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# Bangladesh Country Assistance Evaluation

**IEG**

INDEPENDENT EVALUATION GROUP

<Report No.>

June 18, 2009

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## Acronyms and Abbreviations

AAA	Analytical and Advisory Assistance
ACC	Anti-Corruption Commission
ADB	Asian Development Bank
BERC	Bangladesh Energy Regulatory Commission
BPDB	Bangladesh Power Development Board
BTCL	Bangladesh Telecommunications Company Limited
CAE	Country Assistance Evaluation
CAS	Country Assistance Strategy
CASPR	Country Assistance Strategy Progress Report
CPPR	Country Portfolio Performance Reviews
DFID	Department for International Development
DP	Development Partners
DPL	Development Policy Lending
DSC	Development Support Credits
EMTAP	Economic Management Technical Assistance Program
ESW	Economic and Sector Work
GOB	Government of Bangladesh
HNP	Health, Nutrition and Population
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IMF	International Monetary Fund
ITC	Information and Communication Technologies
LJCBP	Legal and Judicial Capacity Building Project
MDG	Millennium Development Goals
MTBF	Medium Term Budget Framework
NCB	Nationalized Commercial Banks
NGO	Non-Governmental Organization
ODA	Official Development Assistance
PFM	Public Financial Management
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Support Program
PSD	Private Sector Development
PSID	Private Sector Infrastructure Development
RERED	Rural Electrification and Renewable Energy Development
RMG	Ready Made Garments
SOE	State-Owned Enterprise
SWAp	Sector Wide Approach
TSC	Transitional Support Credit
TTL	Task Team Leader
WSP	Water and Sanitation Program

June 18, 2009

**MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT**

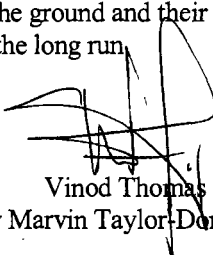
**SUBJECT: Bangladesh Country Assistance Evaluation**

This Country Assistance Evaluation (CAE) assesses the outcomes of the World Bank programs in Bangladesh from 2001 to 2008. The Bank's strategy during that period was to support the Government in improving governance (encompassing much broader objectives than only reducing corruption), as a cross-cutting goal, as well as under two pillars: (1) improving the investment climate, including macroeconomic performance, the business environment, infrastructure, agriculture and related sectors for pro-poor growth, and (2) empowering the poor, including improving services to attain and improve on the MDGs, enhancing the provision of social services to the poor, and improving local government. During the period FY01-FY08, IDA committed a total of US\$4.83 billion. Over the same period, IFC invested nearly \$212 million in 13 projects in Bangladesh's financial and manufacturing sectors.

IDA's contribution to Bangladesh's development was positive, and the overall outcome of its support to the country over 2001-08 is rated moderately satisfactory in the CAE. IDA's country strategy for Bangladesh was relevant to the country's development needs, which included improving governance and promoting structural reforms in order to consolidate impressive gains in macroeconomic performance, exports, education and health, and improve the prospects for successful and sustainable development in the future. IDA's strategy and program were also aligned with those of other development partners, especially from FY06 onwards with the joint CAS framework. The outcome of IDA's support, however, was mixed. IDA assistance had positive outcomes in many areas, including improving implementation capacity in public financial management and tackling corruption, accelerating private sector development, especially in energy and agriculture, and human development--health and education. The outcome of IDA support fell short of objectives in civil service reform, legal and judicial reform, voice/empowerment/participation, transportation, and water supply and sanitation.

IFC realized only a few new investments in the financial and manufacturing sectors, leaving aside most areas that it had considered. The weak overall business environment affected IFC's ability to make new investments. At the same, however, some internal weaknesses in IFC were also apparent. Its business development presence on the ground was limited; the incentive system favored activities in more conducive business environments; IFC proved to be uncompetitive in price relative to offerings by local banks for shorter-term lending; and IFC did not have the ability to provide local currency loans until 2007. IFC increased its engagement in advisory services, which close donor engagement and systematic monitoring and evaluation, showed a good degree of adaptability.

Bangladesh still faces considerable challenges in promoting sustainable and faster growth, and reducing poverty more quickly, while furthering its achievements in governance and filling the energy gap. The environmental challenges brought by climate change are substantial. Within this quest, the World Bank Group is well-poised to sustain a close partnership with a country that aspires to join the group of middle income countries. Within this framework, IEG recommends that IDA: (i) use its array of instruments to support complex reforms, and not limit support to development policy lending, (ii) break with past stop-go patterns, even in difficult sectors, recognizing that support may need to be modulated to respond to conditions, (iii) keep operations better on track by strengthening monitoring and evaluation, (iv) fully engage Bangladeshi counterparts, and (v) enhance prioritization and focus of coordination with development partners. IFC, in turn, could strengthen its staff on the ground and their incentive systems, and be prepared to sustain its engagement in the energy sector in the long run.

  
Vinod Thomas  
By Marvin Taylor-Dormond



# Contents

PREFACE .....	V
BANGLADESH: SUMMARY OF BANK PROGRAM OUTCOME RATINGS .....	VII
EVALUATION SUMMARY .....	IX
MANAGEMENT ACTION RECORD .....	XVII
<b>PART I. CONTEXT AND WORLD BANK PROGRAM .....</b>	<b>1</b>
1. <b>CONTEXT .....</b>	<b>1</b>
Development Path .....	1
Political Context .....	3
Road Map of the CAE .....	4
2. <b>WORLD BANK PROGRAM .....</b>	<b>5</b>
World Bank Strategy .....	5
World Bank Program .....	7
Program Quality .....	8
Portfolio Performance .....	8
IEG Assessment of AAA .....	10
QAG .....	10
<b>PART II. CAS STRATEGY, OBJECTIVES, AND PROGRAM OUTCOMES .....</b>	<b>13</b>
3. <b>GOVERNANCE .....</b>	<b>13</b>
Setting .....	13
Bank Strategy .....	14
Bank Program and Associated Outcomes .....	16
4. <b>MACROMANAGEMENT AND THE POLICY FRAMEWORK FOR PRIVATE SECTOR DEVELOPMENT .....</b>	<b>23</b>
Setting .....	23
Strategy .....	24
Bank Program .....	25
Bank Program Outcomes .....	27

## **Evaluation Managers**

- ❖ **Vinod Thomas**  
Director-General,  
Evaluation-Independent  
Evaluation Group-World  
Bank
- ❖ **Cheryl Gray**  
Director, Independent  
Evaluation Group-World  
Bank
- ❖ **Ali M. Khadr**  
Senior Manager,  
Independent Evaluation  
Group-World Bank
- ❖ **Jaime Jaramillo-Vallejo**  
Task Manager,  
Independent Evaluation  
Group-World Bank

<b>5.</b>	<b>INFRASTRUCTURE.....</b>	<b>31</b>
	<b>Energy .....</b>	<b>31</b>
	Setting .....	31
	Strategy .....	32
	Bank Program.....	33
	Outcomes .....	34
	<b>Water and Sanitation Program .....</b>	<b>35</b>
	Setting .....	35
	Strategy .....	36
	Bank Program.....	36
	Outcomes .....	37
	<b>Transportation.....</b>	<b>38</b>
	Setting .....	38
	Strategy .....	39
	Bank Program.....	39
	Outcomes .....	40
	<b>Telecommunications .....</b>	<b>42</b>
	Setting .....	42
	Strategy .....	42
	Outcomes .....	42
<b>6.</b>	<b>AGRICULTURE, RURAL DEVELOPMENT AND ENVIRONMENT.....</b>	<b>45</b>
	<b>Setting.....</b>	<b>45</b>
	<b>Strategy.....</b>	<b>46</b>
	<b>Bank Program .....</b>	<b>49</b>
	<b>Outcomes .....</b>	<b>50</b>
<b>7.</b>	<b>HUMAN DEVELOPMENT: EDUCATION AND HEALTH .....</b>	<b>55</b>
	<b>Overview .....</b>	<b>55</b>
	<b>Education.....</b>	<b>56</b>
	Setting .....	56
	Strategy .....	58
	Bank Program.....	59
	Outcomes .....	59
	<b>Health, Nutrition and Population .....</b>	<b>63</b>
	Setting .....	63
	Strategy .....	63
	Bank Program.....	64
	Outcomes .....	64
<b>8.</b>	<b>IFC.....</b>	<b>69</b>
	Private Sector Background.....	69
	IFC Objectives in Bangladesh.....	70
	IFC Activities during the CAS Period.....	71
	IFC Investment Outcomes.....	74
	IFC's Contribution to Private Sector Development.....	75

IFC Additionality .....	81
IFC Performance .....	82
Lessons and Challenges .....	83
<b>PART III. CONCLUSIONS .....</b>	<b>87</b>
<b>9. ASSESSING THE BANK'S CONTRIBUTION .....</b>	<b>87</b>
<b>10. FINDINGS AND RECOMMENDATIONS .....</b>	<b>91</b>
<b>Key Findings of the IDA Evaluation.....</b>	<b>91</b>
IDA Recommendations.....	94
<b>Key Findings of the IFC Evaluation .....</b>	<b>96</b>
IFC RECOMMENDATIONS .....	97
<b>ANNEXES .....</b>	<b>99</b>
<b>Annex A. Sector Lessons and Recommendations.....</b>	<b>99</b>
<b>Annex B. Human Development .....</b>	<b>103</b>
<b>Annex C: Guide to IEGWB's Country Assistance Evaluation Methodology..</b>	<b>107</b>
<b>Annex D. Bangladesh: Bank Program Achievement and Outcome Ratings .</b>	<b>111</b>
<b>Annex E. Statistical Supplement.....</b>	<b>117</b>
<b>Annex F. Bangladesh: Survey of Donor Views on ODA Alignment and</b>	
<b>Harmonization.....</b>	<b>150</b>
<b>Annex G. List of People Met.....</b>	<b>172</b>
<b>ATTACHMENT 1: COMMENTS FROM THE GOVERNMENT .....</b>	<b>181</b>

## Boxes

Box 1. Politics in Bangladesh .....	3
Box 2. Bank and Official Development Assistance Harmonization in Bangladesh .....	6
Box 3. Corruption and its Underlying Causes .....	14
Box 4. Sector-Wide Approaches in Health and Education.....	56

## Tables

Table 1. Bangladesh: Approved lending commitment amounts, FY93-08 (US\$ million)	8
Table 2. Bangladesh: IEG Outcome Ratings, Exit FY93-08 (percent satisfactory).....	9
Table 3. List of IFC Investments in Bangladesh, FY01–FY08 (US\$000).....	71
Table 4. Bangladesh: Comparative Investment Data, FY0-08.....	73

Table 5. IFC lending to Countries with Similar Levels of Risk FY01-08 .....	74
Table 6. Health of IFC's portfolio at end November 2008 .....	75
Table 7. Private Participation in Infrastructure Projects, 2002-2007 (US\$ million).....	80



# Preface

This Country Assistance Evaluation (CAE) examines the World Bank to Bangladesh during the period 2001-2008. It analyzes the objectives and content of the Bank's assistance program during this period, the outcomes in terms of economic and social development, and the contributions of the Bank and other development partners to these outcomes. Annex C describes the methodological framework.

The CAE is part of a joint evaluation exercise with the evaluation units of the Asian Development Bank (ADB), the Japan International Cooperation Agency (JBIC/JICA), and the United Kingdom's Department for International Development (DFID). A joint mission visited Bangladesh in September 2009, and met with senior officials of the Government of Bangladesh, representatives of the private sector and civil society, as well as the staff from the World Bank and other organizations participating in the joint evaluation. In addition, the joint mission reached out and had special consultations with a large group of the technical echelons of the Government, with civil society and with bilateral and multilateral development partners (donors) in Bangladesh. Within this exercise, members of the different evaluation units participated in all meetings and held joint discussions on all the topics subject to the evaluations. A Joint Evaluation Paper, prepared by three experts and to be circulated for information shortly, focuses on the alignment and harmonization issues of the joint country assistance strategy framework agreed between the four development partners in 2006. Individual country program evaluations were to be prepared by ADB and the World Bank. The evaluation teams for the joint exercise were headed by Walter Kolkma for ADB, Asa Takashima for JBIC/JICA, Paul Thornton for DFID with support from Lynne Henderson of DFID's Evaluation Department, and Jaime Jaramillo-Vallejo for the World Bank. The joint evaluation exercise was coordinated by Nils Fostvedt in the initial stage, and subsequently by Jaime Jaramillo-Vallejo. ADB-Independent Evaluation Department's team also included Suganya Hutaserani, Sarwar Jahan, Alex Jorgensen, David Parish and Md. Muji-bur Rahman. The JBIC/JICA mission member was Nobuyuki Kobayashi. The DFID team also included Omar Chowdhury, Joe Martin and Maheen Sultan.

The CAE is based on background papers covering the main areas of the Bank's support to Bangladesh, prepared on the basis of desk reviews and validated in the joint evaluation mission of September 2008 and through interviews with Bank staff. The background papers relied on reviews of project files, economic and sector reports, implementation completion reports (ICRs), project performance assessment reports (PPARs), other IEG evaluations, Quality Assurance Group (QAG) ratings of quality at entry and supervision for Bangladesh projects and economic and sector report. The team's mission to Bangladesh benefited from extensive discussions with the colleagues from the evaluation units of the Asian Development Bank (ADB), the Japan International Cooperation Agency (JBIC/JICA), and the United Kingdom's Department for International Development (DFID). The special consultation

with donors was based on a survey and a discussion, both of which are summarized in Annex F. A list of persons interviewed during report preparation, including those in Bangladesh during the September 2008 mission, is provided in Annex G.

Comments from the Bank's Regional Management were received on May 8, along with the Regional response to the Management Action Record. These comments have, to the extent possible, been addressed in the report. A draft of the CAE was shared with the Government of Bangladesh. Comments received on June 9, as well as IEG's response, are reproduced verbatim as Attachment 1. A discussion of the report by the CODE Subcommittee is scheduled for July 13, 2009, and a summary of the discussion will be included in the final version.

The report was prepared by Michael R. Lav, under the direction of Jaime Jaramillo-Vallejo (Task Manager), with additional background papers and other substantive inputs from Nils Fostvedt, Prem C. Garg, Gayle Martin, Yadviga V. Semikolenova, Claudia M. von Monbart and Carla L. Pazce. A background paper on governance was prepared by Verulam Associates, with participation by Joe Martin and Omar Chowdhury under the direction of Paul Thornton. Saubhik Deb and Domenico Lombardi were part of the team in the earlier stages of the evaluation.

This evaluation benefited from the comments from peer reviewers Martha Ainsworth, David Goldsbrough and James Sackey.

Roderick L. de Asis provided administrative support. Alex H. McKenzie, Yang Soo Yoon and Nikita A. Harvey set up the website used to share information with the evaluation units of ADB, DFID and JBIC/JICA, and amongst the team. Maria J. Mar set up the on-line survey sent to the development partners in Dhaka, and helped collate the responses to the survey. William B. Hurlbut provided editorial support.

The report includes a contribution (as Chapter 8) by the Independent Evaluation Group-International Finance Corporation (IEG-IFC), prepared by Asita R. de Silva (Senior Evaluation Officer) and Stephen F. Pirozzi (Senior Evaluation Officer), under the direction of Stoyan Tenev (Head, Macro Evaluation) and Amitava Banerjee (Manager).

# Bangladesh: Summary of Bank Program Outcome Ratings

IEG's Country Assistance Evaluations (CAEs) assess and rate the *outcomes* (loosely speaking, the "results") of a given World Bank country program relative to its objectives. This differs from rating country outcomes of Bank or client government performance. The central question underlying the table that follows is "to what extent did the World Bank program achieve the outcomes that it set out to achieve?" Distinct ratings and sub-ratings are typically assigned to each "pillar" or set of strategic goals set out in the relevant Bank strategy documents. See annex C which elaborates on methodology, and annex D which contains the detailed sub-sector assessments from which these outcome ratings were derived.

BANK STRATEGIC GOALS	ACHIEVEMENT OF ASSOCIATED CAS RESULTS	WORLD BANK PROGRAM OUTCOME RATINGS
<b>Governance</b>		<b>Moderately Satisfactory</b>
Improving Implementation Capacity	Improved procurement system in place, new budget system now used by 20 ministries, no progress on civil service reform,	Moderately Unsatisfactory
Tackling Corruption	Anti-Corruption Commission legislation passed with adequate staffing	Satisfactory
Legal and Judicial Reform	Separation of judiciary from the executive, some improvements in civil court processes	Moderately Satisfactory
Voice/Empowerment/Participation	Local governance participation strengthened	Moderately Satisfactory
<b>Accelerating Growth</b>		<b>Moderately Satisfactory</b>
Macro-management and the Policy Framework for Private Sector Development	Macro satisfactory and exports buoyant but most credit for this to GOB and IMF, tax revenue target met but revenues still low by international standards, trade protection reduced, debt reduction target substantially exceeded, SOE retrenchment proceeding and losses contained but better pricing policies still needed, role of nationalized commercial banks shrinking	Moderately Satisfactory
Infrastructure	Accelerating pace of reforms in energy though severe shortages remain, good achievements in rural electrification, rural road network greatly expanded, proportion of population with access to safe water and sanitation improving in rural areas but declining in urban areas, Chittagong Port operations greatly improved but with most credit to GOB and ADB, improvements in structure and regulation of telecommunications sector	Moderately Satisfactory
Agriculture And Rural Development	At start of period, moderately unsatisfactory performance with disengagement and missed opportunities offset by re-engagement and improving project impact, important improvements in disaster management capacity	Moderately Satisfactory
<b>Human Development</b>		<b>Moderately Satisfactory</b>
Education	Phenomenal increase in access to primary and secondary school, especially for girls, SWApS having substantial impact but with still need improvements in targeting of subsidies for the poor and more effective measures to address teacher absenteeism and political interference in appointment of teachers	Moderately Satisfactory
Health, Nutrition And Population	Impressive gains in managing population growth and substantial improvements in health indicators such as infant mortality. However, only modest improvements in improving financial management, procurement, and addressing doctor absenteeism and control of pharmaceuticals in clinics.	Moderately Satisfactory
<b>Overall Assistance</b>		<b>Moderately Satisfactory</b>



# Evaluation Summary

## Bangladesh Country Assistance, 2001-2008

Bangladesh is among the World Bank's largest IDA-eligible borrowers, with a country portfolio of 21 active projects and net commitment of \$1.9 billion as of FY08. The Bank's strategy has been to support government efforts to improve governance as a cross-cutting goal, while also improving the investment climate and empowering the poor.

IDA's strategy for Bangladesh and its program during the period 2001-08 were relevant to the country's development needs, including improving governance and promoting structural reforms in order to consolidate gains in macroeconomic performance, exports, education, and health, and improve the prospects for successful future development. IDA's strategy and program aligned with those of other development partners, especially from FY06 on under the joint CAS framework. The efficacy of the program varied by sector and over time, but was moderately satisfactory overall when judged against stated goals. There were positive outcomes in several areas of governance (public financial management, tackling corruption, and supporting local governments), macroeconomic performance, the business environment, agriculture and rural development, energy, education, and health. Performance in some other areas of governance (especially civil service reform) and in transportation and water supply and sanitation fell well short of objectives.

Efficacy might have been greater had more attention been paid to deploying a broader range of instruments to support complex institutional reforms; maintaining a minimum level of dialogue and assistance even in difficult sectors, to avoid stop-go programs such as emerged in agriculture and energy; strengthening monitoring, especially of complex operations, to identify needed midcourse corrections earlier; more fully engaging Bangladeshi counterparts in developing and implementing reforms in governance and private sector development; and coordinating with development partners.

IFC was able to realize only a few new investments in the financial and manufacturing sectors. A weak business environment combined with limited presence on the ground, uncompetitive pricing and the wrong incentive system were behind the outcome. IFC increased its engagement in advisory services, showing adaptability, learning from the past, and discipline in its activities.

IEG recommends that IDA use its array of instruments to support complex reforms, such as in civil service and anti-corruption programs, and not limit support as it did in this case to Development Support Credits; break with past stop-go patterns even in difficult sectors, recognizing that support may need to be modulated to respond to changing conditions; keep operations better on track by strengthening monitoring and evaluation; fully engage Bangladeshi counterparts; and enhance prioritization and focus of coordination with development partners. IFC could strengthen its staff on the ground and their incentive systems, and be prepared to sustain its engagement in the energy sector in the long run.

## EVALUATION SUMMARY

Bangladesh has the world's seventh largest population with 159 million inhabitants and is the world's largest unitary state. It has had a difficult political history, with political power alternating between two parties with little tolerance for each other. Political power and allegiance track into many aspects of civil society, and corruption has often been a normal part of everyday life. The political environment has dramatically changed every few years. Despite this, Bangladesh has made remarkable progress in GDP growth, exports, and human development. Per capita income has reached \$470 (2007, Atlas method), about on par with Ghana. A recent poverty assessment found that poverty decreased from 57 percent in the early 1990s to 40 percent in 2005.

Bangladesh joined the World Bank in 1972 and is also a member of IFC and MIGA. Beginning with a credit for relief and rehabilitation for \$50 million in 1972, a total of 213 credits and grants have been approved to date for about \$13.9 billion in commitments. As of end FY08, the Bank had an active portfolio of 21 projects with commitments of \$1.9 billion, making Bangladesh one of its largest borrowers.

Bank assistance during the FY01-08 period was delivered under the FY01 and FY06 Country Assistance Strategies (CASs) and the FY03 CAS Progress Report. These largely reflected the Bank's search for more effective support for Bangladesh's efforts to sustain and enhance development, even as success in increasing exports and workers' remittances reduced the country's dependence on foreign assistance, and as awareness increased that governance issues needed to be addressed more broadly. The 2006 CAS was prepared jointly with key development partners: the Asian Development Bank (ADB), Japan, and the United Kingdom's Department for International Development (DFID). The CASs identified pillars and objectives that were clearly relevant to Bangladesh, although benchmarks were not always well specified. Although modified from the 2001 CAS to the 2006 CAS, largely to increase emphasis on governance, the main objectives were to improve governance (encompassing much broader objectives than only reducing corruption) as a cross-cutting goal with two supporting pillars: (1) improve the investment climate, including macroeconomic performance, the business environment, infrastructure, agriculture, and related sectors for pro-poor growth; and (2) empower the poor, including improving servic-

es to attain and improve on the Millennium Development Goals, enhancing the provision of social services to the poor, and improving local government.

**Lending and Portfolio Management.** During the period FY01-FY08, IDA committed a total of about \$4.83 billion. The 2001 CAS called for lending of about \$1.4 billion (assuming one year of low case lending and two years of base case lending), while the 2003 CAS Progress Report called for lending of \$2.0 billion, and the 2006 CAS, lending of \$3.0 billion for FY06-09, for total projected lending of \$6.4 billion. The shortfall in commitments was related to a large amount of turbulence in the lending program and a number of dropped projects, especially early in the period.

IEG's ratings of closed projects in Bangladesh were slightly below average for both South Asia and the Bank. During the period under review, IEG evaluated 33 closed IDA-financed projects in Bangladesh, representing \$2.8 billion in commitments. Outcome was rated satisfactory for 73 percent of the projects (by both commitment and number), lower than the Bank and regional averages, which were, by value, 83 percent and 82 percent, respectively. Ninety-one percent of the projects by commitment value were rated sustainable, compared to 83 percent for the Bank and 89 percent for the South Asia Region. Country Portfolio Performance Reviews (CPPRs) have not been implemented regularly, nor were other portfolio management initiatives documented.

**Analytic Work.** Some analytic work was highly relevant and served as a basis for the dialogue and to help formulate projects and, especially, development policy credits. However, the large volume of economic and sector work (ESW) was not always adequately discussed with senior government officials or civil society. The share of IDA's administrative budget allocated to ESW was 23 percent, slightly less than average for South Asia (26 percent).

**Development Partner Coordination.** There are a large number of development partners in Bangladesh, and coordination has been an important focus for IDA. This has included a Development Policy Forum, now chaired by the Government of Bangladesh, and a local coordinating group, chaired by IDA, with sector groups each chaired by a lead development partner. An important as-

pect of coordination was the 2006 Joint CAS framework, prepared with ADB, DFID, and Japan, which specified lead partners for particular sectors and an implementation matrix comprising activities of all four partners. Under the Joint CAS, the four partners shared an analysis of the issues and a strategy for addressing those issues, though retaining their own business practices and policies. While relations among the partners are good, country-level coordination has been sporadic and proved more costly than envisaged. Improved coordination is important, but the particular vehicle of a Joint CAS has not been as useful as initially thought.

An interim Poverty Reduction Strategy Paper entitled “National Strategy for Economic Growth, Poverty Reduction and Social Development” was prepared in March 2003, followed by the 2005 PRSP “Unlocking the Potential—National Strategy for Accelerated Poverty Reduction.” Neither document had a direct impact on government programs, but the government subsequently turned to the consultants who prepared them for advice. However, government counterparts told IEG that over-reliance on consultants discouraged government commitment, inhibited domestic capacity building, and reduced sustainability of outcomes.

An important mechanism for coordination at the sector level has been sectorwide approaches (SWAs), in particular in health and education. These have proved beneficial in managing assistance, especially now with a clearer understanding that they entail up-front costs in adapting to the new system. Enhanced monitoring to identify needed corrections earlier would make them even more beneficial.

### Program Overview

IDA assistance during the review period had positive outcomes in many areas, including some aspects of improving implementation capacity (such as in public financial management and tackling corruption) accelerating private sector development (such as in managing the policy framework for private sector development, energy, agriculture) and human development (health and education). The outcome of IDA support fell short of objectives in civil service reform, legal and judicial reform, voice/empowerment/participation, transportation, and water supply and sanitation.

**Governance.** IDA correctly broadened its support for governance reforms beyond corruption with the FY06 CAS, encompassing implementation capacity (public financial management and public sector reform), corruption, legal and judicial reform, and voice/empowerment/participation. There have been improvements in public financial management. Two IDA projects supported a new public procurement law and its implementation. However, several partners do not yet use the government’s new system, although IDA does (except for international competitive bidding). Development Support Credits (DSCs) supported improvements in accounting and auditing and a new strategic budget planning system now used in 20 ministries, though more needs to be done. By contrast, DSC support for public sector reform, and the civil service in particular, has achieved almost nothing. Promotions are not based on merit, and many senior officials are rotated to new positions annually. DSC support for the new Anti-Corruption Commission has been important in tackling corruption, though, again, much more is needed. The judiciary was separated from the executive branch, but DSC support was of marginal importance as this was already a government priority. IDA’s Legal and Judicial Reform project contributed to improved civil court administration with reduced case backlogs in a number of district courts. But much more needs to be done in those districts already covered by the reform, and a public outreach component of the project was dropped, while a large number of districts are not yet touched by the reforms. IDA did not address case management in the criminal justice system, important for the anti-corruption effort.

The IDA program has had only modest impact concerning voice/empowerment/participation, despite some effective work with BRAC University. In many areas of governance, and in other sectors, outreach to civil society and other partners has not been strong. Consequently, Bangladeshi ownership of reforms supported by the Bank has been uneven. Overall, the outcome of IDA support for governance reform is rated *moderately satisfactory*.

**Accelerating Private Sector Development and Improving the Investment Climate—Macromanagement and the Policy Framework for PSD.** GDP growth was 5-6 percent through the evaluation period, fiscal deficits were contained, and exports and workers’ remittances grew

## EVALUATION SUMMARY

rapidly, though this is attributable largely to government initiatives, with some support from the DSCs. Public revenue grew according to targets, largely due to tax revenue reforms implemented in 2008, and public external debt reduction targets were substantially exceeded. IDA contributed to improved tax performance through the DSCs and the FY04 Economic Management and Technical Assistance project. However, public revenue remains low by international standards, as does public expenditure. The DSCs supported trade tariff reductions, though they are still high relative to other South Asian countries, as is the anti-export tax bias. There have been some reductions in administrative barriers. The CAS objectives were substantially achieved and macroeconomic management has been strong. However, Bangladesh still ranks very low on international measures of competitiveness. Overall, the outcome of IDA support for macromanagement and the policy framework for PSD is rated *moderately satisfactory*.

### **Accelerating Private Sector Development and Improving the Investment Climate—**

**Infrastructure.** IDA largely withdrew from the energy sector early in the evaluation period because of governance and related concerns. Serious shortfalls in production and adverse impacts on PSD ensued, and IDA wisely began to ramp up its engagement through carefully structured DSC conditionality, investment lending, and technical assistance. The outcome of IDA's support reflects an accelerating pace of reforms and particular achievements in rural electrification, assisted by the FY02 Rural Electrification and Renewable Energy project. IDA was less successful in water supply and sanitation, where it withdrew from urban water and sanitation (access to safe water and sanitation in urban areas has been falling), although the arsenic attenuation program did impact many rural areas. IDA should have been more active and creative in ensuring continuity of operations. In transportation, the rural road network has been improved and expanded, supported by the FY03 Rural Transport Improvement project, among others, and there have been some improvements in Dhaka. Important corruption and procurement issues are being addressed with assistance from the Bank's Integrity Department. However, some important reforms were not addressed, so that, for example, there was little private sector investment. Chittagong Port operations improved dramatically, in part because of a DSC-supported customs duty reform, but more

importantly because the government removed corrupt management and improved work regulations. Overall, the outcome of IDA support for infrastructure is rated *moderately satisfactory*.

### **Accelerating Private Sector Development and Improving the Investment Climate—**

**Agriculture and Rural Development.** IDA's stop-go program in agriculture and rural development before and during the early part of this evaluation period proved costly, with loss of knowledge and standing as a respected counterpart. As IDA reengaged during the FY06 CAS period, it took years to recover from that loss. There were, however, important gains in some CAS objectives, such as improving disaster management capacities, attributable in part to the FY09 Recovery and Restoration project and the FY08 Social Investment Program additional financing for floods, but less progress in strengthening policies for rural growth and strengthening local government, and negligible progress in rationalizing input subsidies. Performance would have been improved with better donor coordination in the sector. Overall, the outcome of IDA support for agriculture and rural development is rated *moderately satisfactory*.

**Empowering the Poor—Education.** Access to primary and secondary education has been greatly expanded, but this has not been matched by improvements in quality, and efficiency is low and access has inequities. Substantial progress has been made in provision of education to girls. However, teacher absenteeism and political interference in the appointment of teachers are still important governance issues. Another issue is targeting of the subsidy programs for those attending primary school and for female secondary school pupils. Two SWAps, led by the ADB but with substantial support from IDA, are addressing these issues (subsidy targeting has improved considerably), though some mid-course corrections could have been implemented earlier with better monitoring. Implementation could have been accelerated with increased investments up front in staff time and resources needed to implant SWAp modalities. In its supporting role, IDA has made effective contributions to education reform. On balance, given improvements in education and especially in girls' enrollment rates, the outcome of IDA support for education is rated *moderately satisfactory*.

**Empowering the Poor—Health.** Gains in managing population growth have been impressive,



and many health indicators, such as infant mortality, have improved substantially. The Bank sought to improve sector governance (financial management and procurement) with only modest improvement in local accountability, utilization rates (for which outcomes are mixed), diversification of service delivery through greater engagement with NGOs (for which there was lagging but slowly improving achievement), and improvement in tuberculosis detection (which increased from 40 percent in 1995 to nearly universal). On balance, the outcome of IDA support for health is rated *moderately satisfactory*.

The overall outcome of IDA support to Bangladesh over the evaluation period is rated *moderately satisfactory*, based on IEG ratings of moderately satisfactory on the outcome of each of the main areas covered by IDA's program. IEG weighted governance more heavily than the other areas, but beyond this, the outcome associated with the two main pillars of IDA support were weighted evenly, since in many cases their components supported cross-cutting objectives defined within the CAS pillars, rather than traditional sector programs.

### Program Findings

- There were many positive findings overall, although the Bank has had mixed results when it has relied too heavily on just one type of instrument to address difficult development challenges. While DSCs were effective in promoting many reforms, they were not sufficient to motivate others, especially civil service reform. In such cases, coordinated support is needed, and DSCs should be complemented by other instruments, including investment lending and analytic and advisory activities (AAA). Concerning the health and education SWAps, for which IDA assistance took the form of sector investment credits, more creative use of a mix of DSCs and investment lending is essential to provide more efficient support to those sectors.
- The Bank's stop-go approach in agriculture, urban water supply and sanitation, and energy was not effective. Institutional reforms take time to be completed and show results. Recognizing that aggregate ceilings on lending, as, for example, under the FY01 CAS low case, need to be respected, and that levels and modalities of engagement may need to be modulated by sector, more staying power even in the face of adverse results may well lead to more productive programs. Such engagement need not entail large amounts of lending, but could focus on AAA and well-targeted technical assistance lending and small-scale projects that address critical needs. Legal and judicial reform may be a subsector where the Bank is in danger of repeating the error of stop-go engagement.
- Despite some positive results in governance, the Bank has not succeeded in promoting civil service reform, a high priority, with adverse consequences. This was a difficult objective given the political environment. The lack of a merit-based system and the rapid rotation of senior officials make it extremely difficult to plan, program, and implement reforms, while the associated lack of accountability heightens the risk of corruption.
- The Bank has appropriately focused on corruption issues in education and health, but needs to enhance its focus on other aspects of governance (such as teacher absenteeism) that also detract from service delivery.
- Monitoring of progress was inadequate, as circumstances changed and challenges emerged. For example, the education and health SWAps could have been more effective had monitoring identified weaknesses earlier and had these been followed promptly by midcourse corrections. At the country assistance level, the FY06 CAS had a long list of milestones and intermediate indicators, but aside from a few precise quantitative targets, there was no indication of how these were to be monitored and progress judged.
- Many Bangladeshi partners were not fully engaged in important aspects of the assistance program. Important elements of civil society did not engage in discussions concerning governance, nor did key Chambers

## EVALUATION SUMMARY

of Commerce regularly participate in discussions of PSD.

- Coordination between the Bank and other development partners was strong in some sectors but weak in energy and water supply, contributing to unsatisfactory outcomes in those sectors. Project implementation in agriculture did not benefit from full exchanges of information with other development partners. However, heightened coordination among external partners has proven to be effective and to improve the development impact of the Bank's assistance, as has been the case with the education and health SWAs.
- The FY06 Joint CAS framework entailed considerable costs in formulation, and lack of program monitoring and evaluation greatly diminished the benefits of the joint effort. Joint efforts need to be sustained through implementation in order for benefits to be realized.
- IFC was not included in the FY06 CAS implementation framework and was mentioned only a few times in the FY01 CAS framework. Given the focus on accelerating PSD, the basis for this silence is not clear.
- Interviews with Bank staff indicate that there has been some lack of communication between headquarters (network) staff and local office (regional) staff. This has hindered the Bank's ability to provide timely and appropriate support to Bangladesh when assistance was requested. The lack of coordination has also imposed costs on the government with too many missions.

### Recommendations

**Use a broader range of instruments to support civil service reform and other complex institutional reforms.** DSCs have been effective in many areas, but not in supporting complex institutional reforms. While macro-level governance has been very good, a more robust approach is needed to improve governance pertaining to civil service reform, sectors, enterprises, and individuals to further improve outcomes. In addressing these de-

velopment challenges, the Bank may need coordinated deployment of DSCs, investment lending, technical assistance, and well-focused AAA, especially for civil service and similarly complex institutional reforms. The heavy reliance on DSCs in Bangladesh has yielded some good results, but support for reforms in some areas was insufficiently complemented by other forms of support. By improving the mix of instruments the Bank can help Bangladesh build local capacity, sequence reforms, and make adjustments as circumstances change.

**Stay involved in sectors for the long haul, even where dialogue has been difficult, such as energy, agriculture, and water supply and sanitation.** Stop-go involvement has caused a loss of knowledge and mutual respect, making restarting operations quite costly. Moreover, in sectors requiring deep institutional changes, such as judicial, legal, and anti-corruption programs, the Bank needs to make an additional effort to remain engaged, helping the country sustain the direction and pace of reforms when political developments and other circumstances challenge them. Selective emphasis of particular sectors should continue, but it should not act as an on/off switch for key sectors.

**Focus on governance constraints that impede service delivery.** The low public revenue levels in Bangladesh attach a premium to governance reform, since governance shortfalls, combined with resource constraints, greatly amplify problems in service delivery, especially for the poor and vulnerable. Improving subsidy targeting in education and security of pharmaceuticals in clinics are important examples.

**Strengthen monitoring and evaluation (M&E).** The health and education SWAs could have been even more effective had improved monitoring revealed shortcomings earlier. A well-functioning M&E framework is instrumental in building local capacity, sequencing reforms, and making the necessary changes and adaptations to the project or program. It should also lend itself to fostering a greater degree of coordination with external partners when these are involved. To help improve CAS design, M&E—particularly the results matrix—must be underpinned by a sound results framework, including well thought out indicators and mechanisms to monitor progress.

**Ground the country dialogue in appropriately designed and implemented AAA and coordinate closely with other development partners to bring about greater country ownership with strong political support for the needed policy actions.** Domestic partners are essential to sustain the momentum of Bangladesh's efforts to rein in corruption and improve governance. The Bank should ensure that AAA and other tasks are adequately discussed with civil society and other partners and are not supply driven, and it should include programmatic as well as task-specific preparatory discussions with beneficiaries and stakeholders on a more regular basis. More products should be translated into Bangla to promote broader engagement.

**Improve the prioritization and operational focus of IDA's coordination with external partners.** The Bank has been a leader in bringing together the donor community in Bangladesh. However, it can move beyond agreements on broad objectives. As the SWAp experience suggests, only through better program and project coordination can the Bank and its external partners ensure that their efforts are mutually reinforcing, that sufficient resources and knowledge are devoted to the task, and that adequate monitoring and evaluation takes place—these principles remain valid even at lower levels of harmonization.

**Better organize staff resources and programs to facilitate work programs.** In Bangladesh too many missions asked for too many meetings. In addition, networks seem to have fallen short on providing the skills mix needed by the country team, raising questions about whether better communication is needed between staff in Dhaka and in headquarters. This also resulted in delayed interventions and responses, with notable exceptions such as the Cyclone Relief supplemental for the Transitional Support Credit.

**Regularly conduct Country Portfolio Performance Reviews or other portfolio reviews, especially since the Bangladesh portfolio is large and has underperformed for extended periods.** CPPRs are important for learning, improving Bank practices, and engaging the government in systemic as well as project-specific reforms. As and when these or other less formal portfolio reviews are implemented, they should be well documented.

## IFC Summary

IFC identified a broad range of objectives since 2002 in the financial sector, manufacturing, infrastructure, the social sectors, and the business environment of Bangladesh. However, over the review period, IFC realized only a few new investments in the financial and manufacturing sectors. IFC's ability to make new investments was affected by Bangladesh's weak overall business environment, including restrictions on overseas borrowing, perceptions of high political risk, complex ownership arrangements and governance issues in the banking and corporate sectors, and continuing administrative obstacles to doing business. At the same time, some internal weaknesses in IFC are also apparent. Other than the country manager, IFC's business development presence in country was limited to two local business development officers that were recently placed in Dhaka; IFC's sector and regional-based incentive system can favor staff work on countries in the region with more conducive business environments; IFC proved to be uncompetitive in price relative to offerings by local banks for shorter-term lending; and unlike in India, IFC did not have the ability to provide local currency loans until a pilot facility was introduced in 2007. In the difficult investment environment, IFC appropriately increased its engagement in advisory services through both the South Asia Enterprise Development Facility (SEDF) and the Bangladesh Investment Climate Fund (BICF). Supported by close donor engagement and systematic monitoring and evaluation, IFC's advisory services approach has shown a good degree of adaptability, learning from the past, and discipline in its activities.

Through its few investments and enhanced advisory services portfolio, IFC made a positive, but limited, contribution to development of the private sector. In the financial sector, it made important contributions to development of the non-bank financial sector through early investments in leasing and housing finance and supported increased small and medium enterprise lending in several commercial banks through its advisory services. It did not, however, influence improvements in banking sector corporate governance and so did not have the intended broader sector impact. In the manufacturing sector, IFC made positive contributions through advisory services and several investments, particularly through support of a unique cross-border cement plant and through technical support to the ready-made garments, agribusiness, and light engineering sectors.

## EVALUATION SUMMARY

However, its limited volume of investments undermined its influence on stated goals of furthering strong, transparent corporate governance; increased foreign direct investment; and increased inter-regional investment. In infrastructure, IFC made positive contributions through investments in telecommunications and the first private power producer. However, it was not able to develop further interventions in infrastructure and only recently developed infrastructure advisory services. Although identified in CASs as areas of potential engagement, IFC did not contribute to development of the gas, private health, or private education sectors. In the business environment, IFC's initial approach was to address "low-hanging fruit" which, while positive, had only limited impact on the broader environment. Since 2007, IFC has developed a more comprehensive approach to business enabling environment issues through the multidonor-supported BICF.

Given that the power sector is a critical obstacle to doing business in Bangladesh, IFC should adopt a long-term approach and seek to sustain its engagement through both advisory operations and investment project development, given the scope for a high degree of IFC additionality and development contribution through the sector.

### IFC Recommendations

**Address weaknesses in staff incentive systems that may distract attention from more difficult countries in a region.** IFC's current incentive framework based on regional and sector targets favors work on better performing countries in a region, where greater opportunities exist and risks are lower. To maximize its potential contribution in difficult countries, IFC should refine its incentive framework to reward work on countries such as Bangladesh, where the prospects of developing successful investments are lower but, if realized, offer high additionality and contribution to development.

**Further leverage advisory services staff on the ground to support investment project development.** While there have been recent cases of IFC advisory services projects leading to investment projects, greater opportunities are likely to exist in exploiting the country and sector knowledge and client relationships of IFC's substantial advisory service staff presence in Bangladesh. IFC should leverage this presence by providing further training and incentives for advisory services staff to be more proactive in developing relationships and identifying investment opportunities.

**Be prepared to sustain engagement in the power sector over the longer term.** IFC helped develop the first independent power producer in Bangladesh in 1998, playing an important role in structuring the transaction and mitigating country and sector risks, although it was then not engaged in the sector until an advisory operation in 2008.

# Management Action Record

For IDA	
IEG Recommendations Requiring a Response	Management Response
<p><b>Strategy</b> – (1) Utilize a broad range of instruments to support high priority civil service reform and other complex institutional reforms. (2) Remain engaged for the long haul, even in difficult sector circumstances such as power and, in the past, agriculture. This need not entail large lending programs, and could focus on AAA, technical assistance lending, and small operations, which would avoid a breakdown in communications and contact which is costly to overcome.</p>	<p>(1) Management agrees that civil service reform is extremely important, particularly in a low-capacity country such as Bangladesh. That said, following a significant analytical piece in 1999, there was little appetite from Government or the Civil Service for reform in Bangladesh. A number of additional pieces of analytical were undertaken, but did not lead to entry points for reform. Civil service reform was a common topic in the Local Consultative Group and Bangladesh Development Forums, with little take-up from Government. At the same time, there were several successes in broader public sector reform which increased the likelihood for development impact. In these instances, Government champions provided space for institutional reform and strengthening, many of which are still evident today.</p> <p>(2) Management agrees with the need to stay engaged for the long haul, even in difficult sectors. During the past few years we have re-engaged in power and urban development, and fully understand the costs of retreating from a sector completely. At the same time there may be acceptable reasons to reduce involvement substantially (but not completely), such as widespread corruption, sectors where responsibility rests with other development partners, or a lack of interest by Government.</p>
<p><b>Program Implementation</b> – (1) Especially concerning SWAps, but also otherwise, ensure strong monitoring and evaluation to provide early signals for mid-course corrections needed for program/project effectiveness and efficiency. (2) Conduct CPPRs on a regular basis. (3) Better organize staff resources and work programs to avoid too many missions and meetings. Ensure network provision of appropriate skill mix, and better communications between staff based in Dhaka and those based at headquarters.</p>	<p>(1) Management agrees with the need for strong monitoring and evaluation. Supervision budgets have been increased and significantly more attention given to monitoring, restructuring, and addressing systemic issues.</p> <p>(2) Management notes that CPPRs were carried out during the CAE period, although not on a consistent basis and not necessarily in a traditional manner. Regular portfolio reviews (although not formal CPPRs) have been carried out with Government and currently take place on a quarterly basis with all project representatives and a “hot list” approach to address immediate issues. Management believes this approach best responds to the needs in Bangladesh.</p> <p>(3) Management agrees missions and meetings can be streamlined in some instances, although the significantly scaled up program will require a large number of human resources, missions and meetings. Management agrees that provision of appropriate skill mix is an ongoing challenge. The Bangladesh program has scaled up quickly, it is sometimes difficult to recruit to Dhaka. Management notes the need for better communication between staff</p>

## MANAGEMENT ACTION RECORD

<b>For IDA</b>	
<b>IEG Recommendations Requiring a Response</b>	<b>Management Response</b>
	based in Dhaka and those in Washington.
<b>Governance</b> - Further improve the focus on addressing governance constraints, especially in sectors such as health and education to address, for example, teacher and doctor absenteeism and waste/pilferage of pharmaceuticals.	Management agrees there is a need to further address governance constraints across sectors. That said, Management also emphasizes the critical gains that have been made in Bangladesh, including the governance dialogue with Government, which is robust.
<b>AAA</b> - Formulate the AAA program more strategically in discussion with senior GOB officials. Avoid proliferation of smaller tasks and manage AAA program implementation with same rigor as lending. Engage stakeholders more consistently and effectively, including by translating more AAA into Bangla.	Management acknowledges the need to manage AAA strategically, but would argue that flagship AAA are fully discussed with senior GOB officials and the CMU has avoided a proliferation of smaller tasks. Some AAA, when financed by trust funds or the networks, are outside the control of SAR management and may contribute to the perception of a large number of tasks not discussed with GOB. It should also be noted that one of the successes of the Bangladesh Country Team has been "just in time" analytical support to Government. These are often short, informal pieces of AAA which provide high value. They should not be confused with proliferation of smaller tasks. Management suggests that the high profile and successful "Bangladesh Development Series" has been successful in ensuring better engagement with stakeholders. Management fully agrees on the need to translate more AAA into Bangla.
<b>ODA coordination</b> – Increase the scope and operational focus of coordination with other external partners. The Education and Health SWAps are examples of what can be achieved with heightened coordination. Even in sectors without SWAps or formal multi-donor programs, these gains can be emulated with increased coordination.	Management agrees that coordination among development partners can lead to enhanced development outcomes, but would argue that coordination in Bangladesh is already extremely robust. Management is committed to expand cooperation where appropriate and where we feel there are benefits to be gained.

<b>For IFC</b>	
<b>IEG Recommendations Requiring a Response</b>	<b>Management Response</b>
<p>Staff incentives- Revise incentives to motivate staff to work on countries with more challenging investment environments such as Bangladesh. Regional targets now motivate staff to work on countries within the region with more conducive investment climates. A refined incentive framework would equally reward work on countries such as Bangladesh, where the prospects of developing successful investments are lower but, if realized, offer high potential additionality and contribution to development.</p>	<p>Agree (already the practice). Efforts to increase investments in Bangladesh over the last few years have borne fruit in FY09, with an expected 8 commitments for \$92 million – a significant increase over any previous annual commitment number.</p> <p>IFC already have three dedicated Investment Officers in place in the Dhaka office. Within the region we have a group of sector staff who focus and spend most of their time on 'Rest of Region' (RoR) projects. Also, due to the increasingly experienced Bangladesh staff, we have seen an increase in projects processed (with some support from DC/Mumbai) from the Dhaka office. Examples are Brac NGO and GTFPs.</p> <p>South Asia Department has a target for 20% of all investment and advisory projects in FY09 to be in 'frontier' locations, which includes Bangladesh. Similar targets in FY10-12 are planned.</p>
<p>Advisory Services (AS) links to investment - As staff on the ground can be better leveraged to support investment project development. AS staff can be trained and provided with incentives to more proactively use country and client knowledge to identify investment opportunities and develop relationships with potential investment clients.</p>	<p>Agree (already the practice). There is already a close working relationship between Investment and AS staff and there are concrete examples of Advisory leading to investment transactions (e.g. Kazi farms, although ultimately IFC did not make an investment). In addition, as the report acknowledges most of the Financial Sector clients were common to AS and IS. IFC-SEDF and IFC-BICF both require all Access to Finance staff to attend the one week 'Credit Course for non-Investment Positions' offered by CRV, which will address this training point. In fact, a CIO course is offered in the region shortly to facilitate attendance. In addition a 'Doing AS' course for IOs has been piloted in the region to ensure the "One IFC" approach.</p> <p>IFC has used SEDF staff to bring in investments; examples are i) A2F staff bringing in GTFP clients; ii) VA2F, particularly in poultry sector, has participated in IFC appraisals and suggested investee clients. The active use of SEDF staff has yielded results such as the active GTFP program, Pran (agribusiness), and Kazi Farms (later cancelled). IFC will continue leveraging AS staff through training programs, joint appraisals, and active participation in investment meetings.</p> <p>Both IFC Advisory facilities are now co-located in Dhaka, together with investment staff. This will help further build synergies. In addition, the launch of IFC SME Ventures in Bangladesh, Bhutan and Nepal will further strengthen active cooperation between investments and advisory services, and help IFC better support smaller transactions.</p>

## MANAGEMENT ACTION RECORD

<b>For IFC</b>	
<b>IEG Recommendations Requiring a Response</b>	<b>Management Response</b>
<p>Power Sector- A long term approach, in cooperation with IDA and other external partners, with sustained engagement through both advisory operations and investment project development, offers a potentially high degree of additionality and development contribution in this sector where lack of reliable power supply now seriously constrains business development.</p>	<p>Agree. IFC has been engaged in the power sector since our investment in Khulna Power. Unfortunately, and as mentioned in the IEG report, the sector faces significant governance challenges in both the public and private sectors which has made it difficult for IFC to have a productive engagement.</p> <p>The Bangladesh power sector continues to remain strategically important for IFC. To further strengthen our engagement IFC hired in October 2008 an experienced investment officer whose main objective is to develop infrastructure projects particularly in Bangladesh. Moreover, IFC's South Asia Infrastructure Advisory Facility (SAIF), headquartered in Delhi, has a dedicated investment officer based in Dhaka. As a result of the increased focus on the power sector, IFC has identified several potential leads including off-grid renewable energy and smaller power projects. In addition, IFC will be exploring how sub-national finance can be used for government owned companies throughout the value chain.</p> <p>Finally, IFC will consider financing any large IPP project. However, key issues remain a challenge, such as transparency in the bidding and selection process, the sustainability of energy supplies and the sustainability of tariff structures.</p> <p>IFC will work closely with the World Bank on how best to jointly address the power sector needs throughout the value chain from generation to distribution. The forthcoming joint WB-IFC CAS (due by end 2009) will particularly address the power sector and suggest measures as to how IFC and WB can strengthen the sector.</p>



# Part I. Context and World Bank Program

## 1. Context

### Development Path

1.1 Bangladesh's sustained and relatively rapid development over the last 15 years has made earlier "basket case" characterizations an increasingly distant if still unfortunate memory. However, this generally good performance (encompassing Gross Domestic Product (GDP), exports, and aspects of manufacturing, health, and education sectors) has been achieved despite uneven progress in governance and political instability. Bangladesh has found a way to progress despite these constraints, with "second best" reforms and a number of "work-around" initiatives, including the very large role played by Non-Governmental Organizations (NGOs) in areas such as education and health. However, poor governance does impose large costs and constrains development to substantially lower levels than could otherwise be achieved.

1.2 The need to address governance constraints was appropriately identified as the priority focus for World Bank assistance, culminating in its becoming the central and cross-cutting theme of the last (FY2006) CAS. This CAE maintains this central theme, evaluating how this played out in different ways among the sectors, and with lessons and recommendations for the future.

1.3 Through its first two decades of independence, Bangladesh was heavily dependent on World Bank and other donor financing. Foreign ODA inflows reached 5-10 percent of GDP, averaging about US\$1.5 billion per year through the 1980s and increasing toward the end of that decade to about US\$2.5 billion, or 10 percent of GDP, in 1990. ODA flows have since declined and remained in the range of US\$1.0-1.5 billion. With sustained GDP growth, ODA relative to GDP is now only 2 percent. This reduction coincides with the period of sustained development noted above. Thus, while financial assistance has been beneficial and is still needed, appropriate policy reforms clearly play the dominant role in development. And while the partial reforms of the last 15 years have been adequate to sustain development, this is only a harbinger of what could be achieved in the medium and longer term with more robust reforms, especially in governance.

1.4 At the same time, the sharp reversals in the world economy during 2008/2009 call for accelerated reforms to protect to the extent possible the gains of the recent past and set the stage for as early return as possible to sustained growth. Early indications<sup>1</sup> are that GDP

growth may fall to 3.9 percent during 2009/2010, the lowest increase since 1990/91. Exports, after increasing a remarkable 36.6 percent from FY06 to FY08 when they reached 18 percent of GDP, showed a decline for December, 2008, over December, 2007, of 10.1 percent. However, workers' remittances, which also showed a remarkable increase of 65 percent from FY06 to FY08 when they reached the equivalent of 10 percent of GDP, reached a record US\$865 million in January, 2009, and have not yet been affected by the slowdown, although the number of Bangladeshis registering to begin employment overseas decreased to 44 thousand in December, 2008, down from the monthly average of 75.5 thousand for Jan-Nov, 2008.

1.5 World Bank assistance amounted to US\$ 3.9 billion during FY2001-2008, the period covered by this CAE. This amount was an increase of about US\$500 million over the previous 8 years, and represents about one-third of ODA received by Bangladesh. The sectoral composition of lending shifted dramatically compared to the previous eight years, away from infrastructure (transportation and energy), and towards economic policy and governance, coinciding with the Bank's new focus on governance.

1.6 During this time the World Bank's assistance strategy was governed by the FY2001 CAS, the FY2003 CASPR, and the FY2006 CAS. The FY2006 CAS was prepared jointly with the ADB, DFID, and Japan, highlighting issues of donor coordination. A joint evaluation paper is being prepared in concert with the ADB, DFID, and Japan, to more fully explore the "jointness" aspects of the four DPs. Since this paper will draw on the CAE, as well as other materials, it is being prepared on a later schedule.

1.7 GDP growth has been accelerating, increasing from 3-4 percent per year during the 1980s, to about 5 percent per year in the 1990s, 5.6 percent per year 2001-2006, and for the last two years, about 6.0 percent per year. Thus, Bangladesh has recently seen per capita growth of more than 3.3 percent per year, more than twice the median growth rate for countries world-wide and three times the median for low-income countries. Despite these gains, GDP per capita is still only US\$480; much more than a decade of this kind of sustained progress would be needed to reach middle income country status.

1.8 The private sector, manufacturing, and, in particular, the readymade garments (RMG) subsector, have played a key role in this progress, with large increases in production and exports. Along with a large increase in workers' remittances, this has led to a robust balance of payments. In today's world economic environment, however, these gains are clearly at risk. It is therefore even more urgent to further strengthen the PSD environment and foster diversification and a healthier basis for sustained growth. Fiscal management has generally been good, except for a few years before 2000, but very low revenues have constrained expenditures below levels needed for improved development outcomes. The SOE sector has benefitted from privatization, but more is needed, as are improved pricing policies, especially regarding petroleum products. In today's environment, fiscal pressures will be increasing, and it will be even more important to improve pricing policies and avoid a large quasi-fiscal deficit. Infrastructure constraints, particularly in energy, are widespread. In agriculture, despite good progress including towards food self-sufficiency, much more could be done to improve productivity given land constraints.

*Millennium Development Goals*

1.9 Bangladesh is making good progress towards meeting 5 of the 8 Millennium Development Goals (MDGs) (poverty, primary education, gender equality, child mortality, and maternal health), while more progress is needed regarding 3 MDGs (HIV/AIDS and other diseases, environmental sustainability, and global partnership for development).<sup>2</sup> HDI indicators are much improved, partly because of innovative programs, including those involving NGOs, but governance issues diminish achievements, especially for the poor. See Appendix A for more details.

## Political Context

1.10 After 2 years under a Caretaker government, during which substantial reforms were implemented in some areas, elections were held in December, 2008, and the country returned to civilian rule, with the Awami League receiving an overwhelming majority of seats in the Parliament.

### Box 1. Politics in Bangladesh

Bangladesh has had a difficult political history which has limited options for development partners including IDA. Prior to the caretaker government, the political situation deteriorated over successive electoral terms with growing government corruption, the refusal of opposition parties to recognize the results of elections, and the boycotting of parliament. This in turn fueled the aggressive stance between the parties, increased intolerance and blame, and undermined all aspects of governance with progress towards a well-functioning democracy remaining elusive. The 'benefits' of political power and allegiance have in turn infected aspects of civil society with professional bodies, NGOs, and the media often being accused of political bias or clearly adopting political identities. For the majority, especially the poor, politics has yet to deliver and diverts attention from the critical development agenda.

Bangladesh inherited an administrative system of local governance dating from the colonial period with a centralized system of bureaucratic control down to the union (local) level, the only tier below parliament that has regular elections. Urban areas were the exception with elected Pourashava (town) councils and city corporations. In 1997 the government proposed elected bodies at all levels from village through to district and passed legislation making the *upazila* (sub-district) council responsible for a range of services and the power to collect revenue, prepare its own budget, and hire its own employees. However, to date elections have only been held at union level. Neither the AL nor the BNP have acknowledged the importance of local government, preferring to maintain their centralized dominance and control.

