, the Project has benefited rural disadvantaged groups significantly, particularly the dropouts with no access to formal schooling. This is reflected in the high proportion of the sample students from rural areas (60%) as well as the high proportion of BOU's cumulative enrollment flow in the SSC and HSC programs (48% and 18%, respectively) iv)

**Table 06: Socio-economic status of BOU's students**

<b>Socio-economic Status</b>	<b>No.</b>	<b>Percentage</b>
Family income per head below poverty line	50	10%
Major cause (Poverty)	150	30%
Rural Location	300	60%

**Source: Field Survey: 2010**

#### **Aged of Group of BOU students**

Although the Project did not specifically address gender issues, it gave women greater access to education, particularly those who married early and could not attend formal schooling. About 40% of BOU's total enrollment is female. BOU also provides educational opportunities to people of all age groups. Details are Table 7

**Table 7: Aged of Group of BOU students**

<b>Age Group</b>	<b>No.</b>	<b>Percentage</b>
15-25	100	20%
26-35	200	40%
36-up	200	40%
<b>Total</b>	<b>500</b>	<b>100%</b>

**Source: Field Survey: 2010**

**Table 8: Television Schedule**

Telecasting Times : 3.20 PM (BTV Dhaka center)  
 Program Duration : 40 Minutes  
 Formal : 20 Minutes  
 Non- Formal : 20 Minutes

School	Formal Program	Non-Formal Program	Telecast	Remarks
Open School	SSC & HSC	Basic Science, Math, Computer	Monday	-

Source: Open University

**Table 9: Radio Schedule**

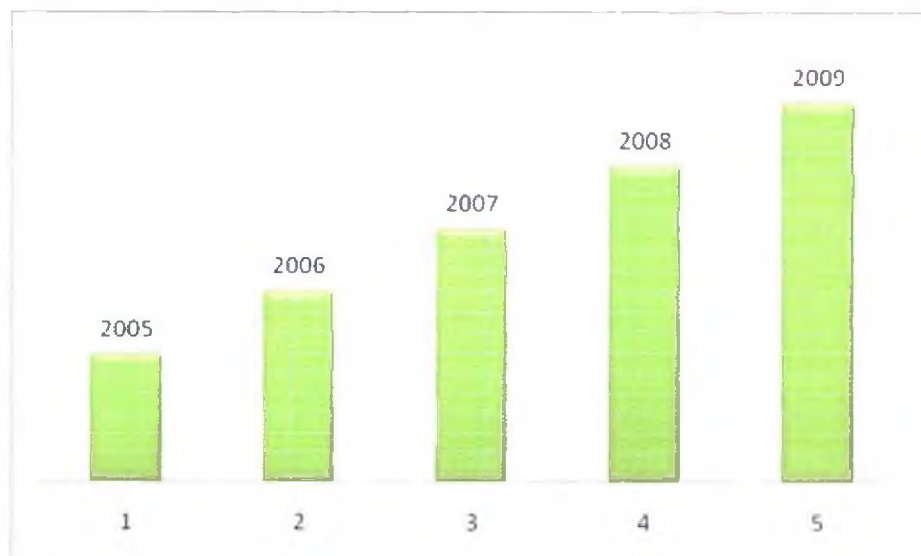
Broadcasting Times : 7.00-7.30 PM  
 (Bangladesh Bater, Dhaka Channel Kha)  
 Program Duration : 30 Minutes  
 Formal : 15 Minutes  
 Non- Formal : 15 Minutes

School	Formal Program	Non-Formal Program	Broadcast	Remarks
Open School	SSC & HSC	Basic Science, Math, Computer	Monday	With news

Source: Open University

### Students Attendance

The student's attendance increased considerably, Attendance by boys rose from 65% in 2005 to 75% in 2009. While attendance by girls increased from 70% in 2005 to 85% in 2009. Details are in Table-10



Field Survey: 2009

### Cycle Completion and Drop out

The Project interaction improved the quality of education as demonstrated by the increase in 2 years school completion as well as the reduction in drop out rates

**Table 1: SSC Level**

Year	Completion	Dropout Rates %
2007	72	28
2008	73	27
2009	75	25

Field Survey-2010

**Table 1: HSC Level**

Year	Completion	Dropout Rates %
2007	55	45
2008	58	42
2005	61	29

Field Survey-2010

**Class Schedule:**

Every center situated in high school for SSC program and higher secondary school (college) for HSC program class is two days in every month that first week and last week. But we observed that some center had taken access class for student's interest.