Despite the oscillating political fortunes Bangladesh has maintained nominal democratic rule more successfully than some of its neighbors. Radical religious parties have never achieved a significant share of the vote and there is a strong popular regard for democratic rule. Nevertheless the power of politicians, bureaucrats and the military has continued to be abused and has undermined the benefits of economic growth and progress on development.

## Road Map of the CAE

1.11 This CAE focuses on the Bank's program for FY01-08, looking at: (i) Did the Bank correctly assess the problems BD faced, (ii) Was the Bank's strategy appropriate for meeting BD's development needs? (iii) How effective was Bank assistance in implementing those strategies, (iv) What were the outcomes of the assistance? (v) To what extent did the Bank, other development partners, the government, or exogenous forces contribute to outcomes?

1.12 The FY2006 CAS presented IDA's assistance strategy in the context of a joint CAS framework with DFID, the Asian Development Bank (ADB), and Japan. The framework was "joint" with respect to analyses of issues and coordination in developing strategies, including designation of lead partners by sector. However, each partner maintained its own business plan and business operations. While this CAE focuses on the Bank's programs, the "jointness" of the FY2006 CAS, while reflected in this CAE, will be more fully explored in a joint evaluation paper being prepared for the four partners in tandem with the CAE which is to be available by the end of FY09.

1.13 This CAE is structured as follows: Chapter 2 covers the Bank's overall lending and AAA program. Chapter 3 and the following chapters cover thematic aspects: governance, accelerating private sector development (including infrastructure and agriculture), human development and empowering the poor. The last chapter contains conclusions, lessons, and recommendations.

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<sup>1</sup> Based on latest EIU reports - to be corroborated by Bangladeshi sources as/when available.

<sup>2</sup> See Appendix Table 9.

## 2. World Bank Program

### World Bank Strategy

2.1 Three documents governed World Bank Strategy from FY2001-2008, the FY2001 CAS, the FY2003 CASPR, and the FY2006 CAS. The FY2001 CAS set out to:

- reverse the then recent erosion in macroeconomic performance,
- sustain and build upon human development gains
- increase the pace of agricultural and non-farm rural growth, and
- enable private sector growth through regulatory and structural reform.

2.2 It recognized the need to muster political will to overcome vested interests that blocked reforms, and, the need, in turn, for a growing public 'voice' in favor of fundamental reforms, capable and accountable institutions, and improved governance.

2.3 To do this, the FY01 CAS program focused on: (1) building stronger institutions and governance, (2) consolidating gains in human development and supporting initiatives to meet new challenges, (3) implementing an integrated approach to rural development, and (4) accelerating and broadening private sector-led growth by helping to: (a) remove structural impediments and establish an environment conducive to private investment (IDA), (b) strengthen the financial sector (IDA and IFC), and (c) support private investments in energy, infrastructure, manufacturing and services (IFC and MIGA).

2.4 The FY03 CAS Progress Report noted commendable progress on social and economic indicators had not been duly recognized partly because of politics and poor governance which kept progress well below the country's potential. However, improved macroeconomic management and the new medium term reform program were important signals of the government's commitment to development.

2.5 The FY06 CAS placed governance squarely at the center of World Bank assistance strategy, noted the large unfinished reform agenda identified in the Government's Poverty Reduction Support Program (PRSP), the relatively narrow economic base (mainly exports RMGs) driving GDP growth, and the need for social development, an improved investment climate, and service delivery, all of which required a stronger core governance. Given the transcending focus on governance, the two pillars of the Bank's Strategy were:

- Improving the Investment Climate (including the business environment, infrastructure, and agriculture and related sectors for pro-poor growth), and
- Empowering the Poor (improving services to attain and improve on the MDGs, enhancing provision of social services to the poor, and improving local government in recognition of its role in this sphere).

2.6 The FY06 CAS built on changes in the assistance strategy which began to occur in FY04 and FY05 at the sector level, but was a quantum change from previous assistance strategies in two respects. First, it confirmed the transformation of the Bank's thinking about governance from a narrower focus on corruption to a wider-ranging system of government practices and rules which affected almost all government operations. This systemic change led to a broader policy dialogue and wider ranging operational program with correspondingly broader goals. Second, the FY06 CAS was based on a joint approach with three other DPs, DFID, Japan, and the Asian Development Bank. However, since each institution needed to retain its own business practices and responsibility to its relevant governing authority (i.e. Board of Executive Directors for the ADB and the World Bank) the main impact of "jointness" was more consistency and mutual re-enforcement at the planning stage, with an unfortunate lack of monitoring and joint work programs further limiting the "jointness" of the approach. Nevertheless, ODA harmonization was an important aspect and is discussed further in Box 2 below.

**Box 2. Bank and Official Development Assistance Harmonization in Bangladesh**

- The CAE mission surveyed DPs prior to and during the CAE mission (see Annex F for details). The mission found that a number of DPs were concerned about what they perceived as the Bank's hard-line attitude in several sectors, especially early in the CAS period, while expressing understanding of the underlying reasons. Generally, DPs now found it easier to work with the Bank.
- The 2006 CAS represented a significant change in ODA` coordination with the joint CAS framework of the four largest DPs (the Bank, ADB, UK and Japan), which was based on a substantial amount of joint work and consultations by the four DPs.
- The degree of follow-up to this collaborative effort is however less clear. This will be discussed in more depth in a separate report under preparation by consultants for the evaluation entities of all the four CAS partners (the G4).
- In a 2008 IEG survey of the donor community in Bangladesh respondents rated the performance of the Bank higher than that of the G4 and of the donor community. Overall survey results indicated that the Bank's performance and role as development partner in Bangladesh were seen by other DPs as moderately satisfactory.
- The survey showed that DPs overall had a positive view of the relevance of the Bank's work in Bangladesh, and that respondents who worked more closely with the Bank tended to rate the relevance of Bank's work as satisfactory more often than other respondents, except for respondents that had worked with the Bank on a SWAp.
- Respondents also had a positive view on the Bank's work promoting government ownership of policies, and on how it aligned its work program with the country's development strategy.
- Relatively lower ratings were given for the Bank's use of national institutions, procedures, and systems, and how it helped government in its work with other development partners.
- There were also divergences in view as to how the Bank worked with other DPs.
- According to this survey, managing for results may have been the weakest dimension of the World Bank's performance in Bangladesh.

*Source: IEG questionnaire to DPs, September, 2008*

2.7 There were wide variations in programmed and actual lending levels under the CASs. The FY01-03 CAS contained a Low Case, Base Case, and a High Case. Launched be-

fore the elections of mid-2001, its timing precluded agreement on specific programs and there was little progress on structural reforms and portfolio management issues<sup>1</sup>. Therefore, the Low Case (calling for lending of US\$800 million over 3 years) was operative for FY01 and FY02. The following sector chapters refer to many instances, especially in infrastructure and agriculture, where the Low Case imposed costly constraints on operations as lending pipelines were depleted, dialogue with key counterparts lost, and even limited progress halted in such a way so that the return to the Base Case and a more productive dialogue entailed large investments of staff, time, and budget. Actual lending under this CAS reached US\$1.6 billion.

2.8 Proposed lending under the FY03-05 CAS Progress Report Base Case (which was in effect as relevant structural triggers were met, although the portfolio performance trigger was not met and was, in fact substantially violated in both FY03 and 04) was US\$2.0 billion, with the actual approved amount being US\$1.4 billion. Proposed lending under the FY06-09 CAS was US\$3.0 billion.

## World Bank Program

### OPERATIONS

2.9 Bank lending reached US\$3,876 million during FY2001-2008, a fifteen percent increase in nominal terms over the preceding eight years. Lending in the first three years of the period averaged only US\$258 million (see Annex Table 4A), under the FY01CAS Low Case for FY01-02. Lending subsequently increased to an average of US \$546 million as Bangladesh moved into the Base Case **although this was still well below its IDA norm**. Lending for FY08 reached US\$753 million, and lending thus far in FY09 has reached US\$953.7 million<sup>2</sup>, bringing lending under the FY06 CAS thus far to US\$2, 548 million. During FY01-08, Bangladesh accounted for 5.4 percent of total IDA commitments, and was the fifth largest borrower from IDA<sup>3</sup> compared to 6.8 percent from FY1990-2000, when it was the second largest borrower from IDA.<sup>4</sup>

2.10 There was a great deal of turbulence in the lending program. For the FY01 CAS, 17 base case projects were proposed, of which 10 were approved and 7 dropped, while 5 new projects were added. For the FY03 CASPR, 17 projects were again proposed in the Base Case, of which 10 were approved, 7 dropped, while 3 new projects added. For the FY06 CAS, 12 projects were proposed, and, to date, 3 new projects have been added and 4 proposed projects do not seem to be materializing.

2.11 There were substantial sectoral shifts from FY1992-2000 to FY2001-2008. Infrastructure (transportation and water supply and sanitation) and energy declined from 49 percent of lending in the earlier period to only 15 percent in the later period. Conversely, economic policy, public sector governance, and education comprised only 13 percent of lending in the earlier period, but 50 percent in the later period. These shifts were consistent with changing CAS priorities. However, sharp decreases in infrastructure and agriculture lending both at the end of the prior period and in FY01 and 02 did not turn out to be a constructive way to improve an admittedly difficult dialogue. The Bank subsequently moved to constructive engagement to promote reforms where opportunities presented themselves, even in the face of a difficult dialogue.

2.12 The Development Support Credits (DSCs) initiated development policy lending after a hiatus of 10 years. The FY03 DSC I for US\$300 million focused on governance reforms, including those in public procurement, support for an Anti-Corruption Commission, the separation of the judiciary and the executive, and reforms in macro, trade, financial sector, and public financial management. It drew on a substantial amount of Bank AAA and joint work with the Asian Development Bank, DFID, and Japan. The FY04 DSC II for US\$200 million supported furtherance of DSC I reforms. The FY06 DSC III for US\$200 million, prepared in tandem with the FY06 CAS, further enhanced broad-based structural, governance-related reforms in conjunction with the IMF's PRGF. The FY07 DSC IV for US\$200 million focused again on strengthening core governance, especially public financial management and procurement systems and institutions, strengthening transparency and accountability in the public service, improving efficiency and accountability in the National Board of Revenue, addressing corruption, and strengthening sectoral governance, especially in the finance and energy sectors.

**Table 1. Bangladesh: Approved lending commitment amounts, FY93-08 (US\$ million)**

Sector Board	1993-2000		2001-2008	
	Million US\$	% of Total	Million US\$	% of Total
Agriculture and Rural Development	174	5	232	6
Economic Policy	200	6	700	18
Education	229	7	675	17
Energy and Mining	356	11	326	8
Environment	184	5	25	1
Financial and Private Sector Development	534	16	508	13
Global Information/Communications Technology	0	0	9	0
Health, Nutrition and Population	402	12	340	9
Poverty Reduction	0	0	75	2
Public Sector Governance	3	0	579	15
Social Development	0	0	112	3
Social Protection	0	0	0	0
Transport	1,036	31	250	6
Urban Development	0	0	5	0
Water	235	7	40	1
<b>Total</b>	<b>3,351</b>	<b>100</b>	<b>3,876</b>	<b>100</b>

Source: Business Warehouse Table 2a.1 as of 2/5/09 (includes Supplements).

## Program Quality

### PORTFOLIO PERFORMANCE

2.13 Project outcomes deteriorated slightly from FY1993-2000 to FY2001-2008, as projects with satisfactory outcomes declined from 78.7 percent of the total (by volume) to 72.6 percent. The main reason for this decline was the unsatisfactory outcome ratings for all four HNP projects which exited from FY2001-2008, partially offset by improved ratings for Finance and Private Sector Development from 24 percent satisfactory (in terms of value) to



100 percent satisfactory. Concerning infrastructure, transportation declined from 100 percent satisfactory by volume (and 6 out of 6) to 87 percent by volume (and 3 out of 4 by number) while water supply and sanitation sector projects declined from 100 percent satisfactory (1 out of 1) to 78.6 percent (2 satisfactory projects out of 3). All of the public sector governance projects in both periods were rated satisfactory.

2.14 The shortcomings of the HNP projects, the main driver in this change, were the result of complex project designs, poorly devised risk mitigation strategies, and weakness in quality-at-entry.<sup>5</sup> As further discussed in Chapter 5, while the large FY98 HNP Program project was necessarily complex as a program project, the risk mitigation measures proposed had important shortcomings, there was inadequate learning from previous experiences in the sector, and insufficient use of sequencing of reforms as a way to simplify the sector program.

**Table 2. Bangladesh: IEG Outcome Ratings, Exit FY93-08**  
(percent satisfactory)

Exit FY	1993-2000	2001-2008
Agriculture and Rural Development	82.0	75.6
Economic Policy	100.0	100.0
Education	100.0	91.7
Energy and Mining	65.3	0.0
Environment		
Financial and Private Sector Development	24.0	100.0
Global Information/Communications Technology		
Health, Nutrition and Population	100.0	0.0
Public Sector Governance	100.0	100.0
Transport	100.0	87.0
Urban Development	0.0	
Water	100.0	78.6
<i>Total</i>	<i>78.7</i>	<i>72.6</i>

Source: Business Warehouse Table 4a.5 as of 01/22/09.

2.15 Portfolio status indicators (see Annex Table 8b) show a high percentage of the portfolio at risk. For FY2007, this came to 23.6 percent by commitment (6 projects), compared to 16.4 percent for South Asia and 15.5 percent for the World Bank, all for FY07. For FY08, there was some improvement, to 17 percent by commitment (and only 3 projects). While this was in line with Bank wide averages, and better than the India portfolio, it was two to three times higher than Pakistan, Sri Lanka, and the Philippines. Bank Budget allocations for supervision comprised 35 percent of the total (with higher rates for projects in the transportation, education, and health sectors). (see Annex Table 9).

2.16 Country Portfolio Performance Reviews (CPPRs) have not been undertaken on a regular basis. CPPRs are normally mandatory for countries with large active portfolios, the more so where portfolio quality is an issue. CPPRs could have been a useful examination of portfolio problems and provided the basis for a more productive dialogue with the government towards resolving project-specific as well as systemic issues.

### IEG ASSESSMENT OF AAA

2.17 Background work by IEG<sup>6</sup> found that in-country stakeholders do not rate the overall impact of ESW highly. On a scale of 1 to 6, the rating for overall impact of the Bank's ESW according to in-country stakeholders is only 3.1. Civil society rates its impact even lower (2.8), while other DPs rate impact higher (3.5). Government's rating is 3.3. In contrast, ESW TTLs' perception of overall impact of their work is rather high (3.9).

2.18 Most respondents reported that the impact of ESW is indirect, reflected in policy conditionality that is attached to loans, especially the DSCs. This implies that ESW as an input to strategy papers and loan formulation may be very useful.

2.19 There are important sectoral differences. ESW has had little impact on agriculture, and most studies are not even mentioned by respondents. By contrast, ESW in education and health was cited often as having had an impact. Two reports on trade were given high marks for impact: The FY2005 Competitiveness Study and the FY2005 Post MFA Strategic Options for RMG. In an important shortfall, ESW appears to have had little impact on capacity-building, according to in-country stakeholders (NGOs, government, other DPs).

2.20 Finally, the CAE mission found that senior GOB officials complained that a large number of tasks proceeded without adequate consultation and did not usefully inform them. In addition, civil society, including Chambers of Commerce and think tanks, also commented that they were not adequately involved in ESW, thereby diminishing quality and impact. Even though many of these tasks might have been useful for project preparation or contributed, for example, to formulating the DSC series, a more structured exchange of information on the AAA program would be important. IDA's Bangladesh Development Series is, however, an important effort to improve outreach. Translating at least the executive summaries of these series and other AAA into Bangla as part of the dissemination effort might be useful.

### QAG

2.21 QAG's FY04 Country Program Assessment<sup>7</sup> found that:

- weak institutions contributed to a deterioration of portfolio quality during FY01-03, despite nearly 40 percent of budget spent on supervision,
- the low case scenario, maintained for FY01-02, resulted in (a) significant depletion of the pipeline, and (b) serious shortage of senior sector staff, especially in the Dhaka office. Progress towards the key objectives of the CAS was limited. In particular, excellent public sector management AAA during the late 1990s had not been well utilized. However, the Bank's stance began to change with the advent of the FY03 DSC I.
- Of even more concern, QAG also reported that there had been few, if any, country portfolio performance reviews (CPPRs) notwithstanding the fact that CPPRs are normally mandatory in countries with large active portfolios.
- AAA tasks has been consistently good and solid, professional efforts. Several reports<sup>8</sup> had been very well disseminated through widely attended workshops involving many senior government officials, NGOs, etc., but some were not. Further, many policy recommendations were rather general. Moreover, the Bank had not adequate-

ly supported the Government's analytical capacity which had weakened (especially in ministries dealing with economic management) except for the Bank's Poverty Assessment work with the Bureau of Statistics. Finally, more coherence and integration was needed across the many AAA tasks, and better coordination of AAA activities across the country and sector departments.

2.22 For the future, QAG found that follow up work on governance was needed, and the Bank needed to develop a more strategic view of poverty reduction, especially how best to meet ambitious targets in the PRSP. The Bank also needed to formulate a comprehensive private sector development strategy. Most importantly, more attention was needed to helping build analytical capacity in the Ministry of Finance and Planning Commission, through, for example, the FY04 Economic Management TA (EMTAP) project.

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<sup>1</sup>Key triggers for the Base Case included: passage of legislation creating an independent power sector regulator, reforms in the Bangladesh Bank, and a satisfactory National Water Management Plan along with steps to reorganize the Bangladesh Water Development. There was also a portfolio performance trigger calling for less than 15 percent problem projects.

<sup>2</sup> Source: Business Warehouse. As of 3/10/09

<sup>3</sup> Following India, Vietnam, Pakistan, and Ethiopia

<sup>4</sup> Following India

<sup>5</sup> This is discussed at length in the chapter on Human Development.

<sup>6</sup> Taken from a confidential background paper, the Bangladesh Country Review, prepared for "The World Bank's Economic and Sector Work Technical Assistance", September 22, 2007 by Chandra Pant, managed by Helena Tang.

<sup>7</sup>December, 2004. QAG typically reviewed projects or ESW programs, but this was a pilot review of all operations.

<sup>8</sup> FY02 Public Expenditure Review, FY02 Poverty Assessment, FY02 Private Provision of Infrastructure and the FY02 Investment Climate Study



## **Part II. CAS Strategy, Objectives, and Program Outcomes**

### **3. Governance**

#### **A cross-cutting theme in World Bank assistance strategy**

##### **Setting**

3.1 Governance was not a separate pillar in the CASs, but rather was an overarching issue which had both core aspects (such as public administration reform and anti-corruption) as well as ramifications of core aspects which played out in each of the sectors. The core aspects are addressed in this chapter, while sector-specific aspects of governance are addressed in subsequent chapters.

3.2 Despite nearly twenty years of democratic rule in Bangladesh those with power were rarely held to account and there still is a widespread lack of transparency. Political unrest and violence, the politicization of public administration and an absence of appropriate channels for redress have undermined confidence, weakened public participation and constrained growth and development. They have also limited the opportunities for development partners, including IDA, to support reforms.

3.3 Despite these general conditions, Bank assistance strategy for governance before the FY06 CAS largely focused on corruption, although aspects such as civil service reform were also present, at least in AAA. While endemic corruption has indeed been the most obvious manifestation of weak governance, the underlying causes of poor governance relate more broadly to the exercise of power in both the public and private arenas.

3.4 The Bank moved to a broader definition of governance issues in the FY06 CAS, which identifies governance as the most important impediment to poverty reduction, equitable service delivery and democratic development. Thus, efficient, effective and transparent budget planning and management, civil service capacity, the legal system, and the political system, as well as more traditional areas such as procurement all play important roles. Accountability requires public awareness and the opportunity to articulate concerns; voice, empowerment and participation are all essential. Box 3 below cites material from the FY01

CAS to better illustrate the importance of the corruption issue which IDA was seeking to address; while there have been some improvements, the issue certainly remains high on the agenda.

**Box 3. Corruption and its Underlying Causes**

Corruption in Bangladesh exacts such a heavy toll that econometric analysis suggests its reduction to levels similar to those in countries like Singapore and Sweden would raise GDP growth by about 2.5 percent per annum, while reducing corruption levels to those of its neighbors would still have a substantial impact. This achievement would contribute significantly to poverty reduction.

Corruption imposes a disproportionate burden on the poor. They are forced to go without access to power and water because they cannot afford the illicit payments necessary to secure connections. They receive lower quality health and education services since they cannot pay bribes to those who control access to medical services, education materials and credit. They also suffer because roads and embankments in their areas are allowed to deteriorate while government funds are allocated to newer projects that provide more opportunities for kickbacks.

The effects of corruption are compounded by the structure of Bangladeshi society. The rules of social interaction at the household, community, market and state level are still often expressed through client/patron relationships and determined by kinship, lineage status, regional and sub-regional identity and gender. Although Bangladesh's legal framework enshrines equality, the rule of law that treats all citizens equally, operates very unevenly. Therefore, inequalities embedded in traditional hierarchical household, community and market institutions continue to exert a powerful impact, allowing political and personal power to play dominant roles. In this environment, individual challenges to the system are highly risky; no institutions guarantee impartiality or predictable outcomes. Thus, until a "critical mass" drawn from both the poor and the middle class emerges to demand a rule-based society that can actually support equality for all citizens under the law, progress on reforms will be slow and pervasive corruption will continue.

*Source: FY2001 CAS*

3.5 The importance of governance was also recognized in the Government's 2005 PRSP and in the analytic studies of development partners and Bangladeshi research and policy institutes.

### **Bank Strategy**

3.6 Governance is a complex issue, one that the Bank has more traditionally addressed in piecemeal fashion. While there were a number of governance objectives in the FY01 CAS, these were largely sector-oriented and are covered under sector chapters. The FY06 CAS with governance as the central theme for the strategic framework was an important step forward to bring more coherence to the strategy.

3.7 The first main objective in the FY06 CAS was to “Improve Implementation Capacity”:

- Improve public financial management and procurement systems and institutions, by (1) increasing tax revenue by 1.5 percent of GDP with rationalized exemptions with an expanded tax base; (2) initiate reengineering of National Board of Revenue (NBR) to better manage human and financial resources; (3) improve public financial management (PFM) by more closely aligning the budget with the PRSP priorities through the institutionalization of the Medium Term Budget Framework (MTBF), improving central government financial statements, bringing audits according to international standards, enacting a new procurement law.
- Transformation of the civil service with a new personnel management system and a new pay and employment policy linking incentives to performance.

3.8 Second, “Tackle Corruption”, by fully operationalizing the Anti-Corruption Commission and developing and agreeing on a National Integrity Strategy.

3.9 Third, lay the foundation for a comprehensive reform of the legal and judicial reform system by implementing case management and court administration reforms in the Supreme Court and in selected district courts, and introducing an Alternative Dispute Resolution System.

3.10 Fourth,<sup>1</sup> strengthen Voice/Empowerment/Participation:

- To strengthen voice, introduce a new Government information policy and e-government, redesign key business practices, and open the Public Accounts Committee hearings and procurement processes to the public, and disclose on the web of periodic financial statements and audit reports.
- To strengthen participation: institutionalize participation in expenditure tracking and budget performance analysis and satisfaction surveys.

3.11 *Relevance:* Governance was not an overarching objective of the FY01 CAS, but rather, the Bank increasingly focused on governance during its implementation, so that the program was not as well targeted as it might have been. Although governance was the cross-cutting objective of the FY06 CAS, formulation of an assistance program to support the improved strategy lagged, thereby detracting from the relevance of the strategy. There were no interventions to support public administrative reforms, except for selected components of the DSCs. Such reforms require time and sustained support, and the omission of other support vehicles was unfortunate. Further, many investment operations included in the CAS to support governance reform had been designed earlier under the narrower view of governance and were insufficient to achieve the broader governance outcomes. For example, the FY01 Legal and Judicial Capacity Building project focused on civil court reforms, with some improvements in case management, although problems with the component to improve access to justice (important for voice) was dropped. However, case management and other technical improvements could also have been pursued concerning the criminal justice system, which would have been important given the focus on corruption.

3.12 Lacking sustained and intensive support for these reforms, many outcomes were disappointing. Beyond these project-specific concerns, the FY06 CAS governance framework could have been further improved since it:

- lacked a clear organizing framework to assess achievements;
- did not result in coordinated implementation by DPs, with other partner interventions not adequately linked or sequenced, despite the joint analysis and outcome matrix, and good intentions for close consultations;
- lacked a comprehensive monitoring framework with clear measurable indicators to demonstrate progress towards each objective for either the World Bank or other donor governance programs;
- over emphasized weaknesses rather than building on what works; and
- lacked a sufficiently robust political assessment to support and, when needed, modify implementation during what proved to be a turbulent period.

### Bank Program and Associated Outcomes

3.13 The objectives of the first governance theme, **Improving Implementation Capacity** (comprising both public financial management and public sector reform), were supported by the FY04 EMTAP, the FY02 and FY07 Public Procurement Reform Projects, and the DSC series as well as the FY08 TSC.

3.14 Concerning *public financial management* there has been substantial achievement. Tax revenues have increased as called for, largely on the basis of a substantial improvement for FY08. Procurement systems have improved and government has passed the Procurement Act and taken the necessary administrative actions for implementation. In addition, a large procurement training program has been implemented but more remains to be done. As an early indicator of progress, contracts are now being awarded with much less delay. The percentage of contracts awarded after more than 12 months has been reduced from the baseline of 40 percent to 10 percent. However, an important shortcoming has been the failure to get other development partners to support a single government-led procurement system.

3.15 There have been improvements in accounting and auditing (supported by the DSCs but also related in part to DFIDs long term technical assistance) which, however, are not yet applied widely. The DSCs and TSC have also supported policy reforms including closer alignment of the budget to the PRSP, with the Caretaker Government approving a draft Public Resource and Budget Management Ordinance, but with little other substantive action. There has been some progress towards a MTBF and development of an integrated PFM information system through an Integrated Budget and Accounting System; supported by the FY04 EMTAP and DSCs, as well as DFID, and the government has strengthened strategic budget planning in fourteen ministries which emphasizes at this initial stage better integration of the revenue (recurrent) and development (investment) budget planning processes by unifying budget preparation processes and establishing an integrated budget ceiling for line ministries. However, this is not yet fully operational, and improvements are needed concerning transparency, comprehensiveness and integration, and accountability. Sustainability will depend on effective endorsement by the new Awami League government. The World Bank is now taking over lead responsibility from DFID for public finance



management through a new multi-donor trust fund but there have been some gaps and delays in this transition.

3.16 Achievement concerning other aspects of public sector reform, with a strong focus on civil service reform, has been negligible, despite support from IDA's DSCs. The Cabinet has not yet approved an action plan for civil service reforms, and a fortiori, the Public Administration Reform Recommendations have not been implemented. While a broad range of reforms is needed, World Bank assistance for systemic reforms of the civil service was limited to the DSCs, although particular reforms as, for example, in the NBR have been supported by the FY04 EMTAP and the FY08 Tax and Customs Administration (TCA) loans. It is regrettable that the Bank did not provide sustained support for such institutional reforms that are complex and require time to become deeply rooted and operational. As a result, some aspects of public sector reform have not proceeded as envisaged. Personnel management systems have not been developed, merit-based recruitment and promotions still remain to be actively adopted, and there is no improvement in posting and transfer policy. Officials continue to be posted for short periods of time, frequently one year or less at senior levels, with insufficient time to formulate much less implement improvements. With such short tenures, they cannot be held accountable for outcomes. Complementary support from other development partners has also been unsatisfactory. Much more will be needed in light of resistance within the bureaucracy and insufficient buy-in and advocacy from the government.

3.17 Therefore, achievement under "Improving Implementation Capacity" is modest.

3.18 The key objectives of the second governance theme, Tackling Corruption, supported by the DSCs, were to improve the transparency and functioning of key guardians of accountability, notably the Election Commission and, the passing of legislation, adequate staffing and operational activity of the Anti Corruption Commission (ACC). Achievement was substantial. However Parliamentary Committees and other bodies have not been functioning during the Caretaker Government so that reforms are lagging. While ADB had the lead role in improving ACC operations by providing technical support, the Bank reinforced these efforts through the DSCs and an important Policy Note, the FY07 "Anti-Corruption Initiative". The commitment of the Caretaker Government was essential to these achievements, as was the support of other partners, especially DFID, concerning the improvements in the Election Commission. Sustainability of these initiatives will depend on continued support from the new Awami League government. Despite some shortfalls, there were improvements in the transparency and functioning of some of the guardians of accountability, notably the Election Commission and, with the passing of legislation, adequate staffing and operational activity the Anti Corruption Commission (ACC).

3.19 Achievement concerning the third governance theme, **Legal and Judicial Reform**, is modest, with the separation of the judiciary from the executive in 2008, improvements in civil court processes supported by IDA's FY01 Legal and Judicial Capacity Building Project (LJCBP) which reduced case backlogs, and with the acceptance of alternative dispute resolution mechanisms. It is regrettable that work on a follow-on project is not proceeding apace. While separation of the judiciary from the executive was an important reform, this had been an important priority of the Caretaker government, so the additionality of support by the DSCs and the TSC is not clear. However, while the new Awami League government has

indicated interest there is as yet no broad consensus on reform of the justice sector agencies. There has been no major impact on the criminal court system to date, important for attacking corruption, as World Bank assistance (FY01 LJCBP, which, in turn, built on the FY00 Judicial Reform Strategy Paper) focused on civil court administration and case management, although other partners took lead responsibility for assisting reforms with police and other key criminal justice sector agencies.<sup>2</sup> The FY01 LJCBP was also designed to promote outreach to the public and to link with similar work with other DPs and NGOs, but this component was dropped from the project.

3.20 Achievement concerning the fourth governance theme, **Voice / Empowerment / Participation** was modest, with some progress attributable to IDA's FY09 TSC which supported improved access to information as the Caretaker Government drafted a Right -to Information Ordinance towards the end of its tenure. There have been improvements in voice evidenced by a more active and confident civil society and media. The changes have been a result of the growing popular frustration and the facilitation of civil society actors. There has been less progress concerning improved access to information from government or more responsive service delivery for which government is held accountable. However, other interventions focused on the more traditional approach to social inclusion with small local level investments. Overall, it appears that World Bank interventions have had a modest impact in part because the FY03 Social Program Investment Project (SIPPs) and the FY99 and FY08 Municipal Support Project were designed as primarily as urban and rural development interventions and the empowerment and participation dimensions were limited.

3.21 Achievement under the fifth governance theme, **Political Governance**, has been substantial because of improvements in the transparency of the electoral system through voter ID, election monitoring, a robust and effective approach from the Election Commission, and a more active media. However, except for local governance, noted below, this theme has largely been under the purview of other DPs under the Joint CAS, and so is not factored into the overall rating for governance. The conduct of the general elections in December 2008 and to a lesser degree the first local elections in January 2009 are key indicators as is the subsequent transition to the new government. These improvements relate to a large degree to the interventions of other development partners supporting political governance but were reinforced by the support of the DSCs for the reforms adopted by the Caretaker Government. Support to local governance through a range in interventions including the World Bank's FY06 Local Governance Support Project has strengthened political awareness at local level and provided the initial groundwork for improved local democratic governance following the first *upazila* elections.

3.22 Taken together, the overall rating for the outcome of the Bank's program with respect to the Governance component of the CAS is moderately satisfactory, given the achievements concerning public financial management and procurement, tackling corruption through the ACC, and some progress in legal and judicial reform, and despite the disappointing lack of progress in the reforming the Civil Service Administration which will have a strong impact on the capacity of the government to manage both reforms and day to day business.

3.23 Sector-specific governance issues are prominent in the sector discussions which follow. These issues played a wide-ranging role in constraining development, and were im-

portant in framing the agenda which the FY06 CAS was designed to address. Key examples include:

- Private Sector Development
  - The fiscal regime, which underpins the macroeconomic stability needed for PDS, has suffered from poor governance in tax collections. Taxes were frequently negotiated. Tax receipts were very low relative to GDP, constraining expenditures needed for development. Trade taxes were high with an anti-export bias; import duties were imposed at arbitrary levels and caused significant delays in trade.
  - Investment was often constrained by regulations and needed permits which prevented entrepreneurs from pursuing market oriented growth-inducing investment.
- Infrastructure
  - In energy, gas and oil exploration has been impeded.
  - Energy and power transmission losses in distribution impose costs on all consumers.
- Agriculture
  - Institutional capacity for sectoral planning, monitoring and implementation remains weak and fragmented.
  - Land administration procedures and records, reducing and rationalizing agricultural input subsidies.
- Human Development
  - The private sector plays an important role in providing education, but educational opportunity is skewed to the better off, as subsidies intended to facilitate schooling by the poor are not well targeted with considerable leakage.
  - A high degree of centralization imposes huge burdens on officials and lack of effective community participation.
  - Teacher and doctor absenteeism is high.
  - Losses of pharmaceuticals and drugs curtails the effectiveness of local clinics.

3.24 A set of cross-cutting themes underpin many of these examples, and are also explored in the following chapters:

- Implementation capacity is an important constraint in SOE management, rural roads, health, education, the railroad, Dhaka water supply, and others.
- Civil service reform is needed, including training and better pay and rotation policies, for improved implementation of agriculture and rural development programs, education systems, health, and others.
- Bangladesh has the largest unitary government in the world, and the lack of decentralization imposes huge burdens on officials charged with management of public sector operations.

- Tackling corruption – taxes and Chittagong Port are areas in which corruption is being addressed, though with much still to do, and is still even more of a problem in areas such as education and health, where, for example, absenteeism of teachers and doctors is a major issue.
- Legal and judicial reform – while case management and administrative reforms have improved processing of cases in only about one-third of the district courts, further improvements are needed. Reforms are yet to begin in the remainder, an important constraint to entrepreneurs and other actors in development.
- Strengthening Voice/Empowerment/Participation: community development, education, SIPP projects, are examples of where enhanced voice, empowerment, and participation are being attempted but where much more is needed to spur effective development.

3.25 A common theme to both design and implementation problems is the lack of a results orientation based on monitoring and evaluation which holds both GOB (and its agencies) and DPs responsible for program delivery. This is discussed at length in, for example, the chapter on Human Development. Also important is sustained engagement for complex institutional reforms, where investment lending, AAA, and DPLs may all have a role to play.

3.26 For the future, there are a number of suggestions for addressing the identified constraints:

- **Improving Implementation Capacity** (both public financial management and reform of public administration) – This needs to be based on “political will” which cannot be built from outside but can be fostered by a coordinated and consistent development partner dialogue at the political level with the new government coupled and fostering increased political discourse supported by increased information flows and more open communication. For example, more AAA products should be translated into Bangla. Coordination among development partners needs to be strengthened, as do linkages among sector level administrative reforms. Closer linkages between technical work (e.g. PFM and procurement) and policy level reforms is needed.
- **Tackling Corruption** – There is an opportunity to build on the popular support for improvements reflected in the recent elections and growing activity within civil society. Early signs are that new government is supporting the strengthened Anti-Corruption Commission and other guardians of accountability. Further reform and strengthening of the oversight agencies will depend on political support reinforced by development partners. Support from policy based lending needs to be formulated in more detail and complemented by investment and TA operations.
- **Legal and Judicial Reform** – expand the scope of civil court reforms to districts not yet covered by the FY01 Legal and Judicial Capacity Building Project (LJCBP) and the role the Bank might play in this process, including a broader strategic view of the justice sector and implementation of judicial decisions. Expand the assistance strategy to the criminal system perhaps through partners. The Judicial Reform Strategy Program is still a basis for a government program, as little progress has been made in key areas and it has barely reached its midterm. If the new Government reaffirms

its commitment to the strategy it can provide the platform for concerted development partners' support for broad-based reforms.

- **Strengthening Voice/Empowerment/Participation** – while limited in this area by its mandate, the World Bank could strengthen the joint approach with joint monitoring, lesson learning, and shared analysis with other partners. However, this is, for the most part, a subject for civil society and NGOs, especially at the local level.
- **Political Governance** – This cannot be a core issue at the national level for the Bank by itself, so there is a need to further enhance collaboration with other development partners taking a sensitive approach to support the growth of democratic processes and political participation. However, the Bank can enhance support for new locally elected bodies through fiscal transfers and capacity building which can also be complemented by interventions from bilateral development partners.

3.27 Improved coordination among the DPs is needed. The implementation of the governance aspects of the FY06 CAS was not well coordinated with other partners and there was no joint monitoring. This is particularly important for governance since it is cross cutting across so many areas. Implementation was also weakened because it depended on existing World Bank interventions which were not always sufficient to achieve the objectives. In sum, the heightened importance given in the CAS to the political dimension of governance was not matched by adequate attention to the dynamics of governance within the bureaucracy, political systems and wider democratic participation.

3.28 Despite these shortfalls, the FY06 CAS and its implementation could be a turning point regarding deepened governance analysis, emphasis on the role of Bank assistance in addressing shortfalls, and improved partner harmonization. Success should not only be judged by achievements to date, but also by the extent to which the next joint strategy benefits from this experience.

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<sup>1</sup> Another objective was political governance, including election process reform, but this was left to the other joint CAS participants.

<sup>2</sup> IDA practice, until recently, precluded work on criminal justice reform.



## 4. Macromanagement and the Policy Framework for Private Sector Development

4.1 Private Sector Development (PSD) has been an increasingly important priority, which covers a wide range of issues. This chapter addresses those related to macroeconomic management and the cross-cutting policy framework for private sector development. Agriculture, with its special role in promoting pro-poor growth, and infrastructure, so crucial to enable private sector development, comprise other components of the CASs PSD program and are covered in subsequent chapters.

### Setting

4.2 While Bangladesh has generally enjoyed a reasonable degree of macroeconomic stability, developments in the late 1990s caused concern. Central government deficits increased from the average of 4.5 percent of GDP through the 1990's to 5.1 percent of GDP in FY00, and inflation, which had already reached 8.4 percent in FY98 and 6.1 percent in FY99, became a serious concern. The State-Owned Enterprise (SOE) sector accounted for about one-third of the deficit and much larger deficits loomed, in the absence of an appropriate policy framework. Low tax revenues, equivalent to only 8-9 percent of GDP (about one-third below the average for low-income countries) also contributed to the deficit, and, equally important, constrained government expenditure in priority areas. Income and other taxes were generally negotiated.

4.3 Tariff and trade reforms in the 1990's had propelled growth, especially readymade garments (RMG) exports, but many important constraints remained: (1) high tariffs compared to neighboring countries, even after some reductions, (2) the anti-export tax bias, and (3) operational constraints in the main port of Chittagong, among others. Foreign Direct Investment (FDI), at about 1 percent of GDP, was relatively low, related, in part, to concerns about governance and political stability. A number of constraints discussed elsewhere in this report affected industry and growth more broadly, including energy shortages, corruption and governance issues.<sup>1</sup>

4.4 While private sector output and exports had been growing at satisfactory rates, the heavy reliance on RMG was (and remains) a concern. With such a narrow base, the economy is exposed to considerable risk. Implementation of further reforms could foster broader-based patterns of production which would reduce this risk, as well as broaden participation to more of the population.

4.5 An important rationale for the focus on private sector development is its impact on poverty reduction. Poverty reduction has been impressive, though much remains to be

done. Poverty rates declined from 57 percent in the beginning of the 1990s to about 40 percent in 2005. However, large rural-urban gaps remain, as does an unfortunate geographic divide between more prosperous East with better transport linkages and the less prosperous West.

4.6 Administrative constraints concerning investment have been an important impediment to private investment. Although the investment regime has been relaxed, allowing entrepreneurs to react more directly to market signals, governance concerns remain. Infrastructure constraints remain important and are discussed in subsequent chapters. The labor pool still has limited skills, and programs to improve the level of human capital are discussed in chapter 5. The financial system is still very inefficient.

## Strategy

4.7 The Bank recognized the important role played by the IMF in pursuing macroeconomic stability with the intention of closely coordinating with the IMF's PRGF.<sup>2</sup> In addition, the reintroduction of policy based lending in the form of the DSC series, after a hiatus of ten years, offered the Bank an important complementary vehicle for the macroeconomic policy dialogue, as well as key sector issues which had an important role in macroeconomic performance. Fiscal reforms were supported through TA to the National Board of Revenue.

4.8 Recognizing the role that trade reforms had played in spurring PSD, trade was an important focus of Bank strategy. The DSCs carried important trade conditionality, complemented by investment projects and AAA (including the FY05 Competitiveness Study and the FY07 study: Implications of WTO agreements). Financial sector constraints were addressed directly through TA loans to the Bangladesh Bank as well as the DSCs.

4.9 The Bank's emphasis on financial sector issues shifted from a macro perspective in the 2001 CAS and the 2003 CASPR to the stability and modernization of the financial system in the 2006 CAS. The need to expand microcredit, especially for the poorest, remained as a central theme. The earlier strategy documents emphasized the need for an independent central bank that would be able to deliver a stable and convertible currency – low inflation and an exchange rate that would be sustainable while fostering exports. They also picked up from the IMF programs the emphasis on improving the management of the nationalized commercial banks (NCBs) in order to privatize them and, thus, reduce the quasi-fiscal deficit that they generated. The newer strategy, while maintaining the line on NCBs, sought to strengthen bank supervision and regulation (banks account for 90 percent of the financial system and the ratio of financial deepening is about 40 percent of GDP), as well as to help develop the regulations for other financial intermediaries (mostly insurance companies) and promote the emergence of capital markets.

4.10 Another key to sustaining private sector-based growth was the removal administrative barriers: Transparency still needs to be improved in the processes of the Board of Investment (BOI), the Bangladesh Export Processing Zone Administration (BEZPA), and the also in the Registers of Joint Stock Companies (JSC). The time required and cost of business



entry and exit are high, contract enforcement has high costs and long time delays, efficiency and costs of ports/customs needed to be improved.

4.11 SOE reforms included privatization and labor force retrenchment to spur PSD, and pricing reforms to better align product prices with input costs, especially concerning petroleum pricing, as there have been episodes where price adjustment lags have caused large quasi-fiscal deficits equivalent to several percent of GDP.

4.12 Poverty monitoring was weak and poorly implemented, and poverty analysis was not incorporated in sector programs (which the PRSP sought to remedy). The FY01 CAS and FY03 CASPR also sought to strengthen poverty monitoring in supporting the PRSP which was prepared in 2003 and by supporting the incorporation of poverty analysis in sector programs. While poverty monitoring was dropped as a separate objective in the FY06 CAS, poverty monitoring and analysis continued based on the World Bank's long-standing partnership with Bangladesh Bureau of Statistics (BBS) and utilizing successive rounds of the Household Income Expenditure Surveys (HIES). One product was the FY08 Poverty Assessment for Bangladesh,<sup>3</sup> which analyzed the causes of the substantial decline in poverty incidence in terms of components of GDP growth, and which was even more notable because it occurred despite continuing natural disasters. It went on to note that this was an excellent record for South Asia, but less impressive compared to East Asian countries. Beyond GDP growth, other important factors were urbanization, rising returns to human and physical assets, rising labor productivity and wages, and the shift from low return agricultural labor to nonfarm employment in urban areas and growth in export industries. Despite progress, Bangladesh remains a poor country, with an estimated 56 million people in poverty in 2005. Regional inequalities are increasing, with growth in the eastern part of the country (which includes Dhaka and Chittagong) outpacing growth in the western part of the country.

4.13 *Relevance:* The strategy to accelerate PSD by supporting both an improved macro framework and an improved business environment was highly relevant. It appropriately identified the key constraints to development and the proposed program was well-suited to addressing these. In particular, the use of the DSC series and the TSC credit, supported by well-targeted AAA and investment lending, was well-designed.

## Bank Program

### OPERATIONS

4.14 A series of four Development Support Credits<sup>4</sup> and a Transitional Support Development Credit (TDC)<sup>5</sup> were implemented under the CASs to address a broad range of policy reform issues. The DSCs were a marked shift from strategy under the FY98 CAS where DPLs were not pursued in the absence of a more forthcoming GOB stance on reforms including governance. The DPLs represented a view that engagement and incremental progress would be more productive in addressing issues in macro-economic stabilization, trade reform, SOEs, financial system reforms, public financial management with increasing emphasis on procurement reform and medium-term budgeting, and the energy sector,

health and education, and, especially for DSC IV, judicial sector reform and anti-corruption. This DPL series comprised 33 percent of total lending for FY01-08.

#### 4.15 Investment operations supported more specific objectives

- The FY04 Economic Management Technical Assistance Program (EMTAP) sought to strengthen: (i) the National Bureau of Revenue (NBR); (ii) corporate accounting and auditing, (iii) government use of information technologies to improve public participation, and (iv) public management institutions.
- The FY04 Enterprise Growth and Bank Modernization (EGBM) Project sought to (i) improve SME access to finance, (ii) strengthen SOEs by refurbishing assets and supporting SOE retrenchment, (iii) strengthen the Privatization Commission,<sup>6</sup> the Board of Investment, Bangladesh Export Processing Zones Authority, and the Bangladesh Small and Cottage Industries Corporation (BSCIC), and (iv) support NCB reform with management and privatization experts.
- The FY03 Central Bank Strengthening Project provided resources to strengthen Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) and support reorganization, modernization and human resources development.
- The FY99 Export Diversification Project provided financing for (i) a matching grant facility to help firms increase and diversity exports, which was not successful, and (ii) streamlining trade/customs procedures and an early phase of introducing the Automatic System for Customs Data (ASYCUDA) in Chittagong Port, which saw a decrease in physical inspection of imports from 100 percent coverage to 10 percent, an increase in the speed of processing imports, with same day clearance increasing from 19 percent to 35 percent of all imports.
- Finally, the efforts by the Bank to extend Bangladesh's unique and pioneering micro-credit system to the poorest has been supported by the Microfinance II project, approved in FY01, and by the Financial Services for the Poor Learning and Innovation Loan (LIL), approved in FY02. The former operation is still active and was supplemented in FY07. The latter closed in December, 2007, and received an ICR outcome rating of highly satisfactory, but has not yet been evaluated by IEG. In the opportunities that the CAE mission had to discuss the outcome of the LIL with the authorities and with PKSF, a microcredit leader who acted as implementing agency, the operation was hailed as innovative and very successful. Efforts to scale up the model by the Palli Karma-Sahayak Foundation (PKSF) are currently underway, with support from the Government. The CAE mission notes, however, that while 96% of the beneficiary households in the sample were poor if US \$1 per capita income per day is used as the poverty criterion, the percentage of poor drops to only slightly over 40 percent, when purchasing power parity (PPP) is considered.

#### AAA

4.16 About 30 ESW tasks related to macro/PSD were planned under the three CASs, of which 11 were dropped, while another 17 tasks were added during implementation. The program was robust and the tasks pursued covered all major subjects under the CAS PSD strategy. Several of them, such as Bangladesh: Growth and Export Competitiveness, May, 2005, and Bangladesh: Strategy for Sustained Growth, June, 2007, played important roles in

the policy dialogue, promoting trade and other important reforms. The Development Policy Review (DPR), December, 2003, showed why the investment climate needed to be improved and proposed a program of key reforms to do so. The Public Expenditure Review (PER), May 2003, found that tighter financial management of the government's public expenditure program and the SOEs could result in savings equivalent to about 2 percent of GDP, important for fiscal reform and its role in macroeconomic stabilization and effective programs for infrastructure and other sectors upon which PSD depended. The Financial Sector Assessment Program (FSAP) was delivered in FY 2003 and its findings were well received by the authorities, who used them to focus more on the prudential issues faced by their financial system. Those findings were also the basis for the Bank's assistance on prudential regulations and supervision, and on the development and regulation of the other financial institutions and capital markets.

4.17 While these tasks were generally solid and professional products, the CAE mission found that Bank staff did not fully consult with the private sector; several of the major chambers of commerce made strong representations on this matter, noting that they had not had the opportunity to provide their views.

### **Bank Program Outcomes**

4.18 GDP growth increased from 5.3 percent in FY03 to 6.3 percent in FY04, and then ranged from 6.0 to 6.4 percent from FY05-08, which is a very strong record. However, inflation became a more serious problem as the CPI growth increased from about 2 percent for FY00 and 01, to 5-9 percent subsequently through FY07, and to 10 percent in FY08, although exogenous factors, especially rising food and fertilizer prices based on world markets, affected the CPI in 08. However, other players, including the GOB and the IMF, had larger roles than the Bank in helping to bring about these outcomes. These significant achievements are not therefore heavily weighted in the outcome ratings.

4.19 National savings rates increased from 25.4 percent of GDP in FY04 to an estimated 29.2 percent of GDP in FY08,<sup>7</sup> with a decline in public savings from 3.3 percent to 1.0 percent more than offset by an increase in private savings from 22.1 percent to 28.3 percent. Investment rates remained essentially static at about 24 percent, a slight decline in public rates (6.2 to 5.0) being offset by a slight increase in private (17.8 to 19.2 percent). Total central government debt declined from the equivalent of 51 percent of GDP in FY04 to 43.8 percent of GDP in FY08.

4.20 The public revenue/GDP ratio improved, reversing the deteriorating trends in the fiscal deficit and its domestic financing. Central Government revenue increased from 10.3 percent of GDP, of which taxes 8.3 percent of GDP in 2003, to 11.4 percent of GDP in FY08, of which taxes 9.1 percent of GDP. Income tax collection was much improved in FY08, with payment becoming much more straightforward and fewer reports of negotiated tax payments. This outcome is in part attributable to the FY04 EMTAP and the FY08 TCA loan, though the GOB and the IMF were more important in achieving this result. However, consumer satisfaction surveys to verify this were not been implemented as envisaged. The overall fiscal deficit remained at about 3.5 percent of GDP through the period.<sup>8</sup> The PRSP

was prepared as envisaged but did not have a large impact on government programs,<sup>9</sup> nor were there substantial improvements in the project approval and implementation systems.

4.21 The SOE reform agenda has two important tracks. First, improved petroleum pricing policy is needed because divergences between world market and domestic prices of petroleum products periodically generate large quasi-fiscal deficits. While the Caretaker government belatedly raised petroleum prices in July, 2008, (by around 40 percent), and retail prices for compressed natural gas for transport and fertilizer prices were doubled, this was only because SOE losses had become untenable.<sup>10</sup> Price levels are now more in line with costs, but there is still no improvement in policy.

4.22 Second, restructuring of the SOE sector, where there has been substantial achievement. Under DSC II, Government committed to dispose of all manufacturing SOEs and stemming their losses. The objective was to downsize by 5-10 enterprises a year, out of 100 manufacturing enterprises still in public domain. Under DSC III, manufacturing SOEs cut losses by 60 percent since 2001, a reduction in number from 121 in FY01 to 92 in FY04 and employment from 134,000 to 83,000, in excess of the target reduction of 45,000 workers. Since then, progress has been slower. Six SOEs were privatized in FY05, and another four loss-making enterprises closed in July, 2007. In FY08, 16,237 workers participated in the government's voluntary retirement scheme.

4.23 There was substantial achievement in reducing trade tariffs, with support from the DSCs, for which this was a significant objective. However, despite these improvements, trade protection is still higher than in other South Asian countries. Average nominal protection was lowered from 29.4 percent in FY02 to 25 percent in FY03 to and 21.8 percent in the FY08 budget. The number of items subject to QRs was reduced from 122 in FY01 to 15 in FY06, and all but 3 trade related QRs (poultry, eggs, and salt) were eliminated. Removal of a longstanding ban on a wide range of textile imports has been particularly important. A Trade Policy Cell was established to assist in the formulation of future reforms. However, exports have not been diversified, and, in particular, the grant-matching program supported under the FY99 Export Diversification project did not have a statistically significant impact.

4.24 The balance of payments has improved, and the precisely specified target in DSC I, namely, to reduce the then current Debt/GDP ratio of 51 percent to less than 50 percent by 2007, has been easily achieved, with the debt/GDP ratio now s shrunk to 44.4 percent in FY08. The World Bank had alerted Bangladesh that, with the expiration of the Multi-Fiber Agreement in 2005, RMG exports might suffer. However, exports were not constrained and in fact boomed in FY08, reaching US\$14.2 billion, up from US\$12.1 billion in FY07 and US\$10.4 billion in FY06. As the world economic events of 2009 unfold, exports are now clearly at risk, especially given Bangladesh's dependence on RMGs and lack of diversity. Bangladesh is clearly vulnerable, and there are serious concerns about sustainability.

4.25 For the set of objectives regarding macro-economic management, fiscal, and trade issues, there was *substantial achievement*, for example, with exports increasing far beyond projections, but also some shortfalls, with less diversification than desirable.

4.26 Concerning the reduction of administrative barriers, and streamlining business regulations, the Board of Investment introduced “e-government” processes to allow on-line tracking of requests. The Registrar of Joint Stock Companies has started automation program. The Land Registration Act came into force on July 1, 2005, which should reduce scope for false and multiple registration of Land. These were attributable in part to support from the DSCs. The efficiency of Chittagong Port has been much improved, turnaround time reduced from 22 days in October/November, 2006, to less than 3 days in December, 2007. The customs regime has been reformed under the ASYCUDA II program supported by the DSCs. Customs used to be arbitrary, costly with formal and informal payments, and time-consuming. Reforms instituted by the Caretaker Government have dramatically changed this. Customs are now routine and in adherence with tax laws. But there is still much to do. Labor regulations have disappeared as an issue for business (FY08 ICA) but there remain issues of corporate responsibility. More importantly, labor skills are a real bottleneck for growth.

4.27 The outcomes of the monetary and exchange rate policies of Bank Bangladesh are quite remarkable (although with little attribution to IDA’s program) having been able to maintain a low rate of inflation during the evaluation period (an average of 6.2 percent) as well as a strong balance of payments outcome grounded on a dynamic export sector and rising remittances – the external current account balance has averaged 0.3 percent of GDP throughout the evaluation period. That said, progress in NCBs has been less than expected, as political constraints have proven too powerful and the targeted privatizations have not taken place, and, despite this having been an important focus of IDA assistance in the DSC series. Within the IMF’s PRGF of 2007 corporatization of remaining NCBs became a structural performance criterion, and was approved by the Government. Similarly, the Government has managed to eliminate the overruns in the net open foreign exchange position of the NCBs.

4.28 In discussions with the CAE mission, the Governor of Bangladesh Bank expressed his appreciation for the Bank’s support in this regard, but noted that he was also receiving help on the substantive regulatory and supervisory issues from the IMF and the Bank for International Settlements (BIS). Perhaps because of the progress in reining in the open foreign exchange position of the NCBs and because of the actions taken on prudential matters following the FSAP, Bangladesh seems to be fairing well within the current world financial crisis. While its balance of payments is showing the impact of the world wide recession, the banking system seems to be solvent enough to be able to keep moving along.

4.29 Overall, Bangladesh has made some important progress, but there is still much to do. The country ranks very low in competitiveness, and, for example, in the Global Competitiveness Index<sup>11</sup> for 2008, Bangladesh ranked 98th out of 122 countries, similar to Bolivia, Benin, Albania, but well below India, Sri Lanka, and Pakistan.

4.30 For the set of reforms concerning administrative barriers and streamlining business regulations, there was modest achievement with improvements such as those related to stock registration with the Registrar of Joint Stock Companies. There is, however, some continuing concern that formal and informal constraints on investment (including the operations of BOI) are a continuing impediment to PSD.

4.31 Taking all of these together, an outcome rating of moderately satisfactory is warranted on balance, based in part on the moderately satisfactory and satisfactory outcomes, respectively, of DSC I and II<sup>12</sup> and the progress to date in achieving the objectives of the program.

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<sup>1</sup> Bangladesh: Strategy for Sustained Growth, June, 2007, World Bank Report No. 38289-BD

<sup>2</sup> Approved June, 2003, for SDR 347 million, and increased to SDR 400 million under the Trade Integration Mechanism. The PRGF expired on June 19, 2007, with total withdrawals of SDRs 316.73 million

<sup>3</sup> Report No. 44321-BD

<sup>4</sup> There were also two supplemental credits to FY07 DSC IV. The first supplemental financing of US\$75 million provided support following flooding while the second for US \$100 million helped provide relief for 9 million cyclone victims.

<sup>5</sup> The TSC was approved towards the end of FY08 to support policy reforms, the “transitional” aspect being the transitional nature of the political situation

<sup>6</sup> The goal was to privatize “most” of the 95 SOEs.

<sup>7</sup> IMF Article IV Consultation, October, 2008

<sup>8</sup> There was an increase in FY08 to 4.7 percent, but more than 1 percent of this represented a one-off payment for past losses by the petroleum company.

<sup>9</sup> The PRSP was prepared by consultants. Government commented that efforts to improve national ownership of such programs was lacking. Further, over-reliance on consultants discouraged work commitment on the part of Government, inhibited domestic capacity building, and reduced sustainability of outcomes.

<sup>10</sup> BPC and BCIC losses reached 114 billion Taka (equivalent to US\$1.7 billion) in FY08, up from 29 billion (US\$422 million) Taka in FY07.

<sup>11</sup> Published by the World Economic Forum

<sup>12</sup> ICRs have been produced for DSC III, DSC IV, and the TSC, but not yet evaluated by IEG.

## 5. Infrastructure

5.1 This chapter covers the key infrastructure subsectors: energy, water supply and sanitation, transportation, and telecommunications.

### Energy

#### SETTING

5.2 Despite some improvements since the 1990s, the energy sector is in crisis. There is a severe power shortage. Important causes for this are the misallocation of gas supplies as between public and privately owned plants and gas and power distribution losses. In addition, for the future, new gas fields need to be developed. However, gas (as well as petroleum) exploration has been essentially static since 2006. Without these, gas production will peak in 2011 and reserves will be exhausted by 2020. In 2008, GOB tendered several offshore blocks to international oil companies, but processing of contracts has been delayed. As of end-February, 2009, the newly elected government has not yet decided whether to honor the contracts awarded by the previous government.

5.3 Gas transmission losses are high; a significant proportion of gas pipelines have poor input/output metering which conceal where losses occur. Power distribution losses have decreased from 25 percent in FY2001 to 16 percent in FY 2006, but are still much too high. Both gas and power distribution losses are considerable, despite recent institutional reforms and some significant improvements.

5.4 Related electricity shortages cause unpredictable and costly power shedding. Most noticeable is the impact on the industrial sector and its exports which have been the main engine of growth for the economy. According to the FY08 Second Investment Climate Survey Assessment, some 29 percent of small-scale firms, 62 percent of medium-scale firms, and 91 percent of large-scale firms have their own generation plants, and firms report that they rely on their own generators for about 28 percent of electricity consumed.

5.5 The poor are also hurt. Only 31 percent of the rural population has access to electricity (World Bank, 2008). Despite this, because of shortages, a temporary ban was placed on additional energy connections in rural areas through most of 2007, an important impediment to Bangladesh's goal of providing universal access to electricity by 2020.

5.6 While there have been a number of recent reforms, much more is needed. The national oil and gas holding company, Petrobangla, is financially weak as low domestic gas prices do not cover replacement costs and taxes are high. Recent improvements include: (1) the establishment of the independent Bangladesh Energy Regulatory Commission (BERC) in 2003, to set tariffs and otherwise regulate the sector, and, for example, urban and bulk electricity tariffs were increased by 5 and 10 percent respectively in March 2007, and bulk tariffs further increased by 20 percent in October, 2008, and (2) the new task force or-

ganized to help reduce losses in the gas sector, leading to programs to disconnect illegal gas and electricity connections, while a pre-paid metering system has been introduced and interface meters have been installed.

### STRATEGY

5.7 Different strategies have been attempted over time in what has frequently been a difficult dialogue. Governance concerns motivated the Bank to seek up-front reforms as part of the FY01 CAS's for the Base Case scenario, and when these were not forthcoming, the Low Case scenario became operational. By 2002, with a new government but as yet little progress, the Bank pursued a two-track approach. The first track employed DSC<sup>1</sup> conditionality to improve both sector governance and implement specific measures relevant to ongoing projects. Reforms were also supported by the FY08 Power Sector Development Policy Credit, which follows on the DSC policy reforms. Key institutional reforms sought included an independent regulatory authority, the Bangladesh Energy Regulatory Commission (BERC) and the Bangladesh Power Development Board (BPDB). The second track supported rural sector development through investment lending with the FY02 Rural Electrification and Renewable Energy Development (RERED) project to support electricity distribution, justified in part on the basis of Rural Electrification Board's (REB) governance and its greater autonomy from political interference, although recently this has been deteriorating.

5.8 Under the FY01 CAS and FY03 CASPR, the objectives were to:

- address inadequate rural energy, measured by an increase in energy access and increase in gigawatts consumed.
- improve the business environment for the private sector, measured by an increase in IPP participation in the sector.
- improve the supply, access and reliability of energy supplies, measured by improved service standards, ending reliance on government support for current costs with adoption of improved policy for energy trade, reduced level of unaccounted electricity usage, setting up an independent regulatory authority, and unbundling of BPDP.

5.9 Under the FY06 CAS, the objective was to improve access to and quality of infrastructure services, by strengthening sector governance and encouraging private sector participation. The intended outcomes were:

- Improve governance and efficiency in infrastructure services:
  - A regulatory and pricing framework more conducive to greater private sector participation, with an intermediate indicator being the progressive alignment of domestic energy prices and power prices adjusted to reflect changes in underlying costs.
  - Progress towards the corporatization and commercialization of public utility agencies, and publicized service delivery standards and performance targets in the power, telecommunications, and water sectors, with intermediate indicator being that the BPDB restructured and successors incorporated.



- Private sector participation in infrastructure provision increased, with an intermediate indicator to conclude at least two deals for new privately financed base-load power plants following competitive and transparent procurement and applying the generation financing strategy.

5.10 *Relevance:* The strategy was highly ambitious and designed to capitalize on major reforms which in the event did not materialize. Thus, the proposed FY02 Power Reform APL was dropped, and the proposed FY02 Power Sector TA was delayed until FY04. IDA did pursue investment lending with the Meghanaghat sub-project of the FY98 Private Sector Infrastructure Development (PSID) project, but most other PSID sub-projects were dropped. IDA then turned to the DSCs to carry the policy dialogue. However, with complex triggers and lack of commitment from the Government, the DSC I energy triggers fell far short of actual implementation and many were repeated in DSC II. Further progress in rural electrification was interrupted when, in the absence of Bank support for the gas sector, and with gas shortages serious limiting electricity production, a ban was imposed on rural electrification through most of 2007. Thus, the original strategy was not highly relevant, but by creatively using alternative instruments, IDA kept the program relevant, albeit with mixed outcomes, as discussed below.

#### **BANK PROGRAM**

5.11 The Meghanaghat power plant, constructed as part of the FY98 PSID project, was successful, although FY98 PSID as a whole had a project outcome rating of moderately unsatisfactory. During the FY01 CAS Low Case period (2001-2002), there was no lending to the sector. The first subsequent project was the FY02 RERED project, which is ongoing and is supporting development of 45 rural cooperatives (out of 70 in the country), and the construction of 11,000 solar home systems thus far.

5.12 DSC I supported establishment of the BEREC and a new pricing framework for petroleum products, gas and power, which, however, were not implemented as expected and had to be repeated in DSC II. DSC II produced more concrete results: (i) BEREC was fully established, (ii) arrears in the power sector were reduced, and (iii) some progress made in restructuring the petroleum and gas sectors. However, energy prices were still not adjusted in accordance with the agreed formula.

5.13 During this time, the ADB supported key reforms with its lending program, including the corporatization of two urban distribution companies, although World Bank documentation does not give full credit to the ADB for supporting these reforms, an important concern given the overlapping objectives of the two institutions.<sup>2</sup>

5.14 Under the FY2006 CAS, DSC III and IV contained more realistic energy reform triggers, with some success. The government adopted the Financial Restructuring Plan and members were appointed to the BEREC. The FY2008 Power Sector DSC was implemented with the objectives of further strengthening BEREC, corporatizing Southern Zone Power Distribution Company (SZPDC), and strengthening of REB and BPDB. In addition, implementation of the FY08 Siddhirganj Peak Power Plant project began, after a long gestation period. However, Petrobangla's agreement to supply natural gas is at risk because of its over commitment.

5.15 A number of AAA products were delivered on time except for the Private Provision of Infrastructure report which was delayed from FY01 to FY03. Some more general reports, such as the FY03 Public Expenditure Review and the FY02 Investment Climate Assessment had some impact on the sector, as did some AAA targeted to the sector, such as the “Considerations on Energy Pricing and Power Sector Dialogue” paper.

5.16 Many important recommendations from AAA tasks were incorporated into the lending program. In particular, AAA generated recommendations on energy pricing reform, gas and electricity sector restructuring, and reduction of SOEs arrears to energy entities, all of which were all included in the DSC triggers.

### OUTCOMES

5.17 There were three broad objectives in the FY01 CAS and FY03 CASPR. The first objective, to enhance rural infrastructure development, had modest achievement. The number of electrified villages increased from 32,000 in FY01 to 44,000 in FY05, and to 47,000 villages in FY08. The number of REB consumer connections increased from 3.4 million in FY01 to 6.1 million in FY05 and 6.9 million in FY06. Installation of SHSs (solar energy for households) was on track. The FY03 RERED, by 2006, had brought electricity to more than 400,000 rural consumers and provided 80,000 rural consumers with SHSs, surpassing the original target of 50,000. However, an energy strategy for the rural sector was not adopted.

5.18 The second objective was to remove policy, institutional and structural constraints to improve the business environment for private sector development, which had modest achievement. A new energy pricing mechanism (needed to attract private sector development) was not adopted, despite its inclusion as triggers in DSC I and DSC II. However, even with these constraints still in place, the Bank contributed to increased capacity of IPPs: it financed Meghananghat power plant as a part of PSID project and provided a partial risk guarantee to Haripur power plant. Finally, the BEREC, established in 2003 (related to triggers for DSC I and DCS II) became fully operational only in 2008.

5.19 The third objective, to increase supply, access and reliability of energy supplies, was partially achieved, attributable to conditionality under the DSCs. Energy service improved: installed generation capacity increased from 4005 MW in FY01 to 4995 MW in FY05; and collection efficiency went up from 93 percent in FY01 to 99.1 percent in FY06. BPDB losses (excluding REB) decreased from 26.11 percent in FY01 to 20 percent in FY05; in FY05 IPPs provided about 36 percent of total electricity generation. Separation of electricity distribution from BPDB had been under way. However, distribution losses are still large, the BPDB had to resort to load shedding, and, with electricity tariffs not covering full costs, BPDB incurred losses. Arrears to major utilities were reduced from 9.2 months in June 2001 to 3.8 months in June 2006. Private participation lagged, and the shift from public to private investments for new generation did not occur – two new publicly owned power plants were launched: coal-based Barapukuria and gas-powered Tongi. Both turned out to be expensive, inefficient and unreliable.

5.20 While revenue collection efficiency increased and system losses decreased, this cannot be solely or, perhaps, even primarily, attributed to the Bank. Corporatization of two power distribution companies was one of the triggers in DSC I, but ADB was directly fi-

nancing corporatization and supporting the newly created power distribution companies. However, the Bank did support the decrease of SOEs arrears to BPDB in DSC II.

5.21 The FY06 CAS objective was to improve governance and efficiency in infrastructure services, for which there was only negligible achievement:

- the GOB failed to align domestic energy prices with international prices, and tariffs still do not cover costs. The Bank supported a new pricing policy, but thus far without success.
- BPDB restructuring is proceeding at a slow pace. The Bank started directly supporting restructuring of BPDB by including investment support to SZPDC in the pipeline (and corporatization of SZPDC is also one of the components of Power Sector Development DSC). The Bank also recently signed Siddhirganj Power Plant investment project that will contribute to peak power generation in the country.

5.22 The outcome of the Bank's assistance program is rated as Moderately Satisfactory. The lending program was ambitious and complex. The energy reforms supported by the Bank started very slowly and some important components, e.g. energy price adjustment, still have not been achieved. However, after FY05 the pace of the reforms has picked up: BEREC now has some autonomy with a reasonable expectation for future independence, the Meghanaghat power plant has been completed, a partial guarantee was provided for the Haripur base-load plant, assistance for the Siddhirganj peak power plant is crucial, and there have been achievements in rural electrification.

5.23 Greater impact might have been achieved with more consistent involvement in the sector, such as well targeted investment projects in the gas sector and other areas identified by AAA reports. The decision by the Bank to reengage in power generation and distribution is not only positive but crucial at this time given the power crisis. However, the Bank seems not to have given full credit to other DPs, especially ADB, which played important roles.

## Water and Sanitation Program

### SETTING

5.24 Despite some progress, a number of important issues remain. Eighty percent of the population has access to improved water sources, but only 36 percent has access to improved sanitation facilities. Arsenic poisoning remains a serious problem, as there is a high concentration of arsenic in over half of Bangladesh's 64 districts, and only 78 percent of the rural population had access to safe water in 2006, a small improvement from 77 percent in 2000.

5.25 The urban situation is actually deteriorating. Access to safe water decreased from 86 percent in 2000 to 85 percent in 2006, and access to sanitation facilities, from 51 percent to 48 percent during that time, the result of high population growth in urban areas and government's inadequate capacity and resources. Public water supply and sanitation services are lacking in the largest cities – Dhaka, Chittagong, Khulna, and Rajshahi, where piped water serves only 70 percent, 33 percent, 51 percent and 40 percent of the population, respec-

tively, while the poor (40 percent of these cities' populations) are largely underserved. Only Dhaka has a waterborne sewerage system, serving only 25 percent of its population.

### STRATEGY

5.26 The FY01 CAS strategy continued past strategy to assist the government in achieving least cost solutions to providing water supply and sanitation services; foster institution building, including facilitation of multilateral and private sector participation and attracting increasing amounts of investment finance; and ensure the availability of a minimum supply of safe water and sanitation facilities to an increasing share of the population, particularly low income groups. The proposed lending program was conditional on clear progress in governance reforms and structural issues, which proved to be too ambitious. With shortfalls in the FY97 Dhaka Water Supply IV project, after the project closed in 2002 there was no further lending for urban water supply and sanitation until 2008. The Bank thus lost its capacity to constructively dialogue, and results achieved were not maintained but rather were reversed. During this time, operations were limited to the ongoing FY99 Arsenic Water Supply Mitigation (AWSM) project, and to marginal involvement in urban WSS through the FY00 Municipal Services project.

5.27 This changed with the Bank's 2005 Country Water Resources Assistance Strategy (CWRAS) which called for the Bank to be more actively involved to promote good practice in areas where best practice might not always be possible. Specifically, the Bank would re-engage in urban WSS subsector in the mega-cities of Dhaka and Chittagong, especially targeting low-income groups. Reinforced in the FY06 CAS, the CWRAS then focused principally on improving efficiency by reducing and to some extent governance by reducing opportunities for corruption and nontransparent procurement practices. More specifically, objectives included: (1) better urban planning and management, (2) access to quality services through better accountability in water and sanitation, and (3) water resource management as indicated by (a) surface water quality in and around Dhaka, (b) 300 communities switching from shallow tube-well water to community run piped water schemes, and (c) increased coverage of solid waste collection and adequate disposal in selected towns.

5.28 *Relevance:* The strategy was relevant and in line with the GOB's development goals, especially addressing poverty reduction and pro-poor growth through provision of adequate infrastructure services to low income groups as well as addressing the arsenic crisis. However, the proposed lending program was very ambitious, and could not be implemented even under the purview of the CWRAS guidelines.

### BANK PROGRAM

5.29 Under 2001 CAS, WSS projects were included under the Base Case lending scenario, but with triggers which reflected the mixed track record. In FY02-03 the Bank constrained its lending assistance due to governance concerns, lack of progress on decentralization and municipal reform, as well as the poor PSD environment which deterred private investors. A difficult and at times tense dialogue with the GOB translated into repeatedly unsuccessful attempts to provide lending assistance: several projects were postponed and eventually dropped, including the proposed FY04 Khulna Urban Services project and FY03 Water and Sanitation Sector Improvement project that would have financed low-cost sanitation and water supply schemes in rural communities.

5.30 Some lending did materialize. The ongoing FY03 Social Investment Program project (SIPP) provides financing and institutional arrangements to improve access to local infrastructure and basic services through the implementation of community-driven small-scale infrastructure works and social assistance programs, through its support in turn of the Social Development Foundation (SDF).<sup>3</sup> SIPP now supports 6 pilot community-driven piped water supply projects. Capital costs are shared equally by SDF as a public entity and a private entity sponsor, while the community pays for the services and maintenance. The project has been generally successful; for the 6 pilots, 1040 households have been provided with piped water, and another 888 are expected to be so provided. Tariff collections have reached 70 percent of billings. With a successfully first project, the Bank is scaling up the SIPP.

5.31 The ongoing FY04 Water and Sanitation Program (WSP) project aimed to introduce public-private partnerships (PPPs) with 50/50 cost sharing between GOB and the private sponsor to provide rural water supply, and to pilot beneficiary payment for piped safe water, which traditionally had been free. However, private sector participation fell well below expectations. After four years of slow implementation, the implementing agency, the Department of Public Health Engineering (DPHE), finally requested a reduction in the private sponsor share from 50 percent to 30 percent and otherwise make the project less ambitious and more manageable. At that time, disbursements had reached only US\$2.3 million (out of US\$40 million committed) and the Bank cancelled US\$25 million. However, there may be a more fundamental communications issues between the DPHE and private sponsors. DPHE is now considering more traditional programs with full funding by the GOB agencies.

5.32 The ongoing FY09 Dhaka Water Supply and Sanitation project targets low income groups in Dhaka to improve the sustainable delivery of services by DWASA through installation of selected storm water pumping stations, rehabilitation of the city's sewerage network and treatment plant as well as support of DWASA's pilot expansion of WSS services into selected Dhaka slums. The project is the first of its kind in Bangladesh to compensate resettled households.

5.33 Concerning AAA, the WSS sector was covered in FY03 Private Provision of Infrastructure report (which identified low tariffs and cost recovery as well as arsenic contamination as major issues), the previously discussed CWRAS, and in a number of other studies in urban development. No AAA on the sector was included in FY2006 CAS. QAG (FY04) found that the size and scope of AAA program in WSS sector was too small.

## OUTCOMES

5.34 Under the FY01 CAS and FY03 CASPR, improved water and sanitation facilities for rural population was an important component of rural infrastructure development for integrated rural development. Although the proportion of the rural population using improved water sources and sanitation facilities increased from FY01 to FY05 from 72 percent to 78 percent and 26 percent to 32 percent respectively, the Bank's contribution was important but fell short of objectives. The Bank successfully piloted only 6 community-driven piped-water schemes through the FY03 Social Investment Program Project (SIPP) as well as 15 pilots through FY99 AMWS project. While over 2.5 million people received access to improved water sources through these interventions, this was fewer than expected. The attempt to

scale up PPP-driven piped-water schemes through WSP project was not successful, and intended institutional reforms were not achieved. The Bank was absent from Dhaka water supply where access deteriorated. Overall, there was modest achievement for this component.

5.35 Under the objective “Reducing the Poor’s Vulnerability”, there was modest achievement through the FY99 AMWS project and the FY03 SIPP and WSP projects. While fewer poor were assisted than envisaged, the AMWS was the first project of its kind to address the crisis holistically through providing safe drinking water alternatives to the affected communities, testing tube wells and analyzing the source of the problem. The Bank also piloted community-driven piped-water schemes through the SIPP. However, the Bank failed to scale up the model in the FY04 WSP, under which private sector participation did not improve.

5.36 The FY06 CAS objective of improving access to quality services through better accountability had negligible achievement as access to safe water and sanitation in urban areas has been falling.

5.37 Therefore, the outcome of the Bank’s assistance program is rated as Moderately Unsatisfactory.

## Transportation

### SETTING

5.38 Transportation is becoming increasingly important with growth in international trade, and with a widening gap between wealthier parts of the country, with access to better transportation networks, and those without good access.

5.39 There has been a dramatic increase in the paved road network, from 600 km in 1947 to over 13,000 km in the mid-1990s, and then to more than 274,000 km, by 2005, of which 253,000 km are rural roads. The national road network now covers the country adequately, but road rehabilitation and maintenance is lacking, and feeder roads are of especially poor quality.

5.40 Inland water transport services are deteriorating with a consequent fall in demand. Inland waterways are critical as flooding regularly disrupts other transport modes and more than half of all land is within 10 km of a navigable waterway. However, network conditions are unknown; there has been no comprehensive hydrographic survey since 1989.

5.41 Port traffic has increased dramatically. Chittagong in the east handles 80 percent of total traffic, and Mongla in the west, the remainder. Despite recent improvements, port efficiency remains an issue.

5.42 Bangladesh Railways’ (BR) market share has been declining, due in large part to weak management. There is a severe shortage of capacity, especially along the Dhaka-Chittagong corridor. Safety is an important issue; on average, during 2001-2005, there were 586 derailling incidents per year, a large increase over the past. BR has continual financial

problems; GOB subsidies finance about 36 percent of BR's total operating expenditure and all capital expenditures.

5.43 The rapidly growing urban population has far outstripped the capacity of urban infrastructure which, with poor agency coordination and traffic management, causes considerable congestion and delay, especially in Dhaka.

5.44 Donor coordination is reasonably good. For example, there is an informal division of labor between the DPs; with the World Bank more involved with the construction and rehabilitation of roads west of Jamuna and the ADB involved in roads subsector east of Jamuna.

### STRATEGY

5.45 The FY01 CAS continued earlier Bank strategy. Objectives included continued support for rural roads, increased private sector participation, and increased efficiency of Chittagong port. There were two tracks: (i) selective involvement through performance-based lending where opportunities presented themselves, and (ii) continuous support of "islands of excellence" in rural infrastructure that included rural roads. Within the rural roads subsector, the Bank would continue the community-driven approach that had previously shown good results. The Bank also proposed a private container port project, Patenga Container Terminal, which could be financed through the FY98 Private Sector Infrastructure Development (PSID) project.

5.46 The 2006 CAS contained a more holistic program focused primarily on improving governance, institutions, and efficiency in general by reducing opportunities for corruption and non transparent procurement practices. In particular, the Bank sought to remove constraints in the primary road sector and support improvements in the main transport corridor, to gradually establish an integrated multimodal transport system (comprising roads, inland water transport, ports, and railways) and promote sub-regional cooperation by developing transit links and cross-border facilities. A specific objective was improvement of the Dhaka-Chittagong Transport Corridor, calling for a new mooring container terminal in Chittagong Port to be concessioned to the private sector.

5.47 *Relevance:* The Bank's lending program for the transport sector was relevant and in line with the country's development objectives. However, initially the program was not designed to support all the elements outlined in the strategy. The program focused on rural roads, building on previous successful experience (e.g., the community-driven approach), and targeted to critical road links while providing marginal support for urban transport. However, the program should have also initially focused on Type B feeder roads connecting district headquarters with growth centers, local markets and sub-district headquarters, which are generally of poor quality. The FY06 CAS corrected this too narrow approach and proposed operations in a number of subsectors

### BANK PROGRAM

5.48 Under the 2001 CAS and 2003 CAS Progress Report, the main objective of the ongoing FY03 Rural Transport Improvement Project were improvement, rehabilitation and construction of rural roads, bridges/culverts, markets and river jetties as well as capacity build-

ing of LGED. The project was to cover areas with 35 percent of Bangladesh's population and 40 percent of its rural population. Procurement issues initially caused delays, and there are continuing issues with poor contractor performance with LGED lagging in pursuing remedies. However, main indicators are likely to be achieved: average travel times and transport costs have been reduced by more than 50 percent as of December, 2007; and 6,145km of rural roads are categorized as in "good" condition, which is very close to 6,200km target. LGED operating efficiency has improved, although some procurement issues remain.

5.49 The FY03 SIPP supported improved financing and institutional arrangements for access to local infrastructure and basic services through community-driven small-scale infrastructure works and social assistance programs, providing matching grants as previously explained (see paragraph – concerning in Water Supply and Sanitation). After a slow start, implementation has improved, and by end of June, 2008, 1275 small infrastructure subprojects were completed and handed over to the communities for management and maintenance; 947 of those targeted construction and/or rehabilitation of small rural roads. The subprojects appear to be built well and are maintained properly.

5.50 Under the FY06 CAS, lending included the FY07 Bangladesh Railway Reform Programmatic Development Credit (which closed in FY08) that aimed to improve the GOB and BR governance relationship, as well as BR's corporate governance and management structure. The project was the first major Bank operation in the sector and was part of a larger, multi-donor development partnership with the GOB to modernize and reform the railway sector through a medium-term reform and investment program. The project has closed but has not yet been evaluated.

5.51 The AAA program was quite limited but in line with the needs of the lending program. Under the FY01 CAS, there were few AAA tasks for the transport sector; however, transport was included in the FY02 PER and the FY03 Private Provision of Infrastructure (PPI) report. The PER discussed the roads subsector in great detail and the effectiveness of public investment in transportation. It also outlined policy priorities, noting that inland water ways needed increased attention. The PPI report identified issues in each transport subsector, assessed the possibility of private sector involvement in each subsector, and offered recommendations for the next steps to attract private investment.

5.52 The FY04 Surface Transport Sector Assessment identified the reform agenda in ports, railways and inland waterways and suggested concepts for future projects in these subsectors. The FY06 Inland Water Transport Sector Review presented a detailed analysis of inland waterways and ports subsector and provided strategic recommendations and suggested ways for the Bank to support the subsector.

## OUTCOMES

5.53 Concerning the FY01 CAS and FY03 CASPR, there was modest achievement of objectives concerning rural infrastructure, as the total road network increased from 207,485 km in 2000 to 239,226 km in 2003. By 2006, over 70 percent of roads were considered to be in good condition, but road maintenance should be improved. The government also completed a new management framework for feeder roads. In addition, the Bank's program supported creation of 78,000 person-years of employment, of which one-fourth were for women. For



example, in the Rural Roads and Market Improvement and Maintenance Projects out of about 5,700 maintenance crew members, 4,200 were destitute women; 13,000 destitute women were also employed by LGED for off-pavement maintenance. The Bank promoted community involvement through the FY03 SIPP. This component is given much more weight than the following components because it was most important in terms of commitments and disbursements, and affected a large number of rural inhabitants.

5.54 However, other objectives had negligible achievement, including:

- Transport sector reforms. Despite considerable success in achieving physical indicator targets, little progress was achieved in institutional reform. The Bank contributed to the improved transport conditions in Dhaka through the FY99 Dhaka Urban Transport project, although there was negligible achievement of the institutional component.
- Improving the business environment for private sector investments in the sector. The FY97 PSID project had two transport infrastructure sub-projects with private participation in its pipeline (the proposed private container facility in Chittagong and the Dhaka bypass road), but financed neither since private sector interest flagged due to the weak legal and regulatory environment.
- Improving efficiency of ports. Efficiency remained low during this CAS period. The proposed Patenga private container terminal project, delayed by legal challenges, is now a possible future project.
- Remove structural constraints that impede development. As of 2006, Strategic Transport Planning Study financed by the Bank as a part of Dhaka Urban Transport project has not been approved by the GOB.

5.55 Concerning the FY06 CAS, there was negligible achievement for the following objectives:

- Reduce administrative barriers. While Chittagong Port efficiency increased dramatically,<sup>4</sup> the Bank did not materially contribute to this,<sup>5</sup> as the main reforms were implemented by the Government which removed corrupt port management and eliminated inefficient labor practices.
- Improve governance and efficiency of infrastructure services. Private sector participation in infrastructure marginally increased, but the Bank's program did not play a large role in this. As of 2008, an O&M concession of the Chittagong Port Access Road was in process; out of 13 land ports, 12 were handed over to private sector operation. But, these developments were supported by ADB projects. The Bank contributed to improved efficiency and maintenance as well as improved private sector participation in transport sector through SIPP, but, with only 1939 km of roads supported by the SIPP, the contribution of the Bank to this sub-objective was marginal.

5.56 The outcome of the Bank's program is rated as Moderately Unsatisfactory. The expansion of the rural road network and employment of rural poor women was heavily weighted in the evaluation of the program since it is crucial for poverty reduction. However, the lack of progress in improving the efficiency and governance of infrastructure services

and the negligible achievement under the other components results in the moderately unsatisfactory outcome rating.

5.57 Procurement issues / corruption – INT has agreed to provide more information.

## Telecommunications

### SETTING

5.58 Bangladesh was the first South Asian country to allow private sector participation in the telecommunications sector, which it did in 1989. However, due to policy and institutional barriers, the country still has poor coverage and quality of service. There is only 1 fixed land line per 100 people.<sup>6</sup> While all segments of the telecommunications market have been opened to competition, the most lucrative Dhaka market is controlled by the Bangladesh Telecommunications Company Limited (BTCL), a recently created state-owned company, whose corporatization was supported by the Bank. The mobile market has been the only rapidly developing subsector with 31.8 million subscribers. Grameen Telecom<sup>7</sup> started the Village Phone under which coverage of rural areas increased dramatically. In 2006, 90 percent of population was reported to be covered by mobile telephony.<sup>8</sup> Relatedly, private sector participation increased from US\$330 million in 2002 to about US\$3.4 billion by 2008.<sup>9</sup>

5.59 For further growth, further reforms are needed for the BTCL; electricity and other infrastructure constraints need to be addressed; the recently established Bangladesh Telecommunications Regulatory Commission (BTRC) needs to be strengthened, and the legal framework modernized to support private investment inflows. The Bank is the major donor in the sector, supporting capacity building of BTRC and corporatization of BTTB.

### STRATEGY

5.60 The FY01 CAS and FY03 CASPR focused on improving competition, supported by the FY03 Telecommunications TA project and FY04 DSC II. The FY06 CAS continued the strategy, with a sharper focus on improving regulatory quality and governance, to be supported through DSC III.

5.61 *Relevance:* The strategy was relevant and program design was appropriate; with poor institutions, the program appropriately pursued sector reforms through TA and DCS II and III.

### OUTCOMES

5.62 Under the 2001 CAS and 2003 CAS Progress Report:

- “Improving business environment for the private sector” had modest achievement. BTRC became operational in 2002 and it developed and announced licensing regulations in 2004. The GOB approved the National ICT Policy in 2002. However, the restructuring of BTTB proceeded more slowly than envisioned and it was not corporatized by the end of the CAS period. Implementation of a transparent interconnection framework has been pending since 2004.

- “Addressing lagging information and communication technology” had modest achievement. Overall telephone penetration in the country increased from 0.83 percent in 2002 to 10.7 percent in 2006. By mid-2006, 90 percent of the country’s population was covered by mobile telephones (a substantial increase from 40 percent in 2001). However, Bangladesh still lagged other South Asian countries in ICT penetration: in 2006, internet usage at less than one percent of the population was less than Nepal, Sri Lanka, Pakistan, or India, at 1, 3, 8, and 11 percent respectively.

5.63 Under the FY06 CAS:

- “Improving governance and efficiency in infrastructure services” had substantial achievement. All segments of the telecommunications market were opened to competition with new private operators providing services in all market segments and private investment increased tenfold. However, the most lucrative Dhaka fixed-lines services market is still controlled by the state-owned BTCL.
- “Upgrading business alignment of skills and technology absorption with market needs”, merits a rating of modest achievement. ICT penetration is still relatively low.
- BTTB was corporatized into Bangladesh Telecommunications Company Limited (BTRC) in 2008 which then auctioned three broadband wireless access licenses. There was substantial achievement for this component.

5.64 The outcome of the Bank’s program is, on balance, rated as Satisfactory, attributable to support of the above objectives from DSC II and DSC III. The program appropriately targeted institutional restructuring and policy reforms in the sector, and the creation of BRTC from BTTB was an important achievement, along with the auctioning of three broadband wireless access licenses, all notable successes in a difficult environment.

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<sup>1</sup>DSC triggers included corporatizing several companies linked to ongoing ADB projects West Zone Power Distribution Company (WZPDC) and Northwest Zone Power Distribution Company (NWZPDC).

<sup>2</sup> DSC I ICR does not mention that the corporatization of two urban distribution companies was supported by ADB. Also, the ICR (June 2004) mentions that corporatization was done, which is only partially true: WZPDC was corporatized, but corporatization of NWZPDC was expected to be corporatized by July 2004 (DCS II ICR). There is only one mention of ADB support to corporatization, at the very end of DSC II PAD and ICR (triggers matrix).

<sup>3</sup> established by the GOB in 2001 as a not-for-profit company to promote community driven initiatives

<sup>4</sup> As of 2007, container dwell time in the port is 18 days, turnaround time is 3 days and annual growth in container throughput between 2006 and 2007 was 14%

<sup>5</sup> The World Bank did support improvement in the customs regime in the DSCs under the Asycuda II program. Credit for this is given in the Chapter on Private Sector Development.

<sup>6</sup> World Development Indicators, 2008

<sup>7</sup> Grameen Telecoms is majority owned by Telenor, a Norwegian company.

<sup>8</sup> World Development Indicators, 2008

<sup>9</sup> Of which, about 65 percent was FDI (Telenor is majority shareholder in Grameen). In addition, about US\$250 million was provided by the Chinese government for a rural program, and US\$60 million by the Islamic Development Bank for investment in an undersea cable.

## 6. Agriculture, Rural Development and Environment

### Setting

6.1 With over three-quarters of the population and close to 85 percent of the poor living in rural areas, the rural economy is critically important for growth and poverty reduction.

6.2 Over the past three decades, Bangladesh has made commendable progress towards strengthening its rural economy. The country has now essentially reached self-sufficiency in staple foods, as cereal production has tripled since independence and despite a doubling of population; this helped reduce real food grain prices by 30 percent. Yield increases accounted for most of the increased production, and reflected a rapid expansion of mechanized irrigation, use of improved seeds, and increased fertilizer and pesticide usage.

6.3 The number of non-farm enterprises doubled from about 2 million in FY90 to about 4 million in 2003. These enterprises now generate a third of the total GDP and providing close to half of the total rural employment.

6.4 The ability to cope with natural disasters and reduce their adverse impacts also improved.<sup>1</sup> Better weather monitoring and warning systems, enhanced ability to evacuate people and provide shelters, and streamlined protocols for mobilization and distribution of relief supplies are some of the contributory factors in that respect.

6.5 This robust performance reflects first and foremost a policy environment allowing rural entrepreneurs to operate with minimal governmental interference and without major price distortions.<sup>2</sup> Sustained governmental support for rural infrastructure (particularly rural roads and electricity) as well as for public goods (e.g., agricultural research) were also important factors in stimulating agricultural intensification as well as growth of off-farm activities. A dynamic NGO sector helped fill, in part, the gaps due to weaknesses in the governmental support services (e.g., rural credit and agricultural extension).

6.6 Despite this record, even better performance was constrained by all pervasive governance problems as well as weaknesses in sectoral institutions. The annual agricultural sector growth rate of 2.9 percent since 1990 is roughly comparable to that for India (3 percent) and for the Low Income Countries as a whole (3.2 percent) but lagged behind the growth rates for China (4.1 percent) and Vietnam (4.2 percent).<sup>3</sup> Cereal yields were lower than in China, Indonesia and Vietnam indicating the scope for further productivity gains, as does the large gap between actual farm yields and those on demonstration farms in Bangladesh. Inadequate input availability and use may explain part of these gaps; farmers in Bangladesh use, for example, only two-thirds the amounts used in China and Vietnam. Unbalanced fertilizer use seems to lead to degradation of soil fertility. Seed quality needs to be

improved. Sub-optimal use of inputs is also related to insecurity of land tenure, constraints in availability, and weaknesses in extension and marketing services.

6.7 Food security ranks high on GOB's list of priorities because of its role in poverty reduction but also because of socio-political upheavals that accompany food shortages. While Bangladesh normally does not import large amounts of food, the difficulties in assuring food security through international trade during the recent food crisis have led most GOB officials to equate food security with food self-sufficiency backed by adequate reserves to manage year-to-year fluctuations. Against this, there has been a worrisome slowdown in cereal production growth during the CAE evaluation period. Between 2001 and 2008, cereal production grew by only about 1.5 percent a year (below the population growth rate of 1.8 percent). This reflected reduced incentives for and profitability of cereal production due to the decline in real prices of cereals (more recently reversed following the recent global food crisis) as well as the cumulative effect of declining public sector investment for strengthening sector support services, especially research and extension, high quality seeds, and marketing.

6.8 Recent growth may not have been adequately pro-poor in the sector, nor were more vulnerable segments of the population adequately protected. Not enough attention was paid to the needs of agro-ecologically disadvantaged areas such as char lands,<sup>4</sup> salinity prone coastal areas, and hilly areas. Elite capture of the fisheries programs on communal lands and land grab by the powerful due to weaknesses in land ownership records and land tenure also appear to be problematic.

6.9 Most importantly, institutional capacity for sectoral planning, monitoring and implementation remains fragmented and weak. Direct responsibilities for agriculture and rural development are spread among eight separate ministries, often with overlapping and poorly coordinated functions. With few exceptions (e.g., Local Govt. Engineering Dept. (LGED) and the Rural Electrification Board (REB)), most sectoral agencies suffer from excessive centralization in decision-making, poorly informed by ground level realities, exhibiting the weaknesses of the civil service administration discussed earlier.

## Strategy

6.10 The Bank has played an important, albeit uneven, role in supporting GOB efforts at rural and agricultural development. While the overall Bank assistance program contracted to the Low Case Scenario in the late 1990's through 2002, the agriculture and rural development program appeared to have suffered disproportionately. Slow progress in restructuring of the Bangladesh Water Development Board (BWDB) as well as policy disagreements vis-à-vis fertilizer pricing and subsidies added to the negative perceptions. Concerns about fiduciary issues, following an INT investigation of the FY96 River Bank Protection Project, further soured the sectoral dialogue. The perception in the Bank that agriculture and rural development programs are slow and expensive to deliver and supervise also contributed to the cut back. The cutbacks also reflected complacency engendered by the progress in food self-sufficiency and hence the perception both among DPs and within GOB, that agriculture was no longer a priority.

6.11 This contraction set in motion a vicious circle; with the declining program, a smaller program made difficult good quality staffing, which in turn made difficult a productive sector dialogue. The net result, going into the 2001 CAS was an aging sectoral portfolio, a project pipeline with indifferent client interest and ownership, severely depleted sectoral knowledge, and a demoralized Bank sectoral staff. Mutual mistrust and tensions between the Bank agricultural staff and their counterparts in Bangladesh added to the malaise.

6.12 Bank strategy under the FY06 CAS had a more auspicious launch, building as it did on GOB's PRSP. Agriculture and Rural Development continued to enjoy high priority in the FY2006 CAS albeit indirectly as part of the two pillars guiding the 2006 CAS – improving the investment climate and empowering the poor. With enhanced sectoral knowledge to back it up, the CAS was able to articulate more coherently the approach to promoting growth in the sector as well as a more focused program of support from the Bank.

6.13 Bank objectives in the FY01 and FY06 CASs to promote ARD comprised:

- Strengthen policies for rural growth through: (i) increasing the demand-responsiveness of agricultural research and extension, (ii) modernizing land administration procedures and records, (iii) reducing and rationalizing agricultural input subsidies, and, (iv) improving the regulatory environment for agri-business.
- Strengthen local governance through: (i) sustained increase in discretionary resources available to local governments, (ii) increased capacity for effective, accountable and transparent generation and use of public resources, and (iii) increased powers and responsibilities for women members of local governments.
- Improve disaster management capacities with three intermediate indicators: (i) disaster management mainstreamed throughout relevant GOB structures and donor programs, (ii) increase emphasis on mitigating climate change effects in donor programs to protect interests of the poor, and (iii) strengthen Bangladesh Water Development Board.

6.14 In support of these objectives, the proposed Bank assistance included 4 lending operations and 6 AAA tasks.

6.15 The CASs' formulation of the program could have been improved through: (1) increased specificity in intermediate indicators and milestones, and formulation of monitoring mechanisms in the Bank and GOB, and (2) since the GOB and DPs are still organized along sectoral lines rather than thematic lines, clarification of accountabilities for results among the various sectoral agencies and units would have been helpful, as would have effective mechanisms for inter-sectoral coordination during implementation.

6.16 Despite the stated emphasis on harmonization and alignment as part of the joint CAS, it is difficult to discern many synergies and complementarities among the ARD programs of the four DPs. Only 3 of the 40 odd interventions proposed by the four partners are planned as joint activities -- with the World Bank having not a single joint activity with any of the other three partners. Beyond endorsing the overall directions and priorities outlined in the PRSP, it appears that no effort was made to integrate and/or coordinate the assistance programs of the four partners.<sup>5</sup> Apparently, the DPs made no efforts to ensure that the proposed assistance provided a coherent response, delivered in a cost-effective manner, and, in

particular, of any efforts to agree on a division of labor (either for lending or for AAA) among the four partners consistent with their interests and comparative advantages. It is doubtful, therefore, if this joint CAS led to any significant cost savings either for DPs or counterparts in the GOB.

6.17 A bright spot in terms of donor coordination is the ARD subgroup of the Local Consultative Group. Led by FAO, the Group has provided a useful forum for information sharing among the various DPs as well as discussion of emerging issues and challenges bearing on the Bangladesh Agriculture. However, the impact of the Group has remained limited due to uneven interest and attendance by the main DPs, while the exclusion of GOB counterparts might be reconsidered.

6.18 *Environment.* The FY01 CAS identified four environmental concerns: health risks to which the poor are particularly vulnerable (including poor air quality), resource degradation, poor land use planning increasing the vulnerability of the poor to natural disasters, and salinity intrusion, which were to be addressed by an Air Quality Management Project, private sector programs to reduce two-stroke engine emissions in Dhaka, strengthened application of safeguard policies and a river restoration project. The FY06 CAS noted several environmental issues, including the need to mainstream disaster management and to increase the emphasis on mitigating climate change effects in donor programs. A Country Environmental Assessment, postponed from FY04, was programmed for FY06. Other environmental issues, such as arsenic mitigation, were addressed through sector specific programs. Climate change has not been adequately addressed, a threat to which the country appears to be highly vulnerable.

6.19 *Relevance.* The FY01 CAS objective of implementing an integrated approach to rural development was highly relevant, but its realism was questionable as was the feasibility of the proposed operations. The ARD Results Matrix for the 2001 CAS listed ten new projects, six new pieces of ESW as well as Non-Lending Technical Assistance in five different areas. Each of the 30 odd activities had some justification, but taken together, the program was clearly unrealistic given the Bank country dialogue, counterpart absorptive capacities, and low case scenario budgets.

6.20 Under the FY06 CAS, the specific proposed donor assistance activities appear generally in line with sectoral opportunities and constraints identified in the PRSP. There were, however, several gaps and imbalances. First, there was an inadequate emphasis on agricultural diversification. Second, more attention was needed for water resource development through stepped-up investments in irrigation, drainage and flood control (e.g., through a Water Sector SWAp to support the agreed National Water Management Plan). More support was also needed to strengthen and rationalize the role and responsibilities of key sectoral institutions. Thus, the joint CAS thus only partially addressed the past neglect of the ARD sectors. These gaps underscore the need for DPs to fully engage sectoral units in CAS preparation especially with a thematically designed CAS.



## Bank Program

6.21 Concerning the FY01 CAS, outside of supervision work most planned activities were dropped or slipped. Only three (Micro-finance II, Rural Transport and Rural Electrification) of the ten projects were approved during the CAS period and only one (Rural Non-Farm Employment) of the six AAA pieces was delivered (with a one year delay).

6.22 On the positive side, new initiatives were launched with the FY03 SIPP and the FY02 Financial Services for the Poorest Project (FSPP) which was not foreseen in the CAS. The SIPP aimed to empower women and disadvantaged groups using the CDD approach. The FSPP, implemented through PKSF, aimed to develop viable models for helping the ultra poor. Following successful piloting, both projects are now in the scale-up phase.

6.23 There was almost no dialogue between the Bank and core sectoral counterparts such as the Ministry of Agriculture, Ministry of Livestock and Fisheries, and Ministry of Land. In part, this reflected the decision by SAR management to link support to progress on governance issues. It also reflected Bank staffing constraints leading to client perceptions that the Bank did not have much to contribute. Finally, disagreements on the design of the Water Sector Management Project brought the dialogue with the Ministry of Water Resources and the Bangladesh Water Development Board to a standstill.

6.24 Without exception, counterparts in Bangladesh – GOB officials, NGOs, and other DPs – were critical of the Bank's absence from this important sector during that period. Many argued that even in the context of a low case scenario, the Bank should have remained engaged through its analytical work as well as support for high-impact, long-gestation investments such as in agricultural research. Support for scaling up of successful pilots from the ongoing portfolio (e.g., the Forestry Program) could also have helped maintain the sector dialogue. The Bank was also remiss in not following up more proactively on earlier good quality work on Climate Change and Sustainable Development. A more proactive stance by the Bank in engaging the client could have prevented slippage in sectoral performance and would have better positioned the Bank to support ARD following improvement in the overall Bank-country relations.<sup>6</sup>

6.25 While good progress was made in improving rural infrastructure, little if any progress was made in most of the other indicators relevant for ARD. Most glaring in this respect were the Bank's failure to agree with GOB on: (i) An Agriculture and Rural Development Strategy; (ii) An action plan for reform of the National Agriculture Research System; (iii) A program for improving Land Records; and (iv) Restructuring programs for BWDB, BADC and BSB.

6.26 Under the FY03 CASPR, as the Bank shifted to the base case lending scenario, but planned Bank support for ARD was more selective: two lending operations complemented by five pieces of AAA. However, the FY03 CASPR retained the same objectives and underlying framework, so that the CAS progress indicators also remained essentially unchanged thereby continuing the unrealistic promises of the 2001 CAS.

6.27 Despite intensive efforts by the Bank in rebuilding staff capacity and client relationship, the operational program for FY04-05 also suffered significant slippages suggesting the

high cost of reengaging a client after a long hiatus. Neither of the two proposed projects<sup>7</sup> could be approved during the CAS period, although they were approved with 3 and 4 year delays. Analytical work also slipped, although several tasks did lay the foundation for a more productive relationship. The Bank played a positive role in donor coordination through its active participation in the Local Consultative Sub-Group on Agriculture and Rural Development.

6.28 Under the FY06 CAS actual lending deliveries so far by the Bank have significantly exceeded the CAS plans. Three of the four projects have already been approved and the fourth one (SIPP II) is scheduled for Board presentation shortly. In addition, resumption of dialog with BWDB led to resuscitation and approval of the long-stalled FYXX Water Management Improvement Project (one of the four reserve projects in the CAS). Demonstrating responsiveness to client needs, the Bank also provided support for two emergency operations: a \$109 million credit to help Bangladesh's Recovery and Restoration efforts in the aftermath of Cyclone SIDR, and a \$130 million Food Crisis Development Support Credit. Finally, using the procedural flexibility provided under the newly introduced Additional Lending instrument, the IDA provided supplemental financing totaling US\$98 million for scaling-up of two ongoing projects (SIPP and Microfinance II). The CAS period thus reflects major gains in rebuilding the depleted sectoral portfolio as well as in improving relationships with the key counterparts.

6.29 The development objectives and designs of the Bank-supported projects appear to be in tune with the identified sectoral constraints and priorities. The competitive grants model underpinning the National Agricultural Technology Project should help increase research efficiency. Augmented resource transfers to Union Parishads under the Local Governance Support Project could be an important vehicle for the much needed decentralization of rural development programs, and for strengthening capacities and accountabilities at the local level. Building on the relevant global experience, the Avian Flu Preparedness would hopefully help avoid the potentially devastating impact on the poultry production.

6.30 The Emergency Cyclone Operation, besides restoration and recovery in the short-term, would also help prepare and launch the longer term program for disaster risk reduction.

## Outcomes

6.31 The project level results for the sectoral portfolio related to the 2001 CAS present a mostly positive picture. All nine of the ongoing projects at the start of FY01 CAS have since been completed and evaluated by IEG; outcomes for all but one are rated moderately or fully satisfactory. Some of the notable achievement of those projects included: improved access to many rural communities thereby stimulating non-farm enterprises (Second Rural Roads Project), flood control works to help communities in coping better with natural disasters (River Protection Project), and successful piloting of the participatory forest management model (Forest Resource Management Project).

6.32 One of the five projects approved during the 2001 CAS period (Financial Services for the Poorest) has also been completed and appears to be successful in developing viable

models for reaching the hard core poor; GOB is now supporting replication of that model on a country wide basis using its own resources. Another one, the SIPP, has been completed, exceeding the original objectives in empowering women and the disadvantaged groups and the project has been extended through three rounds of additional financing, while a follow up project is would support further scaling up.

6.33 The overall portfolio performance for the period appears quite respectable suggesting that there were indeed ample opportunities for productive investments in the sector, despite the all-pervasive governance problems. Failure to follow-up on some of the successful pilots meant missed opportunities for scaling and enhancing sustainability.

6.34 The outcome of IDA's program in environment is subsumed in the discussion and ratings for ARD and rural water supply, where arsenic mitigation was an important outcome. There has been a substantial improvement in air quality in Dhaka with the introduction of compressed natural gas as a power source for two-stroke engines, for which the FY01 Air Quality Management Project and the FY01 study "Improving Urban Air Quality in South Asia by reducing Emissions from Two-Stroke Vehicles deserve some credit.

6.35 The overall performance for the ARD program during the 2001 CAS period is rated as moderately unsatisfactory. The generally satisfactory outcome of the actual interventions is more than offset by the missed opportunities due to lack of effective dialogue with the key counterparts during much of the CAS period. It also recognizes the significant inefficiencies in the use of the Bank's budget (and also presumably of client resources) implicit in the droppage of large number of operational activities due to inadequate priority setting and unrealistic programming.<sup>8</sup> The above finding is largely consistent with that in the CASCR, prepared by the Region, which had concluded that "Bank contribution to rural growth did not have the impact expected in the CAS". They are also consistent with the earlier recommendation by QAG in its Country Program Assessment in 2004 that "the Bank needs to be more directly involved in agriculture."

6.36 Under the FY06 CAS, with the progress made in building a sensible portfolio, the challenge for the Bank was effective implementation, all the more important given project complexity and counterpart capacity constraints. Early feedback is not altogether reassuring. Except for the SIPP, all projects seem to be experiencing a slow take off. Client feedback during the CAE mission also suggested some frustration with the need for multiple clearances from the Bank as well as slow turn around by the Bank TTLs in responding to client communications. Many TTLs also seem frustrated due to the increasing attention needed to fiduciary matters, leaving too little time for work with clients and other partners. The skill mix of sector staff may also be an issue. Stakeholder feedback suggests that the Bank may not have enough depth in agriculture economics, and the more technical skills needed to provide cutting edge advice and support to the client, especially in the Country Office.

6.37 The status as regards the AAA program is even more mixed. The AAA program was not well targeted to intended outcomes. Thus, even though the CAS text specifically mentioned analytical work to support the formulation of national strategy for land administration, no provision was made for it in the proposed AAA program.<sup>9</sup> Even more glaring was the absence of any analytical work concerning input subsidies since progress here was to be

the priority target for monitoring the Bank's assistance. A more careful mapping of the CAS Results Framework could have helped avoid such disconnects.

6.38 As regards delivery of the AAA program in the CAS, two of the tasks (Rural Finance<sup>10</sup> and Agro-business<sup>11</sup>) led to high quality analytical pieces that have been widely disseminated and have drawn considerable interest, while another task (Policy Support for Decentralization) was converted to TA to better target assistance to the client and also appears to be going well. The proposed FY09 Sector Update has not yet been launched; earlier implementation would have provided a better underpinning for donor assistance. The remaining two tasks (Fisheries Policy Note and Country Environmental Assessment) have been dropped. On the positive side, the Bank, at short notice, took the lead in providing GOB and the donor community with much the appreciated Needs Assessment for Disaster Recovery and Reconstruction in the aftermath of Cyclone SIDR.

6.39 Although the joint CAS partners noted the generally high quality of the analytical work done by the Bank, it is unclear if it was having any impact on either their lending decisions or their policy dialogue with the GOB.

6.40 The mixed performance vis-à-vis AAA once again underlines the need for strengthening staff skills in the sector, especially for leading the sector dialogue and for AAA delivery. For improved results, management needs to pay the same attention to AAA as it pays to lending. Equally importantly, donor coordination should go beyond lending to include also analytical and advisory activities.

6.41 The outcomes of the ARD program under the 2006 CAS are :

- Strengthen policies for rural growth, modest achievement:
  - Increase demand-responsiveness of agricultural research and extension: Preparation, approval and launch of the National Agriculture Technology project are important steps in that direction. Substantial achievement.
  - Improving regulatory environment for agri-business: The analytical work by IDA, IFC and SEDF is an important contribution to better identifying constraints and opportunities. The challenge is to ensure follow up on the recommendations. Substantial achievement.
  - Modernization of land administration procedures and records: Contrary to CAS recommendation no analytical work has been done so far. The rating could improve if the ESW now being proposed is completed in a timely fashion. Negligible Achievement.
  - Reducing and rationalizing agricultural input subsidies: This now has lower priority due to Bank staffing constraints and government's lack of interest, despite its importance, as illustrated by the recent spurt in food, fuel and fertilizer prices. Negligible achievement.
- Strengthen local governance - modest achievement
  - Sustained increase in discretionary resources available to local governments: Approval of the Local Governance Support project is a significant achieve-

ment towards decentralization. Project progress is however slow and requires close supervision. Substantial Achievement.

- Increased powers and responsibilities for women members of local governments: Reserving seats for women in Union Prishads is important. Grass roots efforts by projects such as the SIPP could also be important in nurturing capable female leadership. Substantial Achievement
  - Increased capacity of local governments for effective, accountable and transparent generation and use of public resources: This remains a distant goal. The Bank NLTA in this area is helping, but disagreements between the Bank and the GOB on the approach to capacity building at the UP level (role of the *Upazila* Resource Teams) are a concern and need early resolution. Modest Achievement
- Improve disaster management capacities – substantial achievement
    - Disaster management mainstreamed throughout relevant GOB structures and donor programs: This is indeed one of the success stories in Bangladesh. The Ministry of Food and Disaster Management has demonstrated excellent capacity for dealing with the all too frequent disasters that strike. Bank support through the Emergency projects and Damage Assessments can take some credit for this, although FAO and UNDP programs are probably more important. Substantial Achievement
    - Increase emphasis on mitigating climate change effects in donor programs to protect interests of the poor: This is a rather vague objective, but it was often mentioned during the CAE mission in meetings both with the DPs and the GOB, so there is clearly a heightened awareness of the issue. Substantial achievement
    - Strengthen Bangladesh Water Development Board: Resuscitation of the Water Management Improvement Project is a useful initial step in reopening the dialogue with WDB. Given the long history of mistrust and disagreements, progress in this area is likely to be slow. Modest Achievement

6.42 The overall rating for the ARD program during the 2006 CAS period is moderately satisfactory – a rating that also applies to all three dimensions of performance: the relevance of the program, the efficiency in program delivery, and the program effectiveness. The performance during this period is clearly an improvement over the moderately unsatisfactory rating for the 2001 CAS period.

6.43 For the CAE period as a whole (2001-08), with more weight given to the more recent rating, given the importance of trends, the outcome rating is moderately satisfactory.

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<sup>1</sup> During 2007-08, for examples, Bangladesh was hit by two major disasters – serious monsoon floods in July followed by the devastating cyclone Sidr in November; nevertheless, thanks to the effective support from GOB and DPs, the cereal production increased by 6% during the year.

<sup>2</sup> Heavy subsidy on fertilizers (especially urea) is a notable exception in this respect. Estimation of the subsidy levels is complicated by a variety of factors including volatility of international prices and

implicit feedstock subsidies to domestic urea producers. Prevalence of large fertilizer subsidies across the border in India further complicates fertilizer pricing in Bangladesh.

<sup>3</sup> WDI 08, Table 4.1

<sup>4</sup> Newly formed islands due to shifts in the course of rivers.

<sup>5</sup> It appears that in Nov. 2005, a working group of the four DPs did put together a draft Sector Strategy Note outlining the key sectoral constraints and challenges. The Note also included a results matrix to guide the efforts of the four DPs. The Note did not seem to have much impact on the final CAS, perhaps a casualty of the thematic approach of the Joint CAS.

<sup>6</sup>The Bank approach to agriculture contrasted sharply with that taken by ADB and DANIDA, which maintained steady, effective and cordial relationships with key agricultural counterparts through investment support for areas such as livestock, fisheries, area development and water resource management *albeit* with modest objectives.

<sup>7</sup> *National Agriculture Technology Project and Water Sector Management Improvement Project.*

<sup>8</sup> According to the BW data, 10 ARD projects were dropped during 2001-03; they involved expenditures totaling over 1.5 million dollars in terms of the Bank budget.

<sup>9</sup> Apparently, this is being corrected with the recent launch of Land Policy Study.

<sup>10</sup> *Increasing Access to Rural Finance in Bangladesh: The Forgotten Missing Middle.* World Bank, 2008.

<sup>11</sup> *High-Value Agriculture in Bangladesh: An assessment of Agro-business opportunities and Constraints,* World Bank, 2008

# 7. Human Development: Education and Health

## Overview

7.1 Human development in Bangladesh has come a long way. After independence in 1971 human development indicators were among the worst: the fertility rate was among the highest globally, infant mortality rate (IMR) was 145 per 1,000, child immunization coverage was only 10 percent, and only a quarter of the population was literate. In 2008 the picture is dramatically different. IMR has decreased by 70 percent, immunization coverage increased to 70 percent, and the fertility rate is reduced by more than half. Primary school net enrollment rates increased to 89 percent in 2006; since the 1980s secondary education enrollment increased 3-fold, and 7-fold among girls; and gender parity in primary and lower secondary education access has been achieved. Furthermore, since 1995 the country's human development index (HDI) increased at an average annual rate of 10 percent, outpacing all countries in South and East Asia regions.<sup>1</sup> Despite these phenomenal achievements numerous challenges remain, many of which are fundamentally dependent on service delivery in the two sectors – schools and health facilities – and are determined by the (i) quality and efficacy of the sectoral interventions, and (ii) the effective functioning of institutions. Shortfalls in both these areas are related to governance weaknesses.

7.2 The Bank has had a high level of engagement in the health and education sectors. Prior to the 2001 CAS period, the human development sectors accounted for 14 percent of commitments approved during FY71-00, representing US\$1.3 billion in commitments and shared roughly equally between health and education (8 percent and 7 percent of total active and closed commitments from FY71-00, respectively). The Bangladesh lending portfolio accounted for 5.4 percent and 8.2 percent, respectively of global IDA commitments in the education and HNP sectors.