**Teacher Quality:**

The survey in selected schools noted teaching staff levels were satisfactory. Schools had an average of 15 teaching position. They are part-time teacher for open school.

**Trained Teacher is open school program:**

Year	Total Teachers	% trained Teacher	Non-trained Teacher
2010	150	80	20

Field Survey-2010

## **Case Study**

A few case studies were conducted focusing on the socio-economic status of rural and urban beneficiaries. Their economic and educational role and decision making, their mobility and interaction with the family and community and in the process how they improved their lives. About six beneficiaries of different projects were selected for in case studies for getting a comparative picture. It was found that program; economic role in the family, autonomy decision making authority, well off their lives and performance of gender equalities perception are very clear then who are not exposed to any development works. This kind of case studies would provide insights into the program successfully and help design the program in a better way and use this as examples. It was found that, the six beneficiaries of program who are successful in uplifting their socio-economic condition through involvement with this program individual case study have been presented in this section.



### **Jorina Khatun**

Jarina Khatun (35) is an abandoned women at Karanigonj area under Dhaka district. She became a member of Mohila Somobuy Somity 10 years ago. She could not finish her Primary education. Her husband divorced her due to dowry. Now she is living at his father's house with her two daughters.

Jorina Khatun received formal education from ADB supported project Open University in SSC program and then training through the Somity on different issue namely health, awareness, swing, vegetable cultivation etc. She involved herself in poultry and vegetable cultivation.

At present, her first daughter is studying in class five and second daughter studies in class two in local primary school. She is now maintaining her family very happily. But she wants to complete graduation degree from Bangladesh Open University.

## **Sufia Akter**

Sufia Akter is 18 year old girl who has born in a lower class-family. Her father is a ricksha-driver and mother a self worker. She appeared in the SSC Exam. in three times. But she could not pass those exam. After that she was admitted in school under Open School of Bangladesh Open University. She was attended the class regularly. She has completed SSC program in 2010. Now she is studying in HSC program under Open University. Beside it she is a private tutor, Going to house, she serves the students and even she earns 10 thousand taka per month. She goes to school regularly. Open school sits on two days (on Friday) in month. At present she is maintain her family because her parents are old. She expressed that they would pass BA from Open University and would be a teacher in primary school or high school. She wants dow a from all kinds of people in the society.

## **Sumi Das**

Sumi Das is 20 years old girl. She lives in old Dhaka, under Hajaribag thana with her eight member family. Her father is the only earning member of her family to maintain them. She is the oldest daughter of her parents. Three brother works in factory but they don't get money from this factory because they are probationary. Two sister goes to primary school near her house. Two are little. She has completed her primary education. But she did not admitted in the high school for poverty. After two years he went to her maternal uncle house. She saw there that school gave stipend for girl's students from government. After some days, he again admitted in class six and got stipend from school. In this way, she completed SSC and HSC. She is now a student's of Eden Mohila College, Dhaka. She is very satisfied for ADB'S project for getting support from government.

## **Uzzal Hossain**

Uzzal Hossain is 27 years old young man. He has completed his Master Degree from Jagannath University in Political Science. His home district is Magura. He is living in old Dhaka under Kowtali Thana. His father is late. In his three sisters and four brother's family, he is the oldest. He appointed as a head master of a Govt. primary school under ADB supported Project PDEP-II. After joining the school he is free from disappointment. Because he expressed that now he was government teacher. After that he admitted MBA degree in ADB project under Bangladesh Open University in Dhaka Regional Research Center (DRCC) at Dhanmondi. He expected that he would get better job with this degree. But present job is satisfactory to him. I observed that the head master is popular to students, other teacher, guardian and school management committee.

## **Sadia Jahan**

Sadia Jahan is 30 years old women. She is a high school teacher. Her husband also a college teacher. She has one daughter and one son. Sadia Jahna has completed her B.A (Hon's) and Master degree from National University. After that she completed Bachelor of Education (B.Ed.) degree and Master of Education degree (M.Ed.) from Dhaka Teacher's Training College (TTC) that is ADB supported institution. Beside it, she took teacher's quality improvement (TQI) training from Ministry of Education (ADB project is teacher's quality improvement that was completed 2010). She and her husband completed Non-Government Teacher's Registration Examination (NTRCA). This project is also ADB supported project. At present, they are very happy. Sadia said, "I wanted to be a school teacher from childhood, now I am now a trained teacher. I am very satisfied taking different kinds of degrees and teachership. I am proud of ABD.