7.3 The Bank's decision to remain engaged in the human development sectors under the low case scenario in the FY2001 CAS was fully appropriate, and the 2006 CAS built on the Bank's comparative advantage and sustaining past gains in these sectors. In the 2001 CAS human development featured prominently as one of three CAS sub-objectives: "Consolidating the gains in human development."<sup>2</sup> The investments in human development were part of the low case scenario (US\$800 million over the 3-year case period) of the Bank's overall strategy of a graduated response. Under the 2004 CAS Progress Report the intention was to shift toward programmatic lending. A series of three sector adjustment operations followed in secondary education, strongly informed by ESW. In the 2006 CAS the human development sub-objectives fell under the pillar: "Service delivery to the poor." The objective specific to the education and health sectors were: to improve access to quality services for the poor through better accountability.

#### **Box 4. Sector-Wide Approaches in Health and Education**

In Bangladesh, development partners have channeled their assistance on health (since 1998) and education (since 2005) experimenting with Sector-Wide Approaches (SWAs) as a mechanism for harmonization and alignment and improved outcomes. With SWAs, separate donor-funded projects are replaced by a sector program where pooled and non-pooled funds from development partners finance sector activities as articulated in an agreed plan with the line Ministry. The large number of DPs (about 15) in these sectors was an important reason for proceeding with SWAs. The Education SWAp is led by the ADB, and the Health SWAp is led by the Bank. While these SWAs have had some success in improving ownership, harmonization and alignment, they have been less successful with the other tenet of the Paris Declaration—managing for results.

**Ownership:** The Government has gained ownership of the programs gradually.

**Harmonization and Alignment:** The SWAs have resulted in:

- Coherent sector planning and improved lines of accountability.
- Increased use of country systems, as project implementation units have been integrated into the Government's systems.
- Procurement, however, remains a significant block due to the delays imposed by the remaining donor practices, particularly those of the Bank.
- Transaction costs are lower for the Government now, but not necessarily so for the development partners.
- While harmonization on project preparation has moved forward, progress has lagged on program assessment and evaluation, as well as on how to resolve differences.

**Managing for Results and Mutual Accountability:** The SWAs face the following challenges:

- Striking a balance between fiduciary and content issues—while the Education SWAp spends more on content, the Health SWAp focuses more on fiduciary concerns.
- Balancing implementation capacity with complexity of program design, by introducing risk mitigation measures.
- Bringing the pace of program implementation in line with the development of the country's capacity to implement.

*Source:*

## **Education**

### **SETTING**

7.4 Public spending on education is low, although it increased from 1.4 percent to 2.7 percent of GDP from 1985 to 2006. In 2006/07 GOB spent US\$1.5 billion on education, equal to 16 percent of total GOB budget. While expenditure as a share of government spending compares favorably with other countries, public education expenditure as a share of GNI is the lowest among South and South-East Asian countries. Within this low level,



primary education receives priority, accounting for 43 percent of the total budget allocation to education.

7.5 Private spending is an important complement to the low levels of public expenditure accounting for 50-60 percent of primary and secondary education expenditure.

7.6 In 2005 16.2 million children were enrolled in primary education and 18.5 million children in secondary education. Government accounts for 47 percent of primary schools and 60 percent of students, madrasas for 24 percent of schools and 22 percent of students, with the remainder in other eight other types of non-government schools. More than ninety percent of the secondary schools are managed and operated by the private sector with financial support from the government. There is large variation in the per capita expenditure in the various types of primary and secondary education schools.

7.7 The phenomenal expansion in access to primary and secondary education over the past two decades was not accompanied by commensurate improvements in quality of education and education outcomes. The main challenges are generally similar across primary and secondary education: low quality, low efficiency and inequitable access. Key determinants of low quality and low efficiency are: poorly performing teachers, low instructional time in the classroom, and weak governance and local accountability:

- Inequalities in access
  - *Income:* Only 40 percent of children in very poor households were enrolled in 1999. The primary education stipend and the female secondary education stipend, intended to offset the large private expenditures needed to complement low public expenditure, needs to be better targeted.
  - *Gender:* Gender parity in access to primary and lower secondary education has been achieved, but drop-out rates are somewhat higher for girls than boys (in primary schools, 37 percent vs. 33 percent), and repetition rates are higher for girls (primary schools, 7.2 percent vs. 6.7 percent). The gender gap in secondary school completion rates is wider in the poorest quintile compared to the richest quintile. Enrollment among boys from poor households has been lagging in recent years.
- Quality of education. Much of the country's low education performance is explained by lack of instructional time,<sup>3</sup> caused by: teacher absenteeism as some teachers pursue income generating activities; widespread use of in-service training; double shifts as less than a tenth of primary schools are single-shift schools (due to infrastructure limitations), and teachers devoting a high share of "teacher time" to non-teaching official duties (e.g., collecting data for a variety of national surveys). Teachers often have low levels of education—a quarter of teachers at government schools and half of teachers at non-government schools have had 10 years or less of formal education.
- Weak governance and accountability. As with all other sectors in Bangladesh, the education sector is highly centralized, a staggering organizational challenge given that it oversees the education of 23 million pupils. Schools are managed by school management committees, with lay and community members. Overseeing government officials (assistant *upazila* officers) should work with 15-20 schools, but which

in practice averages about 40 schools. The weak accountability of teachers and school management committees to the pupils and communities they serve was also apparent in secondary schools. There is also political interference in the appointment of teachers, and rent-seeking because of lack of transparency in the financing of non-government schools.

## STRATEGY

7.8 The Bank has been engaged for more than 40 years in the education sector with some important successes in expanding education access to underserved groups and reaching gender parity primary and secondary education enrollments. The strategy to continue engagement in the education sector, building on the Bank's comparative advantage and sustaining past gains in the sector, was consistent with the 2001 CAS's overall strategic approach. To improve poor educational outcomes, the 2001 CAS and the CASPR focused improving:

- Quality, based on: (1) reforming curriculum for teacher training, (2) increasing teacher attendance at the primary level, (3) improving learning achievements.
- Governance, based on: (1) reduced delays in payment of teacher salaries, (2) increased proportion of education budget allocated to basic/primary education, and reflected in improvement in "Citizens Report Card".
- Efficiency, based on increased enrollment rates, and reflected in better performance in public examinations.
- Access, based on: (1) increased gender parity, (2) increased access of low-income groups to post-primary education.

7.9 Under the FY06 CAS, the objective was to enhance access, quality, and relevance of pre-primary, primary and secondary education especially for girls, with intended outcomes:

- establish quality assurance mechanisms for monitoring student learning and carrying out impact assessments,
- teachers selected through merit based transparent process,
- public subsidies to schools linked to learning outcomes,
- increase competition in textbook procurement at the secondary level, and
- continuation of incentives for girls to attend and stay in schools.
- Finally, as discussed below, improved donor coordination was a major focus for the Bank.

7.10 *Relevance:* Initially the Bank's focus was almost exclusively on primary education, but this was expanded to secondary education in the latter half of the 2001 CAS and in the 2006 CAS. This was appropriate because the expansion in primary education created massive increases in demand for secondary education. The education portfolio also reflected a strong emphasis on expanding access especially among girls, which was highly relevant. The Bank's analytic work showed that the schooling level of females has a much higher association with reduced poverty than that of male household members. For many years access among girls has been on par with boys, yet until recently projects continued to focus on incentives to increase enrollment of girls rather than factors that are more directly linked to education performance (e.g., school attendance).

7.11 However, there was only moderate emphasis on improving education outcomes among the poor. In primary education, previous experience with stipends should have made the Bank aware of leakage to non-poor children, yet the Bank supported a largely un-reformed program. Only recently has project formulation better focused on remedial actions. The same is true for the Bank's support to the female secondary school stipend program.

7.12 The strategies reflected in the project design seemed reasonable and included infrastructure investments to improve the classroom environment, improvement in quality and supply of textbooks, training and capacity of teachers, and measures to improve system management capacity and accountability, important since implementation capacity had been systematically overestimated especially in primary education.<sup>4</sup>

### **BANK PROGRAM**

7.13 World Bank education projects were generally consistent with the CAS objectives, with the important exception in that there was inadequate attention to improving educational outcomes for the poor. The FY98 Primary Education Development Project (PEDP) sought to improve school quality and efficiency, establish a cost effective and better managed school system, and ensure universal coverage and equitable access. The FY04 PEDP II built on these objectives with a greater focus on the disadvantaged and strengthened planning and management, and as a SWAp was an important donor coordination effort. The FY02 Female Secondary School Assistance (FSSA) project sought to improve girls' access to, and quality of, secondary education. The FY04 Reaching out of School Children project sought to reduce the number of out of school children, while the FY01 Post-Literacy and Continuing Education Project sought to increase functional literacy of adults. Secondary and Higher Education projects sought to improve quality in each of these subsectors. There were three Education Adjustment Credits, in the FY 05, FY06, and FY07, which sought to support MOE in implementing reforms to enhance governance and improve the quality and relevant of secondary education, in concert with other DPs.

7.14 Several pieces of ESW were completed on highly relevant topics.<sup>5</sup> A comprehensive review of the education sector was completed in 1999/2001 and informed the sectoral objectives and choice of investments for several education projects.

### **OUTCOMES**

7.15 Outcomes against the FY01 CAS objectives are as follows.

7.16 *Quality – modest achievement:* Primary education student-teacher ratios improved (from 64 to 47), but most of the new recruits are untrained and require extensive in-service training. Secondary education student-teacher ratios worsened (from 24 to 31). In-service training to new recruits was identified as an important achievement of the PEDP-II, but the proportion of teachers with Certificate-in-Education qualification has declined from 72.5 percent in 2006 to 69.7 percent in 2007. Weaknesses in the teacher training curriculum persists. Teacher absenteeism remains a problem. A headcount survey found that 9.5 percent of teachers were absent.<sup>6</sup> According to the 2008 Education Watch approximately 40 percent of secondary school teachers were engaged in private tutoring.

7.17 While primary education stipends and secondary school female stipends have stimulated demand for education, the lack of supply-side quality improvements has prevented improved education outcomes. Some intermediate outcome indicators reflect quality improvements (e.g., increased instructional time, improved student/teacher ratios<sup>7</sup>) but important challenges remain (e.g., primary school attendance rates have remained low at about 62 percent). Between primary and secondary education 17 percent of pupils who have successfully completed their primary education drop out, in part because primary and secondary education are managed by two ministries.

7.18 *Access among the poor – substantial achievement:* Through a variety of supply- and demand-side investments the Bank contributed to expanding access to primary and secondary education, although especially for primary education, credit has to be shared with other donor partners, notably ADB and DFID. The Secondary Education Stipend Program was an important demand-side initiative, and accounts for the single largest share of the Bank's support to the sector. This stipend program is reported to have been catalytic in increasing primary school enrollment among the poor. While leakage to the non-poor remains a challenge, there has been significant improvement: the share of stipends going to the highest quintile has decreased from 32 percent in 2000 to 7 percent in 2005. Despite these substantial achievements, remaining challenges include: enforcement of education performance criteria, and leakage to non-poor recipients. Continued improvement in targeting is essential as private tuition is widespread in primary and especially secondary education. On average, households spend US\$40 per pupil per year. Poor households are adversely affected by a system where private tuition is a necessary ingredient for success in the education system.

7.19 *Access and outcomes among girls' – substantial achievement:* The Bank strongly supported demand-side investments to expand girls' access to education. The Female Secondary Stipend Program is widely cited for its innovation and has been adopted by other DPs (and emulated in other countries). Access to the program is fairly widespread, and an estimated 54 percent of the girls enrolled in secondary schools and *madrasas* were stipend recipients.

7.20 Since the 1980s secondary education enrollment among girls has increased 7-fold. Gender parity in secondary education was achieved several years ago, but girls continue to lag behind boys in completing Grade 10 examination by 6 percentage points. Labor market participation doubled since 1995, although at 26 percent it is still low by regional standards. However, much of this seems to be explained by low numbers of women employed in agriculture; many women are employed in RMG sector.

7.21 The most important gains from expanding girls' enrollment are social benefits that in South Asia (and a Muslim country especially) are important. Examples include: (i) increased mobility for girls; (ii) better educated girls are able to attract a husband of higher social standing; and (iii) marriage for participating girls was generally later, with lower fertility rates and reduced risk of teenage pregnancy.

7.22 *Efficiency – modest achievement:* There are serious inefficiencies: for example, only 20 percent<sup>8</sup> of pupils starting grade 6 successfully pass grade 10 exams. Some outcome indicators have worsened: (i) the primary school completion rate decreased from 77 percent in 2000 to 72 percent in 2006; and (ii) secondary school repetition rate increased from 5 percent

in 2000 to 9 percent in 2006. Improvements in education outcomes have been skewed toward higher income quintiles and among boys.

7.23 *Teacher training and recruitment – Modest Achievement:* Primary education student-teacher ratios improved (from 64 to 47), but most of the new recruits are untrained and require extensive in-service training. Secondary education student-teacher ratios worsened (from 24 to 31). In-service training to new recruits was identified as an important achievement of the PEDP-II, but the proportion of teachers with Certificate-in-Education qualification has declined from 72.5 percent in 2006 to 69.7 percent in 2007. Teacher absenteeism remains a problem. A headcount survey found that 9.5 percent of teachers were absent.<sup>9</sup> According to the 2008 Education Watch approximately 40 percent of secondary school teachers were engaged in private tutoring.

7.24 *Governance and institutional reforms – Modest Achievement:* While quality of education is the main focus of most initiatives in the education sector, governance issues often lay at the heart of continuing quality problems. Many governance reforms designed to improved quality were not fully implemented under PEDP-II. Efforts to improve especially school- and *upazila*-level governance included:

- School Management Committees (SMCs): Locally elected *upazila* chairmen and sometimes local Members of Parliament used to determine membership, but the *Upazila* Nirbahi Officer now plays this role in an effort to remove political interference. However, according to the community interviews, this has undermined the involvement of the community. No resources were available for SMC operating expenses, contrary to PEDP II agreements.
- School-level Implementation Plans (SIPs): Since 2006, training to prepare SIPs was provided only about a tenth of the 469 *upazilas*.
- *Upazila* Primary Education Plans: These were to be based on the SIPs and reflect annual and medium-term plans for achieving PEDP-II objectives (universal access to quality education), but are severely delayed by implementation capacity constraints and weak government leadership.

7.25 In secondary education the Bank financed policy and institutional reforms contributed to improving governance, including: (1) enforcement of school establishment and registration criteria, (2) improving the transparency of school registration and the allocation of performance-based subventions linked to explicit performance-based criteria for schools, (3) greater transparency and performance-based subvention allocation despite being politically sensitive,<sup>10</sup> and (4) Independent Inspection Bodies were created in order to ensure transparency of the process of allocating subventions. However, achieving a desirable level of accountability remains a challenge

7.26 The Bank's investments significantly contributed toward improving governance and reducing the opportunities for leakage in areas previously fraught with corruption (e.g., revisions in the allocation of subventions to schools; teacher registration; teacher recruitment and functioning of school management committees; textbook production etc.).

7.27 The Bank's support was complementary to governance improvements financed by other DPs (e.g., by DFID through the Financial Management Reform Program). In secondary education important challenges remain that are similar to primary education—low internal efficiency and poor quality<sup>11</sup>—and these are being addressed through the new Bank operation, the Secondary Education Quality and Access Enhancement Project.

7.28 There have been serious governance and corruption issues at the project level. These were raised in the FY01 Post Literacy and Continuing Education Project in the areas of: (1) financial management (e.g. delayed allocation of government counterpart funding leading the project unit to exceed the percentage of disbursements from the credit as stipulated in the DCA; ineligible expenditures paid from the special account; 97 audit objections of which 66 remained pending at project closing, and other discrepancies, and (2) Procurement (e.g. misprocurement of computers). The project outcome was rated Moderately Unsatisfactory by IEG.

7.29 Achievements under the FY06 CAS comprised:

7.30 *Teachers selected through merit-based transparent process – substantial achievement:* In secondary education the Bank financed policy and institutional reforms that resulted in the establishment of a teacher certification authority, and contributed to stronger incentives for teachers to be officially registered and incentives for schools receiving government subventions to hire only registered staff. Independent Inspection Bodies were created in order to ensure transparency of the process of allocating subventions.

7.31 *Public subsidies to schools linked to learning outcomes modest achievement:* Linking subsidies to outcomes is particularly prominent in the stipend programs, including requirements for school attendance and examination pass rates. These criteria are, however, weakly enforced. Particularly in secondary education various incentive awards for improving school and pupil performance have been introduced.

7.32 *Increased competition in textbook procurement at the secondary level – substantial achievement:* The Bank supported policy reforms to improve the institution responsible for textbook quality and procurement, increase transparency in approving textbook manuscripts, which has improved quality, while increased competition reduced delays.

7.33 *Continue incentives for girls to attend and stay in school – substantial achievement.* The Bank continued to provide support to the Female Secondary School Stipend Program. The recently closed FY02 FSSA II project financed stipends to covering 6.9 million school years (exceeding the targeted 6.3 million school years). Despite the project's name, after mid-term review, it financed stipends for poor boys to address an unintended consequence, namely the decrease in enrollment among boys from poor households.

7.34 In view of the above, an outcome rating of moderately unsatisfactory is appropriate under the FY01 CAS, and moderately satisfactory for the outcome under the FY06 CAS. The rating for the entire evaluation period is moderately satisfactory as the improvement under the FY06 CAS program have a greater impact now on development effectiveness.

## Health, Nutrition and Population

### SETTING

7.35 There have been impressive gains in managing population growth over the years including Bangladesh being the poorest country to achieve a fertility rate of below 5 births per woman. However, nutrition has lagged, and malnutrition continues to be among the highest globally. Communicable, maternal, prenatal and nutritional conditions account for just under half of the country's burden of disease and have been the main emphasis for programmatic efforts in the health sector. AIDS and HIV prevalence has been consistently below 1 percent.

7.36 While the level of funding allocated to the health sector is relatively low, financial resource availability is not the most important constraint facing the system. The absolute level of health spending is low by regional standards, but as a share of GDP health spending is higher than Malaysia and Indonesia, though lower than Pakistan and much lower than in India. Recently, GOB has increased its allocations to the health sector and in 2005/06—for the first time—GOB's expenditure from the development budget exceeded that of the development partners. However, financing is not the binding constraint: under spending of total budgeted resources reached 24 percent and 13 percent in FY04/05 and FY05/06, respectively.

### STRATEGY

7.37 The objectives of the Bank's strategy under the FY01 CAS were to:

- help Bangladesh reduce fertility, infant and maternal mortality and the burden of health conditions, such as malnutrition, that most affect the poor,
- to assist the Government in strengthening its health system, and
- to build the capacity of the Ministry of Health and Family Welfare, implement district level reorganization, develop performance indicators and downstream accountability system, introduce quality assurance policy, develop performance indicators and a marketing model of service planning and delivery, expand community based nutrition programs, empowerment of women as a strategy to improve maternal and child health.

7.38 For the FY06 CAS, The CAS objectives were:

- Improved access and quality of the poor to health services, and
- Shorter and more direct accountability links established between the health service providers and beneficiaries

7.39 While the Bank through its assistance to the two health sector programs has continued to provide funding for family planning, the issue became subsumed in the DPs' increasingly broader health sector agenda. This shift mirrored the changes in the health, population and development community as well as in the rest of the Bank.

7.40 *Relevance:* At the start of the 2001 CAS the Bank led the largest health sector program. The sector program was extremely comprehensive in its objectives, but weak at prioritization given serious institutional capacity limitations. The result was an extremely am-

bitious program. The sector program undertook some reforms that in any country would be hugely challenging, if not controversial – namely unification (affecting large parts of the ministry and at multiple levels), decentralization (in one of the world’s most centralized countries), and introduction of a new tier of service delivery at community level. Other reforms also known to be challenging included: increasing hospital autonomy, cost-recovery and health insurance reforms. The second sector program is slightly less ambitious and but weak implementation capacity continues to be a constraint.

7.41 The first sector program focused strongly on supply-side investments such as the delivery of an essential package of health services and infrastructure investments such as 9,000 community clinics, with insufficient attention to demand-side factors that determine uptake and utilization of services provided. Under the second sector program there has been a concerted effort to focus on these demand-side factors.

### **BANK PROGRAM**

7.42 The FY95 Integrated Nutrition project sought to improve the nutritional status, particularly of women, adolescent girls, and children under 5. The FY98 Health and Population Program Project sought to improve the health, nutrition, and family welfare status, particularly of vulnerable women, children, and the poor. The FY00 National Nutrition Project sought to achieve sustainable improvements in birth weights and nutrition status of vulnerable groups, especially the poor and children through the adoption of new behaviors and the appropriate use of nutrition services. The FY00 HIV/AIDS Prevention Project was to control the spread of HIV infection within high risk groups and to limit its spread into the general population, without stigmatizing the high risk groups. The project was rushed in preparation due to a misplaced sense of urgency as both the Bank and the co-financier (DFID) had existing vehicles which could have responded to HIV/AIDS needs. The FY05 Health Nutrition and Population Sector Program sought to increase the availability and utilization of user-centered, effective, efficient, affordable and accessible quality service.

7.43 IDA lending was mainly through investment lending. Under the SWAps, institutional and policy reforms were financed, yet no DPLs were used. More creative use of a mix of policy lending and investment lending is essential to ensure efficient support to the sector.

7.44 *Project Outcomes.* The outcomes of the Bank’s four health projects that closed during 2001–2008 were rated moderately unsatisfactory or worse. The shortcomings can be traced to complex project designs, poorly devised risk mitigation strategies, and weaknesses in quality-at-entry. The risk mitigation measures for the first sector project had important shortcomings and inadequate sequencing of reforms. For the AIDS project, hasty project preparation weakened project design (half the credit was cancelled and the project had negligible impact).

### **OUTCOMES**

7.45 *Improved health outcomes – substantial achievement:* Significant progress has been made in key indicators such as infant mortality rate (IMR) and under-5 mortality rate and fertility rate, but there was less success in reducing maternal mortality and malnutrition. Such progress is largely attributable to the SWAps. The rich-poor gap has been closing for some



indicators (such as immunization and use of oral rehydration solution) but for other indicators the gap is widening (such as access to antenatal care and institutional child delivery). There is only modest evidence of targeting of poorer performing areas or sub-groups with increased programmatic effort or resource allocation. Fertility has decreased markedly, from an average of 3.3 births per woman during the 1990s, to 3.0 in 2004 and 2.7 in 2008. Over the past two decades the use of modern contraception vs. traditional methods steadily increased, reaching 48 percent of total contraception usage in 2007.

7.46 The pace of the improvement has been slowing in recent years, particularly in urban areas so that many urban areas are now converging with rural indicators. The focus of the Bank's engagement in HNP has generally excluded urban areas where the ADB has mainly focused its efforts in the health sector.

7.47 Progress in many health indicators has been largely due to low-cost health technologies (e.g., expanding immunization coverage, micronutrient distribution campaigns etc.) and strongly complemented by non-health sectoral improvements outside the health sector (e.g., expanding female education, water and sanitation improvements, improved food security).<sup>12</sup> Indicators that are highly dependent on the functioning of health services have showed slower improvements (e.g., maternal mortality and post-neonatal mortality component of IMR).

7.48 *Improved service delivery and utilization – modest achievement:* Nearly ninety percent of visits for preventive services are to a public facility.<sup>13</sup> However, utilization of public services for out-patient curative care is extremely low and in some instances declining in favor of private providers. The reasons cited for low utilization include: poor service quality, lack of staff, absence of drugs and functioning equipment in health facilities. These factors have also been identified as key examples of the governance challenges in the sector:

- *Drug shortages and leakage.* A facilities survey in 2000 found that about three quarters of all types of facilities claim to be providing maternal, child, general health and family planning services, yet the share of facilities with seven essential drugs to treat basic childhood diseases is extremely low – only 22 percent of *upazila* health centers, 1.3 percent of *upazila* health and family welfare centers and 45 percent of NGO health facilities.
- *Staff vacancies and absenteeism.* Based on norms for low-income countries it was estimated that in 2006 the country had a shortage of 60,000 doctors, 280,000 nurses and 480,000 technologists.<sup>14</sup> The high level of absenteeism suggests that the *de facto* shortage is even greater.<sup>15</sup> Absenteeism is worse among higher qualified staff, especially doctors and senior-level *upazila* managers, this also detracts from the productivity of supervised staff.<sup>16</sup>

7.49 While there can be a fine line between poor management and corruption the two are interrelated and many remedies are similar – improved internal and external accountability. While governance challenges are often cited in project documents, implementation of institutional reforms to address them has been uneven. Based on the experiences under the first sector program and in preparation for the follow-on operation, systemic and sector-specific risks were identified, and governance and its impact on overall effectiveness was identified risk with a “high” risk rating.<sup>17</sup> The MOHFW and DPs committed to implement agreed ac-

tions to reduce the governance weaknesses during the second sector program. The response was, however, skewed toward improvements of financial management and procurement practices with less success in addressing the management weaknesses that—while not corrupt—contribute substantially to poor outcomes:

- *Financial management.* The 2007 mid-term review was highly critical of financial management and internal control mechanisms, and raised serious fiduciary concerns. In the past year (2008) there were some important achievements: the establishment of the financial management and procurement cell, the contracting out of internal audit functions,<sup>18</sup> due in large part to continued pressure by the project team.
- *Procurement.* The second sector program has strongly focused on strengthening procurement practices through investing in capacity, systems and close oversight. Nonetheless, procurement remains a challenge, and Bank supervision effort is strongly skewed toward procurement oversight. More than 90 percent of disbursement from the pooled fund requires prior review.

7.50 *Improved local accountability – modest achievement:* Another key objective for the FY01 CAS was improved local accountability. Institutional improvements have not been matched by improvements in the other governance issues pertaining to management of health service delivery especially at the *upazila* level. The extent to which the institutional improvements have translated into enhanced service delivery is therefore unclear. Under the FY06 CAS, the Bank is correct to have focused on the fiduciary issues, but these efforts have to be balanced with efforts toward improved program effectiveness and service delivery.

7.51 Key achievements under the FY06 CAS included:

- *Utilization rate for essential service delivery package of the lowest quintiles rises from 55 percent to 65 percent – substantial achievement.* Some indicators show improvement (such as immunization, use of oral rehydration solution, use of antenatal care) whereas other indicators have not shown improvements (delivery assisted by a skilled birth attendant and institutional child delivery). The improvements are also reflected in the increase in incidence of public spending among the ultra-poor (from 16 percent to 20 percent between 2000 and 2005).
- *Further diversification of service delivery through contracting arrangements with NGOs in partnership with upazilas – modest achievement.* Progress under the first sector program has been modest, but with better outcomes under the second. Important challenges remain: institutionalization of existing NGO contracting mechanisms; ensure that new contracting is output- and outcome-oriented and over a sufficiently long period to allow for NGOs to attract good staff, make the necessary investments, and offer continuity in services; and lastly, improve the capacity and evidence-base to allow government to monitor contracts.
- *TB detection and treatment improved according to HNPSP action plan – substantial achievement.* The coverage of the TB program rose from 40 percent in 1995 to nearly universal, which is consistent with the rest of the South Asia region where average TB program coverage is 100 percent. Cure rates have always been quite high, and the TB detection rate increased from 46 percent in 2004 to 72 percent in 2007, exceeding the sector program's target for 2010 of 70 percent).

7.52 In sum, governance issues are at the heart of these challenges in the sector and future improvements in health indicators and acceleration of lagging indicators will depend on factors that impede the functioning of the institutions of the health sector. This is consistent with an empirical assessment of progress toward the MDGs which concluded that in countries with low to medium governance indicators more spending on health inputs would not be expected to reduce key health indicators such as child mortality.<sup>19</sup>

7.53 In view of the above, an outcome rating of moderately unsatisfactory is appropriate, under the FY01 CAS, and moderately satisfactory under the FY06 CAS. The rating for the entire evaluation period is moderately satisfactory.

7.54 There were no specific objectives in the CASs for nutrition and population. However, there are several outcomes which are important to the overall HNP evaluation. These are discussed in detail in the annex on Nutrition and Population.

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<sup>1</sup> Second to Rwanda, Bangladesh has shown the greatest increase in HDI between 1990 and 2005 (UNDP 2008).

<sup>2</sup> World Bank 2001 (p18).

<sup>3</sup> The total number of official instructional hours in Class I and II is two-and-a-half hours per day amounts to only 444 hours per year versus 1,100 in Indonesia and 1,235 in China. The actual, effective time in teaching may be much less.

<sup>4</sup> World Bank 2004d.

<sup>5</sup> Examples include: textbook quality, teacher absenteeism, quality of secondary education, quality of teacher training and relevance of the curriculum.

<sup>6</sup> Education Watch 2005 (p77).

<sup>7</sup> Primary school teacher ratio improved from 63 primary students per teacher to 47. But, the ratio in secondary schools worsened: from 24 secondary students per teacher to 31.

<sup>8</sup> Average completion rate is 20.1 percent (of pupils starting grade 6). The completion rate is much higher for government schools (57.3 percent), but these schools only serve 5.5 percent of the secondary school pupils.

<sup>9</sup> Education Watch 2005 (p77).

<sup>10</sup> In fact, in 2005 and 2006 subventions to nearly 400 institutions were suspended (World Bank 2008d).

<sup>11</sup> Completion rates are as low as 20 percent, and drop-out rates are 12 percent for grade 8 and 48 percent for grade 10.

<sup>12</sup> IEG 2005. MOHFW Annual Program Review 2005 (p2).

<sup>13</sup> Eighty eight percent of visits for prevention was to government services (CIET 2003 cited in World Bank 2005, p25).

<sup>14</sup> Health Watch 2008 (p ii)

<sup>15</sup> A study of absenteeism in Bangladeshi health facilities concluded that the observed level of vacancies and absenteeism implied that the official rate of 20 doctors per 100,000 was reduced to a *de facto* rate of 8.4 per 100,000 (Chaudhury and Hammer; 2003, p12).

<sup>16</sup> The risk assessment (World Bank 2007c) found that, on average, an employee stays at work for 4 hours a day.

<sup>17</sup> World Bank 2005a (p14).

<sup>18</sup> The internal audit uncovered *inter alia* weaknesses in compliance with procurement, financial management and treasury rules, as well as overall monitoring and supervision of the Ministry. Areas of potential fraud and corruption were also identified and INT has been informed by the project team.

<sup>19</sup> World Bank 2004c (p57).

## 8.IFC

### PRIVATE SECTOR BACKGROUND

**8.1 Bangladesh saw sustained private sector-led growth over the past decade, although foreign investment has remained low and exports are highly concentrated in the ready-made garments sector.** As discussed in Chapter 4 of this report, a range of economic reforms begun in the 1990s helped Bangladesh realize sustained growth over the past decade. Key reforms included tax and trade liberalization; easing of licensing requirements; opening of several sectors such as telecommunication and power to the private sector; initial reforms in the financial sector; and prudent macro-economic policies that helped maintain low inflation. GDP growth averaged 5.7 percent a year since 2001 and GNI per capita rose from \$360 in 2001 to \$470 in 2007. Growth was driven by export-oriented, labor-intensive manufacturing, particularly ready-made garments (RMG). Notwithstanding these outcomes, further enhancement of the role of the private sector is required to support Bangladesh's goal of attaining middle income status in the next decade. Private investment at 19 percent of GDP remains well below the regional average of 24 percent; foreign direct investment averaged only \$2.3 per capita over the last decade, compared to \$12.1 in Sri Lanka or a regional average of \$5.5. Bangladesh also remains highly dependent on the RMG sector, which comprises 75 percent of exports. The current global crisis is expected to impact adversely on Bangladesh through both a drop in demand for Bangladesh finished goods in the US and EU markets as well as an anticipated decline in remittances.

**8.2 While Bangladesh has considerable attributes to further its economic growth, a continuing range of constraints impede private sector activity.** Bangladesh has a large, low-cost labor force; a growing domestic market; access to large and rapidly-growing Indian markets; preferential access to developed country markets; an improving policy environment; and comparatively flexible labor regulations. Potential growth areas include diversified labor-intensive manufacturing; value-addition to agricultural produce, including leather goods, aquaculture, livestock, and fruits and vegetables; natural resource development, including coal and gas; construction; and tourism. However, while Bangladesh's first generation economic reforms have yielded significant economic and social development benefits, a broad reform agenda remains to be implemented to further improve the environment for private sector activity. Key constraints, which are discussed in further detail in other chapters of this report, include inadequate infrastructure, particularly power supply; a continuing perception of corruption and weak governance; constraints on access to land for commercial activity; inefficiencies and lack of reach in the financial sector; utility pricing that discourages private investment in infrastructure; and continuing cumbersome investment approval and clearance procedures.<sup>1</sup>

## IFC OBJECTIVES IN BANGLADESH

8.3 **Two Joint IDA/IFC Country Assistance Strategies (CASs) defined IFC's objectives in Bangladesh since FY01.** IFC's objectives in Bangladesh were stated in two joint IDA/IFC CAS documents in FY01 and FY06 as well as a CAS Progress Report in FY03. Since FY01, IFC aimed to help:

- **Strengthen and deepen the financial sector.** IFC's investments and advisory services aimed to support development of the financial sector by helping (i) strengthen corporate governance and enhance systems for accounting and control in the banking sector; (ii) develop the leasing industry; (iii) develop the housing finance industry; (iv) develop the insurance industry; (v) develop local capital markets; and (vi) enhance trade promotion activities in local banks. Advisory Services activities would focus on expanding access to finance for SMEs.
- **Develop competitive export-oriented and domestic manufacturing industries.** IFC investments in manufacturing were to provide models for new ways of doing business with strong, transparent corporate governance, high social and environmental standards, and orientation to international competitiveness rather than domestic protection. Advisory services would support SME development by helping improve access to finance, business development services, the overall business environment, linkages to large firms, and environment and social sustainability.
- **Encourage private participation in infrastructure.** In the power sector, IFC/WB strategy sought to help build institutional capacity to manage and regulate private sector activity and foster private participation, particularly in power generation and rural electrification. In transport, IFC intended to complement IDA assistance by exploring private investment in port facilities. In telecommunications, IFC indicated that would consider further investment in the mobile sector, beyond its existing investment in Grameenphone, if the government undertook regulatory and policy actions to make the sector more competitive. IFC also planned to seek investments in gas production and transport, subject to progress on governance and sector reforms and appropriate environmental and social safeguards.
- **Encourage private participation in the health and education sectors.** In health, IFC planned to seek investments in private health facilities that would combine the skills and resources of local professionals with foreign investors experienced in hospital management. In education, IFC planned to seek investments in private education and training services, including private universities.
- **Improve the business regulatory environment.** IFC's advisory services aimed to partner with FIAS on programs to reduce administrative barriers, promote special economic zones, and build government capacity to promote private investment.

8.4 **In retrospect, the CASs provided little insight as to how IFC proposed to overcome key constraints to investment.** While all the areas identified by IFC were relevant to investment and development needs in Bangladesh, as discussed below, IFC was able to realize only a few investments in the financial and manufacturing sectors and was not able to realize investments in most targetted areas. To some extent, it is apparent that IFC tended towards an inclusive rather than exclusive approach in the CASs in order to not preclude opportunities in various sectors that might have arisen that met IFC's standard filters (such as strength of project, reputation of the sponsor, integrity of management,

environmental and social standards). This approach carries merit in the context of the difficult environment in Bangladesh. However, beyond the list of possible areas of engagement, the CASs provided little insight, as to what it would take for IFC to realize investments in these areas. There was little discussion, for example, as to how IFC proposed to overcome constraints to investments that it had encountered to date such as lack of a local currency product, difficult approval procedures for foreign loans, and the high level of governance concerns found in potential partners. Greater discussion of IFC's strategic application of its non-lending instruments, along with partnership with the WB and other partners to address some of these constraints as well as identification of areas that IFC along with the WB considered beyond their influence, might have provided a more realistic picture of the likelihood of IFC realizing investments during the period under review.

## IFC ACTIVITIES DURING THE CAS PERIOD

### *Investment Operations*

**8.5 A relatively low volume of investments were committed since FY01.** Thirteen investments worth US\$212 million were committed in Bangladesh over the review period in financial markets, trade finance, and manufacturing (Table 3). In addition, five investments committed prior to FY01 worth US\$57 million were active during the review period in the non-bank financial sector (leasing, housing); development finance; and infrastructure (power, telecom). Of the volume committed since FY01, 36 percent was in trade finance; 32 percent in manufacturing (ceramics, cement); 18 percent in the financial sector (SME banking, leasing); and 14 percent in infrastructure.<sup>2</sup> IFC was not able to realize investments in other potential sectors that it had identified such as natural gas, insurance, health, education, rural electricity, water, or transportation. The US\$212 million in new investments was substantially higher than the US\$60 million committed during the prior 10 years and also exceeded the Asian Development Bank's commitments for private sector projects.<sup>3</sup> However, it remained below regional and IFC-wide benchmarks. Since FY01, IFC invested US\$1.4 per capita in Bangladesh, compared to US\$13.7 in Sri Lanka; US\$6.7 in Pakistan; and US\$3.1 in India (Table 4). IFC also did not achieve its target of being overweight in frontier countries (as indicated in IFC's corporate scorecard since FY06) in Bangladesh. While Bangladesh accounted for 0.5 percent of IFC's commitments since FY01, it accounted for 0.7 percent of developing country GDP. IFC investment in Bangladesh was also considerably lower than its investments in other countries with similar levels of risk over the period (Table 5)<sup>4</sup>.

**Table 3. List of IFC Investments in Bangladesh, FY01–FY08 (US\$000)**

Project ID	Master Id	Project Name	Approval FY	Commit FY	Project Status	Sector	Net Loan	Net Equity	Total Net Commitment
<b>IFC INVESTMENTS MADE IN FY01-08</b>									
009704	9704	HeidelbergCement Bangladesh Limited	2000	2001	Closed	Manufacturing	10,000	0	10,000
010563	10563	Bangladesh Trade Enhancement Facility	2001	2001	Closed	Finance	13,000	0	13,000
008035	8035	Lafarge Surma Cement Limited	1998	2002	Active	Manufacturing	35,000	10,000	45,000
011766	11766	R.A.K. Ceramics	2003	2003	Active	Manufacturing	12,000	0	12,000

		(Bangladesh) Pvt. Ltd.							
009866	9866	United Leasing Company Limited	2000	2004	Active	Finance	5,000	0	5,000
009801	9801	BRAC Bank	2001	2004	Active	Finance	0	1,600	1,600
010872	7954	GrameenPhone Limited	2004	2004	Active	Infrastructure	30,000	0	30,000
024832	23898	GTFP Eastern Bank Limited		2006	Active	Finance/GTFP	25,000	0	25,000
024870	23898	GTFP Dhaka Bank Limited		2006	Active	Finance/GTFP	14,772	0	14,772
025159	23898	GTFP BRAC Bank		2007	Active	Finance/GTFP	5,118	0	5,118
025256	23898	GTFP Southeast Bank Limited		2007	Active	Finance/GTFP	27,928	0	27,928
025935	25935	BRAC	2008	2008	Active	Finance	17,902	0	17,902
026218	23898	GTFP Export Import Bank of Bangladesh Ltd		2008	Active	Finance/GTFP	4,211	0	4,211
<b>PRIOR IFC INVESTMENTS ACTIVE DURING FY01-08</b>									
003898		Industrial Development Leasing Company		1996	Active	Finance	3,000	0	3,000
008058		DeltaBRAC Housing Finance Corporation		1998	Active	Finance	2,345	667	3,012
008522	8522	Industrial Promotion and Development Company of Bangladesh Limited	1998	1999	Active	Finance	10,000	0	10,000
008750	8750	Khulna Power Company Limited	1998	1999	Closed	Infrastructure	22,539	0	22,539
007954	7954	GrameenPhone Limited	1998	2000	Closed	Infrastructure	16,667	1,577	18,243

Source: MIS as of Dec, 2008

**8.6 A range of external and internal factors affected IFC's ability to undertake investments in Bangladesh.** A weak overall business environment that persisted in Bangladesh affected IFC's ability to make new investments. In particular, all foreign private loans required government approval through a two-stage Board of Investment (BOI)/central bank process that could take up to 7 months. While the regulation was designed to mitigate against potential instability in the wake of the Asian financial crisis, its persistence effectively discouraged borrowing from external sources. Political instability and inconsistent government signals also confined investment to a few sectors. Institutional Investor Country Credit Risk Ratings showed no improvement over the decade and with the exception of Nepal, remain the worst in the region. Perceptions of high political risk in the infrastructure and natural resource sectors also discouraged investors from committing to projects. In the banking sector, complex ownership arrangements and governance issues limited IFC's activities in the sector until its engagement through the Global Trade Finance Program (GTFP) in FY06-07 that enabled it to deepen its knowledge of and relationships with several local banks. IFC maintained a country manager in Dhaka until 2008 whose primary goal was relationship management and business development and who was



supported by IFC's field presence in India that had the capacity to process and supervise projects. At the same time, however, given the difficult business environment in Bangladesh, the need to maintain flexibility, and other staffing criteria, IFC determined to not strengthen its local-based investment staff. Its business development presence on the ground, was thereby limited, with just two local business development officers recently placed in Dhaka. Interviews with staff also indicate a degree of bias driven by IFC's volume-based incentive system (based on both investment amount and number of projects) that favors staff work on countries in the region with more conducive business environments, such as was the case with India over the past decade. IFC also proved to be uncompetitive in price relative to offerings by local banks for shorter-term lending. Unlike in India, moreover, IFC did not have the ability to provide local currency loans until a pilot facility was introduced in 2007 and its foreign currency lending along with lack of mechanisms to hedge foreign exchange risks made IFC unattractive to the local market<sup>5</sup>.

**Table 4. Bangladesh: Comparative Investment Data, FY0-08**

	Bangladesh	India	Pakistan	Sri Lanka	Vietnam	Nigeria	All Countries
Net IFC Commitment Volume (US\$000)	211,531	3,299,074	988,820	263,744	315,813	1,824,022	41,728,780
Number of IFC Projects Committed	13	146	52	12	31	42	2,086
Average IFC Project size (US\$000)	16,272	22,596	19,016	21,979	10,188	43,429	20,004
Average IFC Commitments per year (US\$000)	21,153	329,907	98,882	26,374	31,581	182,402	4,172,878
Percent Equity commitments	5%	20%	17%	22%	19%	2%	16%
<b>IFC Commitments per capita FY01-08 (US\$)</b>	<b>1.4</b>	<b>3.1</b>	<b>6.7</b>	<b>13.7</b>	<b>3.9</b>	<b>12.6</b>	

Source: MIS as of Dec, 2008

### Advisory Services Operations

8.7 IFC established substantial advisory service capacity in Bangladesh since 2002. IFC's advisory services in Bangladesh were provided through the South Asia Enterprise Development Facility (SEDF) established in FY02 and the Bangladesh Investment Climate Fund (BICF) established in 2007. SEDF was established by multiple DPs (including ADB, EU, Canada, Netherlands, Norway and the UK) to promote development of the SME sector in the region that would create economic opportunity and employment. The Dhaka-based facility would also cover Bhutan, Northeast India, and Nepal. The facility was managed by IFC with an initial 5-year mandate and budget of US\$42 million that was subsequently extended in 2008. In Bangladesh, SEDF initially encompassed three broad business lines: access to finance (A2F), value addition to firms (VA2F), and business enabling environment (BEE). Under each line, its approach was to build capacity in service providers to SMEs in order to leverage and expand the reach of the program. SEDF also adopted a sector-based strategy that focused on four sectors: financial services, agribusiness, light engineering, and readymade garments. In 2007, BICF was established to identify and address the key investment constraints in Bangladesh. BICF is a US\$55 million eight-year program funded

by DFID and the EU and managed by IFC. BICF's approach has been to work with Bangladeshi government agencies and key stakeholders in order to jointly design and implement programs to help "institute business friendly policies, laws and regulations, and strengthen the institutions that implement them."<sup>6</sup> BICF has focused on three areas: better business regulation, enhanced economic zones, and capacity building. Since 2002, IFC has increased its Dhaka-based Advisory Services (AS) staff to over 65 people, including four international staff.

**Table 5 IFC lending to Countries with Similar Levels of Risk FY01-08**

Country	Average IIRC Score FY01-08	Population (m)	IFC Lend- ing (\$m)	IFC Lending per capita
Kenya	26	38	279	7.4
Nigeria	26.1	148	1,824	12.3
Guyana	26.4	1	5	6.3
Cape Verde	26.9	1	12	22.3
Ecuador	27.2	13	135	10.1
Syria	27.3	20	20	1
<b>Bangladesh</b>	<b>27.4</b>	<b>159</b>	<b>212</b>	<b>1.3</b>
Mongolia	27.9	3	65	24.9
Armenia	28.3	3	47	15.6
Bosnia and Herzegovina	28.5	4	204	54.1
Pakistan	28.5	162	989	6.1
Honduras	28.6	7	47	6.6
Lebanon	28.7	4	503	122.8
Paraguay	29.3	6	15	2.5
Bolivia	29.6	10	148	15.5
Argentina	29.7	40	1,262	31.9
Ghana	30	23	251	10.7

Source: MIS as of Dec, 2008

## IFC INVESTMENT OUTCOMES

**8.8 As of mid FY09, the quality of IFC's limited investment portfolio in Bangladesh remained satisfactory.** According to IFC's credit risk ratings (CRR) reflecting IFC's loan and equity risks IFC's limited portfolio in Bangladesh was healthy with 93 percent of investments performing well as of November 30, 2008. Only one investment was performing poorly, a textile sector investment that has been in the portfolio since 1991. The proportion of projects performing poorly or on the watch list compared favorably to those of Sri Lanka and Pakistan (Table 6). During the period under review, IFC exited from 4 active investments: it sold its equity position in IDLC in 2004; the loan to Heidleburg cement was prepaid in 2004; it sold its equity stake in IPDC in 2004; and Khulna Power prepaid its loan to IFC in 2007.

Table 6 --Health of IFC's portfolio at end November 2008

Loan risk type	Bangladesh	Sri Lanka	Pakistan	Vietnam	Nigeria	India
Good	57%	50%	43%	25%	67%	77%
Poor	7%	17%	14%	5%	21%	8%
Watchlist	36%	33%	43%	70%	12%	15%
Total # of investments	14	6	44	20	33	78
Equity risk type	Bangladesh	Sri Lanka	Pakistan	Vietnam	Nigeria	India
Good	100%	22%	52%	25%	50%	56%
Poor	0%	33%	36%	0%	22%	17%
Watchlist	0%	44%	12%	75%	28%	28%
Total # of investments	6	9	33	20	18	90

Source: MIS as of Dec, 2008

## IFC'S CONTRIBUTION TO PRIVATE SECTOR DEVELOPMENT

### *Strengthening and Deepening the Financial Sector*

8.9 **Background.** The financial sector saw considerable improvement over the past decade, although continued inefficiencies and lack of reach remain. Following policy reforms initiated in the 1990s to liberalize the financial sector, financial sector performance improved substantially. Credit to the private sector increased from 28 percent of GDP in 2001 to 38 percent in 2007. The share of total assets held by state-owned commercial banks dropped from 50 percent in 2004 to 40 percent in 2007 and non-performing loans (NPLs) improved substantially, from 41 percent in 1999 (including 27 percent in the private commercial banks) to 13 percent in 2007 (including 5 percent in private banks). Bangladesh's non-banking financial sector also grew substantially from US\$350 million in credit to the private sector in 2002 to US\$950 million in 2006. Continued inefficiencies and lack of reach in the financial sector remain, however. The state-owned banks still account for 40 percent of banking assets and have NPLs of 30 percent, helping keep interest rate spreads at over 6 percent. There remains limited long-term lending in the market and liquidity ratios remain high at 29 percent in the state-owned banks and 22 percent in private banks, despite prudential requirements of 18 percent. Notwithstanding the recent growth, the non-banking financial sector still accounts for less than 10 percent of financial sector assets. The Bank and IMF were broadly engaged in the financial sector while IFC aimed to support development of the housing and leasing sectors in the non-bank financial sector as well enhance lending to SMEs.

8.10 IFC contributed to initial development of the non-bank financial sector through two existing investments in leasing and housing finance. In 1985 and 1996, IFC made investments in the Industrial Development Leasing Company of Bangladesh (IDLC), a

leasing company established by a Korean company and a group of local partners. In its two decades of operation, the company has emerged as the largest leasing company in the country and a well-managed and diversified financial institution, with leasing assets of US\$65 million and total assets of US\$210 million in 2007. The success of the company led the way for emergence of ten other leasing companies. In housing, in FY97, IFC made an equity investment to help establish the first specialized private sector housing finance institution in Bangladesh, DeltaBRAC Housing Finance Corporation (DBHF). The company was sponsored by a leading insurance company and BRAC, the largest NGO in Bangladesh. IFC introduced the sponsors to the Housing Development Finance Corporation of India, which took an equity stake in the company and became the technical partner. During the decade, IFC also engaged in discussions with the government that resulted in development of prudential guidelines for housing finance as well as regulations to enable housing companies to accept deposits. DBHF has seen consistent growth and profitability and in 2008 was the largest housing finance company in Bangladesh. Notwithstanding the success of the company, the housing finance market remains narrow, however, and concentrated in mid- to higher-income groups in Dhaka and Chittagong.

**8.11 Several commercial banks with which IFC worked increased their lending to SMEs, although direct attribution to IFC activities is difficult.** In 2002, SEDF determined to focus on SME rather than micro-enterprise lending in Bangladesh, given large deficiencies in the market and less donor attention in the area. In 2003, SEDF began working directly with twelve financial institutions, including several existing IFC investment clients such as BRAC Bank, IPDC and ULC, to help initiate, expand or strengthen their SME lending. Most of the institutions increased their SME lending and in 2006, IFC estimated that the technical assistance provided by SEDF helped these institutions extend an additional US\$177 million in financing to SMEs over the prior three years. Another review in 2008, however, found it difficult to attribute increased lending specifically to IFC interventions. Some partner financial institutions reported that they believed that SEDF programs had limited influence over their decisions both with regard to internal management as well as their focus on SME lending. While the extent to which the increased lending to SMEs can be directly attributed to SEDF is difficult to determine, it is nevertheless apparent that SEDF played a positive role in building capacity and motivating banks to enhance their SME lending programs. Overall, commercial bank lending to SMEs in Bangladesh expanded to 20 percent of total bank lending as of September 2008. SEDF also provided assistance to the central bank to develop its capacity to provide training to commercial banks to strengthen their risk management capacity. However, while the program helped place the central bank in a better position to monitor compliance, it was undermined by governance issues and resistance among some banks and was subsequently dropped. Complex ownership arrangements and governance issues in the banking sector also undermined IFC's contribution and in some cases IFC began advisory work only to have to withdraw from its engagement following unresolvable client governance issues.

### ***Developing Competitive Export-Oriented and Domestic Industries***

**8.12 Background.** The manufacturing sector, led by readymade garments, has been a key driver of growth. Led by the ready-made garment (RMG) sector, the manufacturing sector grew an average of 7.2 percent a year over the past decade, rising to nearly 18 percent of GDP in 2008. Growth in the RMG sector was initially driven by utilization of

Bangladesh's export quotas to the US and Europe under the Multi-Fiber Agreement (MFA) in the 1970s and 1980s. Subsequent quota exemptions for the poorest countries, including Bangladesh, along with progress in tax and trade reforms and establishment of export processing zones stimulated further growth in the industry. By 2008, the RMG industry employed some 2.5 million people, over 80 percent of which were women. Agro-processing, including poultry, frozen fish exports, and fresh fruits and vegetables for the domestic market also saw growth over the decade, increasing from 25 percent of manufacturing value added to 33 percent in 2005. Following the global economic crisis, a drop in demand from US and EU markets (which account for over 50 percent of Bangladesh exports) is having a negative impact on the manufacturing sector. Merchandise exports in December 2008 were 10 percent lower than a year earlier. A continued decline in demand for RMG products is likely to place severe pressure on the viability of a large number of RMG companies. Within the manufacturing sector, IFC aimed to invest in competitive export-oriented and domestic industries and support SMEs in the RMG, agribusiness, and light engineering sectors through AS.

**8.13 IFC made only limited investments in manufacturing and difficulties associated with these investments underscore the difficult business environment.** IFC appropriately did not seek investments in the RMG sector, which was able to attract high levels of investment. IFC investments in manufacturing comprised two projects in cement and one in ceramics. The FY98 investment in Lafarge Surma Cement supported establishment of a unique cross-border cement processing plant. A conveyor belt was constructed that connected the site of the raw material in India to the plant across the border in Bangladesh. Although plant operation was delayed by 5 years due to a range of unanticipated obstacles, the project finally came on stream and has been operating since 2007. Key factors behind the long delay that reflected broader conditions of doing business in Bangladesh included (i) episodes of significant flooding; (ii) a high number of general labor strikes; (iii) delays in obtaining equipment due to complicated custom clearance procedures, and (iv) lack of skilled workers in Bangladesh resulting in the contractor having to hire a large number of workers from India. In addition, mining on the Indian site was stopped pending resolution of whether the site was a designated "forest land" area. In FY00, IFC made a US\$10 million loan to support a green-field cement grinding plant. The company became one of the leading suppliers in the cement market, although downward pressure on prices affected the company's margins. With its revenues entirely in local currency, in 2004, the company prepaid its debt to IFC and refinanced in local currency. In FY03, IFC also invested in RAK ceramics, the largest ceramics manufacturer in Bangladesh. The company has maintained its dominant share of the local market and commenced exports to regional countries, although a range of difficulties have affected its performance over the years, including political uncertainty, flooding, cyclone damage, and labor unrest.

**8.14 SEDF advisory services made a positive contribution in the readymade garments sector.** As the expiry of the MFA approached in 2005, some concern existed as to whether Bangladesh would be able to compete with suppliers in countries such as Vietnam and China for markets based on quality, cost, and timeliness. In the event, driven by its low-cost labor, Bangladesh was able to establish a competitive niche for itself in the worldwide RMG industry and its exports continued to expand after expiry of the agreement. SEDF supported the industry in addressing this challenge through activities with the two main

garment associations, the Bangladesh Garment Manufacturers and Exporters Association (BMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA). SEDF spent US\$1.8 million in the RMG sector to support trade promotion and market access (through trade fairs), greater compliance with social and environmental standards, and productivity improvement. A 2006 IFC study found that companies assisted by SEDF in the RMG sector had higher export growth rates than those that were not. Members attending trade fairs, in particular, reported that orders from both new buyers and existing customers increased. Attendees of an SEDF-sponsored BKMEA trade fair in New York, for example, reported that they had received orders in excess of US\$2 million as a direct result of the trade fair. A 2008 external impact assessment (prepared by Nexus Associates) also found that companies that were assisted increased their sales and productivity as a result of SEDF's activities, although SEDF's impact on compliance with health, safety and labor standards was less conclusive to date.<sup>7</sup>

**8.15 Effective advisory services in the poultry sector were undermined by the outbreak of avian flu.** In the poultry sector, SEDF helped build capacity in Agrovision, a company providing extension services to poultry farmers. Farmers who received services from Agrovision, including some with 15 years of experience in the sector, reported that they experienced lower flock mortality, lower production costs, and a reduction in the variety of required medications as a result of Agrovision assistance.<sup>8</sup> IFC also worked with several individual firms to improve sales and marketing, farm management, and laboratory operations. The poultry sector experienced rapid expansion until a severe outbreak of Avian Flu in early 2008. Up to that point, consumption of poultry meat had been increasing at roughly 15 percent per annum. The effect of the outbreak was dramatic and monthly consumption declined from approximately 26,600MT to 12,000MT between October 2007 to March 2008.<sup>9</sup> As of March 2008, outbreaks were reported in 47 of Bangladesh's 64 districts resulting in the culling over 1.6 million birds. Many poultry farms closed down and consumers feared the purchase and consumption of poultry, thereby weakening sales. Another SEDF initiative established a partnership with the Rural Development Agency and provided training to around 900 women to produce high quality seeds. The seed stock produced was equal to or superior to that produced by government producers and the beneficiaries have captured a share of the domestic market.

**8.16 SEDF support in the light engineering sector showed mixed results.** In 2003 the Government of Bangladesh identified light engineering as a priority export sector and established the Light Engineering Product Business Promotion Council in the Ministry of Commerce. SEDF incorporated the light engineering sector (LES) in its strategy and identified poor quality, informality and disorganization as the "three critical categories" of constraints affecting the sector.<sup>10</sup> SEDF funded various sector studies to investigate the structure and performance of the sector. Ensuing pilot initiatives in the following areas demonstrated results at the firm level: foundries, re-rolling mills, and machine shops. SEDF also pursued strategic demonstration projects and provided capacity-building supports to two financial institutions to target LES SMEs.<sup>11</sup> SEDF also assisted with the establishment of the Consortium for Industrial Engineering Services (CIES) which provided consulting services to light engineering companies. CIES had received subsidies from SEDF but these have been phased out and it now operates on the basis of its fees to SMEs. SEDF's work with steel re-rolling mills resulted in unit cost savings of one to two percent. Modifications

to furnace gas nozzles and waste heat recuperators helped improve efficiencies. SEDF's assistance had a similar effect on the foundries with which it worked in that the initial focus was on improving the production processes to capture efficiency gains.

***Supporting private participation in infrastructure***

8.17 **IFC helped develop the first private sector power producer in Bangladesh.** Both IDA and IFC supported development of independent power producers in Bangladesh. IDA supported establishment of the 360Mw Haripur (360 MW) power plant through a partial risk guarantee in FY00 and the 450MW Meghnaghat plant in FY01 through indirect lending through a financial intermediary (discussed in Chapter 5). In 1998, IFC invested in the 110MW Khulna Power project, the first private IPP in Bangladesh. Since operations began the project has provided reliable electricity supply to help alleviate acute shortages in the Western region of Bangladesh. The project was also recognized by both the Ministry of Power and the independent regulator as a model IPP for its operational and environmental standards. However, while the operation has been profitable since inception, it has also faced a range of problems. Its financial return was significantly below projections due to the inability to pass on higher fuel costs through the tariff; and the project has been subject to allegations of corruption concerning the original tender award. IFC's loan was fully pre-paid in 2008. Since 2002, no new IPPs have been developed in Bangladesh while several public sector plants commissioned have yielded higher cost and unreliable output. The country's power generation deficit is estimated to be around 2000MW. In 2008, the government retained IFC as an advisor on developing an IPP for a 450MW gas plant at Bibyana.

8.18 **An IFC investment supported emergence of the leading private telecom provider, which pioneered a successful village access program.** With IDA assistance, in the late 1990s, the government established a legal and regulatory framework and opened the telecom sector to allow private national cellular operations. In 1998 and 2004, IFC invested in GrameenPhone, which is now one of the largest private sector companies in Bangladesh and has 50 percent of the mobile telephone market. The project pioneered a village connectivity program through which primarily female rural entrepreneurs were assisted in establishing village pay phone services. A 2003 IEG evaluation of the project found that "through the village phone program, the project facilitated telephone access to the poor, empowered women in rural areas by giving them income opportunities, and generated significant consumer surplus." The project was also found to have stimulated competition in the sector, resulting in service quality improvements and lower tariffs; increased access to telephone services; generated significant revenues for the government; as well as provided "excellent" returns to the financiers. Based on this experience, IFC helped replicate this program in other countries, including Nigeria. Overall, the telecom industry in Bangladesh has seen substantial growth over the past few years, although as discussed in Chapter 5 of this report, much remains to be done to improve access to communication services.

**Table 7. Private Participation in Infrastructure Projects, 2002-2007 (US\$ million)**

Sector	Bangladesh	Sri Lanka	India	Pakistan	South Asia
Energy	-	139	22,657	2,020	24,816
Telecom	3,621	1,167	31,365	11,673	49,262
Transport	-	-	17,073	872	17,945
Water and Sewage	-	-	253	-	253
Total investment	3,621	1,306	71,348	14,563	92,277
Total investment per capita (US\$)	23	66	64	90	61

Source: WBG Private Participation in Infrastructure Database, 2008

**8.19 IFC was not able to realize any new investments in infrastructure, and weak infrastructure, particularly power supply, remains a major constraint to doing business.** As discussed in Chapter 5, good progress was made in addressing some infrastructure constraints over the past decade. In particular, development of the national road network helped alleviate transport constraints outside the main urban areas and private operation and management of the Chittagong Container Terminal increased efficiency in the port. However, business surveys continue to identify weak infrastructure, particularly lack of access to reliable power supply as major detriments to doing business in Bangladesh. Private investment in infrastructure since 2002 was limited to the telecommunications sector following further opening of the sector. Total private investment in infrastructure was less than US\$25 per capita since 2002, compared to US\$90 in Pakistan and US\$66 in Sri Lanka (Table 7). With the exception of Nepal, infrastructure indicators in Bangladesh are worse than in other countries in the region. In particular, just 30 percent of the population has access to electricity, compared to 43 percent in India and 63 percent in Sri Lanka. Key constraints to greater private engagement in the power sector include political risk associated with frequent changes in government and unclear policy signals; perceptions of high levels of corruption in the sector; and the fragile financial capacity in the public transmission and distribution utilities driven by inadequate tariff levels, high system losses, and low collection rates.

### ***Improving the Business Regulatory Environment***

**8.20 While progress has been made in a few areas, much remains to be done to enhance the business regulatory environment in Bangladesh.** Successive governments in Bangladesh have recognized the need to build a stable business enabling environment by addressing corruption, improving the regulatory environment, and attracting FDI. Progress has been made in some areas, including improving customs rules and processing times, import and export procedures, and business registration costs. However, progress has been uneven and Bangladesh continues to score poorly on most governance and business environment indicators. According to the Institutional Investor Country Credit Risk ratings, Bangladesh remained a “high-risk” country throughout the decade. The Heritage Foundation’s Economic Freedom Index ranks Bangladesh as the only country in the South Asia region with a “repressed” business environment. While Bangladesh’s ranking in the Global Competitiveness Index improved from being consistently in the bottom ten in 2002-



2005 to 111th out of 134 countries in 2008-09, its current ranking is still well below other countries in the region, other than Nepal. The World Bank's World Governance Indicators on regulatory quality and corruption also rank Bangladesh as the lowest in South Asia. According to the DB indicators, while the direct cost of registering a business has declined substantially over the last five years, it still takes 73 days to start a business, compared to a regional benchmark of 32 days. Similarly, while the time to register property was reduced from 450 days to 245 days by reducing lawyer's roles, this is still more than double the regional benchmark.

**8.21 With strong multi-donor support, IFC's engagement in BEE issues was substantially expanded in 2007 and while it has engaged in several relevant areas, it remains too early to assess its impact on the regulatory environment.** Based on the 2003 SEDF/FIAS investment climate assessment, SEDF/FIAS commenced several BEE activities including a joint project with the WB to automate the registration processes of the Registry of Joint Stock Companies; and capacity building with some business associations. To some extent this reflected a "low-hanging fruit" approach, however, that provided useful assistance, although had limited impact on the broader environment. Subsequent reviews, moreover, highlighted the slow pace of implementation of reforms. A 2006 Administrative Barriers Review identified several reasons for slow progress including lack of an analysis-based approach, lack of awareness and training among civil servants and deep distrust of the private sector; corruption in public agencies; and complex and often contradictory amendments to existing laws, rules and policies. Further constraints to investment identified included a six month time lag to obtain approval from the central bank (through the BOI) for foreign private loans; and cumbersome environmental and location clearance, duty drawback, import clearance, and bonded warehouse licensing procedures. With strong multi-donor support, BICF was established in 2007 to provide help accelerate the pace of reforms. Key initiatives have include (i) a review of core business regulations and establishment of the Regulatory Reform Commission to help streamline and add transparency to the reform process; (ii) institutional capacity building in key public agencies, including PSD training and incentives for civil servants; (iii) enhancing the public private dialogue through establishment of the Bangladesh Better Business Forum; and (iv) formalization of an economic zone policy. BICF has also developed an innovative and comprehensive monitoring system to measure its achievements. Early indicators point to constructive engagement with the government and positive achievements in strengthening the public-private dialogue, although it remains too early to assess the project's overall impact on the regulatory environment.

#### **IFC ADDITIONALITY**

**8.22 With substantial domestic investment flowing into some sectors, a key area of IFC additionality is helping channel investment into undeveloped, high-risk sectors.** The increased competitiveness and more attractive terms offered by local banks along with difficulties in securing foreign loan approvals - albeit restricting the volume of IFC investments - have made the relatively few IFC investments embody a high level of additionality. IFC appropriately did not seek investments in the RMG sector, given adequate resources flowing into this sector in the past. Despite improvements in the banking sector, moreover, access to long-term investment finance remains limited, creating a role for IFC's capacity for term lending and long-term equity. The high degree of political

uncertainty, mixed signals, and perceptions of corruption also imply an important potential political risk mitigation role for IFC. In the case of the Khulna power project, IFC financed the first IPP that helped test the regulatory environment established in 1995 and establish a path for several other PPPs that followed. In particular, IFC's intermediation between the sponsor and government helped establish a power purchase agreement that made the project viable and that benefited subsequent projects. IFC also played an important role in facilitating the high-risk and unique cross-border Lafarge cement project. In the housing sector, IFC leveraged its regional presence to introduce an Indian technical partner to a reputed local sponsor that resulted in a sound investment that made an important contribution to development of the housing finance industry in Bangladesh. In the mobile telecom sector, IFC made an early investment when the regulatory environment in the sector was still untested and there was very limited investment in the sector. While a range of deficiencies continue to exist that can benefit from IFC support, with the regulatory environment now more established as well as high levels of investment flowing into the sector, IFC's additionality in the sector is presently considerably narrower, however..

### IFC PERFORMANCE

**8.23 IFC made several positive contributions to development of the private sector, although its overall contribution was limited by its inability to realize investment projects.** IFC's increasing advisory services presence since 2002 along with a few key investment projects made positive contributions to development of the private sector in Bangladesh. However, IFC's inability to develop further investment operations undermined its overall contribution to development. In the financial sector, IFC made important contributions to development of the non-bank financial sector through investments in leasing and housing finance and supported increased SME lending in several commercial banks through its advisory services. It did not, however, have the broader impact on the banking sector that it had intended by influencing improvements in corporate governance. Through SEDF and three investments, IFC also made positive contributions in the manufacturing sector, including supporting a unique cross-border cement plant; providing technical support to the RMG, agribusiness, and light engineering sectors. However, its limited volume of investments undermined its impact on furthering strong, transparent corporate governance; high social and environmental standards; increased FDI; and increased inter-regional investment. In infrastructure, IFC made two positive contributions through investments in telecommunications and the first private power producer. However, it was not able to develop any further interventions in infrastructure nor did it develop any advisory services in infrastructure until recently. Although identified in CASs as areas of potential IFC engagement, IFC did not contribute to development of the gas, private health, or private education sectors. In the business environment, IFC's initial approach was to address "low hanging fruit" such as computerizing the stock exchange registry, which while positive, had only limited impact on the broader environment. Since 2007, it has developed a more comprehensive approach to BEE issues through the multi-donor-supported BICF.

**8.24 In the difficult investment environment, IFC placed a relevant emphasis on advisory services.** As discussed above IFC's inability to realize investment projects largely reflected persistent weaknesses in the investment environment. Unlike some countries in which a lack of IFC presence and familiarity with a country can significantly undermine its

ability to develop new investments, in the case of Bangladesh, IFC did maintain a country manager in Dhaka for most of the period under review; it had a strong regional field presence in India that had processing capacity for manufacturing and financial markets projects; and it was able to maintain its familiarity with the country through its substantial AS presence. At the same time, however, IFC's business development presence on the ground was limited and its incentive system might discourage an institutional focus on more difficult countries in a region.<sup>12</sup> In the context of the difficult investment environment, IFC appropriately increased its engagement in advisory services. While SEDF has shown some mixed results across sectors, supported by close donor engagement and systematic impact reviews, it has shown a good degree of adaptability, learning from the past, and discipline in its activities. On the other hand, IFC's engagement in the infrastructure sectors since 2002 was limited until 2007, when a dedicated infrastructure advisory facility was established in the region. Although some initial concerns existed as to IFC's ability to develop sufficient local capacity, both IFC-managed AS facilities have succeeded in developing a cadre of high quality staff in the local field offices. Based on collaboration on country analytical reviews and diagnostics, a consistent WBG approach was maintained in BEE issues including through establishment of the BICF, work on special economic zones, and development of a common framework through which to support PPPs in infrastructure<sup>13</sup>.

#### LESSONS AND CHALLENGES

- A challenge for IFC is to fully engage its substantial on-the-ground advisory services staff in developing investment opportunities. Given the difficult business environment, a trade-off exists for IFC between significantly increasing its on-the-ground business development staff to enhance the prospects of realizing investments, versus focusing its resources on countries with more conducive investment environments in the region. At the same time, it has a staff of over 65 people focused on AS through SEDF and BICF. There have been clear benefits of engaging AS staff in business development in the recent past and a challenge exists for IFC fully leverage this presence by providing further training and incentives for AS staff to play a proactive role in developing relationships and identifying investment opportunities.
- **Well performing countries in a region may detract IFC attention from more difficult countries.** IFC's current incentive framework based on regional and sector targets favors work on better performing countries in a region. A challenge exists to further refine the incentive framework to reward work on difficult countries such as Bangladesh, where the prospects of developing successful investments are significantly lower but, if realized, might offer substantial contributions to development
- **Further opportunities exist for IFC cooperation with MIGA.** In the past, a high level of political risk associated with investment in Bangladesh has undermined development of some potential investments for IFC, particularly in the infrastructure and natural resource sectors. In this context, an opportunity exists for IFC staff to familiarize themselves with MIGA's product range in order to leverage the potential role of explicit political risk insurance products to attract investment into Bangladesh.
- **IFC needs to find the right degree of due diligence to engage with AS clients.** In some cases in the past, IFC began work with AS clients only to have to withdraw from its engagement following unresolvable governance issues. A challenge thereby

exists for IFC to conduct an adequate level of due diligence that enables it to identify unresolvable governance issues but at the same time, is cost-effective for both the client and IFC. In the case of IFC's engagement in GTFP, SEDF was able to piggyback off the due diligence conducted for participating banks.

- **IFC's strong presence in India and the rest of the region place IFC in a position to further inter-regional investment.** IFC played a useful role in introducing a well-established housing finance company in India to a reputed local partner in Bangladesh, with ensuing successful investment and development outcomes. The model underpins a relatively unique position for IFC in terms of its relationships with strong partners in one country and on-the-ground presence and country knowledge in other countries that might be further exploited.
- **IFC has a potentially important role to play in the power sector.** Given the severe deficit in power generation capacity as well as a clear perception that access to electricity is a critical constraint to doing business, IFC should be prepared to engage in the sector, as part of a broader sector reform. While Bangladesh has underdeveloped coal and gas resources for energy generation, a range of policy and institutional constraints constrain their development. IFC helped develop the first IPP in Bangladesh and while the project has faced a range of challenges, it has remained a viable concern and generated reliable energy supply throughout its operation. IFC might extract lessons from this experience and seek to enhance its role in the power sector through both advisory services and eventual possible investment projects to help mitigate governance concerns in the award of IPPs, help structure transactions, and provide comfort to investors in the uncertain political environment.
- **SEDF's experience indicated the importance of an integrated sector approach and not spreading resources and abilities too thinly.** SEDF was initially broadly spread across along three business lines and four major sectors. Over time, it has been evolving toward a narrower and more integrated "top to bottom" approach that identifies the key barriers along a particular sector's value chain and then endeavors to address these systematically, allowing for both a concentration of resources toward fewer areas as well as a broader array of constraints within these areas to be addressed. Further movement in this direction is warranted. For example, while SEDF was effective in helping re-rolling mills and foundries achieve cost-saving efficiencies, there is additional scope for follow on in areas such as supply chain management, marketing, transportation, distribution, and work place safety.
- **Further challenges exist for SEDF to enhance the long term sustainability of local service providers.** As part of its overall strategy, SEDF attempted to develop local service providers. For example, in the light engineering sector, SEDF supported the establishment of the Consortium for Industrial Engineering Services. Subsequently, CIES has been able to secure several clients on its own but has had difficulty scaling up its business. Similar efforts to build the capacity of local service providers in the readymade garment sector have faced the same challenge. Both stand-alone and partnership models display scalability issues which may be the result of any number of factors ranging from geographic dispersion to ability to pay. In this respect, a challenge remains for SEDF to ensure that skills and expertise are retained within the respective industry.

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<sup>1</sup> IFC Management Footnote: "Recognizing that the investment climate in Bangladesh is difficult for all investors, in 2007 the IFC established the Bangladesh Investment Climate Fund with financial support from the UK's DFID and the European Union to help address many of these key constraints."

<sup>2</sup> In 2009, IFC is expecting to commit 8 investments, which is the highest ever for IFC. These include an investment in PRAN holdings, a leading agribusiness company in Bangladesh; 4 GTFP with local banks; and a rights issue in Brac Bank. .

<sup>3</sup> Since FY01, the Asian Development Bank has financed three private sector projects in Bangladesh in power, telecommunications, and finance for US\$161 million.

<sup>4</sup> IFC Management Footnote: "IFC's goal overall has been to increase investments in frontier and IDA regions, but this does not mean that every frontier or IDA country can contribute to this goal equally. In the case of Bangladesh, the difficult business environment and political changes meant that investments in this country did not contribute as much to the goal of increasing investments in the frontier as IFC would have wished."

<sup>5</sup> IFC Management Footnote: "IFC deployed regionally based staff to support business development, processing and portfolio over the period of the review. IFC Management's view is that the Report pays disproportionate attention to the number of staff located in Dhaka during the period of the review, rather than recognizing the significant expansion of investment and advisory staff based in the South Asia Region who were deployed in Bangladesh as needed"

<sup>6</sup> IFC Advisory Services Department, Bangladesh Investment Advisory Facility

<sup>7</sup> IBID.

<sup>8</sup> IBID

<sup>9</sup> IRIN News, UN Office for Coordination of Humanitarian Affairs, March 11, 2008.

<sup>10</sup> *Market Development in Practice: Sector Development & Business Services Strategy – Experience of SEDF, Bangladesh*, Adhikary & McVay, Dhaka, Bangladesh, June, 2006.

<sup>11</sup> "SEDF Impact Assessment", Nexus Associates, Inc., May 2008

<sup>12</sup> In the last two years, IFC's South Asia's Department Scorecard has included specific metrics on the number and volume of investments in frontier regions.

<sup>13</sup> IFC Management Footnote: "However, as discussed in paragraph 8.17 IFC did help develop the first private sector power producer in Bangladesh 1998 and also made two substantial investments in the telecommunications sector."



## Part III. Conclusions

### 9. Assessing the Bank's Contribution

9.1 This chapter brings together the assessments of the previous chapters and develops a combined assessment of the Bank's contribution to Bangladesh's development during FY01-09 by reviewing relevance, efficacy, and efficiency of Bank assistance.

#### **Relevance**

9.2 The relevance of Bank assistance responds to the question: was the Bank pursuing the appropriate strategy which provided the right kind and balance of assistance to support Bangladesh's policy agenda. Key aspects of relevance includes the scope and coverage of Bank strategy and the extent to which it was aligned with Government programs. It also addresses the degree to which the instruments employed were useful and realistic. It draws heavily on each of the sector chapter sections on realism.

9.3 In general, the assessment concludes that the Bank's strategy during the period was relevant. However, this was less true earlier in the period, when the overall program was diminished as the Bank fully or partially disengaged from key sectors such as agriculture, energy, and urban water supply and sanitation in response to a difficult dialogue in those sectors. The strategy thus became less relevant in those sectors, and an adverse impact on the relevance of the overall strategy. As the period progressed, the Bank found mechanisms to re-engage in those sectors. The strategy also encompassed development policy lending which greatly increased relevance by allowing the Bank to organize support for core governance and other key issues facing Bangladesh.

9.4 **Coverage.** Bank strategies during this period were comprehensive in terms of Low Case, Base Case, and High Case options in which were addressed a full range of contingencies. However, the Low Case, implemented during the first years of the FY01 CAS proved unduly restrictive and, in reducing coverage, detracted from the quality of the Bank's program. This issue is elucidated in the sector discussions concerning Agriculture, Energy, and Water Supply and Sanitation.

9.5 Analytical work and project preparation were generally of high quality. However, a number of AAA tasks were initiated without full consultations with senior GOB officials, who also noted that some of these had little to contribute in terms of new information or analyses. In addition, key NGOs complained of less than full consultations concerning governance and other important areas, while several Chambers of Commerce representing

both the largest Bangladeshi enterprises and large FDI investment also complained of not being involved as institutions in discussions on the formulation of private sector development components of the Bank's assistance strategy. Despite this, a number of AAA tasks were clearly of special value to the GOB and other stakeholders, while some of the remainder may also have been important for the Bank in terms of improving project formulation. Project preparation was generally sound, but implementation could have been improved in particular, had the Bank conducted Country Portfolio Performance Reviews in accordance with normal Bank policy for large portfolios.

**9.6 Alignment.** The Bank performed well in aligning those projects which did materialize to appropriately supporting the Government's PRSPs and other initiatives. The Health and Education SWAs are particular examples of excellent alignment of Bank support with government programs.

**9.7 Realism.** A large number of projects and tasks contained in the CASs were dropped, and a large number of alternative operations were added, which was evidence of the Bank seeking to closely align its operations with GOB objectives but also reflected difficulties in securing firm agreement in Bangladesh's sometimes difficult political terrain.

### ***Efficacy***

**9.8** While relevance addresses the issue of whether the Bank's strategy addressed the "right" issues, efficacy measures the extent to which the Bank achieved its objectives. The strategy defined in the CASs was quite detailed and contained a large number of objectives. As is clear in the sector chapters, many of these were achieved, but many others not. Rating efficacy then requires a judgment as to which objectives were most important, so that their achievement would have the greatest impact on development. Equally, the question of timing is important. Performance clearly did improve over time, and in general, this CAE gives greater weight to more recent events than earlier events, on the grounds that the country's development path into the future is important, and that an improving trend is a legitimate aspect of performance and should be reflected in the ratings.

**9.9** The Bank's support for fiscal and financial management achieved many of its objectives. Governance improved, including especially procurement reforms, but civil service reform was an unfortunate exception. Private sector development in terms of tariff reforms went well. Agricultural performance improved over time, as did the efficacy of the Bank's program in energy and water supply and sewerage, albeit from very low levels initially. The SWAs in education and health are important instruments for sector reform, and should further improve what has already been good sector performance, although issues such as targeting of subsidies and teacher and doctor absenteeism remain.

**9.10** On balance, the Bank's assistance program achieved enough of its objectives to rate between modest and substantial achievement overall.

### ***Efficiency***

**9.11** Was the progress achieved during the review period commensurate with the Bank's program of AAA and lending, as reflected in the Bank's budget for Bangladesh? Ideally, a rate-of-return or cost benefit analysis would be important, but these are not possible.



9.12 New commitments for the period under review came to US\$3876 million (to date in FY09). In addition, the Bank delivered a large number of studies, policy advice, and other support. The cumulative administrative budget for FY01-08 came to US\$66.2 million, of which US\$41 million was for lending and supervision.

9.13 There were many dropped projects entailing some cost, and it is possible that some in sectors such as energy and agriculture could have been pursued with greater staying power and commitment to pursue objectives even in the face of a difficult policy dialogue.

9.14 However, given the number of government changes and difficult political circumstances, it appears that efficiency was at a reasonable level.

#### ***Overall Assessment***

9.15 Given the ratings for governance, private sector development, infrastructure, agriculture, education, and health, an overall rating of Moderately Satisfactory is warranted. The details for these ratings are given in the sector chapters.



# 10. Findings and Recommendations

## Key Findings of the IDA Evaluation

### *Sector Findings*

10.1 IDA assistance during the review period had positive outcomes in many areas, including aspects of improving implementation capacity (such as public financial management and tackling corruption) accelerating private sector development (PSD) (such as managing the policy framework for PSD, energy, agriculture) and human development (health and education). However, the outcome of IDA support fell short of objectives in public sector reforms, legal and judicial reform, voice/empowerment/participation, transportation and water supply and sanitation.

10.2 Governance. IDA correctly broadened its support for governance reforms beyond corruption with the FY06 CAS strategy encompassing implementation capacity (public financial management and public sector reform), corruption, legal and judicial reform, voice/empowerment/participation. There have been improvements in public financial management. IDA's two public procurement projects supported a new public procurement law and its implementation. However, several key DPs, including the Bank, do not yet use the government's new system. The Development Support Credits (DSCs) supported improvements in accounting and auditing and a new strategic budget planning system now used in 20 ministries, though more needs to be done. By contrast, DSC support for public sector reform, and the civil service in particular, has achieved almost nothing. Promotions are not based on merit, and many senior officials are rotated to new positions annually. DSC support for new Anti-Corruption Commission has been important in tackling corruption, though, again, much more is needed. The judiciary was separated from the executive branch, but DSC support was of marginal importance as this was already a government priority. IDA's Legal and Judicial Reform project contributed to improved civil court administration with reduced case backlogs in a number of district courts. But much more needs to be done in those districts already covered by the reform, and a public outreach component of the project was dropped, while a large number of districts are not yet touched by the reforms. IDA did not address case management in the criminal justice system, important for the anti-corruption effort. The IDA program has had only modest impact concerning voice/empowerment/participation despite some effective work with BRAC University. In many areas of governance, and in other sectors, outreach to civil society and other partners has not been strong; consequently Bangladeshi ownership of reforms supported by the Bank has been uneven. Overall, the outcome of IDA support for governance reform is rated moderately satisfactory.

10.3 Accelerating Private Sector Development/Improve the investment climate: Macro-management and the Policy Framework for PSD: GDP growth was in the range of 5-6 percent through the evaluation period, fiscal deficits were contained, and exports and workers' remittances grew rapidly, though this is attributable largely to Government initiatives, with some support from the DSCs. Public revenue grew according to targets, though largely due to tax revenue reforms implemented in 2008, and public external debt reduction targets were substantially exceeded. IDA contributed to improved tax performance through the

DSCs and the FY04 Economic Management and Technical Assistance project. However, public revenue remains low by international standards as does public expenditure. IDA's DSCs supported trade tariff reductions, though they are still high relative to other South Asian countries, as is the anti-export tax bias. There have been some reductions in administrative barriers. The CAS objectives were substantially achieved and macroeconomic management has been strong; however, Bangladesh still ranks very low in terms of international measures of competitiveness. Overall, the outcome of IDA support for macromanagement and the policy framework for PSD is rated moderately satisfactory.

10.4 Accelerating Private Sector Development/Improve the investment climate: Infrastructure. IDA largely withdrew from the energy sector early in the evaluation period because of governance and related concerns. Serious shortfalls in production and adverse impacts on PSD ensued, and IDA wisely began to ramp up its engagement through carefully structured DPL conditionality, investment lending, and TA. The resulting moderately satisfactory outcome reflects an accelerating pace of reforms and particular achievements in rural electrification, assisted by the FY02 Rural Electrification and Renewable Energy project. IDA was less successful in Water Supply and Sanitation, where it withdrew from urban water and sanitation (access to safe water and sanitation in urban areas has been falling), although the arsenic attenuation program did impact many rural areas. IDA should have been more active and creative in seeking greater continuity in operations. In transportation, the rural road network has been improved and expanded, supported by the FY03 Rural Transport Improvement project, among others, and there have been some improvements in Dhaka. There were important corruption and procurement issues which are being addressed, with assistance from INT. However, some important reforms were not addressed, so that, for example, there was little private sector investment. Chittagong Port operations improved dramatically, in part because of a DSC-supported customs duty reform, but more importantly because GOB removed corrupt management and improved work regulations. Overall, the outcome of IDA support for infrastructure is rated moderately satisfactory.

10.5 Accelerating Private Sector Development/Improve the Investment Climate: Agriculture and Rural Development. IDA's stop-go program in ARD before and during the early part of this evaluation period proved costly, with loss of knowledge and standing as a respected counterpart, from which, as IDA re-engaged leading to and during the FY06 CAS period, it took a number of years to recover. There were, however, important gains in some CAS objectives such as improving disaster management capacities, attributable in part to the FY09 Recovery and Restoration project and the FY08 SIPP additional financing for floods, but less progress in strengthening policies for rural growth and strengthening local government, and negligible progress in rationalizing input subsidies. Performance would have been improved with better donor coordination in the sector. Overall, the outcome of IDA support for agriculture and rural development is rated moderately satisfactory.

10.6 Empower the Poor: Education. There has been a phenomenal expansion in access to primary and secondary education, but this has not been matched by improvements in quality, and there is low efficiency and inequitable access. There has been substantial progress in provision of education to girls. However, teacher absenteeism and some political interference in the appointment of teachers are still important governance issues. Another issue is targeting of the subsidy programs for those attending primary school and for female sec-

ondary school pupils. Two Sector-Wide Assistance programs (SWAps), led by the Asian Development Bank but with substantial support from IDA are addressing these issues (for example, subsidy targeting has improved considerably), though some mid-course corrections could have been implemented earlier with better monitoring. Implementation could have been accelerated with increased upfront investments in staff time and resources needed to implant SWAp modalities. In its supporting role, IDA has made effective contributions to education reform. On balance, given improvements in education overall and especially in girls' enrollment rates, the outcome of IDA support for education is rated moderately satisfactory.

10.7 Empower the Poor: Health. There have been impressive gains in managing population growth, and many health indicators such as infant mortality have improved substantially. The Bank sought to improve sector governance (financial management and procurement) with only modest improvement in local accountability, utilization rates (for which outcomes are mixed), diversification of service delivery through greater engagement with NGOs (for which there was lagging but slowly improving achievement), and improvement in TB detection (which increased from 40 percent in 1995 to nearly universal). On balance, the outcome of IDA support for health is rated moderately satisfactory.

10.8 The overall outcome rating is moderately satisfactory, since, after thorough evaluation, IEG rated each outcome moderately satisfactory. As a methodological point, IEG weighted governance more heavily than the other areas. Beyond this, the outcome of each sector program was weighted evenly, since in many cases their components supported cross-cutting objectives defined within the CAS pillars, rather than traditional sector programs.

### ***Program Findings***

- There were fairly positive findings overall, although the Bank has had mixed results when it has relied too heavily on just one type of instrument when addressing difficult development challenges. While DSCs were effective in promoting many reforms, they were not sufficient to motivate others, especially civil service reform. In such cases, coordinated support is needed, and DSCs should be complemented by other instruments including investment lending and AAA. Concerning the health and education SWAps, for which IDA assistance has been in the form of sector investment credits, more creative use of a mix of DSCs and investment lending is essential to provide more efficient support to those sectors.
- The Bank's stop-go approach in sectors such as agriculture, urban water supply and sanitation and energy was not effective. Institutional reforms take time to be completed and show results. Recognizing that aggregate ceilings on lending, as, for example, under the FY01 CAS Low Case, need to be respected, and that levels and modalities of engagement may need to be modulated by sector, more staying power even in the face of adverse results may well lead to more productive programs. Such engagement need not entail large amounts of lending, but could focus on AAA and well-targeted technical assistance lending and small-scale projects which address critical needs. Legal and Judicial reform may be a subsector where the Bank is in danger of repeating the error of stop-go engagement.

- Despite some positive results in governance, the Bank has not succeeded in promoting progress in civil service reform, a high priority, with adverse consequences. While recognizing that this was a difficult objective under the political environment, the lack of a merit-based system and the rapid rotation of senior officials make it extremely difficult to plan, program, and implement reforms, while the associated lack of accountability heightens the risk of corruption.
- The Bank has appropriately focused on corruption issues in education and health, but needs to enhance its focus on other aspects of governance (such as teacher absenteeism) that also detract from service delivery in these sectors.
- Monitoring of progress was inadequate, yet is crucial, particularly when institutional reforms are involved, because circumstances keep changing and challenges emerge with every step. For example, the Education and Health SWAps could have been even more effective had strengthened monitoring identified weaknesses earlier followed promptly by mid-course corrections. At the broader country assistance level, the FY06 CAS contained a long list of milestones and intermediate indicators, but aside from a few precise quantitative targets, there was no indication of how these were to be monitored and progress judged.
- Many Bangladeshi partners were not fully engaged in important aspects of the assistance program. Important elements of civil society did not engage in discussions concerning governance, nor did important key Chambers of Commerce participate institutionally on a regular basis in discussions of private sector development.
- Coordination between the Bank and other DPs was strong in some sectors but weak in key sectors such as energy and water supply, contributing to unsatisfactory outcomes in these sectors. Project implementation in sectors such as agriculture did not benefit from full exchanges of information with other DPs. However, heightened coordination among external partners has proven to be effective and improve the development impact of the Bank's assistance, as has been the case with the education and health SWAps.
- The FY06 Joint CAS framework entailed considerable costs in formulation, and lack of program monitoring and evaluation greatly diminished the benefits of the joint effort. Joint efforts need to be sustained through implementation in order for benefits to be realized.
- IFC was not included in FY06 CAS implementation framework, with only a few entries in the FY01 CAS framework. Given the focus on accelerating private sector development, the basis for this is not clear.
- From interviews with Bank staff it became apparent that there has been some lack of communication between headquarters (network) staff and local office (regional) staff. These shortcomings have hindered the Bank's ability to provide timely and appropriate support to Bangladesh when assistance was requested. This lack of coordination has also imposed costs on GOB with too many missions.

## IDA RECOMMENDATIONS

10.9 IEG recommends that IDA utilize a broader range of instruments to support civil service reform, a very high priority, and other complex institutional reforms. The DSCs have been effective in many areas, not in supporting complex institutional reforms in the absence of adequate support from investment lending, technical assistance and AAA. While macro level governance has been impressive, a more robust approach is needed to improve

governance pertaining to civil service reform, sectors, enterprises, and individuals to further improve outcomes. In addressing these development challenges, the Bank needs to employ in coordinated fashion development policy lending, investment lending, technical assistance, and well focused AAA, especially for civil service and similarly complex institutional reforms. The past heavy reliance on DPLs in the case of Bangladesh has yielded some good results, but there have also been some substantial shortfalls. By improving the mix of instruments, the Bank will help Bangladesh build local capacity, sequence reforms accordingly, and make the necessary adjustments as circumstances change.

**10.10 IEG recommends that IDA stay involved in sectors for the long haul, even where dialogue has been difficult, such as energy, agriculture, and water supply and sanitation.** The stop-go involvement of the past causes a loss of knowledge and mutual respect making restarting operations quite costly. Moreover, in sectors requiring deep institutional changes such as judicial and legal and anti-corruption programs, the Bank needs to make an additional effort to remain engaged, helping the country keep direction and the pace of reforms when political developments and other circumstances challenge them. Selectivity could still play a role in terms of sector emphasis, but it should not act as an on/off switch for key sectors.

**10.11 IEG recommends that IDA focus on governance constraints which impede service delivery.** With low public revenue levels in Bangladesh, an extra premium is attached to governance reform, since governance shortfalls combined with resource constraints greatly amplify problems in service delivery to the population as a whole, but, especially to the poor and vulnerable. Improving subsidy targeting in education and security of pharmaceuticals in clinics are important examples.

**10.12 IEG recommends that IDA strengthen monitoring and evaluation. The Health and Education SWaps could have been even more effective had improved monitoring revealed shortfalls earlier.** A well functioning M&E framework should be instrumental in building local capacity, sequencing reforms accordingly and make the necessary changes and adaptations to the project or program. It should also lend itself as the appropriate vehicle to foster a greater degree of coordination with external partners when these are involved. At the country assistance level, to help improve CAS design, monitoring and evaluation, and, in particular, the Results Matrix, must be underpinned by a sound results framework including inter alia well thought-out indicators and mechanisms for progress monitoring.

**10.13 IEG recommends that IDA ground its dialogue in appropriately designed and implemented AAA and coordinate closely with other development partners – both domestic and external – to bring about greater country ownership with strong political support for the needed policy actions.** The role of domestic partners is essential to keep the momentum of Bangladesh's efforts to rein in corruption and improve governance. The Bank should ensure that AAA and other tasks are adequately discussed with civil society and other partners and are not supply-driven and should include programmatic as well as task-specific preparatory discussions with beneficiaries and stakeholders on a more regular basis. More products should be translated into Bangla to promote broader engagement.

**10.14 IEG recommends that IDA improve the prioritization and operational focus of its coordination with other external partners.** The Bank has played a leading role in bringing together the donor community in Bangladesh. However, it can move beyond agreements on broad objectives. As the SWAp experience suggests, only through better coordination at the program and project level can the Bank and its external partners make sure that their efforts are mutually reinforcing, that sufficient resources and knowledge are devoted to the task, and that adequate monitoring and evaluation takes place – these principles remain valid even at lower levels of harmonization.

**10.15 IEG recommends that IDA better organize its staff resources and programs to facilitate its work programs.** In Bangladesh there were too many missions asking for too many meetings. In addition, networks seem to have fallen short from providing the right skill-mix needed by the country team, raising questions on whether better communication is needed between staff in Dhaka and in Headquarters. This also resulted in delayed interventions and responses, with notable exceptions such as Cyclone Relief supplemental for the TSC.

**10.16 IEG recommends that IDA conduct CPPRs on regular basis especially since the Bangladesh portfolio is large and has underperformed for extended periods of time.** CPPRs are important tools for learning, improving Bank practices, and engaging the government in systemic and well as project-specific reforms.

### **Key Findings of the IFC Evaluation**

**10.17 IFC identified a broad range of objectives in Bangladesh since 2002, including in the financial sector, manufacturing, infrastructure, the social sectors, and the business environment.** However, over the review period, IFC was able to realize only a few new investments in the financial and manufacturing sectors and was not able to realize investments in most areas that it considered. A weak overall business environment that persisted in Bangladesh affected IFC's ability to make new investments, including restrictions on overseas borrowing, perceptions of high political risk, complex ownership arrangements and governance issues in the banking and corporate sectors, and continuing administrative obstacles to doing business. At the same, some internal weaknesses to IFC are also apparent. Other than the country manager that was based in Dhaka until 2008, IFC did not maintain business development officers on the ground until two local business development officers were recently placed in Dhaka; IFC's volume-based incentive system favors staff work on countries in the region with more conducive business environments; IFC proved to be uncompetitive in price relative to offerings by local banks for shorter-term lending; and unlike in India, IFC did not have the ability to provide local currency loans until a pilot facility was introduced in 2007. In the context of the difficult investment environment, IFC appropriately increased its engagement in advisory services through both the South Asia Enterprise Development Facility (SEDF) and the Bangladesh Investment Climate Fund (BICF). Supported by close donor engagement and systematic monitoring and evaluation, IFC's advisory services approach has shown a good degree of adaptability, learning from the past, and discipline in its activities.

**10.18 Through its few investments and enhanced advisory services portfolio, IFC made a positive, but limited, contribution to development of the private sector.** In the financial sector,



IFC made important contributions to development of the non-bank financial sector through early investments in leasing and housing finance and supported increased SME lending in several commercial banks through its advisory services. It did not, however, influence improvements in banking sector corporate governance and so did not have the intended broader sector impact. In the manufacturing sector, IFC made several positive contributions through advisory services and several investments, particularly through support of a unique cross-border cement plant and through technical support to the RMG, agribusiness, and light engineering sectors. However, its limited volume of investments undermined its influence on stated goals of furthering strong, transparent corporate governance; increased FDI; and increased inter-regional investment. In infrastructure, IFC made positive contributions through investments in telecommunications and the first private power producer. However, it was not able to develop any further investments in infrastructure and only limited infrastructure advisory services. Although identified in CASs as areas of potential IFC engagement, IFC did not contribute to development of the gas, private health, or private education sectors. In the business environment, IFC's initial approach was to address "low hanging fruit," which while positive, had only limited impact on the broader environment. Since 2007, IFC has developed a more comprehensive approach to business enabling environment issues through the multi-donor-supported BICF.

### IFC RECOMMENDATIONS

**10.19 IFC should address weaknesses in its staff incentive systems that may detract attention from more difficult countries in a region.** IFC's current incentive framework based on regional and sector targets favors work on better performing countries in a region, where greater opportunities exist and risks are lower. To maximize its potential contribution in difficult countries, IFC should endeavor to refine its incentive framework to reward work on countries such as Bangladesh, where the prospects of developing successful investments are lower but, if realized, offer high additionality and contribution to development.

**10.20 IFC should further leverage its AS staff on the ground to support investment project development.** While there have been recent cases of IFC advisory services leading to investment projects, greater opportunities are likely to exist in exploiting the country and sector knowledge and client relationships of IFC's substantial AS staff presence in Bangladesh. IFC should seek to further leverage this presence by providing training and incentives for AS staff to play a proactive role in developing relationships and identifying investment opportunities.

**10.21 IFC should be prepared to sustain its engagement in the power sector over the longer term.** IFC helped develop the first IPP in Bangladesh in 1998, playing an important role in structuring the transaction and mitigating country and sector risks, although was then not engaged in the sector until an advisory operation in 2008. Given that the power sector is broadly identified as a critical obstacle to doing business in Bangladesh, in cooperation with the Bank and other partners, IFC should adopt a long-term approach and seek to sustain its engagement through both advisory operations and investment project development, given the scope for a high degree of IFC additionality and development contribution through the sector.



# Annexes

## Annex A. Sector Lessons and Recommendations

### Introduction

These sector-specific lessons and recommendations derive from the analysis in each of the sector chapters. They were the basis for the lessons and recommendations presented in Chapter 8. Each of them represents an aspect of the general lessons and recommendations, and is keyed to the presentation in Chapter 8.

### Governance

- Since institutional reforms take time to be completed and show results, it is important to maintain a dialogue and active assistance program to see them through. (sustained engagement, ownership)
- Second, monitoring of progress in governance reforms is critical, and could have been much improved. The FY2006 CAS did contain a long list of "milestones and intermediate indicators", but, aside from a few precise quantitative targets, there is no indication of how these are to be monitored, and progress judged; most indicators are couched in terms of "improved" or "increased". (monitoring and evaluation)
- Lending and AAA could have been more carefully tailored to CAS objectives. (matching assistance objectives)
- policy triggers should have outcome-based indicators. (monitoring and evaluation)
  - enhanced monitoring is needed to guide implementation. (monitoring and evaluation), and
  - policy based lending needs to be complemented by investment lending, technical assistance and AAA to effectively pursue complex reforms such as public administration. (matching assistance to objectives)

### Macromanagement and Private Sector Development

- Fiscal reform still has much to achieve, tax rates are still very low. (matching assistance to objectives)
- Trade reform has left Bangladesh more competitive but still highly protected, with substantial anti-export bias in the tax system. (matching assistance to objectives)
- SOE reform - without a better pricing policy, fiscal stability will remain at the mercy of world market petroleum and fertilizer market conditions and unstructured BD

responses to them. Further progress is needed in divestment, but with world market conditions now, this will be difficult. (matching assistance to objectives)

## Energy

- Consistency in dialogue with the GOB is crucial. For the Bank, it was difficult to reengage in the energy sector after a several year hiatus under the Low Case. Maintaining the policy dialogue without any lending was very difficult. (sustained engagement)
- The Bank should continue the lending strategy of supporting investment projects along with policy lending, as this is likely to lead to better results. (sustained engagement)
- Improved donor coordination would enhance prospects for achievement of reforms, especially more carefully aligning DSC conditionality with other donor investment project objectives. (donor coordination)
- Given the GOB's slow decision making and mixed record in implementing agreed reforms, the Bank's objectives in policy based lending should be more realistic. (matching assistance to objectives)
- The Bank lending program would benefit from including more projects targeting the gas sector since without improved gas production, involvement in power generation, distribution and rural electrification alone will not solve the energy crisis in Bangladesh. (matching assistance to objectives)
- From interviews with the Bank staff, it became apparent that there has been some lack of communication between the headquarters staff and local office staff. Ways should be found to improve working relations. (staffing)

## Water Supply and Sanitation

- Consistent and productive dialogue with the GOB is crucial for a successful program. The Bank should not disengage from the sector completely, but stay engaged with the major players in the sector, at least with non-lending services. (sustained engagement)
- The Bank lending program would benefit from additional projects targeting the arsenic crisis which still remains a serious issue. (matching assistance to objectives)

## Transportation

- Lending program should support all of the elements of the sector strategy; in this case, important parts of the strategy were not supported by the lending program. (matching assistance to objectives)
- The program would benefit from more AAA work that targets specifically transport sector, and urban transport in particular. (matching assistance to objectives)
- The program would benefit from targeting Type B feeder roads (connecting various district headquarters with growth centers, local markets and sub-district headquarters) that so far have been ignored by donor support which is focused on urban, highways and rural roads. Support of the Type B roads is important in improving

transport corridors in the country since they link highways and rural roads networks. (matching assistance to objectives)

- Given the increasing divergence in development between East and West, as highlighted in the 2008 Poverty Assessment, with the West lacking good transportation links for international trade, there may be increasing returns to improving regional transportation linkages. (matching assistance to objectives)

## **Agriculture and Rural Development**

The evaluation of the ARD program suggests three main lessons:

- Stop-go relationships can be very costly for both the Bank and the client. Disengaging from a key sector with an important client should, therefore, be reserved for exceptional situations. (sustained engagement)
- To help improve CAS design, monitoring and evaluation, the Results Matrix must be underpinned by a sound results framework including *inter alia* well thought-out indicators and mechanisms for progress monitoring. (monitoring and evaluation)
- To add value, donor coordination must go beyond general principles into active cooperation at the project/program level and should cover both lending and non-lending assistance. (donor coordination)

The evaluation also suggests four specific actions for managers of the Bangladesh ARD program.

- First, revisit complement and skill-mix of the sector staff working to ensure timely, high quality support. (staffing)
- Second, carefully manage portfolio issues to prevent deterioration in the coming months. (CPPRs)
- Third, plan and monitor AAA tasks with the same care as is done for lending tasks. (matching assistance to objectives)
- Fourth, address more proactively sectoral needs concerning agricultural diversification and rationalization of sectoral institutions. More support is also needed to assist development and improved management of the country's water resources. A longer-term perspective on this, especially in view of the expected impact of climate change on dry-season water availability, is becoming increasingly urgent, as is a focus on technological improvements to address this issue. (matching assistance to objectives)

## **Human Development**

The evaluation of the HD program suggests six main lessons:

- the Bank's leadership was central to defining a consolidated health agenda from more than a hundred separate projects. (SWAps)
- Sector programs have been an important vehicle to improve coherence and effectiveness, but outcomes could have been better. SWAps impose additional costs, and it is important that the additional time initially needed for process issues doesn't come at the expense of improving program effectiveness. (SWAps)

- institutional reforms and governance improvements require time and continued support. More specifically, for this sector, they also require software investments for improved intermediate outcomes such as service delivery and program effectiveness. (matching assistance to objectives, service delivery)
- sequencing reforms is especially important with limited capacity. (SWAps, service delivery)
- Especially with SWAps, the Bank needs an evaluation at key specified intervals during implementation to ensure that the desired impact is being achieved and to recommend changes if that is not the case. Despite a great deal of rhetoric about results orientation, the development partners in both sectors appear more successful at holding government accountable for delivering inputs and much less successful at ensuring that inputs translate into improved outcomes. (SWAps)
- Relying on private sector provision of services with known leakages in subsidies for the poor imparts a high level of risk of compromising intended outcomes. (SWAps, improve service delivery)

## Annex B. Human Development

### *Population*

1. The country has been highly successful at building on the past gains in family planning with continued expansion in contraceptive use and continued reduction in fertility rate, albeit at a slowing pace. During the 1990s the pace of fertility decline leveled off at an average of 3.3 births per woman, after which the decline resumed to 3.0 in 2004 and 2.7 in 2007. Over the past two decades the use of modern contraception steadily continued to increase, reaching 48 percent in 2007. The rich-poor gap in the utilization of modern contraceptives has decreased over time. In 2005 the gap between first and fifth quintiles was 17 percent compared to 33 percent in 2001.<sup>1</sup>

### *Nutrition*

2. **The increases in GNI and reduction in consumption poverty have not translated into reduction in malnutrition.** Data from 2004–2007 show that malnutrition in Bangladesh was 22 percentage points or 90 percent higher than predicted by income levels.<sup>2</sup> There are high levels of malnutrition among half of the children under-5.

3. **Important reasons for this are the inappropriate targeting of nutrition programs and the failure to reach intended risk groups.** Furthermore, the behavior change interventions almost exclusively focused on mothers, who are often not the main decision-makers on nutrition-related practices (both husbands and mothers-in-law also have an important influence). While counseling has increased women's knowledge, there is a gap between knowledge and behavior. For example, breastfeeding remains woefully low. These weaknesses raise serious concerns about Bank assistance – in 2008, after decades of assistance through three operations only 105 (of the country's 495 *upazilas*) are covered by the National Nutrition Program. This is the same number of *upazilas* that were covered when the when the National Nutrition Project was approved in 2000. In the latter project 3 percent of the credit was disbursed when half of the project life had elapsed and at closing (delayed by 2 years) a third of the project cost was undisbursed.

### *Health and Education*

4. The health and education sectors have experimented with a particular mechanism of harmonization and alignment, namely sector programs or Sector-wide Approaches (SWAs).<sup>3</sup> With SWAs, separate donor-funded projects are replaced by a sector program where pooled and non-pooled funds from development partners finance sector activities as articulated in an agreed plan by the line Ministry. The large number of DPs (about 15) in the sector was an important reason for proceeding with SWAs. **While this approach in the two sectors has had some success in improving ownership, harmonization and alignment, there has been less success with the other tenet of the Paris Declaration – managing for results.**

5. **Ownership:** While the idea of a SWAp was initiated by DPs, issues such as the need for policy coherence across projects and high transactions costs for the GOB made this a relevant approach for all parties. Initially, GOB leadership and ownership was weak. Over time, the nature of the relationships between government and development partners has evolved with stronger leadership emerging over time.

## Harmonization and Alignment

- Coherent sector planning and improved lines of accountability: More coherent donor support has emerged, joint donor and government consultative and planning processes helped arrive at a common set of priorities and implementing arrangements, resulting in less duplication, greater complementarity, and a steady increase in use of government systems, improved lines of accountability facilitate rational sector planning. Improved predictability of development assistance also supports the government-wide MTEF/MTBF process.
- Implementation Arrangements: Project implementation units have been phased out, and the program management structures have progressively been integrated into the sub-sector's management structure, with increasing use of the government's own fiduciary systems. Despite increased decentralization of donor programs, many transactions need sign-off or final approval from headquarter staff causing delays, especially in procurements processes.
- Procurement issues: While there have been improvements, accessing funds is associated with significant procurement delays (particularly when using Bank procurement) that many feel slow down implementation.
- Transaction costs: Under the sector programs transaction costs to GOB have been reduced, but not necessarily to the development partners. The move to sector programs in the two sectors saw a shift from over 120 individual projects in the health sector and more than 20 projects in the education sector, to a single program, developed through a joint planning process and supervised through a joint review mechanism. This shift was associated with a decline in transaction costs, especially to GOB (notably, the MOHFW and MOF).
- Harmonization of project supervision and evaluation: There have been strong efforts and success in harmonizing project preparation steps and reaching agreement on program content, there has been less agreement on how program performance will be assessed during program implementation and how differences among development partners will be resolved, as the experience in the education sector has demonstrated.

## Managing for Results and Mutual Accountability

6. Important aspects of this are:

- Do DPs spend more time on governance issues at the expense of programmatic issues of effectiveness and efficiency? In the health sector, it appears that this is the case. One indicator is the share of total health spending on central administration which has progressively increased over the past 3 years (by 27 percent), whereas the allocations to *upazila*-level and lower levels have consistently decreased (by 8 percent between 2003/04 and 2005/06).<sup>4</sup> However, in the education sector there appeared to be better balance between fiduciary concerns and efforts focusing on program effectiveness.
- Complexity of sector programs: While programs have been highly relevant in seeking to address the key challenges facing the sector, the reforms were extremely ambitious given the institutional capacity. The first health sector program undertook some reforms that in any country context would be hugely challenging, if not con-



troversial—namely unification of large parts of the ministry and at multiple levels, decentralization (in one of the world’s most centralized countries), and introduction of a new tier of service delivery at community level. The second health sector program was more focused, aiming to consolidate the successful reforms while adding selected new initiatives, such as: demand-side initiatives to increase demand for antenatal and maternal health services. While SWAps are necessarily complex because of the sector-wide focus and the desire to comprehensively respond to the sector’s needs, the challenge is to balance this with institutional capacity, to implement risk mitigation measures to manage the risk posed by the complex design, and to allow time for deepening of reforms.

- Implementation capacity and readiness for implementing sector programs: The sector programs represented a new way of doing business. In the health sector, there may have been insufficient preparation for the sector program and that there should have been greater building of human and institutional capacity in anticipation of the health sector program. In the education sector the development partners pushed for the first PEDP to be implemented as a sector program, but the government did not agree. In fact, some of the peer reviewers during project preparation also felt that the capacity in the education sector was too weak to successfully implement a sector program. During implementation of the PEDP, systems were strengthened (procurement, financial management) that laid a foundation for the PEDP-II. While it is true that some capacity could have been built ahead of initiation of a sector program and that there were shortcomings in this area, it is also true that some capacity could only be developed through implementation.<sup>5</sup>

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<sup>1</sup> Similarly, the difference in contraceptive use between the richest two quintiles and the poorest two quintiles decreased from 17 percent in 2001 to 9 percent in 2004. This decreasing gap in contraceptive use was also observed across education levels and between rural and urban residents.

<sup>2</sup> This analysis repeats an analysis done by Deolalikar in World Bank 2004b (p31) using data for 2004–2007 using data for 66 countries across the globe and 9 South and East Asian countries for which data were available.

<sup>3</sup> The definition of a SWAp has specific criteria, and rarely do sector programs meet all of these criteria. For this reason the paper refers to sector programs, and not SWAps.

<sup>4</sup> It has, however, to be acknowledged that while the share to *upazila*-level has decreased the actual amount spent has increased by a tenth.

<sup>5</sup> The example was cited of the World Bank’s health financing flagship course which some officials attended during the implementation of the first health sector program. The respondent felt that earlier participation (i.e., before the implementation of the sector program) would have allowed him to have greater appreciation for what the reforms were intending to achieve and might have enlisted him as a stronger supporter of the proposed reforms than had been the case.



## Annex C: Guide to IEGWB's Country Assistance Evaluation Methodology

- This methodological note describes the key elements of IEGWB's country assistance evaluation (CAE) methodology.<sup>1</sup>

*CAEs rate the outcomes of Bank assistance programs, not the Clients' overall development progress*

7. A Bank assistance program needs to be assessed on how well it met its particular objectives, which are typically a subset of the Client's development objectives. If a Bank assistance program is large in relation to the Client's total development effort, the program outcome will be similar to the Client's overall development progress. However, most Bank assistance programs provide only a fraction of the total resources devoted to a Client's development by DPs, stakeholders, and the government itself. In CAEs, IEGWB rates only the outcome of the Bank's program, not the Client's overall development outcome, although the latter is clearly relevant for judging the program's outcome.

8. The experience gained in CAEs confirms that Bank program outcomes sometimes diverge significantly from the Client's overall development progress. CAEs have identified Bank assistance programs which had:

- satisfactory outcomes matched by good Client development;
- unsatisfactory outcomes in Clients which achieved good overall development results, notwithstanding the weak Bank program; and,
- satisfactory outcomes in Clients which did not achieve satisfactory overall results during the period of program implementation.

*Assessments of assistance program outcome and Bank performance are not the same*

9. By the same token, an unsatisfactory Bank assistance program outcome does not always mean that Bank performance was also unsatisfactory, and *vice-versa*. This becomes clearer once we consider that the Bank's contribution to the outcome of its assistance program is only part of the story. The assistance program's outcome is determined by the *joint* impact of four agents: (a) the Client; (b) the Bank; (c) partners and other stakeholders; and (d) exogenous forces (e.g., events of nature, international economic shocks, etc.). Under the right circumstances, a negative contribution from any one agent might overwhelm the positive contributions from the other three, and lead to an unsatisfactory outcome.

10. IEGWB measures Bank performance primarily on the basis of contributory actions the Bank directly controlled. Judgments regarding Bank performance typically consider the relevance and implementation of the strategy, the design and supervision of the Bank's lending interventions, the scope, quality and follow-up of diagnostic work and other analytic and advisory activities, the consistency of the Bank's lending with its non-lending work and with its safeguard policies, and the Bank's partnership activities.

*Rating Assistance Program Outcome*

11. In rating the outcome (expected development impact) of an assistance program, IEGWB gauges the extent to which major strategic objectives were relevant and achieved, without any shortcomings. In other words, did the Bank do the right thing, and did it do it right. Programs typically express their goals in terms of higher-order objectives, such as poverty reduction. The country assistance strategy (CAS) may also establish intermediate goals, such as improved targeting of social services or promotion of integrated rural development, and specify how they are expected to contribute toward achieving the higher-order objective. IEGWB's task is then to validate whether the intermediate objectives were the right ones and whether they produced satisfactory net benefits, and whether the results chain specified in the CAS was valid. Where causal linkages were not fully specified in the CAS, it is the evaluator's task to reconstruct this causal chain from the available evidence, and assess relevance, efficacy, and outcome with reference to the intermediate and higher-order objectives.

12. For each of the main objectives, the CAE evaluates the relevance of the objective, the relevance of the Bank's strategy toward meeting the objective, including the balance between lending and non-lending instruments, the efficacy with which the strategy was implemented and the results achieved. This is done in two steps. The first is a top-down review of whether the Bank's program achieved a particular Bank objective or planned outcome and had a substantive impact on the country's development. The second step is a bottom-up review of the Bank's products and services (lending, analytical and advisory services, and aid coordination) used to achieve the objective. Together these two steps test the consistency of findings from the products and services and the development impact dimensions. Subsequently, an assessment is made of the relative contribution to the results achieved by the Bank, other DPs, the government and exogenous factors.

13. Evaluators also assess the degree of Client ownership of international development priorities, such as the Millennium Development Goals, and Bank corporate advocacy priorities, such as safeguards. Ideally, any differences on dealing with these issues would be identified and resolved by the CAS, enabling the evaluator to focus on whether the trade-offs adopted were appropriate. However, in other instances, the strategy may be found to have glossed over certain conflicts, or avoided addressing key Client development constraints. In either case, the consequences could include a diminution of program relevance, a loss of Client ownership, and/or unwelcome side-effects, such as safeguard violations, all of which must be taken into account in judging program outcome.

### ***Ratings Scale***

14. IEGWB utilizes six rating categories for **outcome**, ranging from highly satisfactory to highly unsatisfactory:

<i>Highly Satisfactory:</i>	The assistance program achieved at least acceptable progress toward all major relevant objectives, <u>and</u> had best practice development impact on one or more of them. No major shortcomings were identified.
<i>Satisfactory:</i>	The assistance program achieved acceptable progress toward all major relevant objectives. No best practice achievements or major shortcomings were identified.
<i>Moderately Satisfactory:</i>	The assistance program achieved acceptable progress toward most of its major relevant objectives. No major shortcomings were identified.
<i>Moderately Unsatisfactory:</i>	The assistance program did not make acceptable progress toward most of its major relevant objectives, or made acceptable progress on all of them, but either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
<i>Unsatisfactory:</i>	The assistance program did not make acceptable progress toward most of its major relevant objectives, and either (a) did not take into adequate account a key development constraint or (b) produced a major shortcoming, such as a safeguard violation.
<i>Highly Unsatisfactory:</i>	The assistance program did not make acceptable progress toward any of its major relevant objectives and did not take into adequate account a key development constraint, while also producing at least one major shortcoming, such as a safeguard violation.