### **Rafiqul Islam**

Rafiqul is a 28 years old man. He has two daughter and one son and wife. He has completed Master degree from private university. At first, he was unemployment. He could not get any job. To be disappointed he appeared NTRCA examination in 2009 and successfully passed those examination. Then he admitted Dhaka Teacher's Training College (TTC) for Bachelor of Education Degree (B.Ed.). After one year he completed his degree. Once he saw a teacher circular in the daily newspaper. Then he applied for the post and appeared in the teacher's examination. He stood first in the examination. Being joined the school, he became popular teacher of the school. He took teacher quality improvement (TQI) training in in-service training. Now he is an expert teacher in those areas. He said "I am beneficiary person from this program that I could not forget it. Allah helped me very much. You will do doha for me,"

## **CHPATER: EIGHT**

### **Findings of the Study**

The Asian Development Bank (ADB) has been supporting the development of Bangladesh since 1973. ADB's program has been generally consistent with the country strategies and the Governments' priorities. The top four sectors in ADB's program have been agriculture and natural resources (ANR), education, energy, and transport sectors which were identified in ADB's country strategies and which are also the Government's top priorities.

In this study I have discussed past and present projects and programs of ADB in Bangladesh.

In the fourth/fifth phase of our study we have discussed the aim, functions and strategies of ADB'S project and programs to study the impact of the program. To study the impact of the program I have conducted a survey in ADB project on education sector (Primary school, Secondary School & Open School) in selected area (Lalbagh, Sutrapur, Katwali, Karanigonj & Kamrangirchar under Dhaka District). We found that before involving this program the people were in backward condition.

In this study I have shown the soci-economic development of poor and disadvantage people especially of women and children. Most women once idle away their time. They were liabilities to the family. ADB has played a vital role to improve the family's economic condition by using the unused strength of the poor people.

Over the past two decades, the Government of Bangladesh (GOB) has placed high priorities on basic education, covering grades (1-5) in primary education (PE) and

non formal education (NFE), and later extended to cover grades (6-10) in secondary education (SE).

During the early 1990s, only 35% of the country's adult population was literate. The PE gross enrollment rate (GER) was 68%, and the cycle dropout rate was 60%. The GOB committed to improve basic education, as reflected in its adoption of the Education for All (EFA) agenda in the early 1990s, which provided the basis for assistance from various development partners (DPs).

With continued joint efforts between the GOB and DPs, universal GER in PE has largely been achieved with gender balance, but the institutional capacity and quality aspects have not improved much (e.g., low adult literacy rate of about 55% and high cycle dropout rate of about 50%).

One of the main findings is that the DPs' combined performance in the PE subsector and in the modality is assessed as *successful*. Coupled with the performance of ADB alone in the NFE and SE subsectors, ADB's performance in the overall education sector is also assessed as *successful*. Most of the successful performance in the three education subsectors is found in terms of increased access and gender balance in enrollment, but less so in terms of institutional development and quality improvement.

Another main finding is that the successful ratings of both the DP's combined performance in the PE subsector (including that in the SWAp modality) and ADB's performance alone in the overall education sector are on the low side (near borderline) due to the low ratings under the efficiency criterion (less efficient) in all the education subsectors

In relation to the SWAp modality, another main finding is that despite its *weaknesses* in terms of being less efficient (due to high transaction costs as



elaborated above), the SWAp's *strengths* lie in its being a relevant and effective modality for PE. In terms of relevance, through collective DPs' efforts, the SWAp modality helped enhance GOB's ownership and commitment to make some key policy environments conducive (as *opportunities*) to education improvement (e.g., adoptions of the EFA Plan and the Perspective Development Plan, and revision of the teacher recruitment/transfer system to be more transparent and merit-based), although some other policy environments remain nonconductive (as *threats*) (e.g., inflexibilities of the project proforma, weak decentralized school-based management system, and fragmentation of the education management information system [EMIS] between the two ministries responsible for PE and SE). In terms of the SWAp's strengths, in addition to being a relevant modality, it is also an effective modality in that it helped reduce DPs' piecemeal efforts and increase synergies to achieve many outcomes (increased access and gender balance) and achieve some evolving outcomes (some institutional and quality improvements) in the PE subsector. Despite the SWAp's weaknesses in terms of being less efficient, its strengths in terms of being a relevant and effective modality are found to be the DPs' value addition over and above the financing provided.