15. The **institutional development impact (IDI)** can be rated at the project level as: *high, substantial, modest, or negligible*. IDI measures the extent to which the program bolstered the Client's ability to make more efficient, equitable and sustainable use of its human, financial, and natural resources. Examples of areas included in judging the institutional development impact of the program are:

- the soundness of economic management;
- the structure of the public sector, and, in particular, the civil service;
- the institutional soundness of the financial sector;
- the soundness of legal, regulatory, and judicial systems;
- the extent of monitoring and evaluation systems;
- the effectiveness of aid coordination;
- the degree of financial accountability;
- the extent of building NGO capacity; and,
- the level of social and environmental capital.

IEG is, however, increasingly factoring IDI impact ratings into program outcome ratings, rather than rating them separately.

16. **Sustainability** can be rated at the project level as *highly likely, likely, unlikely, highly unlikely*, or, if available information is insufficient, *non-evaluable*. Sustainability measures the resilience

to risk of the development benefits of the country assistance program over time, taking into account eight factors:

- technical resilience;
- financial resilience (including policies on cost recovery);
- economic resilience;
- social support (including conditions subject to safeguard policies);
- environmental resilience;
- ownership by governments and other key stakeholders;
- institutional support (including a supportive legal/regulatory framework, and organizational and management effectiveness); and, resilience to exogenous effects, such as international economic shocks or changes in the political and security environments.

At the program level, IEG is increasingly factoring sustainability into program outcome ratings, rather than rating them separately.

**Risk to Development Outcome.** According to the 2006 harmonized guidelines, sustainability has been replaced with a “risk to development outcome,” defined as the risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). The risk to development outcome can be rated at the project level as *high, significant, moderate, negligible to low, non-evaluable*.

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<sup>1</sup> In this note, *assistance program* refers to products and services generated in support of the economic development of a Client country over a specified period of time, and *client* refers to the country that receives the benefits of that program.

## Annex D. Bangladesh: Bank Program Achievement and Outcome Ratings

This table provides the detailed background for the “Summary of World Bank Program Outcome Ratings” table in the Evaluation Summary. It shows achievement ratings for each of the objectives which are the building blocks for the strategic goals of the program. The last column in this table replicates material presented in the table in the Evaluation Summary.

BANK STRATEGIC GOALS	ACHIEVEMENT OF ASSOCIATED CAS RESULTS	ACHIEVEMENT RATING	BANK PROGRAM OUTCOME RATINGS
<b>Governance</b>			<b>Moderately Satisfactory</b>
<b>1. Improving Implementation Capacity</b>			<b>Moderately Unsatisfactory</b>
1a. Public Financial Management	<ul style="list-style-type: none"> <li>Procurement systems have improved and government has passed the Procurement Act and taken the necessary administrative actions for implementation. Contracts awarded after 12 months decreased from 40 percent of total to 10 percent of total. (FY02 Procurement I and FY07 Procurement II)</li> <li>There has been some progress towards a MTBF and development of an integrated PFM information system through an Integrated Budget and Accounting System (DSCs)</li> </ul>	Substantial Achievement	
1b. Public Sector Reform	<ul style="list-style-type: none"> <li>The Cabinet has not yet approved an action plan for civil service reforms, and the Public Administration Reform Recommendations have not been implemented. (DSCs)</li> <li>Personnel management systems have not been developed, merit-based recruitment and promotions still remain to be actively adopted, and there is no improvement in posting and transfer policy.</li> </ul>	Negligible Achievement	
<b>2. Tackling Corruption</b>	<ul style="list-style-type: none"> <li>Transparency and functioning of the Election Commission improved.</li> <li>AC Legislation passed and adequate staffing and operational activity of the Anti Corruption Commission (ACC). (DSCs)</li> </ul>		<b>Satisfactory</b>
<b>3. Legal And Judicial Reform</b>	<ul style="list-style-type: none"> <li>Separation of the judiciary from the executive in 2008 (DSCs)</li> <li>Improvements in civil court processes supported by the FY01 Legal and Judicial Capacity Building Project (LJCBP) which greatly reduced case backlogs, and the acceptance of alternative dispute resolution mechanisms.</li> <li>There is as yet no broad consensus on reform of the justice sector agencies.</li> </ul>		<b>Moderately Satisfactory</b>
<b>4. Voice/Empowerment/ Participation</b>	<ul style="list-style-type: none"> <li>The Caretaker Government drafted a Right to Information Ordinance towards the end of its tenure, with TSC support.</li> <li>FY06 Local Governance Support Project has strengthened political awareness at local level and provided the initial groundwork for improved local democratic governance following the first <i>upazila</i> elections</li> </ul>		<b>Moderately Satisfactory</b>
<b>Macromanagement and the</b>			<b>Moderately</b>

<b>Policy Framework For Private Sector Development</b>			<b>Satisfactory</b>
1. Macro-economic management, fiscal and trade issues	<ul style="list-style-type: none"> <li>Central Government revenue increased from 10.3 percent of GDP, of which taxes, 8.3 percent of GDP in 2003, to 11.4 percent of GDP in FY08, of which taxes, 9.1 percent of GDP.</li> <li>Manufacturing SOEs cut losses by 60 percent since 2001, a reduction in number from 121 in FY01 to 92 in FY04 and employment from 134,000 to 83,000, in excess of the target reduction of 45,000 workers. Since then, progress has been slower.</li> <li>Average nominal protection was lowered from 29.4 percent in FY02 to 25 percent in FY 03 to and 21.8 percent in the FY08 budget. The number of items subject to QRs was reduced from 122 in FY01 to 15 in FY06, and all but 3 trade related QRs (poultry, eggs, and salt) were eliminated.</li> <li>Exports boomed in FY08, reaching US\$14.2 billion, up from US\$12.1 billion in FY07 and US\$10.4 billion in FY06. Sustainability is a concern given the overall world trade picture in 2009 and Bangladesh's dependence on RMGs and lack of diversity. (DSC, AAA)</li> </ul>	Substantial Achievement	
2. Reduction of administrative barriers and streamlining business regulations	<ul style="list-style-type: none"> <li>Land Registration Act came into force on July 1, 2005, which should reduce scope for false and multiple registration of Land.</li> <li>The efficiency of Chittagong Port has been much improved, turnaround time reduced from 22 days in October/November, 2006 to under 3 days in December, 2007.</li> <li>The customs regime has been reformed under the ASYCUDA II program supported by the DSCs. Customs are now routine and in adherence with tax laws.</li> <li>Progress in NCBs has been less than expected, as political constraints have proven too powerful and the targeted privatizations have not taken place.</li> <li>Bangladesh ranks very low in competitiveness, and, for example, in the Global Competitiveness Index for 2008, BD ranked 98th out of 122 countries. (DSC, AAA)</li> </ul>	Modest Achievement	
<b>INFRASTRUCTURE</b>			
<b>Energy</b>			
1. Enhance rural infrastructure development	<ul style="list-style-type: none"> <li>The number of electrified villages increased from 32,000 in FY01 to 44,000 in FY05, and to 47,000 villages in FY2008.</li> <li>The number of REB consumer connections increased from 3.4 million in FY01 to 6.1 million in FY05 and 6.9 million in FY06.</li> <li>An energy strategy for the rural sector was not adopted.</li> <li>No renewable energy technology (RET) policy was adopted.</li> </ul>	Modest Achievement	
2. Remove policy, institutional and structural constraints to improve the business environment for private sector development	<ul style="list-style-type: none"> <li>New energy pricing mechanism was not adopted.</li> </ul>	Negligible Achievement	
3. Increase supply, access and reliability of energy supplies	<ul style="list-style-type: none"> <li>The two new publicly owned power plants were launched but proved to be expensive, inefficient and unreliable.</li> <li>Two IPPs increased their capacity.</li> </ul>	Modest Achievement	



	<ul style="list-style-type: none"> <li>● BERC was established in 2003 but became fully operational in 2008.</li> <li>● Separation of electricity distribution from BPDB is under way.</li> </ul>		
<b>Water Supply And Sanitation</b>			<b>Moderately Unsatisfactory</b>
1. Improve water and sanitation facilities for rural population	<ul style="list-style-type: none"> <li>● Proportion of the rural population using improved water sources increased from 72% in FY01 to 78% in FY05.</li> <li>● Proportion of the rural population using improved sanitation facilities increased from 26% in FY01 to 32% in FY05.</li> <li>● Over 2.5 million people received access to improved water sources through FY03 SIPP project, though fewer than envisaged.</li> <li>● Attempt to scale up PPP-driven piped-water schemes through FY04 WSP project was not successful and intended institutional reforms were not achieved.</li> </ul>	Negligible Achievement	
2. Reduce poor's vulnerability to disasters	<ul style="list-style-type: none"> <li>● Poor affected communities assisted through FY99 AMWS, FY03 SIPP and Water Supply Projects, though fewer than expected.</li> </ul>	Modest Achievement	
3. Improve access to quality services through better accountability	<ul style="list-style-type: none"> <li>● Access to safe water and sanitation in urban areas has been falling.</li> <li>● Bank failed to scale up piloted community-driven piped-water schemes, and private sector participation did not improve.</li> </ul>	Negligible Achievement	
<b>Transportation</b>			<b>Moderately Unsatisfactory</b>
1. Improve rural infrastructure	<ul style="list-style-type: none"> <li>● The total road network increased from 207,485 km in 2000 to 239,226 km in 2003.</li> <li>● By 2006, over 70% of roads were considered to be in good condition.</li> </ul>	Substantial Achievement	
2. Improve transport sector reforms	<ul style="list-style-type: none"> <li>● Little progress in institutional reforms</li> <li>● 78,000 person-years of employment in road maintenance were created, of which one-fourth were for women.</li> </ul>	Modest Achievement	
3. Improve the business environment for private sector investments in the sector	<ul style="list-style-type: none"> <li>● Private sector interest flagged due to the weak legal and regulatory environment</li> <li>● Bank contributed to improved efficiency, maintenance and private sector participation through FY03 SIPP, but with only 1939 km of roads.</li> </ul>	Negligible Achievement	
4. Improve efficiency of ports	<ul style="list-style-type: none"> <li>● Efficiency remained low during this CAS period.</li> <li>● The Patenga private container terminal project was delayed by legal challenges.</li> <li>● Chittagong Port efficiency increased dramatically but main reforms were implemented by the Government which removed corrupt port management and eliminated inefficient labor practices.</li> </ul>	Negligible Achievement	
<b>Telecommunications</b>			<b>Moderately Satisfactory</b>
1. Improve governance and efficiency in telecommunication services	<ul style="list-style-type: none"> <li>● Bangladesh is lagging badly in internet access and fixed telephone lines.</li> <li>● 90 percent of the country is covered by mobile telephones.</li> <li>● Corporatization of the Bangladesh Telecommunications Company Limited and subsequent auctioning of three</li> </ul>	Modest Achievement	

	broadband wireless access licenses.		
<b>Agriculture And Rural Development</b>			<b>Moderately Satisfactory</b>
1. Strengthen policies for rural growth	<ul style="list-style-type: none"> <li>Preparation, approval and launch of the National Agriculture Technology project constitute important steps to increase demand-responsiveness of agricultural research and extension.</li> <li>The analytical work by IDA, IFC and SEDF is an important contribution to better identifying constraints and opportunities for agri-business.</li> <li>Reduction and rationalization of agricultural input subsidies not achieved.</li> </ul>	Modest Achievement	
2. Strengthen local governance	<ul style="list-style-type: none"> <li>Approval of the Local Governance Support project is a significant achievement towards decentralization. Project progress is however slow and requires close supervision.</li> <li>The Bank NLTA in this area is helping, but disagreements between the Bank and the GOB on the approach to capacity building at the UP level are a concern and need early resolution.</li> </ul>	Modest Achievement	
3. Improve disaster management capacities	<ul style="list-style-type: none"> <li>The Ministry of Food and Disaster Management has demonstrated excellent capacity for dealing with the all too frequent disasters that strike. Bank support through the Emergency projects and Damage Assessments can take some credit for this, although FAO and UNDP programs are probably more important.</li> </ul>	Substantial Achievement	
<b>HUMAN DEVELOPMENT</b>			
<b>Education</b>			<b>Moderately Satisfactory</b>
1. Quality	<ul style="list-style-type: none"> <li>Teacher training and recruitment: primary education student-teacher ratios improved (from 64 to 47). Most new recruits untrained and require extensive in-service training. Proportion of teachers with Certificate-in-Education qualification declined from 72.5 percent in 2006 to 69.7 percent in 2007.</li> <li>Secondary education student-teacher ratios worsened (from 24 to 31)</li> <li>A headcount survey found that 9.5 percent of teachers were absent</li> </ul>	Modest	
2. Governance	<ul style="list-style-type: none"> <li>Public subsidies better targeted to the poor: the share of stipends going to the highest quintile decreased from 32 percent in 2000 to 7 percent in 2005</li> <li>Increased proportion of education budget to basic/primary education: (a) 2007-08 Revised Budget shows primary education received 45 percent of total education expenditures, in 2001-02, 44 percent sector.</li> <li>Public subsidies linked to learning: (a) in secondary education, there was improved transparency of school registration and the allocation of performance-based subventions linked to explicit performance-based criteria for schools (in 2005 and 2006, subventions to nearly 400 institutions were suspended) but more is needed, (b) independent inspection bodies were created to ensure transparency of the process of allocating subventions. However, achieving a desirable level of</li> </ul>	Substantial	

	<p>accountability remains a challenge.</p> <ul style="list-style-type: none"> <li>Increased competition in textbook procurement: The Bank supported policy reforms to improve the institution responsible for textbook quality and procurement, increase transparency in approving textbook manuscripts, which has improved quality, while increased competition has reduced delays.</li> </ul>		
3. Efficiency	<ul style="list-style-type: none"> <li>Increased enrollment rates : a) primary school completion rate decreased from 77 percent in 2000 to 72 percent in 2006, b) Secondary school repetition rate increased from 5 percent in 2000 to 9 percent in 2006, c ) stipend program is reported to have been catalytic in increasing primary school enrollment among the poor, b)</li> <li>Continuation of incentives for girls to attend and stay in schools (a) an estimated 54 percent of girls enrolled in secondary schools and madrassas were stipend recipients, (b) labor market participation of females has increased, in part related to learning and social mobility related to education</li> <li>Improved donor coordination - SWAp performance has improved over time</li> </ul>	Negligible	
<b>Health, Nutrition And Population</b>			<b>Moderately Satisfactory</b>
1. Help Bangladesh reduce fertility, infant and maternal mortality and malnutrition and other afflictions of the poor	<ul style="list-style-type: none"> <li>Fertility rates declined from 3.3 births per woman in the 1990's to 3.0 in 2004 and 2.7 in 2007.</li> <li>Significant progress in infant mortality rate and under-5 mortality rate. Though indicators that are highly dependent on the functioning of health services have showed slower improvements (e.g., maternal mortality and post-neonatal mortality component of IMR.)</li> <li>The coverage of the TB program rose from 40 percent in 1995 to nearly universal, which is consistent with the rest of the South Asia region where average TB program coverage is 100 percent. Cure rates have always been quite high, and the TB detection rate increased from 46 percent in 2004 to 72 percent in 2007, exceeding the sector program's target for 2010 of 70 percent.</li> <li>The share of facilities with seven essential drugs to treat basic childhood diseases is extremely low—only 22 percent of <i>upazila</i> health centers, 1.3 percent of <i>upazila</i> health and family welfare centers and 45 percent of NGO health facilities.</li> <li>In 2006 the country had a shortage of 60,000 doctors, 280,000 nurses and 480,000 technologists. The high level of absenteeism suggests that the de facto shortage is even greater.</li> </ul>	Substantial	
2. Assist Government in strengthening its health care system	<ul style="list-style-type: none"> <li>SWAps have been increasingly effective instruments to strengthen the health care system. Poor project outcomes in the earlier part of the period offset by improvements in the FY05 SWAp and associated sector achievements.</li> </ul>	Substantial	
3. Build Capacity of the Ministry of Health and Family Welfare	<ul style="list-style-type: none"> <li>SWAps have helped build capacity of the MHFW.</li> <li>Nearly ninety percent of visits for preventive services are to a public facility. However, utilization of public services for out-patient curative care is extremely low and in some</li> </ul>	Modest	

	instances declining in favor of private providers.		
4. Shorter and more direct accountability linked between health service providers and beneficiaries.	<ul style="list-style-type: none"> <li>• Further diversification of service delivery through contracting arrangements with NGOs in partnership with <i>upazilas</i>. Progress under the first sector program has been modest, but with better outcomes under the second</li> </ul>	Modest	

## **Annex E. Statistical Supplement**

Annex Table 1	Bangladesh at a Glance
Annex Table 2	Economic and Social Indicators
Annex Table 3	Bangladesh and Comparators: Economic and Social Indicators
Annex Table 4	Total Net Disbursements of Official Development Assistance and Official Aid
Annex Table 5	World Bank Lending by Sector Board (Commitments)
Annex Table 6	World Bank Lending by Sector Board (Number of Projects)
Annex Table 7	List of Approved Projects
Annex Table 8	Analytical and Advisory Work
Annex Table 9	Project Ratings for Bangladesh and Comparator Countries
Annex Table 10	Portfolio Status Indicators for Bangladesh and Comparator Countries
Annex Table 11	Bank Budget by Cost Category, FY97-FY08
Annex Table 12	Bank Budget by Cost Category and Sector Board, FY01-08
Annex Table 13	Millennium Development Goals
Annex Table 14	Governance Indicators



**POVERTY and SOCIAL**
**2007**

	Bangladesh	South Asia	Low-income
Population, mid-year (millions)	158.6	1,520	1,296
GNI per capita (Atlas method, US\$)	470	880	578
GNI (Atlas method, US\$ billions)	75.0	1,339	749

**Average annual growth, 2001-07**

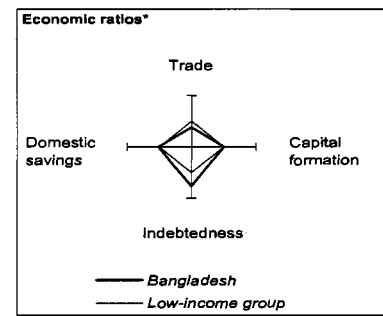
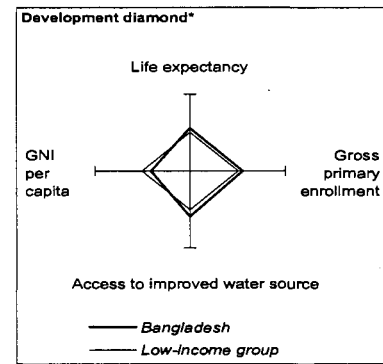
	Bangladesh	South Asia	Low-income
Population (%)	1.8	1.6	2.2
Labor force (%)	2.1	2.1	2.7

**Most recent estimate (latest year available, 2001-07)**

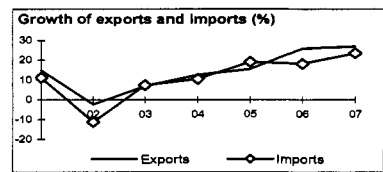
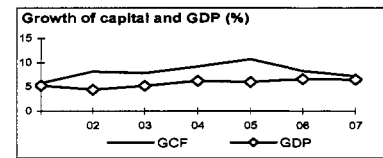
	Bangladesh	South Asia	Low-income
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	27	29	32
Life expectancy at birth (years)	64	64	57
Infant mortality (per 1,000 live births)	52	62	85
Child malnutrition (% of children under 5)	39	41	29
Access to an improved water source (% of population)	80	87	68
Literacy (% of population age 15+)	47	58	61
Gross primary enrolment (% of school-age population)	103	108	94
Male	101	111	100
Female	105	104	89

**KEY ECONOMIC RATIOS and LONG-TERM TRENDS**

	1987	1997	2006	2007
GDP (US\$ billions)	23.8	42.3	61.9	67.7
Gross capital formation/GDP	16.0	20.7	24.7	24.3
Exports of goods and services/GDP	5.2	12.0	19.0	22.0
Gross domestic savings/GDP	9.1	14.7	18.4	17.4
Gross national savings/GDP	14.6	22.4	33.7	35.1
Current account balance/GDP	-4.1	-2.0	1.3	1.4
Interest payments/GDP	0.6	0.4	0.3	..
Total debt/GDP	41.7	34.1	33.2	..
Total debt service/exports	26.8	10.5	4.1	..
Present value of debt/GDP	..	..	22.8	..
Present value of debt/exports	..	..	84.5	..
	<b>1987-97</b>	<b>1997-07</b>	<b>2006</b>	<b>2007</b>
(average annual growth)				
GDP	4.4	5.6	6.6	6.5
GDP per capita	2.1	3.6	4.8	4.8
Exports of goods and services	12.8	11.2	25.8	27.0


**STRUCTURE of the ECONOMY**

	1987	1997	2006	2007
(% of GDP)				
Agriculture	32.4	25.8	19.6	18.9
Industry	20.8	25.1	27.9	28.5
Manufacturing	13.3	15.6	17.2	17.9
Services	46.8	49.1	52.5	52.6
Household final consumption expenditure	86.6	80.9	76.1	77.0
General gov't final consumption expenditure	4.3	4.4	5.5	5.6
Imports of goods and services	12.1	18.0	25.2	28.9
	<b>1987-97</b>	<b>1997-07</b>	<b>2006</b>	<b>2007</b>
(average annual growth)				
Agriculture	2.5	3.4	4.9	3.2
Industry	8.8	7.4	9.7	9.5
Manufacturing	7.0	6.9	10.8	11.2
Services	3.9	5.7	6.4	6.7
Household final consumption expenditure	3.2	3.9	4.6	5.6
General gov't final consumption expenditure	4.1	8.6	6.0	6.4
Gross capital formation	7.1	8.4	8.3	7.2
Imports of goods and services	8.3	8.0	18.2	23.6



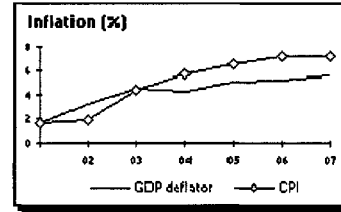
Note: 2007 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

**PRICES and GOVERNMENT FINANCE**

	1987	1997	2006	2007
<b>Domestic prices</b>				
<i>(% change)</i>				
Consumer prices	..	2.5	7.2	7.2
Implicit GDP deflator	10.9	3.1	5.2	5.6
<b>Government finance</b>				
<i>(% of GDP, includes current grants)</i>				
Current revenue	8.6	9.2	10.7	10.6
Current budget balance	2.9	2.3	2.2	1.5
Overall surplus/deficit	-3.9	-4.3	-3.3	-3.1



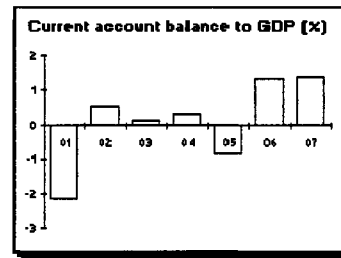
**TRADE**

	1987	1997	2006	2007
<i>(US\$ millions)</i>				
Total exports (fob)	1,074	4,334	10,412	12,053
Raw jute	104	116	148	147
Leather and leather products	135	222	257	266
Manufactures	669	3,637	9,535	11,118
Total imports (cif)	2,620	6,447	13,301	15,511
Food	413	184	1,372	1,918
Fuel and energy	230	515	2,004	2,233
Capital goods	856	1,937	1,458	1,929
Export price index (2000=100)	50	86	122	132
Import price index (2000=100)	51	84	141	153
Terms of trade (2000=100)	97	102	87	86



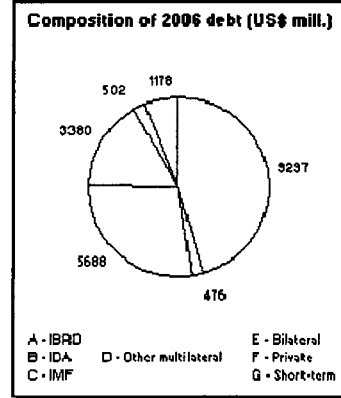
**BALANCE of PAYMENTS**

	1987	1997	2006	2007
<i>(US\$ millions)</i>				
Exports of goods and services	1,301	4,991	11,752	13,537
Imports of goods and services	2,878	7,656	15,664	18,256
Resource balance	-1,576	-2,665	-3,912	-4,719
Net income	-122	-107	-702	-883
Net current transfers	731	1,907	5,438	6,554
Current account balance	-968	-865	824	952
Financing items (net)	1,169	696	-486	380
Changes in net reserves	-203	169	-338	-1,312
<b>Memo:</b>				
Reserves including gold (US\$ millions)	..	1,671	2,298	3,638
Conversion rate (DEC, local/US\$)	30.6	42.7	67.2	69.1



**EXTERNAL DEBT and RESOURCE FLOWS**

	1987	1997	2006	2007
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	9,914	14,424	20,521	..
IBRD	70	38	0	0
IDA	2,985	5,701	9,297	10,077
Total debt service	524	690	685	..
IBRD	5	7	0	0
IDA	35	96	242	265
<b>Composition of net resource flows</b>				
Official grants	710	579	907	..
Official creditors	755	264	553	..
Private creditors	2	-30	-24	..
Foreign direct investment (net inflows)	3	139	697	..
Portfolio equity (net inflows)	0	-10	31	..
World Bank program				
Commitments	400	460	264	580





Appendix Table 2: Bangladesh: Economic and Social Indicators, 1990-2007

Series Name	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Growth and Inflation</b>																		
GDP growth (annual %)	5.9	3.3	5.0	4.6	4.1	4.9	4.6	5.4	5.2	4.9	5.9	5.3	4.4	5.3	6.3	6.0	6.6	6.5
GDP per capita growth (annual %)	3.5	1.0	2.7	2.3	1.8	2.7	2.5	3.3	3.2	2.9	3.9	3.3	2.4	3.3	4.3	4.1	4.8	4.8
GNI per capita, PPP (current international \$)	510	540	570	590	620	650	680	710	750	780	830	870	920	980	1,050	1,120	1,230	1,340
GNI per capita, Atlas method (current US\$)	270	280	290	300	300	310	320	340	340	340	360	360	350	370	410	440	450	470
Inflation, consumer prices (annual %)	6.1	6.4	3.6	3.0	5.3	10.2	2.4	5.4	8.4	6.1	2.2	2.0	3.3	5.7	9.2	7.0	6.8	9.1
<b>Composition of GDP (%)</b>																		
Agriculture, value added (% of GDP)	30.3	30.4	29.4	26.3	25.6	26.4	25.7	25.8	25.4	26.2	25.5	24.1	22.7	21.8	21.0	20.1	19.6	18.9
Industry, value added (% of GDP)	21.5	21.7	22.5	23.8	24.3	24.6	24.9	25.1	25.8	25.2	25.3	25.9	26.4	26.3	26.6	27.2	27.9	28.5
Services, etc., value added (% of GDP)	48.3	47.9	48.1	49.9	50.0	49.1	49.5	49.1	48.7	48.7	49.2	50.0	50.9	52.0	52.4	52.6	52.5	52.6
Gross fixed capital formation (% of GDP)	17.1	16.9	17.3	17.9	18.4	19.1	20.0	20.7	21.6	22.2	23.0	23.1	23.1	23.4	24.0	24.5	24.7	24.3
Gross domestic savings (% of GDP)	9.6	11.3	12.5	12.9	13.5	12.6	12.4	14.7	16.7	16.7	17.8	17.0	18.4	17.6	18.7	18.1	18.4	17.4
<b>External Accounts</b>																		
Exports of goods and services (% of GDP)	6.1	6.7	7.6	9.0	9.0	10.9	11.1	12.0	13.3	13.2	14.0	15.4	14.3	14.2	15.5	16.6	19.0	22.0
Imports of goods and services (% of GDP)	13.5	12.2	12.3	14.1	13.9	17.3	18.7	18.0	18.3	18.7	19.2	21.5	19.0	20.0	20.8	23.0	25.2	28.9
Current account balance (% of GDP)	-1.3	0.2	0.6	1.1	0.6	-2.2	-2.4	-0.7	-0.1	-0.8	-0.6	-1.1	1.6	0.3	-0.5	-0.3	1.9	..
External debt (% of GNI)	40.4	41.6	41.8	41.8	44.9	40.7	36.6	33.0	34.4	35.1	32.2	31.4	34.3	34.3	33.7	30.0	31.1	..
Total debt services (% of GNI)	2.4	1.9	1.7	1.6	1.6	2.0	1.6	1.6	1.4	1.5	1.6	1.4	1.5	1.2	1.1	1.3	1.0	..
Total reserves in months of imports	1.9	4.0	5.2	6.2	6.8	3.7	2.9	2.4	2.8	2.1	1.8	1.6	2.2	2.7	2.9	2.2	2.6	..
<b>Fiscal Accounts<sup>1/</sup></b>																		
Total Revenue (% of GDP)	9.2	9.4	10.5	11.1	9.3	9.4	9.1	9.4	9.3	8.4	8.4	9.0	10.1	10.3	10.2	10.5	10.7	10.2
Total Expenditure (% of GDP)	17.0	16.6	16.3	16.3	13.9	14.7	13.5	13.8	13.3	11.6	13.2	14.8	14.3	13.7	13.3	13.8	13.9	13.4
Overall Balance, excluding grants (% of GDP)	-7.9	-7.2	-5.9	-5.4	-4.6	-5.3	-4.5	-4.4	-4.1	-4.3	-5.1	-5.1	-4.7	-3.4	-3.1	-3.3	-3.2	-3.2
<b>Social Indicators</b>																		
<b>Health</b>																		
Life expectancy at birth, total (years)	54.8	..	56.1	..	..	58.1	..	59.4	..	..	61.0	..	62.0	..	..	63.2	63.7	..
Immunization, DPT (% of children ages 12-23 months)	69.0	74.0	66.0	74.0	84.0	69.0	77.0	78.0	82.0	81.0	83.0	85.0	83.0	81.0	88.0	88.0	88.0	..
Improved sanitation facilities (% of population with access)	26.0	..	..	..	..	28.0	..	..	..	..	32.0	..	..	..	..	..	..	36.0
Improved water source (% of population with access)	78.0	..	..	..	..	78.0	..	..	..	..	79.0	..	..	..	..	..	..	80.0
Mortality rate, infant (per 1,000 live births)	100.0	..	..	..	..	83.0	..	..	..	..	66.0	..	..	..	..	54.0	51.6	..
<b>Population</b>																		
Population, total (million)	113.0	115.7	118.3	121.0	123.6	126.3	128.9	131.5	134.1	136.8	139.4	142.2	144.9	147.7	150.5	153.3	156.0	158.6
Population growth (annual %)	2.3	2.3	2.3	2.2	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.8	1.8	1.6
Urban population (% of total)	19.8	20.2	20.6	20.9	21.3	21.7	22.1	22.5	22.8	23.2	23.6	24.0	24.4	24.9	25.3	25.7	26.2	26.7
<b>Education</b>																		
School enrollment, preprimary (% gross)	..	..	..	..	..	..	..	..	19.6	17.0	15.7	15.2	13.2	10.8	10.3	..	..	..
School enrollment, primary (% gross)	..	..	..	..	..	..	..	..	107.5	102.1	101.6	101.1	100.6	100.1	102.9	..	..	..
School enrollment, secondary (% gross)	..	..	..	..	..	..	..	..	42.3	45.1	46.2	47.0	47.8	47.2	43.8	..	..	..

Source: WB World Development Indicators (September 2008 update) for all indicators excluding those noted.  
1/ IMF and World Bank reports, various issues.

Appendix Table 3: Bangladesh and Comparators: Key Economic and Social Indicators, Average 2001-2007

Series Name	Bangladesh	India	Pakistan	Sri Lanka	Philippines	Thailand	Malaysia	Low Income	South Asia
<b>Growth and Inflation</b>									
GDP growth (annual %)	5.8	7.7	5.5	4.9	5.0	5.1	4.8	5.5	7.2
GDP per capita growth (annual %)	3.8	6.1	3.1	4.5	2.9	4.3	2.8	3.2	5.4
GNI per capita, PPP (current international \$)	1,073	2,071	2,103	3,331	3,051	6,371	10,634	1,224	1,948
GNI per capita, Atlas method (current US\$)	407	657	659	1,116	1,229	2,517	4,676	425	625
Inflation, consumer prices (annual %)	6.2	4.6	5.9	11.5	5.1	2.6	2.0	...	...
<b>Composition of GDP (%)</b>									
Agriculture, value added (% of GDP)	21.2	19.9	21.9	13.6	14.6	10.1	8.8	27.6	20.3
Industry, value added (% of GDP)	27.0	27.7	25.7	28.9	31.7	43.4	49.0	27.1	27.3
Services, etc., value added (% of GDP)	51.8	52.5	52.4	57.5	53.7	46.4	42.1	45.3	52.4
Gross fixed capital formation (% of GDP)	23.9	28.3	17.1	22.5	15.9	26.4	22.1	21.4	26.5
Gross domestic savings (% of GDP)	17.9	28.9	15.8	16.7	13.0	31.4	39.8	15.6	26.0
<b>External Accounts</b>									
Exports of goods and services (% of GDP)	16.7	17.6	15.3	33.4	47.6	68.8	115.2	29.2	17.8
Imports of goods and services (% of GDP)	22.7	19.6	18.1	41.7	50.9	64.4	97.8	33.9	20.6
Current account balance (% of GDP)	0.3	0.2	-0.4	-2.3	1.1	2.3	12.5	...	...
External debt (% of GNI)	32.5	18.5	37.5	53.4	65.5	38.9	46.6	52.1	22.6
Total debt service (% of GNI)	1.3	2.8	3.3	3.6	11.5	11.9	7.7	3.1	2.8
Total reserves in months of imports	2.3	9.8	5.2	2.9	4.0	5.3	5.4	5.9	9.1
<b>Social Indicators</b>									
<b>Health</b>									
Life expectancy at birth, total (years)	63.0	64.0	64.8	74.5	70.9	69.6	73.6	56.5	63.7
Immunization, DPT (% of children ages 12-23 months)	85.5	56.5	71.0	98.5	82.3	97.3	96.2	68.7	62.3
Improved sanitation facilities (% of population with access)	36.0	28.0	58.0	86.0	78.0	96.0	94.0	39.5	32.8
Improved water source (% of population with access)	80.0	89.0	90.0	82.0	93.0	98.0	99.0	67.7	86.9
Mortality rate, infant (per 1,000 live births)	52.8	61.5	78.4	11.6	24.5	7.4	9.9	85.3	63.4
<b>Population</b>									
Population, total (million)	150.5	1,079.0	152.0	19.4	82.9	62.5	25.2	1,214.3	1,452.5
Population growth (annual %)	1.8	1.4	2.3	0.4	2.0	0.7	1.9	2.3	1.6
Urban population (% of total)	25.3	28.5	34.6	15.3	61.8	32.1	66.4	30.4	28.3
<b>Education</b>									
School enrollment, preprimary (% gross)	12.4	31.3	49.0	...	37.3	99.4	114.0	17.5	30.8
School enrollment, primary (% gross)	101.2	104.1	78.0	107.0	111.2	108.1	97.7	89.6	100.6
School enrollment, secondary (% gross)	46.5	50.1	28.7	86.4	82.6	71.8	68.7	36.1	46.7

Source: WB World Development Indicators (September 2008 update).

Appendix Table 4: Total Net Disbursements of Official Development Assistance and Official Aid, 1990-2007  
(in current US\$ million)

Donor	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Total 1990-2007
<i>Bilaterals</i>																			
Australia	11.6	13.4	7.4	11.2	21.5	14.7	17.7	13.8	15.0	6.8	19.0	16.2	22.9	12.0	24.6	15.1	9.1	35.2	287.1
Austria	1.4	4.1	2.2	0.7	0.8	0.6	0.6	0.7	0.7	0.5	0.5	1.4	1.4	1.8	1.2	2.8	0.6	0.7	22.5
Belgium	9.9	4.0	5.6	3.1	6.4	2.5	1.9	-1.9	0.0	-0.9	-0.9	1.7	-2.1	1.3	-0.1	-0.3	-0.6	-0.4	29.0
Canada	102.3	94.6	108.9	41.3	53.7	52.2	37.5	73.4	53.5	29.0	38.5	30.3	30.9	38.4	48.9	50.8	56.7	60.2	1,001.1
Denmark	54.1	57.5	37.1	28.9	33.3	32.6	36.9	39.0	46.1	42.0	33.7	41.8	37.3	45.3	45.7	50.4	44.1	42.0	747.6
Finland	12.4	15.8	10.6	4.3	5.0	4.7	1.0	0.8	0.7	0.6	0.6	0.5	0.6	0.7	0.7	1.0	0.8	1.2	62.1
France	41.5	26.9	26.5	35.2	29.6	27.4	27.2	16.1	13.7	14.1	21.3	13.1	7.3	7.2	0.9	-1.8	-2.2	-0.9	303.0
Germany	77.3	97.4	79.1	75.2	104.9	61.5	84.0	47.3	65.1	46.6	36.7	30.1	30.0	32.4	25.2	46.1	29.1	43.1	1,010.9
Greece	..	..	..	..	..	..	..	0.0	0.1	..	0.1	..	..	0.5	0.1	0.0	0.1	0.4	1.3
Ireland	0.1	0.6	0.1	0.3	0.3	1.6	1.0	1.1	1.2	0.9	1.2	0.6	1.6	1.3	1.8	1.6	2.2	6.2	23.5
Italy	1.4	4.8	2.0	11.5	5.7	4.9	2.6	1.1	3.7	2.0	0.2	0.4	2.3	0.1	0.7	1.9	0.1	2.8	48.1
Japan	373.6	115.0	163.4	185.0	227.6	254.9	174.0	130.0	189.1	123.7	201.6	125.6	122.7	115.3	38.2	-1.0	-7.5	-6.6	2,524.7
Luxembourg	0.3	0.5	0.1	0.0	0.0	0.2	0.0	0.1	0.1	0.2	0.1	..	0.3	0.2	0.6	0.3	0.2	0.5	3.9
Netherlands	71.5	57.3	72.1	53.2	54.5	57.5	67.2	63.7	57.9	36.1	32.6	43.2	44.3	57.5	65.2	60.7	67.5	99.5	1,061.4
New Zealand	0.0	0.1	0.1	0.0	0.2	0.2	0.3	0.5	0.3	0.8	0.7	0.5	0.6	0.7	1.0	0.9	0.7	1.7	9.2
Norway	43.9	42.2	37.9	33.3	36.7	41.2	39.6	32.4	29.9	34.2	18.4	20.6	16.6	12.2	23.9	32.9	21.4	39.8	557.0
Spain	..	0.5	..	0.1	..	0.4	0.1	0.4	0.0	0.0	0.0	0.1	1.5	5.3	0.1	0.2	1.4	12.2	22.1
Sweden	26.2	36.0	47.8	26.8	25.2	26.5	28.3	33.0	20.0	25.2	31.9	28.4	15.0	35.1	26.6	23.9	38.4	11.8	506.1
Switzerland	9.5	14.5	19.9	14.6	20.6	11.8	12.2	8.3	23.8	16.9	14.6	12.3	13.6	10.9	11.8	10.7	13.4	20.1	259.5
United Kingdom	97.3	97.9	102.1	71.7	65.7	76.0	71.4	70.3	99.0	114.9	103.4	124.5	101.8	260.5	252.7	203.3	139.1	245.6	2,297.0
United States	169.0	129.0	130.0	94.0	152.0	56.0	41.0	30.0	4.0	113.6	62.5	87.1	72.1	56.6	62.9	49.2	41.8	49.1	1,400.0
DAC Countries, Total	1,103.3	811.8	852.8	690.4	843.7	727.4	644.5	560.0	623.9	607.3	616.5	578.4	520.8	695.0	632.7	548.4	456.3	663.9	12,177.0
Czech Republic	..	..	..	..	..	..	..	..	..	..	0.1	0.2	0.0	0.2	0.2	0.0	0.1	0.2	1.0
Korea	0.0	0.2	0.3	0.3	0.4	1.1	1.3	0.9	1.9	12.0	6.4	0.9	2.1	10.1	23.5	31.9	22.2	10.0	135.3
Poland	..	..	..	..	..	..	..	..	0.0	0.0	0.0	0.0	0.0	0.0	..	0.0	0.0	0.3	0.4
Slovak Republic	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0.3	..	..	0.1	0.3
Turkey	..	..	..	0.0	..	..	..	..	0.0	0.1	..	0.0	..	..	0.1	0.1	1.9	2.1	4.4
Arab Countries	-10.4	138.9	-1.7	5.4	5.4	-10.1	-1.2	-2.5	-2.5	7.7	28.8	13.0	10.1	1.6	6.5	2.2	-1.1	14.2	204.2
Other Donor Coun-	..	..	0.0	..	0.0	..	..	..	..	..	..	..	..	..	..	..	0.2	0.4	0.6



**Appendix Table 5: Bangladesh - World Bank Lending by Sector Board, FY97-FY08**  
(Commitment amounts in US\$ million)

Sector Board	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	Total
Agriculture and Rural Development	11	17	33	18							24	190	293
Economic Policy		200							200	200		300	900
Education	150	121	53	201	100	100	100	100					825
Energy and Mining	235	191	16									120	561
Environment		184										25	209
Financial and Private Sector Developments	105	32	47	151	5	37	250	50	15				692
Global Information/Communications Technology						9							9
Health, Nutrition and Population	250	92	40				300						682
Poverty Reduction												75	75
Public Sector Governance	3	31	5	300	20					200	24		582
Social Development									112				112
Transport	133	556	190							40	20		939
Urban Development			5										5
Water	80	32	40										153
<b>Total</b>	<b>321</b>	<b>646</b>	<b>1021</b>	<b>172</b>	<b>280</b>	<b>321</b>	<b>554</b>	<b>527</b>	<b>600</b>	<b>462</b>	<b>379</b>	<b>753</b>	<b>6,036</b>

Source: Business Warehouse Table 2a.1 as of 11/18/08 (includes Supplements)

Appendix Table 6: Bangladesh - World Bank Lending by Sector Board, FY97-FY08  
(Number of Projects)

Sector Board	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	Total
Agriculture and Rural Development	1	1	1	2			1				3	4	12
Economic Policy			1						1	1		2	5
Education	1	1			1	1		2	1	1	1		8
Energy and Mining	1					1		1				1	4
Environment			2									2	4
Financial and Private Sector Development	1		1	1	1	1	1	1		1	2		10
Global Information/Communications Technology							1						1
Health, Nutrition and Population	1			1	1				1				4
Poverty Reduction												1	1
Public Sector Governance	1				1	1	1	1			1	1	7
Social Development									1				1
Transport	1		5				1				1	2	10
Urban Development					1								1
Water	1		1					1					3
<b>Total</b>	<b>4</b>	<b>4</b>	<b>11</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>3</b>	<b>4</b>	<b>8</b>	<b>13</b>	<b>71</b>

Source: Business Warehouse Table 2a.1 as of 11/18/08 (includes Supplements).

Appendix Table 7: Bangladesh - List of IDA Approved Projects, 1990-2008

Proj ID	Project Name	Approval FY	Sector Board	IDA Amt	Latest DO	Latest IP	Latest Risk Rating	Proj Stat	Date, Rev Closing	IEG Outcome	IEG Sustainability	IEG ID Impact	IEG Risk to DO Rating
<b>Active Projects</b>													
P053578	Social Investment Program Project	2003	Agriculture and Rural Development	18.2	S	S		Active	06/30/2011				
P102305	Avian Flu Preparedness	2007	Agriculture and Rural Development	16.0	S	S		Active	12/31/2012				
P104483	SIPP Additional Financing	2007	Agriculture and Rural Development	8.0				Active					
P040712	Water Management Improvement Project	2008	Agriculture and Rural Development	102.3	S	MS		Active	06/30/2015				
P084078	National Agricultural Technology Project	2008	Agriculture and Rural Development	62.6	S	S		Active	12/31/2013				
P110280	SIP Additional Financing for Floods 2007	2008	Agriculture and Rural Development	25.0				Active					
P110376	SIPP-Cyclone-07 Add Financing III	2009	Agriculture and Rural Development	50.0				Active					
P111272	Emergency 2007 Cyclone Recovery & Rest Pr	2009	Agriculture and Rural Development	109.0				Active	06/30/2013				
P112761	Bangladesh Food Crisis DSC	2009	Economic Policy	130.0				Active	03/31/2009				
P074966	Primary Education Development Program II	2004	Education	150.0	MS	MS		Active	06/30/2010				
P086791	Reaching Out of School Children Project	2004	Education	51.0	S	S		Active	06/30/2010				
P106161	Secondary Educ Qlity & Access Enhancement	2009	Education	130.7	S	S		Active	06/30/2014				
P009551	EGY SEC ADJ CREDIT SUPPLEMENT	1990	Energy and Mining	2.3				Active					
P071794	Rural Elect. Renewable Energy Dev.	2002	Energy and Mining	191.0	S	S		Active	06/30/2009				
P078707	Power Sector Development TA	2004	Energy and Mining	15.5	S	MS		Active	12/31/2008				
P095965	Siddhirganj Peaking Power Project	2009	Energy and Mining	350.0				Active	03/31/2016				
P041887	Municipal Services	1999	Environment	138.6	S	S		Active	06/30/2011				

Proj ID	Project Name	Approval FY	Sector Board	IDA Amt	Latest DO	Latest IP	Latest Risk Rating	Proj Stat	Date, Rev Closing	IEG Outcome	IEG Sustainability	IEG ID Impact	IEG Risk to DO Rating
P110282	Municipal Services Additional Financing	2008	Environment	25.0				Active					
P059143	Microfinance II	2001	Financial and Private Sector Development	151.0	S	S		Active	06/30/2009				
P062916	Central Bank Strengthening Project	2003	Financial and Private Sector Development	37.0	S	MS		Active	12/31/2009				
P081969	Enterprise Growth & Bank Modernization	2004	Financial and Private Sector Development	250.0	S	S		Active	11/30/2009				
P089382	Investment Promotion Financing Facility	2006	Financial and Private Sector Development	50.0	S	S		Active	12/31/2011				
P105742	Microfinance II Additional Financing	2007	Financial and Private Sector Development	15.0				Active					
P081849	BD: Telecommunications Technical Assist.	2003	Global Information/Communications Technology	9.1	S	MS		Active	12/31/2009				
P074841	HNP Sector Program	2005	Health, Nutrition and Population	300.0	MS	MS		Active	12/31/2010				
P044810	Legal & Judicial Capacity Building	2001	Public Sector Governance	30.6	MS	MS		Active	12/31/2008				
P083890	Economic Management TA Program (EMTAP)	2004	Public Sector Governance	20.0	MS	S		Active	12/31/2009				
P098146	Public Procurement Reform Project II	2008	Public Sector Governance	23.6	MS	MS		Active	03/31/2013				
P098273	Local Governance Support Project	2006	Social Development	111.5	MS	MS		Active	06/30/2011				
P106332	Disability and Children at Risk	2009	Social Protection	35.0	S	S		Active	12/31/2014				
P071435	Rural Transport Improvement Project	2003	Transport	190.0	S	MS		Active	06/30/2011				
P110281	Rur Trans Improv Additional Financing	2008	Transport	20.0				Active					
P086661	BD - Water Supply Program Project	2004	Water	40.0	U	U		Active	04/30/2010				
<b>Closed Projects</b>													
P009461	BWDB SYSTEM REHAB.	1990	Agriculture and Rural Development	53.9	U	S	H	Closed	12/31/1997 *	Moderately Satisfactory	Uncertain	Modest	



Proj ID	Project Name	Approval FY	Sector Board	IDA Amt	Latest DO	Latest IP	Latest Risk Rating	Proj Stat	Date, Rev Closing	IEG Outcome	IEG Sustainability	IEG ID Impact	IEG Risk to DO Rating
P009519	FISHERIES III	1990	Agriculture and Rural Development	44.6	S	S	M	Closed	03/31/1997	Satisfactory	Uncertain	Substantial	
P009476	SHALLOW TUBEWELL & L	1991	Agriculture and Rural Development	75.0	S	S		Closed	12/31/1994 *	Satisfactory	Likely	Substantial	
P009516	AGRIC. SUPPORT SERVI	1991	Agriculture and Rural Development	35.0	S	S	N	Closed	06/30/1998 *	Moderately Satisfactory	Non-evaluable	Modest	
P009544	NAT'L MINOR IRRIGATI	1991	Agriculture and Rural Development	54.0	S	S	M	Closed	12/31/1997 *	Moderately Satisfactory	Likely	Substantial	
P009470	Forest Resources Management	1992	Agriculture and Rural Development	49.6				Closed	12/31/2001	Satisfactory	Likely	Substantial	
P037298	JUTE SECTOR SUPPLEME	1994	Agriculture and Rural Development	3.3				Closed					
P039961	JUTE SEC. ADJ.SUPPLE	1995	Agriculture and Rural Development	3.2				Closed					
P009484	Agriculture Research Management	1996	Agriculture and Rural Development	50.0				Closed	12/31/2001	Moderately Unsatisfactory	Unlikely	Modest	
P009549	Coastal Embankment Rehabilitation	1996	Agriculture and Rural Development	53.0				Closed	12/31/2002	Moderately Satisfactory	Unlikely	Modest	
P044548	JSAC SUPP III	1996	Agriculture and Rural Development	3.4				Closed					
P040713	Silk Development Pilot Project	1998	Agriculture and Rural Development	11.4				Closed	06/30/2003	Moderately Satisfactory	Likely	Substantial	
P065150	COASTAL EMBANKMENT S	1999	Agriculture and Rural Development	16.5				Closed					
P009468	Fourth Fisheries	2000	Agriculture and Rural Development	28.0	MS	MS		Closed	06/30/2006	Moderately Satisfactory	Likely		Moderate
P058468	Agricultural Serv. Innovation & Reform	2000	Agriculture and Rural Development	5.0				Closed	03/31/2003	Moderately Satisfactory	Unlikely	Substantial	
P009559	TECHNICAL ASSISTANCE 6	1992	Economic Policy	25.0				Closed	06/30/1999	Satisfactory	Likely	Modest	
P063089	Emergency Flood Recovery Project	1999	Economic Policy	200.0				Closed	06/30/2000	Satisfactory	Likely	Substantial	
P083887	Development Support Credit II	2005	Economic Policy	200.0				Closed	12/31/2004	Moderately Satisfactory	Likely	Modest	
P090832	Bangladesh Development Support Cr. III	2006	Economic Policy	200.0				Closed	06/30/2006	Moderately Satisfactory	Likely		

Proj ID	Project Name	Approval FY	Sector Board	IDA Amt	Latest DO	Latest IP	Latest Risk Rating	Proj Stat	Date, Rev Closing	IEG Outcome	IEG Sustainability	IEG ID Impact	IEG Risk to DO Rating
P110110	BD DSC IV-Supplemental Financing II	2008	Economic Policy	100.0				Closed					
P110167	BD Transitional Support Credit	2008	Economic Policy	200.0				Closed	06/30/2009				
P009514	GENERAL EDUCATION	1990	Education	159.3	S	S	M	Closed	12/20/1996	Satisfactory	Likely	Modest	
P009555	Female Secondary School Assistance	1993	Education	68.0				Closed	06/30/2001	Moderately Satisfactory	Likely	Modest	
P009560	Non-Formal Education	1996	Education	10.5				Closed	06/30/2001	Satisfactory	Likely	Substantial	
P009550	Primary Education Development	1998	Education	150.0				Closed	12/31/2003	Moderately Satisfactory	Likely	Modest	
P050752	Post-Literacy & Continuing Education	2001	Education	53.3	MU	MU		Closed	12/31/2007	Moderately Unsatisfactory			Significant
P044876	Female Secondary School Assis. II	2002	Education	120.9	S	S		Closed	06/30/2008				
P077789	Education Sector Dev. Support Credit	2005	Education	100.0				Closed	12/31/2004	Satisfactory	Likely	Substantial	
P084567	Education Sector Dev. Support Credit II	2006	Education	100.0	S	S		Closed	12/31/2006	Satisfactory			Moderate
P102541	Education Sector Dev.Support Credit III	2007	Education	100.0	S	S		Closed	12/31/2007	Satisfactory			Moderate
P009542	Third Rural Electrification	1990	Energy and Mining	105.0				Closed	12/31/1999	Highly Satisfactory	Highly Likely	High	
P009462	LPG DISTRIB.	1991	Energy and Mining	67.2	U	U		Closed	06/30/1996 *	Highly Satisfactory	Unlikely	Negligible	
P009533	Gas Infrastructure Development	1995	Energy and Mining	120.8				Closed	06/30/2000	Unsatisfactory	Likely	Modest	
P044789	BD Private Sector Infrastructure Dev	1998	Energy and Mining	235.0	MU	S		Closed	03/31/2007	Moderately Unsatisfactory			Significant
P107797	Power Sector DPL	2008	Energy and Mining	120.0				Closed	03/31/2009				
P065146	RIVER BANK PROT SUP	1999	Environment	45.0				Closed					
P009528	FINANCIAL SECTOR CR.	1990	Financial and Private Sector Development	175.0	S	S		Closed	12/31/1993	Unsatisfactory	Unlikely	Modest	
P009552	FINAN. SECTOR CRE SU	1991	Financial and Private Sector Development	3.5				Closed					
P009454	PRIVATE SEC IND'L CR	1992	Financial and Private Sector Development	25.5				Closed	09/30/1997	Satisfactory	Likely	Modest	

Proj ID	Project Name	Approval FY	Sector Board	IDA Amt	Latest DO	Latest IP	Latest Risk Rating	Proj Stat	Date, Rev Closing	IEG Outcome	IEG Sustainability	IEG ID Impact	IEG Risk to DO Rating
P009561	FINAN SECTOR ADJ SUP	1992	Financial and Private Sector Development	2.9				Closed					
P009513	IND SECTOR SECAL II	1993	Financial and Private Sector Development	100.0				Closed	12/31/1994	Satisfactory	Likely	Modest	
P009563	IND SECTOR SECAL III	1993	Financial and Private Sector Development	3.5				Closed					
P009553	JUTE SECTOR ADJ.CRED	1994	Financial and Private Sector Development	247.0				Closed	12/30/1997	Highly Unsatisfactory	Unlikely	Modest	
P040985	Poverty Alleviation (Microcredit I)	1997	Financial and Private Sector Development	105.0				Closed	12/31/2000	Satisfactory	Likely	Substantial	
P049790	Export Diversification	1999	Financial and Private Sector Development	32.0				Closed	06/30/2004	Moderately Satisfactory	Non-evaluable	Modest	
P044811	Financial Institutions Development	2000	Financial and Private Sector Development	46.9	S	S		Closed	02/28/2006	Moderately Satisfactory			Moderate
P074731	Financial Services for the Poorest	2002	Financial and Private Sector Development	5.0	S	S		Closed	12/31/2007	Moderately Satisfactory			Negligible to Low
P009529	POP. & HEALTH IV	1991	Health, Nutrition and Population	180.0				Closed	06/30/1998	Satisfactory	Likely	Modest	
P009496	Bangladesh Integrated Nutrition	1995	Health, Nutrition and Population	59.8				Closed	06/30/2002	Moderately Unsatisfactory	Likely	Modest	
P037857	Health and Population Program	1998	Health, Nutrition and Population	250.0	MS	MS		Closed	06/30/2005	Unsatisfactory	Likely	Modest	
P050751	National Nutrition Program	2000	Health, Nutrition and Population	92.0	U	MU		Closed	08/31/2006	Moderately Unsatisfactory			Moderate
P069933	HIV/AIDS Prevention	2001	Health, Nutrition and Population	40.0	MU	U		Closed	12/31/2007	Unsatisfactory			Moderate
P108843	Bangladesh DSC IV- Supplemental Financing	2008	Poverty Reduction	75.0				Closed	03/31/2008				
P009464	PUBLIC RESOURCE MGT	1992	Public Sector Governance	150.0				Closed	12/31/1996	Moderately Satisfactory	Uncertain	Modest	
P049349	JUTE SEC ADJ.CRE	1997	Public Sector Governance	2.9				Closed					
P075016	Public Procurement Reform Project	2002	Public Sector Governance	4.5	MS	MS		Closed	09/30/2007	Moderately Satisfactory			Significant

Proj ID	Project Name	Approval FY	Sector Board	IDA Amt	Latest DO	Latest IP	Latest Risk Rating	Proj Stat	Date, Rev Closing	IEG Outcome	IEG Sustainability	IEG ID Impact	IEG Risk to DO Rating
P081845	Development Support Credit	2003	Public Sector Governance	300.0				Closed	12/31/2003	Moderately Satisfactory	Non-evaluable	Modest	
P074801	BD DSC IV/DPL	2007	Public Sector Governance	200.0				Closed	06/30/2008				
P009540	Third Inland Water Transport	1991	Transport	45.0				Closed	06/30/2000	Satisfactory	Unlikely	Modest	
P009465	Second Road Rehabilitation & Maintenance	1994	Transport	146.8				Closed	12/31/2000	Satisfactory	Likely	Substantial	
P009509	Jamuna Bridge	1994	Transport	200.0				Closed	12/31/1999	Highly Satisfactory	Highly Likely	Modest	
P009518	Second Rural Roads & Markets Improvement	1997	Transport	133.0				Closed	03/31/2003	Satisfactory	Likely	Substantial	
P009524	Dhaka Urban Transport	1999	Transport	177.0	MS	MS		Closed	06/30/2005	Moderately Unsatisfactory	Non-evaluable	Modest	
P037294	Third Road Rehabilitation & Maintenance	1999	Transport	273.0	S	S		Closed	12/31/2005	Moderately Satisfactory	Likely	Modest	
P065147	ROAD REHAB MAIN II S	1999	Transport	80.0				Closed					
P065148	RURAL ROADS MKT II S	1999	Transport	20.0				Closed					
P065149	THIRD INLAND WATER S	1999	Transport	6.3				Closed					
P100330	BD Railway Reform Programmatic DevPolicy	2007	Transport	40.0	S	S		Closed	01/31/2008				
P057833	Air Quality Management Project	2001	Urban Development	4.7	S	S		Closed	03/31/2008				
P009545	River Bank Protection	1996	Water	121.9				Closed	12/31/2001	Satisfactory	Likely	Modest	
P009482	Fourth Dhaka Water Supply	1997	Water	80.3				Closed	06/30/2002	Moderately Unsatisfactory	Unlikely	Modest	
P050745	Arsenic Mitigation Water Supply	1999	Water	32.4	S	S		Closed	06/30/2006	Moderately Satisfactory			Significant

Source: Business Warehouse, Tables 2a.1 and 4a.6 as of 11/20/08.

\* Date of original closing.

**Appendix Table 8: Bangladesh - Analytical and Advisory Work, FY01-FY08**

	Proposed FY	Delivered to Client FY	Output Type	Project ID	Report No.
<b>I. Programmed and Delivered</b>					
<b>CAS</b>					
Bangladesh - Country assistance strategy		2006	Country Assistance Strategy Document		35193
Bangladesh - Poverty reduction strategy paper and joint IDA-IMF staff advisory note		2006	Poverty Reduction Strategy Paper (PRSP)		34448
Bangladesh - PRSP Preparation Status Report and Joint IDA-IMF Staff Assessment		2004	Poverty Reduction Strategy Paper (PRSP)		29456
Bangladesh - Country assistance strategy progress report		2003	CAS Progress Report		25886
Bangladesh - Interim Poverty Reduction Strategy Paper		2003	Poverty Reduction Strategy Paper (PRSP)		25888
Bangladesh - Country assistance strategy		2001	Country Assistance Strategy Document		21326
<b>Economic and Sector Work</b>					
Communication for Change Program	2001	2003	Consultations	P071554	
BD-Labor Issues	2001	2001	Policy Note	P065158	
Policy Briefs for New Govt (AGFA II)	2001	2001	Policy Note	P071498	
Ev. of NGO Contracting & Comp. Advantage	2004	2005	Policy Note	P084527	37838
Improving Quality of Tr. Training Cur.	2004	2005	Policy Note	P083892	
Agric Technology Policy Note	2004	2005	Policy Note	P084081	34543
Safety Net Review	2005	2005	Policy Note	P083896	33411
Vocational Education and Training	2006	2007	Policy Note	P095818	45189
IWT Strategy	2007	2007	Policy Note	P096069	38009
Policy Notes for New Government	2007	2007	Policy Note	P102482	
Procurement Capacity Building	2006	2008	Policy Note	P097274	
Behavioural Change/Social Accountability	2006	2008	Policy Note	P097275	
Pharmaceutical Competitiveness	2008	2008	Policy Note	P102546	45190
Multisectoral Approach to Nutrition	2008	2008	Policy Note	P097657	35558
National Institutional Review	2001	2001	Report	P067776	26661
Climate Change Study	2001	2001	Report	P053070	21104
Financial Accountability Assessment	2001	2001	Report	P068369	25686

	Proposed FY	Delivered to Client FY	Output Type	Project ID	Report No.
Bangladesh Health Financing Study	2001	2001	Report	P071551	
Governance Indicators/Citizen Rept Cards	2001	2001	Report	P071487	30619
Periodic Economic Updates FY01	2001	2001	Report	P071529	
Gover. & Instit. Qual. Surv. and Report	2002	2002	Report	P071472	
Poverty Assessment	2002	2002	Report	P071496	24299
Public Expenditure Review	2002	2002	Report	P071409	24370
Private Provision of Infrastructure	2002	2003	Report	P067619	30072
Promoting Rural Non-Farm Growth	2004	2004	Report	P078291	29719
Bangladesh MDG Assessment	2004	2005	Report	P082127	31846
Post MFA Strategic Options for RMG	2006	2006	Report	P077440	34964
Bangladesh - Country Environit. Analysis	2006	2006	Report	P083889	36945
Rural Finance Study	2005	2007	Report	P098345	41459
BD Country Gender Assessment	2005	2007	Report	P083895	43045
Bangladesh Strategy for Sustained Growth	2006	2007	Report	P090830	38289
Operationalizing the MDGs	2006	2007	Report	P091191	38933
Urban Poverty	2006	2007	Report	P083815	35824
Agribusiness Opport & Constraint	2007	2008	Report	P090506	45760
<b>II. Programmed and not delivered</b>					
Fiscal Strategy for Parastatals	2001	dropped			
Safety Nets Policy Note	2001	dropped			
PRSP Related Work	2001	dropped			
Country Procurement Assessment Report	2004	dropped			
Trade Study	2004	dropped			
ROSC: Creditors' Rights/Insolvency	2004	dropped			
Country Environmental Assessment	2004	dropped			
Administrative Barriers Study (FIAS)	2004	dropped			
Bangladesh - PSIA	2005	dropped			
Country Financial Assessment Update	2005	dropped			
Vulnerability & Adaptation	2005	dropped			

	Proposed FY	Delivered to Client FY	Output Type	Project ID	Report No.
Fertilizer Review (gas, SOE, agriculture)	2005	dropped			
Links b/n Vocational Education & Labor Markets	2005	dropped			
Improving quality of education (curriculum, textbooks)	2005	dropped			
Rural water & arsenic issues	2005	dropped			
Integrated Coastal Resource Management	2005	dropped			
Higher Education	2006	dropped			
Policy Support on Local Governance	2006	dropped			
Regulatory Commission and Institutions of Accountability	2007	dropped			
Fisheries Policy Note	2007	dropped			
Urban and indoor air quality	2007	dropped			
Bangladesh Regional Issues	2008	dropped			
Urban transport financing & management study	2008	dropped			
<b>III. Non-Programmed and Delivered</b>					
BD PRIVATIZATION ISSUES		2002	"How-To" Guidance	P052456	
Rural Development Sector Dialogue		2002	"How-To" Guidance	P075239	
(LKD)PIAF-(UK-NC) Bangladesh CFR		2003	"How-To" Guidance	P073234	
BD Technic Assist for Poverty Monitoring		2006	"How-To" Guidance	P078757	
Capacity Building for SDF		2007	"How-To" Guidance	P100347	
Bangladesh - Rapid Capacity Assessment		2007	"How-To" Guidance	P104500	
Proc. Monitoring & Evaluation		2008	"How-To" Guidance	P097285	
BD - Pricing Reforms in Oil and Gas		2006	Client Document Review	P086409	
Program of workshops/dissemination		2001	Conference/Workshop	P071489	
Decentralization Pilot		2002	Conference/Workshop	P078172	
Program of Workshops/Dissemination		2002	Conference/Workshop	P077439	
BD-Poverty Workshop		2003	Conference/Workshop	P078759	
BD-PER Workshop		2003	Conference/Workshop	P078760	
BD-SOE Workshop		2003	Conference/Workshop	P078761	
Seminar on Growth and Poverty Reduction		2003	Conference/Workshop	P083473	
Bangladesh - Agriculture Policy Dialogue		2001	Consultations	P072118	

	Proposed FY	Delivered to Client FY	Output Type	Project ID	Report No.
Power Sector Dialogue		2001	Consultations	P071483	
Unified Survey/LDB - FY01		2001	Consultations/Country dialogue	P071526	
Bangladesh Rural Decentralization		2001	Consultations/Country dialogue	P071573	
Bangladesh - Country procurement assessment report		2002	Country Procurement Assessment (CPAR)		24144
Workshop on Bangladesh power sector reform		2002	ESMAP Paper		23876
Bangladesh : reducing emissions from baby-taxis in Dhaka		2002	ESMAP Paper		ESM253
Integrating gender in energy provision case study of Bangladesh		2005	ESMAP Paper		30214
Power Sector Non-lending TA		2004	Institutional Development Plan	P083745	
Bangladesh Insurance Law Reform		2005	Institutional Development Plan	P085962	
Higher Education		2006	Institutional Development Plan	P084528	
Operational Risk Assess & Action Plan		2007	Institutional Development Plan	P102677	39302
(LKD)PIAF: BD Telecom Reg Com-BTRC		2004	Knowledge-Sharing Forum	P081134	
Governance Conference		2007	Knowledge-Sharing Forum	P101382	
Natural Resources Management Note		2001	Policy Note	P067728	
Energy Pricing Study		2002	Policy Note	P077492	
BD Strategy for Privtzn-Issues, Options		2002	Policy Note	P077587	
Development Forum Update		2002	Policy Note	P074690	
Periodic Economic Updates FY02		2002	Policy Note	P074689	
Improving Text Book Quality in BD		2002	Policy Note	P077791	
Access of Poor to Education in BD		2003	Policy Note	P077793	
Ag. growth. and rural pov. dyn:A reg. p		2003	Policy Note	P074941	
BD-Periodic Economic Updates FY03		2003	Policy Note	P078758	
BD ENVIRONMENTAL AND SOCIAL REVIEW		2003	Policy Note	P084845	
BD Export Development		2003	Policy Note	P080052	
Rail / Ports / IWT		2004	Policy Note	P086405	
BD-Development Forum Update		2004	Policy Note	P083885	29118
Bangladesh: Scaling up Microfinance		2004	Policy Note	P088653	WPS3398
BD-Periodic Economic Updates FY04		2004	Policy Note	P083884	
Absenteeism (Education & Health)		2005	Policy Note	P083888	



Proposed FY	Delivered to Client FY	Output Type	Project ID	Report No.
BD Governance & Public Adm. Policy Notes	2005	Policy Note	P074693	
BD Public Expenditure Policy Notes	2005	Policy Note	P074692	
Nutrition Sub-Sector Review	2005	Policy Note	P090810	35558
Bangladesh Governance Policy Note	2007	Policy Note	P098026	
Governance, Service Delivery and MDGs	2007	Policy Note	P099769	
Education for All Progress Report	2008	Policy Note	P090812	45164
Bangladesh SEA Dhaka Area Develop. Plan	2008	Policy Note	P102115	
Private provision of a public good - social capital and solid waste management in Dhaka, Bangladesh	2001	Policy Research Working Paper		WPS2422
Estimating the effects of corruption - implications for Bangladesh	2001	Policy Research Working Paper		WPS2479
Microfinance and poverty - evidence using panel data from Bangladesh	2003	Policy Research Working Paper		WPS2945
Does micro-credit empower women : evidence from Bangladesh	2003	Policy Research Working Paper		WPS2998
Ghost doctors - absenteeism in Bangladeshi health facilities	2003	Policy Research Working Paper		WPS3065
Location decisions and nongovernmental organization motivation : evidence from rural Bangladesh	2004	Policy Research Working Paper		WPS3176
The dynamics of school and work in rural Bangladesh	2004	Policy Research Working Paper		WPS3330
Is environmentally-friendly agriculture less profitable for farmers? evidence on integrated pest management in Bangladesh	2005	Policy Research Working Paper		WPS3417
Who suffers from indoor air pollution? evidence from Bangladesh	2005	Policy Research Working Paper		WPS3428
Use of the formal and informal financial sectors: does gender matter? empirical evidence from rural Bangladesh	2005	Policy Research Working Paper		WPS3491
Health effects and pesticide perception as determinants of pesticide use : evidence from Bangladesh	2006	Policy Research Working Paper		WPS3776
The poverty impact of rural roads : evidence from Bangladesh	2006	Policy Research Working Paper		WPS3875
Creating a more efficient financial system : challenges for Bangladesh	2006	Policy Research Working Paper		WPS3938
Firm Productivity in Bangladesh Manufacturing Industries	2007	Policy Research Working Paper		WPS3988
Implications of WTO agreements and unilateral trade policy reforms for poverty in Bangladesh : short versus long-run impacts	2007	Policy Research Working Paper		WPS3976

	Proposed FY	Delivered to Client FY	Output Type	Project ID	Report No.
Changing norms about gender inequality in education : evidence from Bangladesh	2008	2008	Policy Research Working Paper		WPS4404
Improving indoor air quality for poor families : a controlled experiment in Bangladesh	2008	2008	Policy Research Working Paper		WPS4422
Madrasas and NGOs: complements or substitutes? non-state providers and growth in female education in Bangladesh	2008	2008	Policy Research Working Paper		WPS4511
Migration, sorting and regional inequality : evidence from Bangladesh	2008	2008	Policy Research Working Paper		WPS4616
Bangladesh - The experience and perceptions of public officials	2001	2001	Publication		WTP507
Bangladesh : financial accountability for good governance	2002	2002	Publication		24539
Making work pay in Bangladesh : employment, growth, and poverty reduction	2008	2008	Publication		44646
Bangladesh-Arsenic	2001	2001	Report	P071553	
Review of Public Enterprise Performance	2002	2002	Report	P067833	
FSAP Bangladesh	2003	2003	Report	P078418	
Improving Investment Climate in Bangladesh	2003	2003	Report	P077465	33689
BD ROSC Accounting and Audit. Assess.	2003	2003	Report	P081814	35016
Private Sector Assessment for HNP in BD	2003	2003	Report	P077176	27005
AML/CFT Assessment Bangladesh	2003	2003	Report	P084805	
BD-Development Policy Review	2003	2003	Report	P078755	26154
Bangladesh Housing Finance	2005	2005	Report	P088369	32119
Bangladesh Competitiveness Study	2005	2005	Report	P083891	31394
The Economics of NGOs in Bangladesh	2005	2005	Report	P091208	35861
Country Water Resources Assist. Strategy	2005	2005	Report	P084464	32312
Gap Analysis of Pub. A&A Stds - BD	2006	2006	Report	P097038	41427
Secondary School Education Quality in BD	2006	2006	Report	P100575	38012
Higher Education Round Table	2001	2001	TA/Not assigned	P072381	
Monitor and Advice on Banking Reforms	2001	2001	TA/Not assigned	P072305	
Managing Transaction Advice	2001	2001	TA/Not assigned	P068200	

	Proposed FY	Delivered to Client FY	Output Type	Project ID	Report No.
Central Bank. TA Monitoring & Advisory	2001	2001	TA/Not assigned	P073391	
Managing Transaction Advice	2001	2001	TA/Not assigned	P068200	
Monitor and Advice on Banking Reforms	2001	2001	TA/Not assigned	P072305	
Higher Education Round Table	2001	2001	TA/Not assigned	P072381	
Central Bank. TA Monitoring & Advisory	2001	2001	TA/Not assigned	P073391	
Community Based Pilot Project on solid waste management in Khulna city : general project description	2001	2001	UNDP-Water & Sanitation Program		46340
Developing private sector supply chains to deliver rural water technology : the treadle pump - an NGO introduces a low-cost irrigation pump to Bangladesh	2001	2001	UNDP-Water & Sanitation Program		22726
Arsenic mitigation in West Bengal and Bangladesh: developing private sector supply chains to deliver rural water technology	2001	2001	UNDP-Water & Sanitation Program		31425
The growth of private sector participation in rural water supply and sanitation in Bangladesh	2001	2001	UNDP-Water & Sanitation Program		31427
A rural think tank jal manthan igniting change : tackling the sanitation challenge	2002	2002	UNDP-Water & Sanitation Program		25694
Willingness to pay for arsenic-free, safe drinking water in rural Bangladesh - methodology and results	2003	2003	UNDP-Water & Sanitation Program		25609
Fighting arsenic : listening to rural communities - willingness to pay for arsenic-free, safe drinking water in Bangladesh	2004	2004	UNDP-Water & Sanitation Program		31251
Addressing the public health crisis caused by Arsenic contamination of drinking water in Bangladesh	2002	2002	Working Paper		26058
Bangladesh : disasters and public finance	2003	2003	Working Paper		26280
Integrating gender into World Bank financed transport programs : case study - Bangladesh Dhaka Urban Transport Project	2004	2004	Working Paper		34492
Integrating gender into World Bank financed transport programs : case study - Bangladesh Third Rural Infrastructure Development Project (RDP 21)	2004	2004	Working Paper		34491
Bangladesh Primary Education and Stipend Project : a descriptive analysis	2004	2004	Working Paper		28257
Medicinal plant marketing in Bangladesh	2004	2004	Working Paper		44473
Opportunities for women in renewable energy technology use in Bangladesh (phase one)	2004	2004	Working Paper		31930
Access to education for the poor and girls: education achievements in Bangladesh	2004	2004	Working Paper		30820
Trade liberalization, growth and poverty reduction - the case of	2004	2004	Working Paper		34204

	Proposed FY	Delivered to Client FY	Output Type	Project ID	Report No.
Bangladesh					
Appetite for nicotine : An economic analysis of tobacco control in Bangladesh	2004	2004	Working Paper		28854
Food assistance programs in Bangladesh	2004	2004	Working Paper		30862
Poverty trends in Bangladesh during the nineties	2004	2004	Working Paper		30863
Report of pesticide hotspots in Bangladesh	2005	2005	Working Paper		41045
Bangladesh country note : promoting regional integration in South Asia - a private sector perspective	2005	2005	Working Paper		36240
Bangladesh : Country program assessment	2005	2005	Working Paper		44574
Poverty and child malnutrition in Bangladesh	2005	2005	Working Paper		30866
Bangladesh - inequalities in utilization of maternal health care services: evidence from MATLAB	2005	2005	Working Paper		30472
Learning lessons from disaster recovery : the case of Bangladesh	2005	2005	Working Paper		32197
Delivery mechanisms of cash transfer programs to the poor in Bangladesh (Vol. 1 o 1)	2005	2005	Working Paper		32751
Bangladesh jute industry : opportunities for improved and or new industrial applications	2006	2006	Working Paper		44470
Bangladesh PRSP Forum economic update : recent developments and future perspectives	2006	2006	Working Paper		35469
Comparative advantages of public and private health care providers in Bangladesh	2006	2006	Working Paper		35553
Targeting resources for the poor in Bangladesh	2006	2006	Working Paper		35557
Bangladesh - Regulatory impact analysis diagnostic study and design	2007	2007	Working Paper		39890
Bangladesh : assessing and addressing stakeholder interests in private sector development reform	2007	2007	Working Paper		40782
Bangladesh : pursuing investment climate improvements from analysis to reform	2007	2007	Working Paper		40781
Doing Business 2008 Bangladesh : comparing regulation in 178 economies	2007	2007	Working Paper		42229
India-Bangladesh bilateral trade and potential free trade agreement	2007	2007	Working Paper		38932
Strengthening management and governance in the health, nutrition and population sector of Bangladesh	2007	2007	Working Paper		40421
Bangladesh : Piloting reform through the development and man-	2007	2007	Working Paper		45191

	Proposed FY	Delivered to Client FY	Output Type	Project ID	Report No.
agement of economic zones					
Doing business 2009 : country profile for Bangladesh - comparing regulation in 181 economies		2009	Working Paper		45707
<b>IV. Ongoing and Forecast</b>					
Methodology for Inclusive Participation		2008	"How-To" Guidance	P108944	
Institutional Strengthening for AQM		2007	Institutional Development Plan	P103882	
Reforming Public Service Commission		2008	Institutional Development Plan	P102257	
Bangladesh - SCEA/Industrial Compliance		2008	Knowledge-Sharing Forum	P099298	
Justice for the Poor		2009	Not assigned	P109692	
Political Economy of the Power Sector	2007	2009	Not assigned	P101638	
BD Technology in Microfinance		2009	Not assigned	P109010	
Madrasa Education		2009	Not assigned	P105608	
BD: PFM - Separation of Accts & Audit		2009	Not assigned	P108504	
Land Policy Note		2009	Not assigned	P105766	
Legal and Judicial Review	2007	2009	Not assigned	P102718	
Policy Notes for the New Government II		2009	Not assigned	P107701	
Bangladesh Housing Finance Development		2009	Other Financial Sector Study	P109819	
Climate Change and Agriculture		2009	Other Rural Study	P105764	
Public Expendit. and Institution Review	2007	2009	Public Expenditure Review (PER)	P100834	
Bangladesh Poverty Assessment	2007	2008	Report	P099963	
BD Investment Climate II	2008	2008	Report	P099838	
CCGPP: BANGLADESH Country Assessment		2008	Report	P089276	
Decent Disaster Mgmt and Local Governance		2009	Social Analysis	P106128	

Source: Imagebank, and Business Warehouse as of December 2008.

**Appendix Table 9: Project Ratings for Bangladesh and Comparators, FY01-FY08**

Country/Region	Total Evaluated		Outcome % Sat		Inst Dev Impact % Subst		Sustainability % Likely	
	\$M	No.	\$	No.	\$	No.	\$	No.
Bangladesh	2,813.0	33	72.6	72.7	28.4	38.1	91.4	77.8
India	13,346.0	85	84.8	83.5	60.3	66.2	88.7	90.2
Pakistan	4,044.8	29	84.3	86.2	24.6	26.1	96.3	90.5
Sri Lanka	562.2	18	35.7	50.0	33.1	40.0	47.3	66.7
Philippines	1,388.1	23	76.5	73.9	35.0	38.9	62.5	68.8
Thailand	1,317.3	13	100.0	100.0	100.0	100.0	100.0	100.0
Malaysia	271.8	4	100.0	100.0	79.7	25.0	100.0	100.0
SAR	21,527.8	187	82.1	78.6	46.9	51.4	88.6	83.7
World Bank	141,208.7	2031	82.6	77.2	55.6	52.2	82.7	77.0

Source: Business Warehouse Table 4a.5 as of 02/19/09

**Appendix Table 10: Portfolio Status Indicators, Bangladesh and Comparators, FY08**

Country	# Proj	Net Comm Amt	# Proj At Risk	% At Risk	Comm At Risk	% Commit at Risk
Bangladesh	21	1,997.2	3	14.3	338.6	17.0
India	57	13,564.3	14	24.6	3,174.1	23.4
Pakistan	20	2,493.9	2	10.0	164.0	6.6
Sri Lanka	14	906.6	1	7.1	74.9	8.3
Philippines	21	1,314.2	3	14.3	95.0	7.2
Thailand	1	84.3	0	0.0	0.0	0.0
SAR	160	20,768.0	32	20.0	4,162.6	20.0
World Bank	1,386	105,292.5	250	18.0	18,179.3	17.3

Source: Business Warehouse Table 3a.4 as of 02/18/09

Appendix Table 11: Bank Budget by Cost Category, FY97-FY08 (in US\$ million)

	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	Average	Total FY97-08	Budget Distrib. %
<b>BANGLADESH</b>															
Supervision	\$ 2.4	\$ 1.8	\$ 2.2	\$ 2.8	\$ 1.9	\$ 2.1	\$ 2.5	\$ 2.4	\$ 3.0	\$ 3.4	\$ 3.5	\$ 3.5	\$ 3.5	\$ 31.6	34.2
Lending	\$ 1.6	\$ 2.9	\$ 3.2	\$ 2.4	\$ 1.2	\$ 1.3	\$ 2.0	\$ 2.5	\$ 1.4	\$ 2.7	\$ 2.8	\$ 4.8	\$ 2.4	\$ 28.7	31.1
AAA	\$ 1.4	\$ 1.2	\$ 1.4	\$ 1.4	\$ 1.0	\$ 1.2	\$ 1.6	\$ 1.6	\$ 2.5	\$ 2.6	\$ 2.8	\$ 2.6	\$ 1.8	\$ 21.4	23.2
Other	\$ 0.1	\$ 0.2	\$ 0.0	\$ 1.1	\$ 1.0	\$ 0.7	\$ 0.7	\$ 1.1	\$ 1.2	\$ 1.8	\$ 1.4	\$ 1.2	\$ 0.9	\$ 10.6	11.4
Total	\$ 5.4	\$ 6.0	\$ 6.9	\$ 7.7	\$ 5.0	\$ 5.4	\$ 6.8	\$ 7.7	\$ 8.1	\$ 10.6	\$ 10.5	\$ 12.1	\$ 7.7	\$ 92.2	100.0
<b>SAR</b>															
Supervision	\$ 14.7	\$ 13.7	\$ 14.9	\$ 16.7	\$ 11.6	\$ 12.5	\$ 15.1	\$ 15.2	\$ 20.0	\$ 22.0	\$ 25.1	\$ 31.1	\$ 17.7	\$ 212.5	33.1
Lending	\$ 11.6	\$ 13.5	\$ 13.0	\$ 11.8	\$ 9.8	\$ 11.9	\$ 12.9	\$ 18.8	\$ 15.6	\$ 20.5	\$ 24.3	\$ 24.4	\$ 15.7	\$ 187.9	29.3
AAA	\$ 6.2	\$ 5.5	\$ 6.8	\$ 10.8	\$ 8.9	\$ 12.3	\$ 15.1	\$ 18.4	\$ 22.5	\$ 22.9	\$ 20.9	\$ 18.9	\$ 14.1	\$ 169.1	26.3
Other	\$ 1.2	\$ 1.8	\$ 1.2	\$ 6.1	\$ 6.4	\$ 5.1	\$ 6.3	\$ 7.5	\$ 7.7	\$ 9.5	\$ 9.7	\$ 9.9	\$ 6.0	\$ 72.6	11.3
Total	\$ 33.7	\$ 34.4	\$ 35.9	\$ 45.4	\$ 36.8	\$ 41.7	\$ 49.3	\$ 59.8	\$ 65.9	\$ 74.9	\$ 80.0	\$ 84.3	\$ 53.5	\$ 642.0	100.0
<b>WORLD BANK</b>															
Supervision	\$ 118.7	\$ 124.2	\$ 127.6	\$ 158.8	\$ 136.4	\$ 152.3	\$ 160.1	\$ 166.8	\$ 177.9	\$ 189.7	\$ 198.8	\$ 217.3	\$ 160.7	\$ 1,928.6	32.3
Lending	\$ 113.5	\$ 119.0	\$ 110.4	\$ 124.2	\$ 102.1	\$ 123.2	\$ 119.9	\$ 156.2	\$ 151.3	\$ 155.3	\$ 148.8	\$ 146.8	\$ 130.9	\$ 1,570.6	26.3
AAA	\$ 53.4	\$ 70.8	\$ 83.1	\$ 107.6	\$ 88.2	\$ 129.8	\$ 150.7	\$ 154.9	\$ 158.4	\$ 169.1	\$ 162.9	\$ 187.8	\$ 126.4	\$ 1,516.8	25.4
Other	\$ 28.1	\$ 31.1	\$ 42.0	\$ 65.3	\$ 75.6	\$ 86.5	\$ 92.3	\$ 107.4	\$ 101.4	\$ 104.6	\$ 106.2	\$ 105.9	\$ 78.9	\$ 946.4	15.9
Total	\$ 313.6	\$ 345.0	\$ 363.1	\$ 455.9	\$ 402.3	\$ 491.9	\$ 523.0	\$ 585.4	\$ 589.1	\$ 618.7	\$ 616.7	\$ 657.7	\$ 496.9	\$ 5,962.4	100.0

Source: BW Resource Management Report 4.1 and 4.2 as of 11/1/08.

**Appendix Table 12: Bank Budget for Bangladesh by Cost Category, FY01-FY08 (in US\$ thousands)**

Sector Board	Total	Supervision	Lending	AAA	Other
Agriculture and Rural Development	\$ 6,002	\$ 2,361	\$ 2,443	\$ 1,157	\$ 41
Economic Policy	\$ 2,918	\$ 255	\$ 975	\$ 1,384	\$ 304
Education	\$ 7,570	\$ 3,606	\$ 2,873	\$ 1,017	\$ 74
Energy and Mining	\$ 5,465	\$ 2,185	\$ 2,256	\$ 1,020	\$ 3
Environment	\$ 3,784	\$ 1,338	\$ 1,394	\$ 1,052	\$ 0
Financial and Private Sector Development	\$ 7,176	\$ 2,480	\$ 2,015	\$ 2,669	\$ 12
Gender and Development	\$ 531	\$ 0	\$ 0	\$ 531	\$ 0
Global Information/Communications Technology	\$ 716	\$ 465	\$ 182	\$ 69	\$ 0
Health, Nutrition and Population	\$ 4,920	\$ 2,930	\$ 1,338	\$ 620	\$ 32
Poverty Reduction	\$ 1,278	\$ 0	\$ 56	\$ 1,093	\$ 129
Public Sector Governance	\$ 5,055	\$ 1,421	\$ 1,200	\$ 2,055	\$ 379
Social Development	\$ 1,833	\$ 606	\$ 696	\$ 460	\$ 71
Social Protection	\$ 1,761	\$ 0	\$ 1,099	\$ 658	\$ 4
Transport	\$ 5,155	\$ 2,676	\$ 2,121	\$ 359	\$ 0
Urban Development	\$ 1,125	\$ 425	\$ 108	\$ 592	\$ 0
Water	\$ 3,431	\$ 2,305	\$ 1,126	\$ 0	\$ 0
Other/NA	\$ 15,166	\$ 2,125	\$ 1,110	\$ 2,700	\$ 9,231
<i>Total</i>	<i>\$ 73,886</i>	<i>\$ 25,178</i>	<i>\$ 20,991</i>	<i>\$ 17,436</i>	<i>\$ 10,281</i>

Cost Structure by percentage

Sector Board	Total	Supervision	Lending	AAA	Other
Agriculture and Rural Development	100	39	41	19	1
Economic Policy	100	9	33	47	10
Education	100	48	38	13	1
Energy and Mining	100	40	41	19	0
Environment	100	35	37	28	0
Financial and Private Sector Development	100	35	28	37	0
Gender and Development	100	0	0	100	0
Global Information/Communications Technology	100	65	25	10	0
Health, Nutrition and Population	100	60	27	13	1
Poverty Reduction	100	0	4	86	10
Public Sector Governance	100	28	24	41	8
Social Development	100	33	38	25	4
Social Protection	100	0	62	37	0
Transport	100	52	41	7	0
Urban Development	100	38	10	53	0
Water	100	67	33	0	0
Other/NA	100	14	7	18	61
<i>Total</i>	<i>100</i>	<i>34</i>	<i>28</i>	<i>24</i>	<i>14</i>

Source: BW Resource Management Report 4.1 and 4.2 as of 11/05/08.



## Appendix 13: Bangladesh - Millennium Development Goals

	1990	1995	2000	2007
<b>Goal 1: Eradicate extreme poverty and hunger</b>				
Employment to population ratio, 15+, total (%)	73	71	69	67
Employment to population ratio, ages 15-24, total (%)	64	60	56	57
Income share held by lowest 20%	9.5	8.7	8.7	8.8
Malnutrition prevalence, weight for age (% of children under 5)	..	..	..	39.2
Poverty headcount ratio at national poverty line (% of population)	..	51.0	49.8	..
Prevalence of undernourishment (% of population)	35	40	..	..
Vulnerable employment, total (% of total employment)	..	69	69	..
<b>Goal 2: Achieve universal primary education</b>				
Literacy rate, youth female (% of females ages 15-24)	38	..	60	..
Literacy rate, youth male (% of males ages 15-24)	52	..	67	..
Persistence to last grade of primary, total (% of cohort)	..	..	65	..
Primary completion rate, total (% of relevant age group)	49	..	77	..
Total enrollment, primary (% net)	..	..	87	..
<b>Goal 3: Promote gender equality and empower women</b>				
Proportion of seats held by women in national parliament (%)	10	9	9	15
Ratio of female to male enrollments in tertiary education	..	..	51	53
Ratio of female to male primary enrollment	..	..	100	..
Ratio of female to male secondary enrollment	..	..	105	..
Ratio of young literate females to males (% ages 15-24)	73	..	90	..
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	17.6	23.3	22.9	..
<b>Goal 4: Reduce child mortality</b>				
Immunization, measles (% of children ages 12-23 months)	65	79	76	81
Mortality rate, infant (per 1,000 live births)	100	83	66	52
Mortality rate, under-5 (per 1,000)	149	120	92	69
<b>Goal 5: Improve maternal health</b>				
Adolescent fertility rate (births per 1,000 women ages 15-19)	..	151	150	129
Births attended by skilled health staff (% of total)	..	10	12	20
Contraceptive prevalence (% of women ages 15-49)	40	45	54	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	570
Pregnant women receiving prenatal care (%)	..	26	67	48
Unmet need for contraception (% of married women ages 15-49)	..	18	15	..
<b>Goal 6: Combat HIV/AIDS, malaria, and other diseases</b>				
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	..	..
Condom use, population ages 15-24, female (% of females ages 15-24)	..	..	..	..
Condom use, population ages 15-24, male (% of males ages 15-24)	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	264	251	239	225
Prevalence of HIV, female (% ages 15-24)	..	..	..	..
Prevalence of HIV, total (% of population ages 15-49)	..	..	0.1	0.1
Tuberculosis cases detected under DOTS (%)	..	6	24	65
<b>Goal 7: Ensure environmental sustainability</b>				
Annual freshwater withdrawals, total (% of internal resources)	..	..	75.6	..
CO2 emissions (kg per PPP \$ of GDP)	0.3	0.3	0.3	..
CO2 emissions (metric tons per capita)	0.1	0.2	0.2	..
Forest area (% of land area)	7	..	7	7
Improved sanitation facilities (% of population with access)	26	28	32	36
Improved water source (% of population with access)	78	78	79	80
Marine protected areas, (% of surface area)	..	..	..	..
Nationally protected areas (% of total land area)	..	..	..	..
<b>Goal 8: Develop a global partnership for development</b>				
Aid per capita (current US\$)	19	10	8	8
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	34.8	16.4	10.7	4.8
Internet users (per 100 people)	0.0	0.0	0.1	0.3
Mobile phone subscribers (per 100 people)	0.0	0.0	0.2	21.7
Telephone mainlines (per 100 people)	0.2	0.2	0.4	0.7
<b>Other</b>				
Fertility rate, total (births per woman)	4.3	3.7	3.3	2.9
GNI per capita, Atlas method (current US\$)	270	310	360	470
GNI, Atlas method (current US\$) (billions)	31.0	39.2	49.8	75.0
Gross capital formation (% of GDP)	17.1	19.1	23.0	24.3
Life expectancy at birth, total (years)	55	58	61	64
Literacy rate, adult total (% of people ages 15 and above)	35	..	47	..
Population, total (millions)	113.0	126.3	139.4	158.6
Trade (% of GDP)	19.7	28.2	33.2	50.8

Source: World Development Indicators database as of 11/18/08.

Figures in italics refer to periods other than those specified.



**Annex Table 14: Bangladesh: Governance Indicators**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>1. Improving Implementation Capacity</b>										
<i>Integrity Indicators Scorecard</i> <sup>11</sup>										
<u>Administration and Civil Service</u>										
Score									77	79
Performance "tiers"									Moderate	Moderate
<u>Civil Service Regulations</u>										
Score									50	53
Performance "tiers"									Very Weak	Very Weak
<u>Whistle-blowing Measures</u>										
Score									77	81
Performance "tiers"									Moderate	Strong
<u>Procurement</u>										
Score									88	86
Performance "tiers"									Strong	Strong
<i>ICRG Political Risk Ratings</i>										
Bureaucratic Quality <sup>12</sup>	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
<i>CPIA</i> $\beta$										
Quality of Budget. & Finan. Mgt.	3.5	3.5	3.0	3.5	3.5	3.5	3.0	3.0	3.0	3.0
Effic. of Revenue Mobil.	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Quality of Public Admin.	3.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
<i>Worldwide Governance Indicators</i> <sup>14</sup>										
Government Effectiveness		-0.52		-0.72	-0.7	-0.82	-0.89	-0.78	-0.81	
<b>2. Tackling corruption</b>										
<i>Index of Economic Freedom</i> <sup>15</sup>										
<u>Freedom from Corruption</u>										
Ranking	23.0	23.0	23.0	4.0	12.0	13.0	15.0	17.0	20.0	
Category	R	R	R	R	R	R	R	R	R	
<i>ICRG Political Risk Ratings</i>										
Corruption <sup>16</sup>	2.0	2.0	1.8	1.0	1.0	1.0	1.5	1.5	2.0	2.5
<i>Integrity Indicators Scorecard</i> <sup>17</sup>										
<u>Anti-Corruption Law</u>										
Score									100	100
Performance "tiers"									Very Strong	Very Strong
<u>Anti-Corruption Agency</u>										
Score									81	77
Performance "tiers"									Strong	Moderate
<i>CPIA</i> $\beta$										
Transpar., Account. & Corrup.in Pub. Sec.	3.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5	3.0	
<i>Worldwide Governance Indicators</i> <sup>14</sup>										
Control of Corruption		-0.94		-1.02	-1.17	-1.32	-1.23	-1.26	-1.05	
<i>Corruption Perceptions Index (CPI)</i> <sup>18</sup>										
				1.2	1.3	1.5	1.7	2	2	
<b>3. Legal and judicial reform</b>										
<i>Economic Freedom of the World</i> <sup>19</sup>										
A. Judicial independence				3.7	3.2	2.7	2.8	2.5		
B. Impartial courts		4.2	2.6	2.8	2.5	2.9	3.0			
D. Military interference in rule of law and the political process		3.3	3.3	5.0	5.0	4.2	4.6			
E. Integrity of the legal system		3.3	3.3	3.3	1.7	1.7	3.3			
F. Legal enforcement of contracts							6.4			
<i>ICRG Political Risk Ratings</i>										
Law and Order <sup>16</sup>	3.0	2.1	2.0	1.5	1.2	1.0	2.0	2.5	2.6	2.5
<i>Integrity Indicators Scorecard</i> <sup>17</sup>										
<u>Rule of Law</u>										
Score									68	79
Performance "tiers"									Weak	Moderate
<u>Law Enforcement</u>										
Score									58	71
Performance "tiers"									Very Weak	Moderate
<u>National Ombudsman</u>										
Score									46	61

Performance "tiers"										Very Weak	Weak
<u>Supreme Audit Institution</u>											
Score										73	78
Performance "tiers"										Moderate	Moderate
<u>CPIA /3</u>											
Property Rights & Rule-based Govern.	2.5	3.0	3.0	3.0	3.0	3.0	3.0	2.5	3.0		
<u>Worldwide Governance Indicators /4</u>											
Rule of Law		-0.8	-0.79	-0.9	-0.95	-0.87	-0.82		-0.81		
<u>4. Voice/Empowerment/Participation</u>											
<u>Freedom in the World /10</u>											
Civil Liberties	4	4	4	4	4	4	4				
<u>Integrity Indicators Scorecard /7</u>											
<u>Civil Society, Public Information and Media</u>											
Score										57	54
Performance "tiers"										Very Weak	Very Weak
<u>Civil Society Organizations</u>											
Score										89	57
Performance "tiers"										Strong	Very Weak
<u>Media</u>											
Score										74	72
Performance "tiers"										Moderate	Moderate
<u>Public Access to Information</u>											
Score										8	32
Performance "tiers"										Very Weak	Very Weak
<u>Worldwide Governance Indicators /4</u>											
Voice and Accountability		-0.44	-0.45	-0.6	-0.66	-0.52	-0.5		-0.63		
<u>Cigranelli and Richards (CIRI) Human Rights /11</u>											
Empowerment Index	7	6	8	7	2	4	5	7			
<u>World Press Freedom Index /12</u>											
Ranking				118	143	151	151	137	134		
Total Number of Countries Included				139	167	167	167	168	169		
Percentile				15.1	14.4	9.6	9.6	18.5	20.7		
<u>5. Political Governance</u>											
<u>Freedom in the World /11</u>											
Political Rights	3	3	3	4	4	4	4				
<u>ICRG Political Risk Ratings</u>											
Democratic Accountability /6	5.0	5.0	4.0	3.7	2.5	2.8	3.0	3.0	3.0	3.0	3.0
<u>Integrity Indicators Scorecard /7</u>											
<u>Elections</u>											
Score										60	63
Performance "tiers"										Very Weak	Weak
<u>Voting &amp; Citizen Participation</u>											
Score										82	83
Performance "tiers"										Strong	Strong
<u>Election Integrity</u>											
Score										80	86
Performance "tiers"										Moderate	Strong
<u>Political Financing</u>											
Score										17	20
Performance "tiers"										Very Weak	Very Weak
<u>Polity IV/ Democracy and Autocratic Index /13</u>	6	6	6	6	6	6	6	6	6		

Notes:

1. Score are assigned from 0 to 100. The higher the rating the better it ranks on integrity. Countries are classified according to the following scale: Very strong (90+), Strong (80+), Moderate (70+), Weak (60+), Very Weak (< 60). Source: Global Integrity Report.
2. Values of this component range from 0-4. The lower the value of the rating, the higher the risk associated to that variable. Source: The PRS Group, Inc., 1979-2008.
3. CPIA rates the quality of a country's policies and institutional framework on a scale from 1 (low quality) to 6 (high quality). CPIA ratings before 2005 are confidential. Source: World Bank.
4. Governance Score: Measured on a scale from -2.5 to 2.5. Source: Kaufmann D., A. Kraay, and M. Mastruzzi 2008: Governance Matters VII: Governance Indicators for 1996-2007.
5. Each one of the 10 freedoms is graded using a 0 to 100 scale, where 100 represents the maximum freedom. Overall rating results from a simple average of 10 subratings. Scores for each year refer to the Heritage Foundation report of the following year. The Index of Economic Freedom categories are defined as: "free": 80-100% free; "mostly free": 70-79.9% free; "moderately free": 60-69.9% free; "mostly unfree": 50-59.9% free; and "repressed": 0-49.9% free. Source: The Heritage Foundation.
6. Values of this component range from 0-6. The lower the value of the rating, the higher the risk associated to that variable. Source: The PRS Group, Inc., 1979-2008.
7. Score are assigned from 0 to 100. The higher the rating the better it ranks on integrity. Countries are classified according to the following scale: Very strong (90+), Strong (80+), Moderate (70+), Weak (60+), Very Weak (< 60). Source: Global Integrity Report.

- 
8. Ranges between 10 (highly clean) and 0 (highly corrupt). Source: Transparency International.
9. Scores are graded in a scale from zero (0), the lowest, to ten (10) the highest possible value. A higher score indicates a greater degree of economic freedom. Source: Fraser Institute.
10. Political Rights and Civil Liberties are measured on a one-to-seven scale, with one representing the highest degree of Freedom and seven the lowest. Status categories are Free, Partly free, Not free. Source: Freedom House.
11. Constructed from the Freedom of Movement, Freedom of Speech, Workers' Rights, Political Participation, and Freedom of Religion indicators. It ranges from 0 (no government respect for these five rights) to 10 (full government respect for these five rights). Source: <http://www.humanrightsdata.org>.
12. Ranking based on a questionnaire sent to freedom of expression groups, correspondents, journalists, researchers, jurists and human rights activists. Source: Reporters without Borders (RSF).
13. Scale -10 (hereditary monarchy) to +10 (consolidated democracy). Three-part categorization of "autocracies" (-10 to -6), "anocracies" (-5 to +5 and the three special values: -66, -77, and -88), and "democracies" (+6 to +10). Source: University of Maryland - Center for International Development and Conflict Management. Monty Marshall and Keity Jagers. <http://www.systemicpeace.org/polity/polity4.htm>.
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## Annex F. Bangladesh: Survey of Donor Views on ODA Alignment and Harmonization

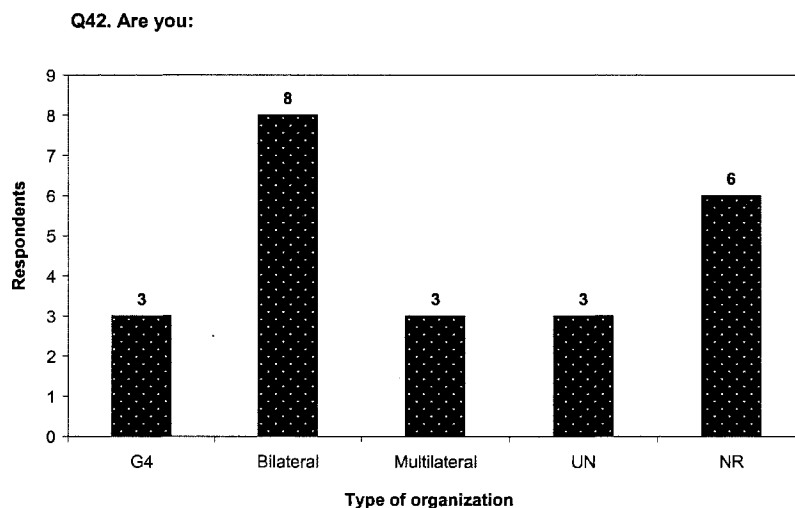
### Issues and World Bank Performance

#### Summary of Findings

The survey was constructed to solicit the views of the Donor Community on (i) the performance of the World Bank in providing assistance to Bangladesh, and on (ii) aid alignment and harmonization among the Donor Community in Bangladesh and between the Donor Community and the G4<sup>1</sup>.

The survey was sent to key staff from 28 development partner institutions, mainly Bangladesh-based representatives of bilateral and multilateral DPs. The survey was anonymous and administered via an online survey tool between August and September 2008. As of the closing date of September 19 2008, 23 responses had been received.

Respondents classified themselves by type of organization; 3 respondents were members of the G4; 8, of bilateral institutions, 3 of multilateral institutions, 3, of institutions part of the UN system, and 6 didn't specify the type of institution they pertain to.



In the first section of the survey, representatives of the donor community were asked to rate the performance of the World Bank as a development partner in Bangladesh in a series of dimensions like relevance, ownership, use of country systems and others. The second section of the survey asked members of the Donor Community to rate the performance of the G4 and the community as a whole in their aid alignment and harmonization efforts.

Respondents rated the performance of the World Bank, G4 and Donor Community on a scale from 1 to 6 where 1 was the lowest rating possible and 6, the highest. Surveyed donor representatives were also given the option not to respond.

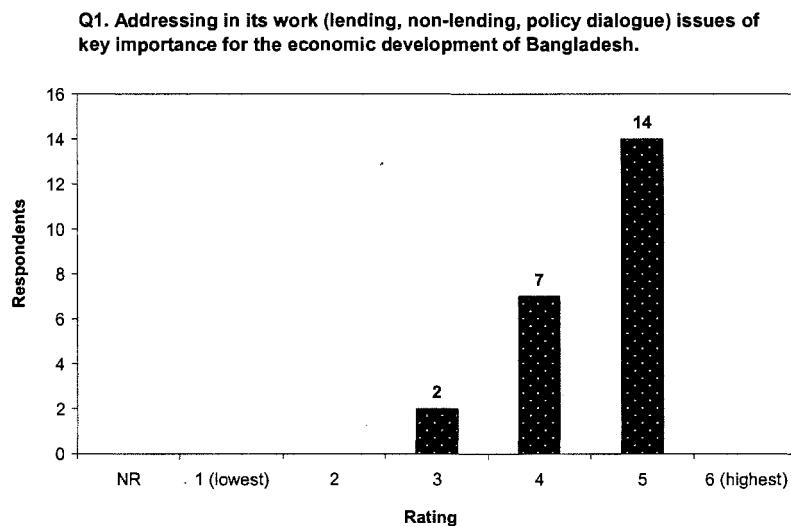
The scale used in the survey coincides with the 6-point scale used by IEG in its evaluations, where 6 corresponds to a highly satisfactory performance; 5, satisfactory; 4, moderately satisfactory, 3, moderately unsatisfactory; 2, unsatisfactory; and 1, highly unsatisfactory. The 6-point scale doesn't have a middle point and for that reason, respondents had to tilt their ratings towards the satisfactory or the unsatisfactory spectrum.

In addition, it should be noted that survey respondents were asked to focus on the period from 2001 onwards for their responses. The following sections describe and present the main findings of the survey and therefore they show only a subset of the tables generated from the data. Please refer to the Annex on Survey Results, for a complete description of the survey dataset.

- The World Bank as a development partner in Bangladesh

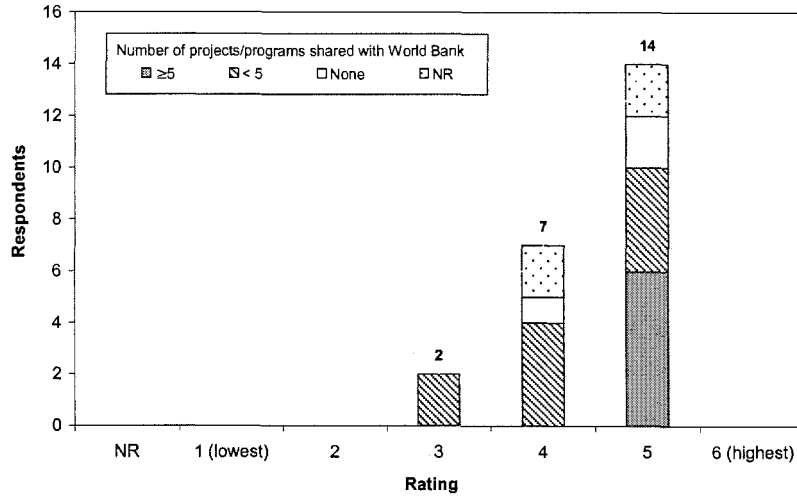
### *Relevance*

Survey respondents were asked to share their views on the extent to which the World Bank addressed in its work issues of key importance for Bangladesh's development. As shown in the graph below, respondents have an overall positive view of the relevance of World Bank's work as 21 out of 23 respondents gave ratings on the satisfactory side of the scale.

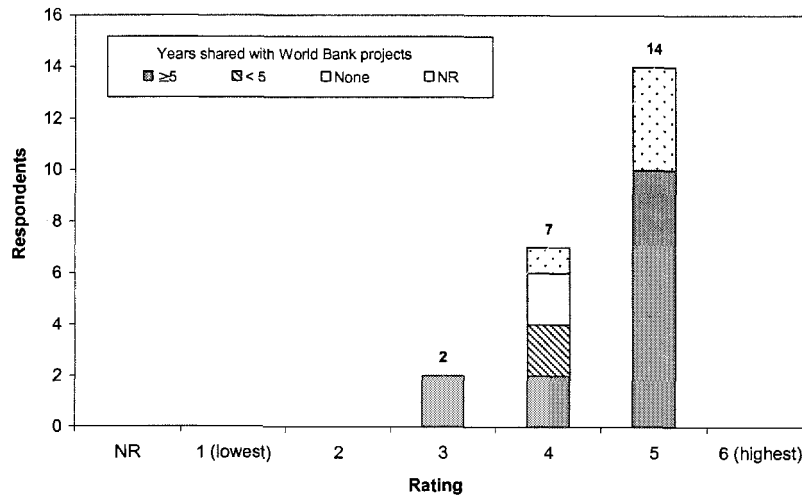


The number of shared projects, the number of sectors and the extent with which they work closely together may provide more accurate indication of the other's work. Survey respondents who have shared projects, for longer time or who have conducted joint analytic work with the World Bank, rated the relevance of Bank's work as satisfactory more often than other respondents.

**Q1. Addressing in its work (lending, non-lending, policy dialogue) issues of key importance for the economic development of Bangladesh.**



**Q1. Addressing in its work (lending, non-lending, policy dialogue) issues of key importance for the economic development of Bangladesh.**



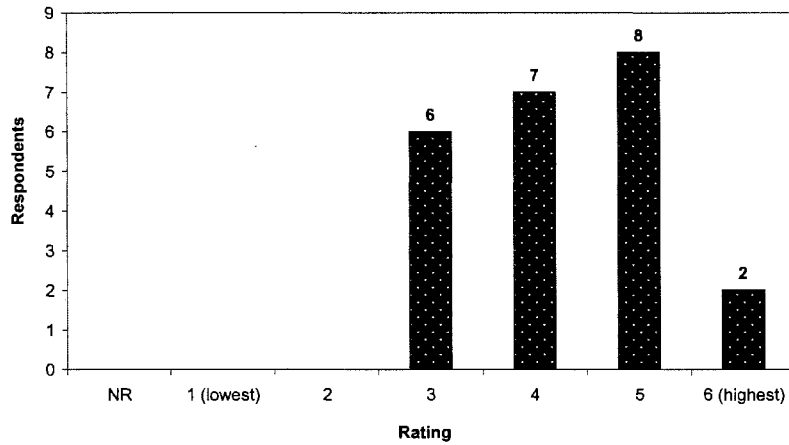
1. Addressing in its work (lending, non-lending, policy dialogue) issues of key importance for the economic development of Bangladesh.				
Rating	Have you done joint analytic work with World Bank?			Total
	NR	No	Yes	
NR				
1 (lowest)				
2				
3		2		2
4		2	5	7
5	2	2	10	14
6 (highest)				
<b>Total</b>	<b>2</b>	<b>6</b>	<b>15</b>	<b>23</b>



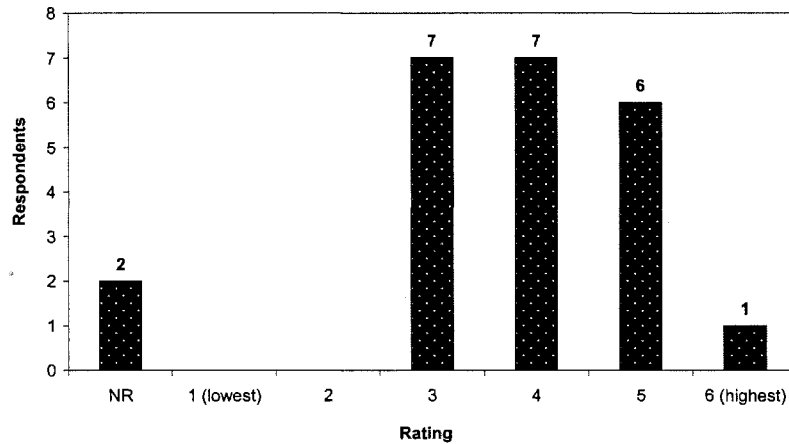
## Ownership

Respondents have a positive view on the World Bank's work promoting government ownership of policies. However, respondents were more critical of the World Bank in how it helped government in its work with other development partners. In contrast, respondents whose organizations participated in a SWAp with the World Bank provide ratings somewhat tilted towards the unsatisfactory side of the scale.

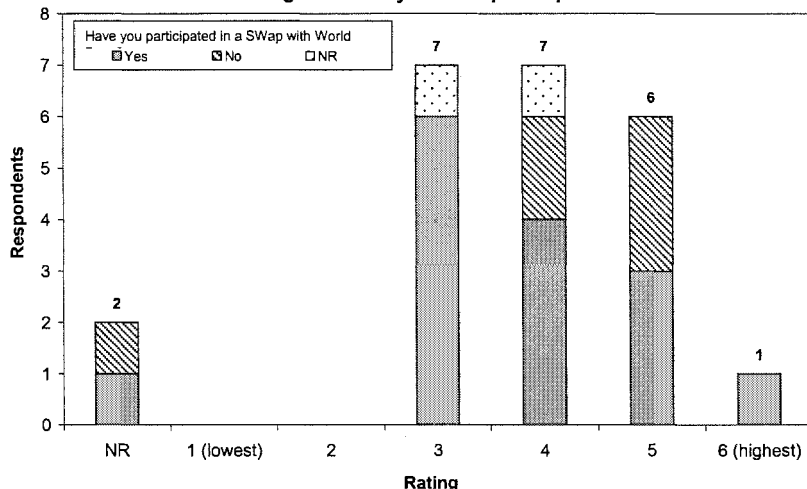
**Q2. Supporting and enabling Bangladesh in designing and adopting its own development strategy and policies.**



**Q3. Helping the Government of Bangladesh in playing a leading role on its development policies, strategies and development efforts, particularly through its work with and among the country's development partners.**



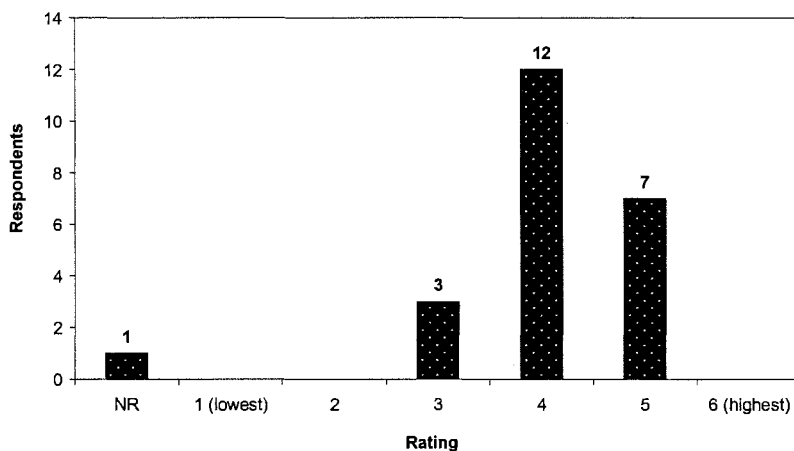
**Q3. Helping the Government of Bangladesh in playing a leading role on its development policies, strategies and development efforts, particularly through its work with and among the country's development partners.**



*Alignment*

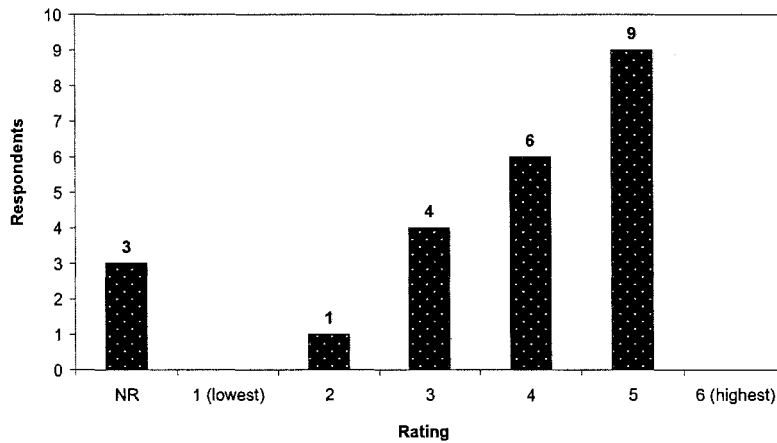
The majority of respondents, 19 out of 23, rated the performance of the World Bank in aligning its work program with Bangladesh's development strategy on the satisfactory side while only 3 respondents view World Bank's performance as moderately unsatisfactory.