The program also putting major emphasize on improving school completion rates, especially for poor children who are taken out of school early by parents who see little value in formal education.

Because people here are poor, many are not aware of the importance of sending these children to school. Since it began, attendance at the selected primary school has increased from 75% to 90%. It has also resulted in parents be more involved in school activities.

Outside the classroom teachers have been able to find the time to encourage cultural and social activities, such as singing, drawing, dancing and sports and other cultural functions.

## **CHAPTER: NINE**

### **Recommendation & Conclusion**

- ✓ ADB should work collectively with the other DPs in the SWAp to strengthen the results framework and harmonize the reporting systems, so that a single report can be prepared.
- ✓ ADB should work collectively with the other DPs to encourage the GOB to lead preparation of a comprehensive analysis for the entire education sector, linking different subsectors in an integrated manner, in order to identify issues (including the fragmented EMIS system, etc.) and to chart future strategic direction of each of the subsectors within the entire education sector.
- ✓ To build on past success, ADB should focus on issues related to education quality, equity, and institutional capacity in the design of future projects/programs.
- ✓ ADB should build on the experience of this SWAp for the design of future SWAp programs.
- ✓ To improve school performance, academic field, supervision should be exclusively devoted to professional academic supervision, instead of also carrying out other routine duties.
- ✓ Directorate of secondary and higher education should continue to arrange focused leadership development training in school administration and management for the head teacher and chairperson of the school management committee.
- ✓ To ensure proper improvement of classroom teaching, learning practice, monitoring the performance of secondary-level school teachers and students should be strengthened. A mentoring model such as the primary school performance monitoring development under ADB assistant for all sectors.

- ✓ The professional stringing and decentralization of DSHE should be accomplished through ongoing secondary education sector improvement project. Both ADB & MOE should closely monitor progress so that there is slippage this line.
- ✓ Follow-up action should be taken regarding the Government's commitment to implementation of secondary education reforms and especially decentralization, privatization of textbook publication, SPBMS, SBA and examination system. The government should also examine that new schools are expeditiously included in the MPO, so that the teacher can receive their salaries and school performance improvements are sustained.
- ✓ Develop a result framework relevant to programming and specific to ADB so that ADB can be held accountable for delivering results.
- ✓ BOU'S open school classes should increase in every Friday because the student is interested to do classes. Open schools information technology system should improve.
- ✓ The government should recruit more teachers to improve the teacher-student ratio.
- ✓ The government must continue goes to improve the quality of education by different projects.
- ✓ The government should continue to increase the annual budgetary allocation for education sector to ensure the sustainability of its growth and quality.
- ✓ The government should prioritize improvement in the quality of teachers through recruitment of sufficient teacher and intensive in- service training, including sub-cluster training for all teachers.
- ✓ The government should take steps to continue the institutional development of under a medium-term human resource development plan to build capacity in the areas of planning and project management, monitoring and

evaluation, social mobilization NGO-government co-operation, financial management research and development of education sector.

- ✓ To maximize the benefits from the renewed and redesigned curricula, the implementers must have the necessary orientation. The revised teacher education curriculum would have given better output if all the teacher educators of all TTC had been re-oriented on the revised curriculum.
- ✓ More stipends for female and poor students should increase in rural area.
- ✓ Any future project/program design should carefully address the issue of sustainability.
- ✓ Prepare a comprehensive sector analysis for improving the entire education sector, linking different subsystem in on integrated manner jointly with the GOB and ADB including the development partner.

**Conclusion:**

The study has rated ADB support for education in Bangladesh as successful. The assistant mainly focused on building primary schools; improving teachers' training and recruitment; providing students with equipment, textbooks, and teaching aids; revising curricula, and helping strengthen technical and vocational education. ADB's help contributed to improved access to education, and achieving gender parity in primary and secondary schools. So far, around \$ million has been provided to support the education sector.

ADB has helped reform secondary education through school performance-based management, local planning, information management, system improvement, strategic planning, management decentralization, better governance, more furniture and equipment, and stronger curricula. ADB is also assisting the government in reviewing Madrasah education.

ADB helped found the Directorate of Non-Formal Education, which supported 2.9 million learners, of whom 57% were women. Assistance to primary and secondary education helped build or upgrade nearly 32,000 classrooms, trained around 1.5 million teachers, provided stipends to almost 39 million students, and distributed over 350 million textbooks for free.

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