**Q4. Alignment of the World Bank's lending and work program with Bangladesh's national development strategy.**



15 out of 23 respondents thought that the World Bank was adequate in using national institutions, procedures and systems. Though only one respondent gave an unsatisfactory rating to Bank's use of country system, this is one of the areas where the Bank was rated one of the lowest ratings.

**Q5. The World Bank's use of national institutions, procedures, and systems in Bangladesh in its support for the country.**



For the respondents that provided budget support to the country, the views on World Bank performance in using country systems was somehow divided between moderately unsatisfactory and satisfactory. Respondents who didn't provide budget support to Bangladesh were more positive on World Bank performance in using country systems.

Rating	Have you ever provided budget support to Bangladesh?			
	NR	No	Yes	Total
NR	1	1	1	3
1 (lowest)				
2		1		1
3		2	2	4
4		6		6
5		7	2	9
6 (highest)				
<b>Total</b>	<b>1</b>	<b>17</b>	<b>5</b>	<b>23</b>

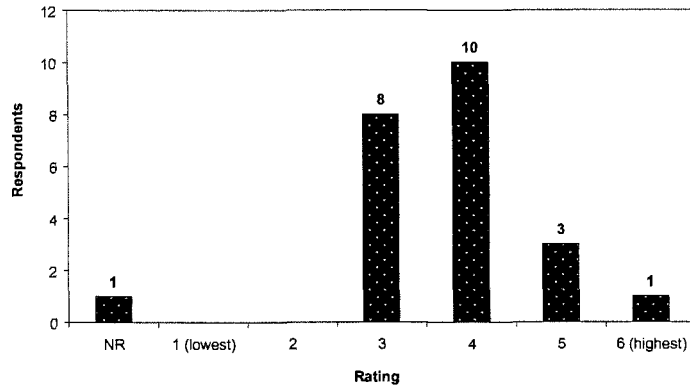
*Harmonization*

Representatives of the Donor community were asked to rate the performance of the World Bank in three aspects of the aid harmonization exercise: (i) cooperating with other DPs; (ii) sharing a common perspective through its analytical work; and (iii) working around country systems and helping to their improvement.

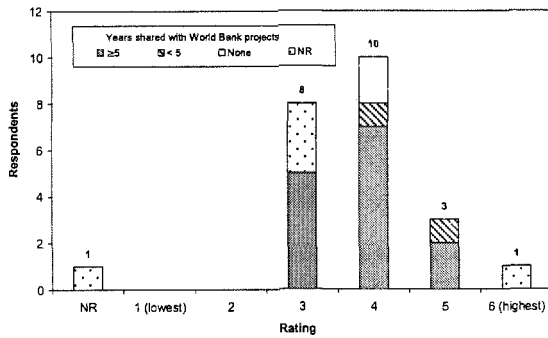
First, 14 out of 23 survey respondents thought the World Bank performed at least moderately satisfactorily in working together with other DPs. However, 8 other respondents rated the World Bank's work in this respect as moderately unsatisfactory. This division is also found when looking at respondents who have shared projects or programs with the World Bank for more than 5 years. However, the perception of World Bank performance in donor coordination is more critical for respondents from organizations that participated in a SWAp with the Bank.

## Cooperation with other DPs

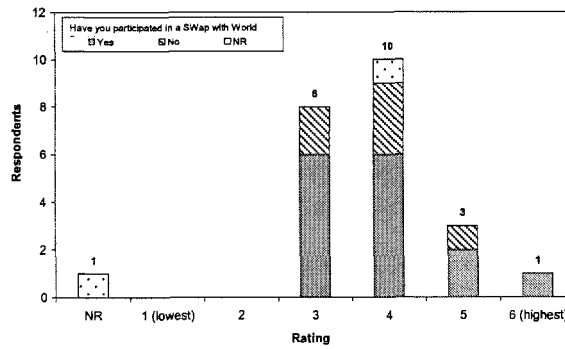
**Q6. Cooperating and working together with other donors in helping Bangladesh, seeking to be a more effective and a less burdensome partner.**



**Q6. Cooperating and working together with other donors in helping Bangladesh, seeking to be a more effective and a less burdensome partner.**



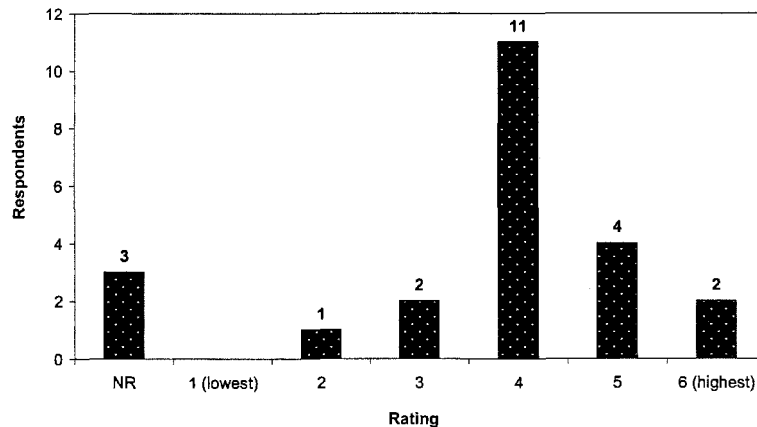
**Q6. Cooperating and working together with other donors in helping Bangladesh, seeking to be a more effective and a less burdensome partner.**



Second, survey respondents thought the World Bank performed reasonably well in sharing its economic and sector work with other DPs. 11 of the 23 respondents gave a moderately satisfactory rating to the Bank while other 6 respondents gave the Bank higher ratings.

## Shared common perspective through its analytical work

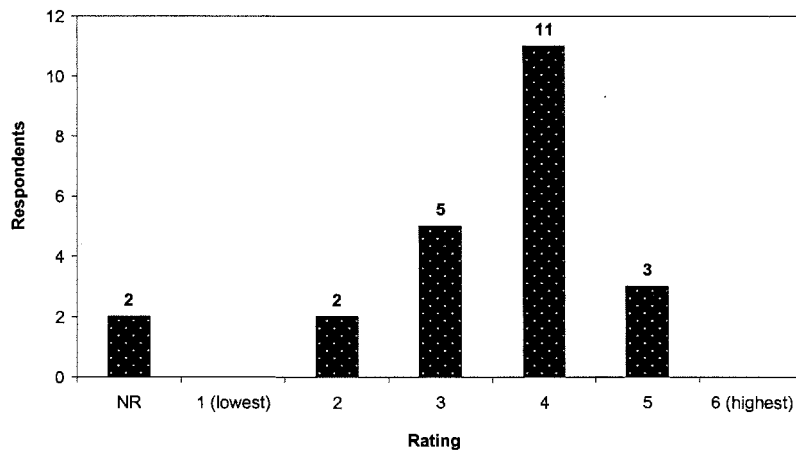
**Q7. Fostering a shared perspective among donors on Bangladesh's development challenges by sharing with other donors its economic and sector studies and understanding of the issues.**



Lastly, respondents were asked to rate the performance of the World Bank in seeking a harmonized approach particularly using Bangladesh’s public financial management and procurement systems. As compared to overall donor coordination efforts of the Bank, respondents’ views are more critical in how the Bank tried to harmonize around these country systems. 11 respondents rated the Bank moderately satisfactory but the negative responses in this case are 7 (5 respondents rated the Bank moderately unsatisfactory and 2, unsatisfactory).

### Work with other donors around country systems

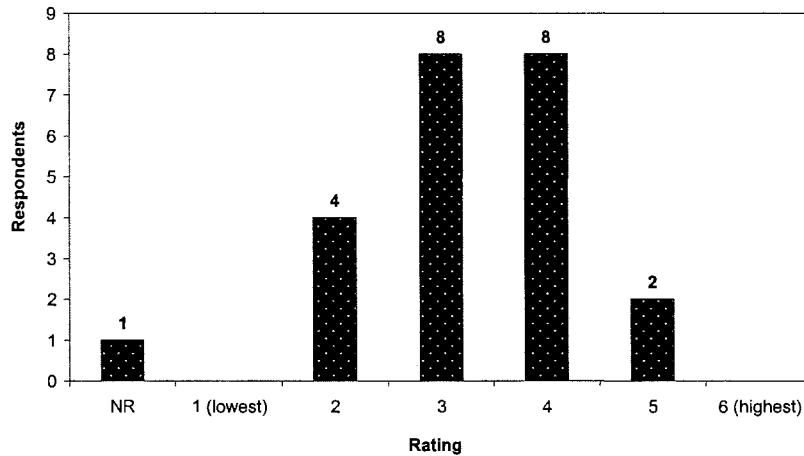
**Q8. Seeking a harmonized approach with other donors around Bangladesh’s country systems (especially in public financial management and procurement) in the design and execution of development support, including by helping improve their reliability.**



### *Managing for results*

According to this survey, managing for results is the weakest dimension of the World Bank’s performance in Bangladesh. The majority of survey respondents rated unsatisfactorily the work of the World Bank with other DPs in implementing a performance assessment framework to measure progress in development strategy.

**Q9. Working with Bangladesh and other donors in implementing a performance assessment framework to measure progress against key elements of the development strategy.**



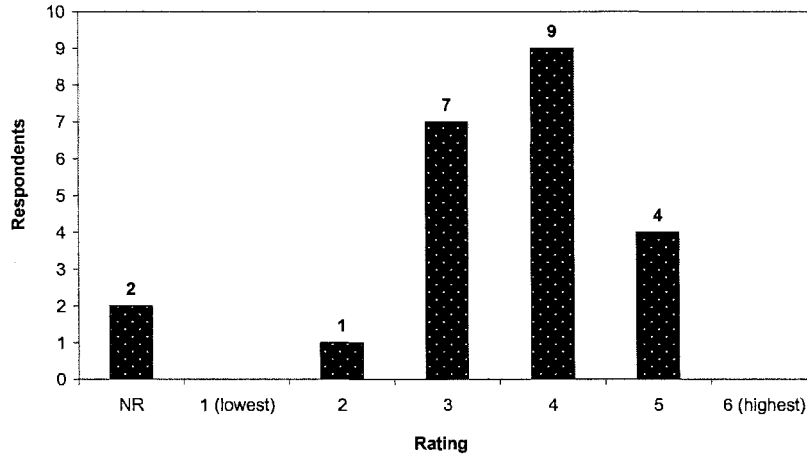
In addition, of those who have shared projects or programs with the Bank, about half of them have a common performance assessment framework on at least one project or program. However, it should be noted that this is more frequent for those respondents who have more than 5 projects with the Bank, than for those who have less than five projects.

19. Do you have a common performance assessment framework with the World Bank on any shared projects or programs?					
Response	Current number of projects/programs with World Bank				Total
	NR	None	< 5	≥5	
NR	2				2
No	1	3	6	2	12
Yes	1		4	4	9
Total	4	3	10	6	23

### *Mutual Accountability*

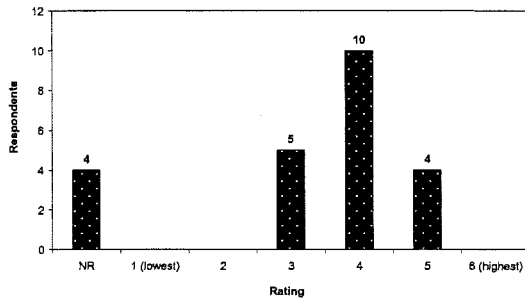
Respondents had mixed views on Bank's performance in its role of mutually accountable partner with Bangladesh and other DPs; however, the majority gave a somewhat positive rating.

**Q10. Played its role of a mutually accountable partner with Bangladesh and other donors in its endeavor to help the country carry out its development strategy.**

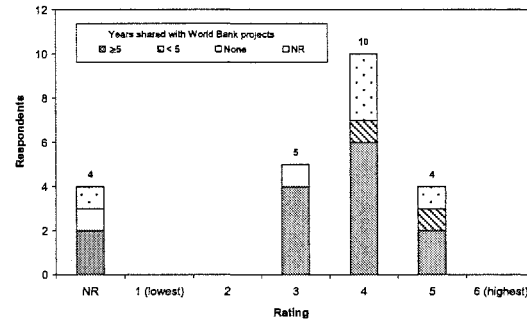


When asked about the performance of the World Bank having predictable aid flows, 10 out of 23 respondents rated it moderately satisfactory. Respondents who had shared projects or programs with the World Bank for more than 5 years tend to be more critical of Bank's aid predictability but also gave the Bank a moderately satisfactory rating.

**Q11. Having predictable aid flows.**

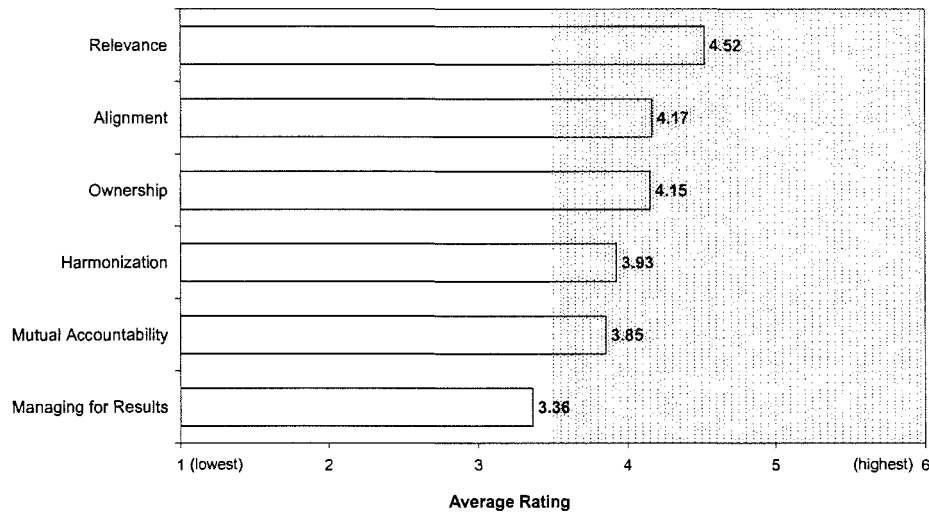


**Q11. Having predictable aid flows.**



The chart below summarizes respondents' views on each dimension of World Bank's development work in Bangladesh: relevance, alignment, ownership, harmonization, mutual accountability and managing for results. Each question rating results from the average of the ratings given -from 1 to 6- weighted by the number of respondents who gave each rating. When dimensions were assessed with more than one question, question ratings were averaged to obtain a single rating for each dimension.

**World Bank performance rating between 2001 and the present  
(by dimension)**



The relevance of Bank's work was rated satisfactory, the highest of all dimensions. The lowest rating of moderately unsatisfactory was given to the performance of the World Bank managing for results. All other dimensions of World Bank's work in Bangladesh were rated as moderately satisfactory.

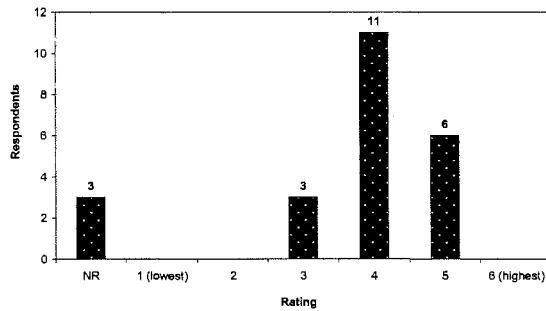
Finally, survey respondents were asked to rate the overall performance of the World Bank in the past five years as a development partner for Bangladesh, for the respondent's own donor organization and for other DPs.

Regarding Bank's performance as a development partner for Bangladesh, the majority of DPs surveyed gave a moderately satisfactory rating. From the perspective of survey respondents' own organizations, the views on Bank performance as a partner were not that positive: despite the majority gave a moderately satisfactory rating, 4 respondents gave the Bank an unsatisfactory rating and 3, a moderately satisfactory. When asked about the role of the World Bank as development partner for other DPs, responses were more evenly balanced, with more than a half rating Bank's performance as moderately satisfactory.

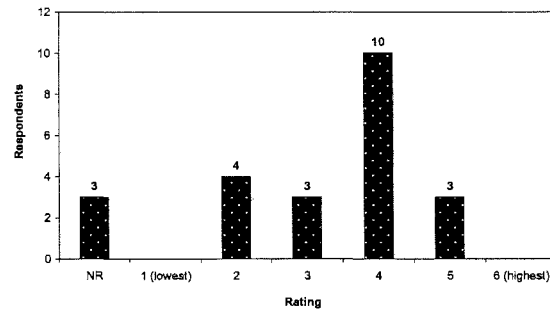


**Q20. Based on those shared projects or programs and considering only the past five years, how do you rate the World Bank's performance as:**

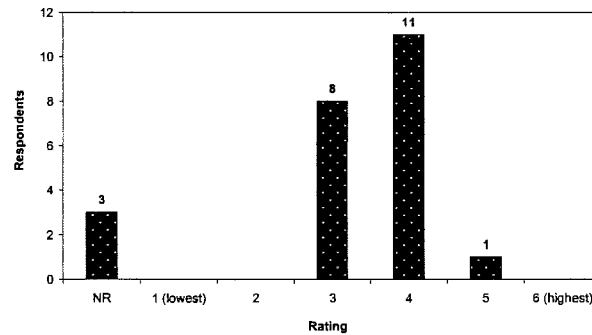
**Q20a. A development partner for Bangladesh.**



**Q20b. A development partner for you as a donor in Bangladesh.**



**Q20c. A development partner for other donors in Bangladesh.**



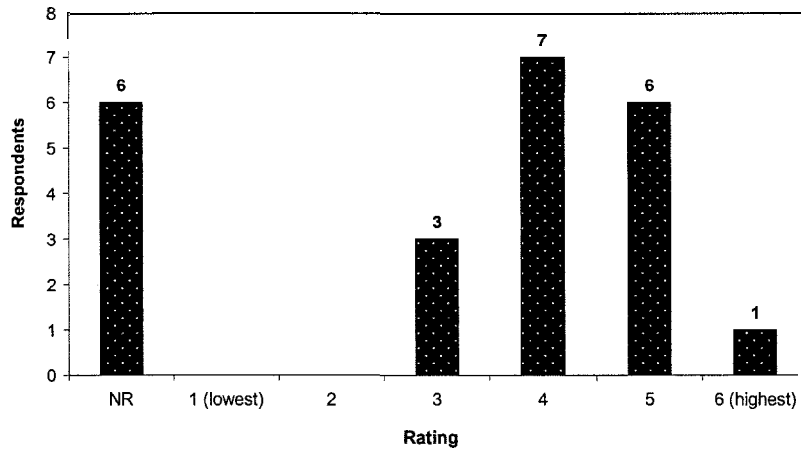
- Aid Alignment and Harmonization in Bangladesh**

This section of the survey looks for respondents' views on the performance of the G4 and of the Donor community as a whole. Given that 3 survey respondents identified themselves as representing a member of the G4, their responses have been omitted from the results for questions that asked for the performance of this group, leaving 20 responses in these questions. It should also be noted that a relatively high number of survey respondents, about 6, didn't respond to some questions on the performance of the donor community.

*Relevance*

Survey respondents viewed as satisfactory the performance of the donor community in addressing key economic issues for the development of Bangladesh, with a similar number of respondents rating moderately satisfactory and satisfactory.

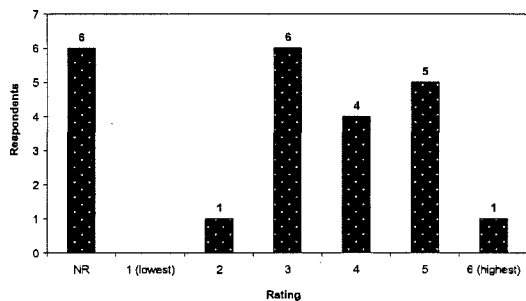
**Q21. The performance of the donor community as a whole in addressing issues of key importance for the economic development of Bangladesh.**



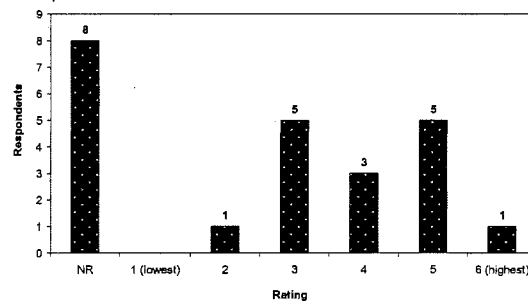
### Ownership

Survey respondents were asked to rate (i) how the donor community supported the government of Bangladesh in designing and adopting its own development strategy; and, (ii) how the donor community helped the government play a leading role in the country's development efforts. In both cases, respondents' views on their own performance –of the donor community as a whole- were divided between satisfactory and moderately unsatisfactory, with an inclination to the satisfactory side.

**Q22. The performance of the donor community as a whole in: Supporting and enabling Bangladesh in designing and adopting its own development strategy and policies.**



**Q23. The performance of the donor community as a whole in: Helping the Government of Bangladesh to play a leading role in its development policies, strategies and development efforts in relation to the country's development partners.**

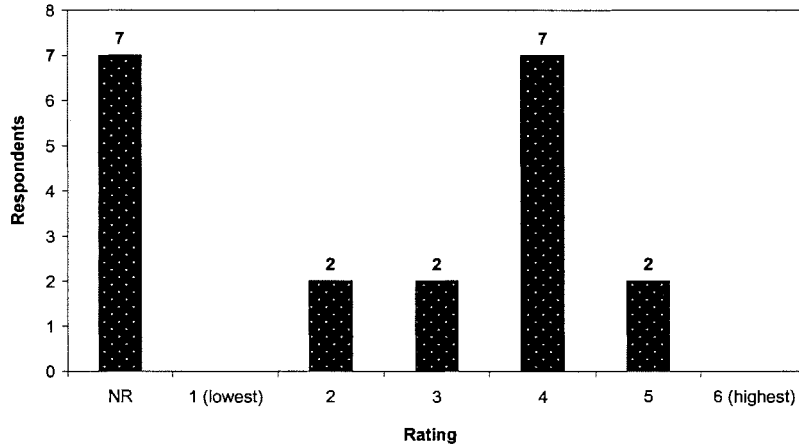


### Alignment

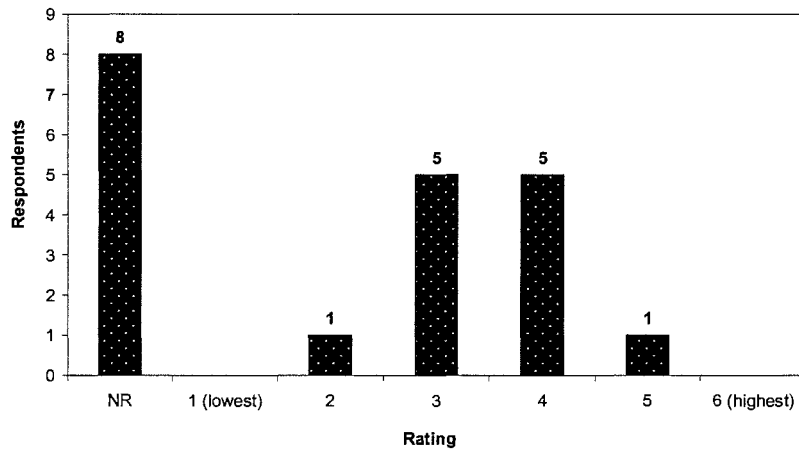
The questions referring to aid alignment focused on the performance of the G4. When asked about the performance of the G4 in aligning their activities to Bangladesh's development strategy, 7 out of 20 respondents rated their performance as moderately satisfactory. Regarding the performance of the G4 in relying in Bangladesh's institutions and procedures, there was a split between those who thought the G4 performance was moderately satisfactory and those who thought it was unsatisfactory. In addition, respondents who have more

than 5 projects or programs with G4 were more critical of the G4 reliance on country systems than those who have fewer or no shared projects with the G4.

**Q24. The performance of the G4 through their Joint CAS Framework in:  
Alignment of their lending and work programs with Bangladesh's national  
development strategy.**



**Q25. The performance of the G4 through their Joint CAS Framework in:  
Reliance in their programs on the institutions and procedures of Bangladesh in  
their support for the country.**



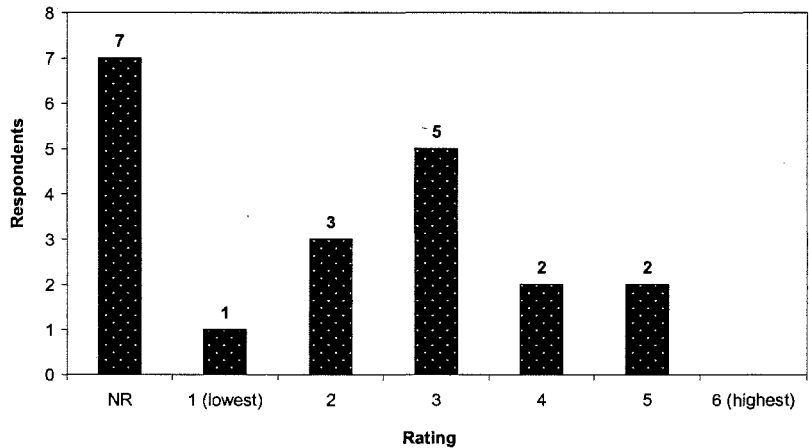
25. The performance of the G4 through their Joint CAS Framework in: Reliance in their programs on the institutions and procedures of Bangladesh in their support for the country.

Rating	Current number of projects/programs with G4				Total
	NR	None	< 5	≥5	
NR	5		2	1	8
1 (lowest)				1	1
2			2	3	5
3		1	2	2	5
4		1			1
5 (highest)					
Total	5	2	6	7	20

*Harmonization*

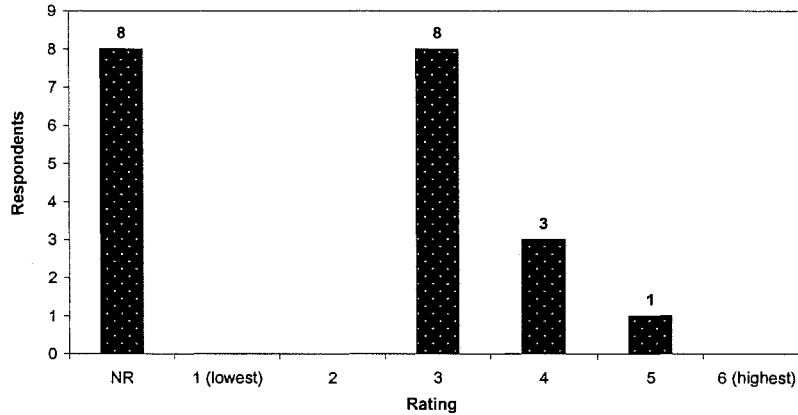
Representatives of the Donor Community rated the performance of the G4 in cooperating and working together with other DPs in helping Bangladesh. 5 out of 20 respondents rated G4’s performance as moderately unsatisfactory, with a variety of responses ranging from highly unsatisfactory to satisfactory, a negative take on G4’s cooperation with government.

**Q26. The performance of the G4 – seen for this purpose as a group - in: Cooperating and working together with other donors in helping Bangladesh, seeking to be more effective and less burdensome partners.**



The survey also asked Donor representatives for their views on G4 performance in the use of a harmonized approach with other DPs, especially in public financial management and procurement. 8 out of 20 respondents rated the G4 as moderately unsatisfactory; only 4 rated them on the satisfactory side; which accounts for more than half of respondents if we take out the non responses. In this case, a majority of respondents saw more limitations in the coordinated work with other DPs than among the G4 in providing support using Bangladesh’s country systems (compare with question 25 of the survey).

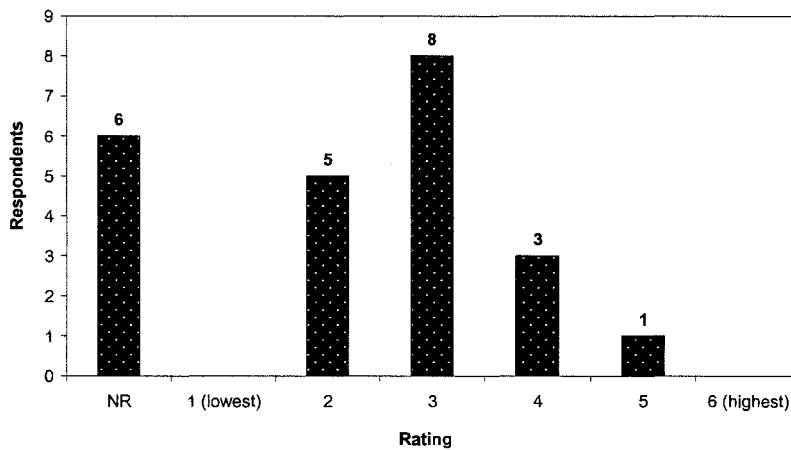
**Q27. The performance of the G4 – seen for this purpose as a group - in: Seeking a harmonized approach with other donors around Bangladesh's country systems (especially in public financial management and procurement) in the design and execution of development support, including by helping improve their reliability.**



*Managing for results*

The majority of respondents, 13 out of 23, rated the work of the donor community as a whole on the unsatisfactory side in implementing a performance assessment framework, this points to management for results being one of the lowest performing areas for the Donor Community.

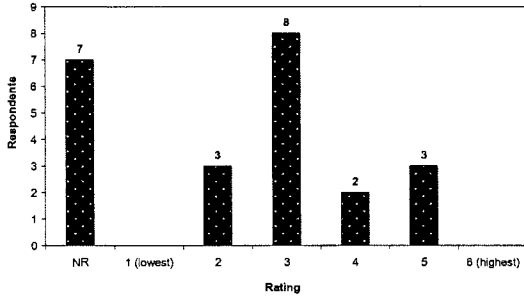
**Q28. The performance of the donor community as a whole in: Working with Bangladesh in implementing a performance assessment framework to measure progress against key elements of the development strategy.**



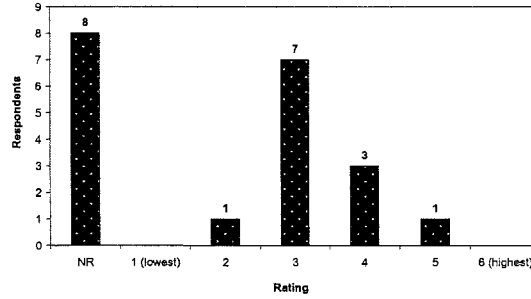
*Mutual Accountability*

Respondents shared their views on the performance of the donor community as a whole and the G4 in particular in being a mutually accountable partner with Bangladesh, including having predictable aid flows. The majority of respondents saw the performance of both the donor community and the G4 as moderately unsatisfactory in this respect.

**Q29a. The performance in being a mutually accountable partner with Bangladesh in its endeavor to carry out its development strategy, including having predictable aid flows, by: The donor community as a whole.**



**Q29b. The performance in being a mutually accountable partner with Bangladesh in its endeavor to carry out its development strategy, including having predictable aid flows, by: The G4.**

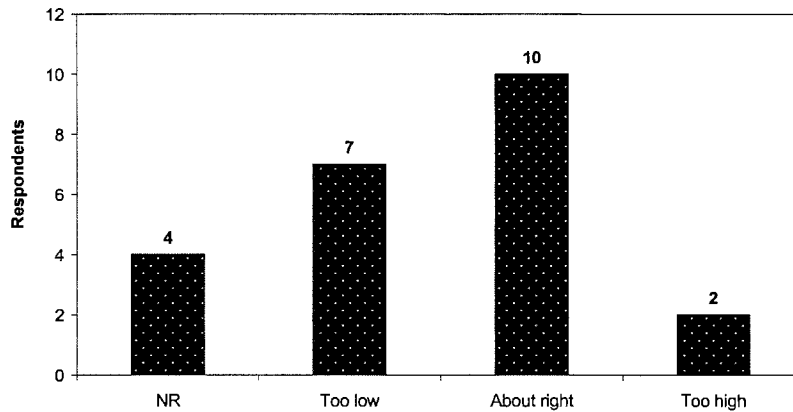


### *Aid Bottlenecks and aid flows*

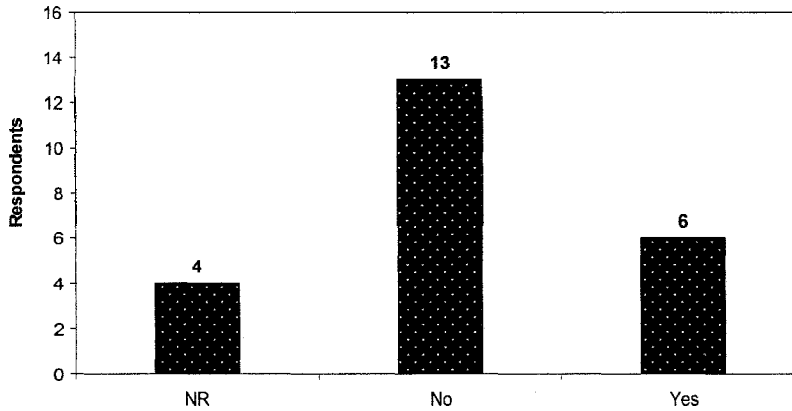
Members of the donor community were asked on the nature of the development assistance to Bangladesh. 10 out of 23 respondents indicated that the aid flow is about right and 7 indicated that it is too low. Although the majority of respondents think that the flow of development assistance is adequate, a non menial number of respondents think that it is too low.

More strikingly, representatives of the donor community who answered the survey were mostly critical about the way aid flows were spent. 13 out of 23 respondents think that aid flows are not spent effectively and efficiently while only 6 respondents though aid flows to Bangladesh were spent effectively and efficiently.

**Q30. Do you believe that overall and in relation to Bangladesh meeting its maximum development potential, the flow of development assistance to Bangladesh is:**



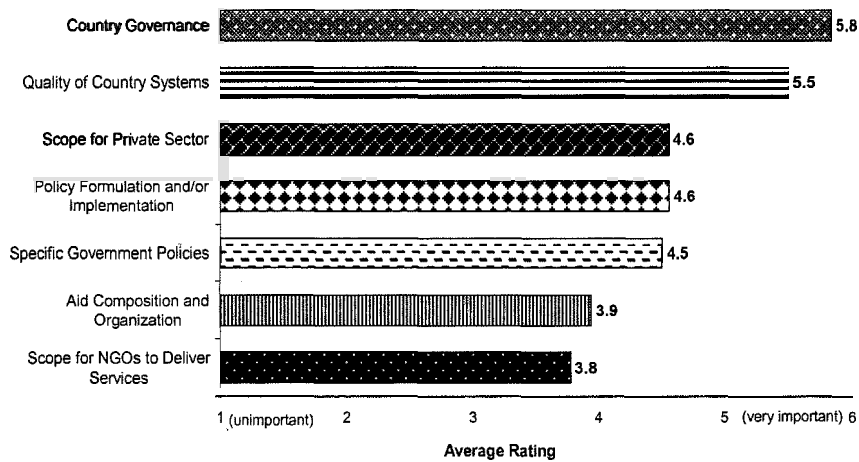
**Q31. Do you believe that overall and in relation to Bangladesh meeting its maximum development potential, the current flow of development assistance to Bangladesh is spent effectively and efficiently?**



Respondents also indicated the main bottlenecks and strengths that they thought affect Bangladesh’s development potential. Country governance and the quality of country systems were very important bottlenecks hampering Bangladesh’s development potential. Other important bottlenecks were scope for private sector, policy formulation and implementation and specific government policies. In contrast, the resource flows from the diaspora and the macroeconomic management were identified as important strengths helping the country’s development.

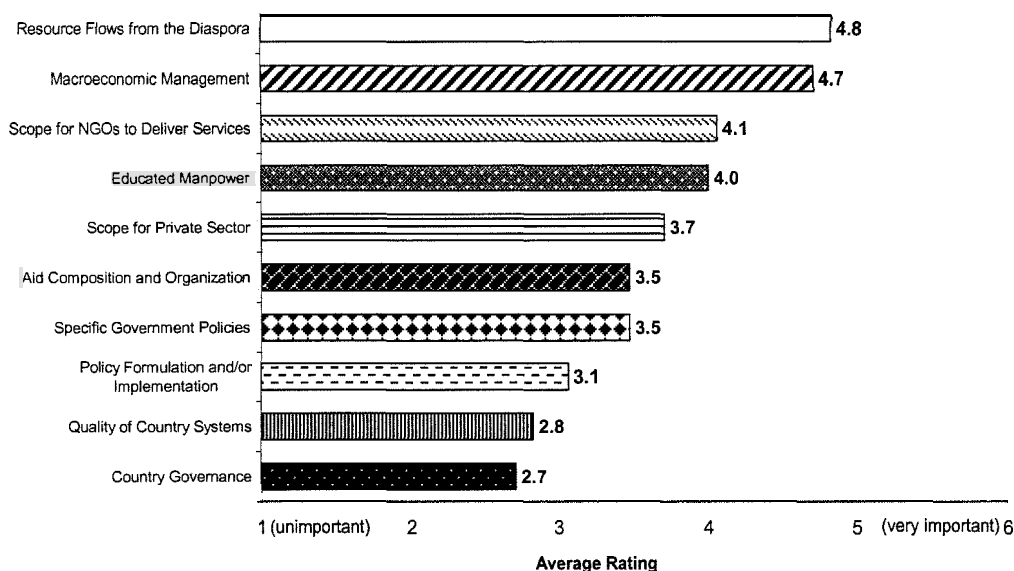
### Bottlenecks and problems

**Q32. Apart from aid amounts, please rate the following as bottlenecks and problems holding back Bangladesh’s development potential, in the order of 1 (unimportant) to 6 (very important):**



## Areas of strength

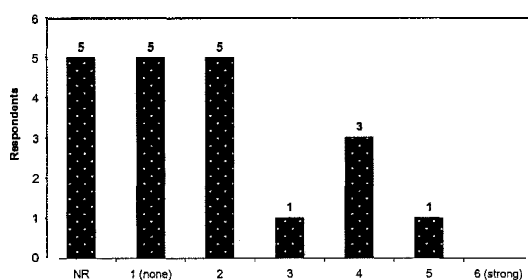
**Q33. Apart from aid amounts, please rate the following as areas of strength that are facilitating the development of Bangladesh, in the order of 1 (unimportant) to 6 (very important):**



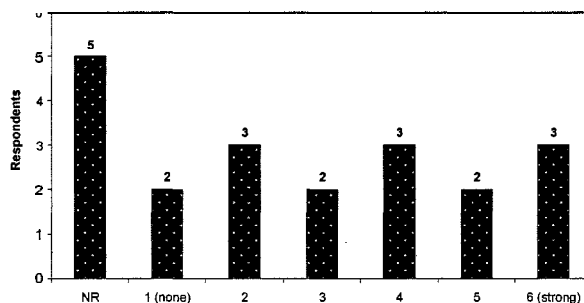
### *Aid organization going forward*

Survey respondents indicated little preference for the G4 to continue with their partnership under a revised framework. When asked about broadening the partnership with some DPs, there is no clear leading opinion. However, when asked about preferences for the G4 to engage in further partnerships with many development partners, respondents were favorable to that possibility.

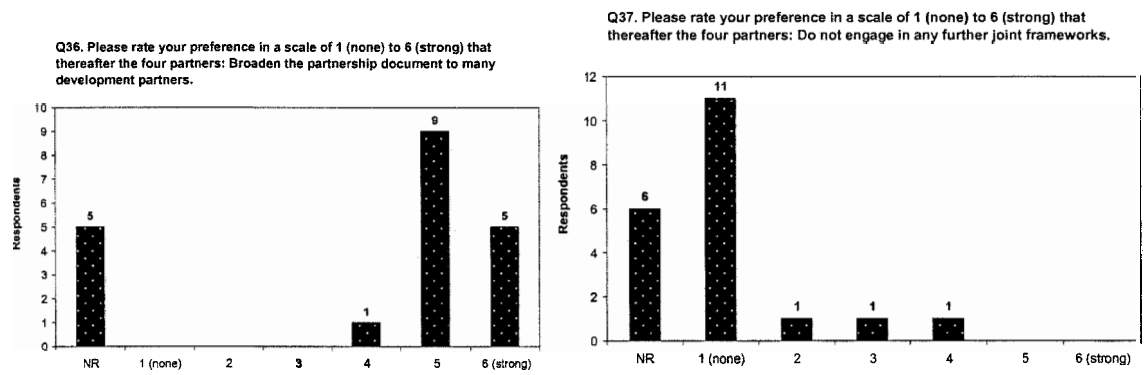
**Q34. Please rate your preference in a scale of 1 (none) to 6 (strong) that thereafter the four partners: Continue with the partnership of the four, under a revised framework document.**



**Q35. Please rate your preference in a scale of 1 (none) to 6 (strong) that thereafter the four partners: Broaden the partnership document to one or a few other development partners.**





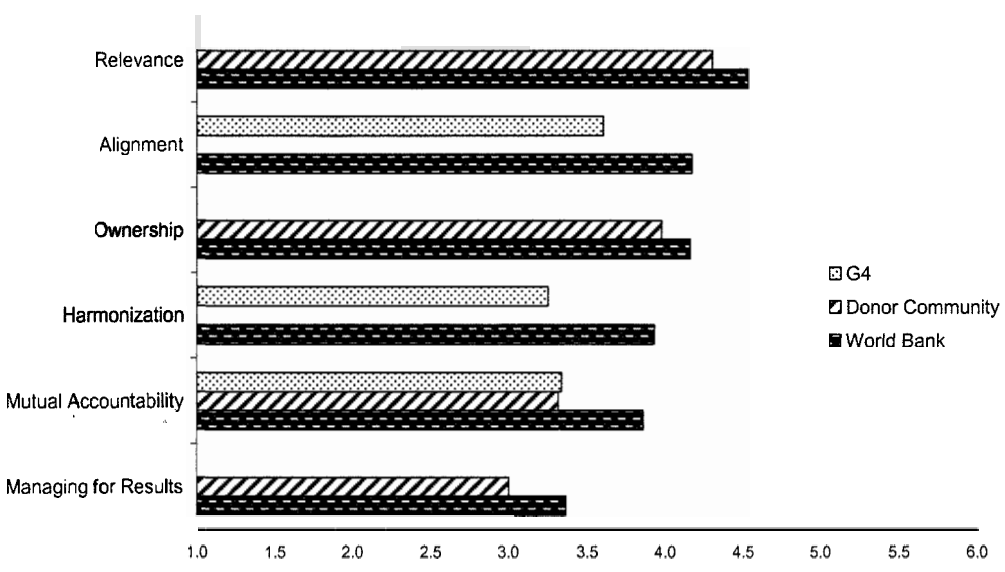


As seen in the chart below, survey respondents rated the performance of the World Bank in Bangladesh higher than that of the G4 and of the Donor Community as a whole, in each dimension of involvement.

As previously indicated, the area in which the World Bank performed the best is relevance, while it performed poorly in management for results. Similarly, for the donor community as a whole, the best performing dimension was relevance and the least performing one was managing for results.

For the G4, the best performing area was alignment and the least performing one was harmonization. Despite the fact that the G4 wasn't evaluated in all the dimensions, the average ratings that respondents gave it are all in the moderately unsatisfactory range.

**Survey of Donor views on aid harmonization issues and World Bank performance (by dimension of involvement)**



- Conclusions

#### *World Bank*

1. Survey results indicate that World Bank's best performance is in addressing issues of key importance for the economic development of Bangladesh. The average rating for Bank's work on relevance is close to satisfactory as 14 of the 23 respondents rated it satisfactory and other 9 rated it moderately satisfactory.
2. The majority of DPs surveyed, 15 out of 23, believed that the World Bank performed at least moderately satisfactorily in its use of country systems, where 9 respondents thought Bank's performance was satisfactory. For those DPs who participated in a SWAp, Bank's performance wasn't as positive as 2 respondents thought it was satisfactory but the other 2 thought it was moderately unsatisfactory.
3. According to survey respondents, managing for results was the weakest dimension of World Bank's performance with an average rating of moderately unsatisfactory. However, views were fairly divided: 12 out of 23 respondents rated the Bank moderately satisfactory or lower, and 10 rated it moderately satisfactory or higher.
4. In terms of harmonization, respondents think the World Bank does a moderately satisfactory work cooperating with DPs to help Bangladesh's government but they were not as positive in their views on how the Bank reached other DPs.
5. Survey respondents view the performance of the World Bank more positive than that of the G4 and the donor community as a whole. In fact, the World Bank outperformed both of them in every dimension assessed.
6. Overall survey results indicate that World Bank's performance in Bangladesh was moderately satisfactory. Similarly, Bank's role as development partner for Bangladesh and other DPs was moderately satisfactory.

#### *G4*

- Survey respondents rated somewhat positively the performance of the G4 in aligning their work program to Bangladesh's development strategy, with 7 out of 20 respondents giving a moderately satisfactory rating. When asked about the reliance of the G4 on country systems, the assessments were split between unsatisfactory and satisfactory (6 respondents in each side of the rating scale), a more critical view than that of strategy alignment.
- According to the survey, donor representatives think that the G4 performs unsatisfactorily in their efforts to coordinate with other DPs on their development assistance to Bangladesh and therefore fail to become less burdensome partners for the government: 9 out of 16 DPs surveyed (7 didn't respond) rated G4 performance as moderately unsatisfactory or lower.
- Despite the fact that the group of the four wasn't evaluated in all dimensions, DPs surveyed gave the G4 a moderately unsatisfactory average rating.

#### *Donor Community*

- Survey respondents had an overall positive view on the extent to which donor activities target issues of key importance to Bangladesh's development; 17 out of 23 respondents gave at least a moderately satisfactory rating.

- Representatives of the donor community were not as positive when assessing how they have been supporting the government in leading the development efforts. Overall survey results indicate that the donor community performance in promoting government ownership was fairly moderate.
- On mutual accountability and predictability of aid flows, survey respondents view the performance of the donor community as a whole as moderately unsatisfactory. 8 respondents gave a moderately unsatisfactory rating and other 3 rated it unsatisfactory.
- The performance of the donor community as a whole in managing for results was criticized by survey respondents. The majority of them thought DPs' performance was moderately unsatisfactory (8 respondents) to unsatisfactory (5 respondents).
- According to survey results, the work of donor community in Bangladesh rates fairly moderately.

#### *Assistance to Bangladesh*

- Regarding the adequacy of aid flows to Bangladesh, the majority of survey respondents think that they are about right. In contrast, the majority of DPs surveyed thought the current flow of development assistance to Bangladesh is not spent effectively or efficiently.
- Survey respondents had a strong disagreement with continuing the partnership of the four under a revised framework and they strongly agree with the G4 engaging in further joint frameworks but engaging many other development partners.

Main bottlenecks and strengths hampering and facilitating the development of Bangladesh were country governance and quality of country systems on one side; and resource flows from the Diaspora and macroeconomic management, from the other side.

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<sup>1</sup>The G4 refers to the World Bank, the Asian Development Bank (ADB), Department for International Development of the United Kingdom (DFID) and the Government of Japan (JBIC/JICA).

## Annex G. List of People Met

### A. Government / Ex-Government Officials

A. F. M.Sarwar Kamal	Former Secretary, Ministry of Health and Family Welfare
A. M. M. Nasiruddin	Secretary, Ministry of Health & Family Welfare
A. M. Masrur Ahmad	Project Director, Modernization & Automation Project (MAP), National Board of Revenue
A. Waheed Khan	Retired Division Chief
A.M.M. Shawkat Ali	Advisor, Health & Family Planning, Food and Disaster
A.T.M. Ziaul Haque	Deputy Chief, Ministry of Agriculture
Abdus Sobhan Sikder	Secretary, Implementation Monitoring and Evaluation Division (IMED) - Ministry of Planning
ABM Nur Uz Zaman	Additional Secretary, Bangladesh Parliament Secretariat
Abu Md. Moniruzzaman Khan	Secretary, Ministry of Land
AHM. Mustain Billah	Joint Secretary, Economics Relations Division (ERD) - Ministry of Finance
Ahmed Ullah	Joint Secretary, Energy & Mineral Resources Division - Ministry of Power, Energy & Mineral Resources
AKM Fazlul Karim	Procurement Reform Implementation Adviser, Central Procurement Technical Unit (CPTU) – Implementation Monitoring and Evaluation Division (IMED) – Ministry of Planning
Amulya Kumar Debnath	Director General, Central Procurement Technical Unit (CPTU) – Implementation Monitoring and Evaluation Division (IMED) – Ministry of Planning
Biman Kumar Saha	Executive Director, National Nutrition Project (NNP)
CQK Mustaq Ahmed	Secretary, Bridge Division - Bangladesh Bridge Authority
Didarul Alam	Director, Directorate of Secondary and Higher Education (DSHE) – Ministry of Education
Dileep Kumar Das	Deputy Secretary, Economic Relations Division (ERD) - Ministry of Finance
Dr. A. B. M. Shah Jalal	Deputy Director, Secondary Education Quality and Access Enhancement Project, Directorate Higher and Secondary Education
Dr. A. K. M. Mahbur Rahman	Program Manager, Field Services Delivery Program, Directorate General Family Planning
Dr. Abdul Khaleque Chokder	Line Director, Clinical Contraception Services Delivery Program, Directorate Family Planning
Dr. Ferdous Alam Shibib	Program Manager, National AIDS/STD Program
Dr. Hassan Mahmud	Deputy Program Manager, National AIDS/STD Program
Dr. Kazi Shahadat Hossain	Line Director, National AIDS/STD Program
Dr. Mahub	Program Manager, Field Services Delivery Program, Directorate Family Planning
Dr. Md. Hanif Uddin	Deputy Program Manager, National AIDS/STD Program
Dr. Md. Islam	Director (Finance) and Line Director (Field Services), Directorate Family Planning
Dr. Shamsul Hoq Gazi	Deputy Program Manager, National AIDS/STD Program
Dr. Tahmina Hossain	Assistant Director, Monitoring and Evaluation, National Nutrition Program
Gazi Mizanur Rahman	Joint Secretary & Project Director, Ministry of Posts & Telecommunications
H. S. Mozaddad Faruque	Director General, Bangladesh Water Development Board
Hasan Mahmood Delwar	Vice Chairman, Bangladesh Telecommunications Regulatory Commission (BTRC)
Hasan Mashhud Chowdhury	Chairman, Bureau of Anti-Corruption Commission
Hasan Shaheed Ferdous	Joint Secretary & Project Director, BD Legal & Judicial Capacity Building Project – Ministry of Law, Justice & Parliamentary Affairs
Jafar Ahmed Chowdhury	Secretary, Planning Division – Ministry of Planning

Jalaluddin Md. Abdul Hye	Director General, Water Resources Planning Organization (WARPO) - Ministry of Water Resources
Kamal Uddin Ahmed	Project Director (BWSPP), Department of Public Health Engineering (DPHE)
Kaniz N. Siddique	Gender Advisor, Financial Management Reform Program (DFID funded) – Ministry of Finance.
M Abdul Aziz	Secretary, Ministry of Agriculture
M. Emdadul Haque	Deputy Secretary, Ministry of Establishment
M. Fousul Kabir Khan	Secretary, Power Division - Ministry of Power, Energy & Mineral Resources
M. M. Reza	Retired Secretary Health
M.A.Hye Talukder	Director General, Implementation Monitoring and Evaluation Division (IMED) - Ministry of Planning
MD Aminul Islam Bhuiyan	Secretary, Economics Relations Division (ERD) - Ministry of Finance
Md. Abdul Momen	Director, Rural Electrification Board (REB)
Md. Abdus Sattar, Secretary	Bangladesh Public Service Commission
Md. Abu Solaiman Chowdhury	Chairman, Privatization Commission
Md. Anowar Hossain	Director General, Implementation Monitoring and Evaluation Division (IMED) - Ministry of Planning
Md. Didarul Alam	Director, Monitoring and Evaluation Wing Directorate Higher and Secondary Education
Md. Khaled Kamal	Senior Monitoring & Evaluation Officer, National Agricultural Technology Project - Department of Agricultural Extension
Md. Mizanur Rahman	Monitoring & Evaluation Officer, National Agricultural Technology Project - Department of Agricultural Extension
Md. Mohsin Ali Khandaker	Deputy Chief
Md. Momtajul Islam	Secretary, Ministry of Education
Md. Mosharraf Hossain Bhuiyan	Additional Secretary, Economics Relations Division (ERD) - Ministry of Finance
Md. Mosleh Uddin	Secretary, Ministry of Establishment
Md. Mozammel Haque	Member, Rural Electrification Board (REB)
Md. Mozzamel Hoque	Retired Policy, Planning and Evaluation Manager
Md. Nurul Islam	Project Director, National Agricultural Technology Project - Department of Agricultural Extension
Md. Shafiqur Rahman	General Manager, Strategic Planning and Resources Mobilizing Division - Petrobangla
Md. Shah Alam Siddiqui	Joint Chief, Ministry of Fisheries & Livestock
Md. Shahjahan	Director, Water Resources Planning Organization (WARPO) - Ministry of Water Resources
Md. Sirajul Islam	Project Director of Secondary Education Quality & Excess Enhancement Project – Directorate of Secondary and Higher Education (DSHE) – Ministry of Education
Md. Tajul Islam	Superintending Engineer, Water and Sewerage Authorities of Dhaka (DWASA)
Md. Shahidul Alam	Director, Rural Electrification Board (REB)
Mesbahuddin Ahmed	Chief of Planning, Ministry of Education
Mohammad Ayub Miah	Secretary, Ministry of Water Resources
Mohammad Mahburbur Rahman	Secretary, Ministry of Communications
Mohammad Mohiuddin Abdullah	Deputy Chief, Ministry of Communications
Mohammad Tareque	Secretary, Finance Division – Ministry of Finance
Mohammad Wahid Hossain	Joint Secretary, Power Division - Ministry of Power, Energy & Mineral Resources
Mohammed Mesbahudin	Chief Planning, Directorate Higher and Secondary Education
Monowar Islam	Joint Secretary, Ministry of Establishment
Motiur Rahman	Acting Director General, Directorate General of Family Planning – Ministry of Health and Family Welfare
Nazrul Islam	Director of Planning, Directorate General of Health Services (DGHS) – Ministry of Health and Family Welfare

Parikshit Datta Choudhury	Joint Secretary, Ministry of Fisheries & Livestock
Quazi Md. Ferdous	Executive Engineer, Bangladesh Bridge Authority
Rafique Ahmed Siddique	Senior Assistant Chief, PRS-HAP Cell - Economics Relations Division (ERD) - Ministry of Finance
S.M. Monir Ahmed	Commissioner, Bangladesh Telecommunications Regulatory Commission (BTRC)
Saifuddin Ahmed	Joint Secretary, Ministry of Water Resources
Saiful Islam	Director General, Bangladesh Telecommunications Regulatory Commission (BTRC)
Salma Mahmud	Director, Monitoring and Evaluation, National Nutrition Program
Shaikh Khurshid Alam	Secretary, Ministry of Local Government
Sirazul Islam	Project Manager, Secondary Education Quality and Access Enhancement Project, Directorate Higher and Secondary Education
Syed Abu Abdullah	Chief Engineer (P&O), Rural Electrification Board (REB)
Tofail Ahmed	Assistant Director, Directorate Higher and Secondary Education
Wafi Md. Quamrul Huda	Chief Engineer, Bangladesh Water Development Board
Waliul Islam	Former Secretary, Ministry of Health
Zohra Ummay Hassan	Director of Planning, Directorate of Secondary and Higher Education (DSHE) – Ministry of Education
Zulfiqar Rahman	Deputy Director, Secondary Education Quality and Access Enhancement Project, Directorate Higher and Secondary Education

## B. Non Government Organizations

Hameeda Hossain	Founder Member, Ain o Salish Kendra (ASK)
Jalal Ahmed	Chairman, Petrobangla
Md. Maqbul-E-Elahi	Director, Petrobangla
Md. Azizul Haq	Director in Charge, Campaign for Popular Education (CAMPE)
Ahmad Fazlullahil	Deputy program manager, Campaign for Population Education (CAMPE)
Tasneem Ahtar	Deputy director, Campaign for Population Education (CAMPE)
Tapon Kumar Das	Deputy director, Campaign for Population Education (CAMPE)
K. M. Enamul Hoque	Deputy Manager, Research, Monitoring and Evaluation Unit, Campaign for Population Education (CAMPE)
Md. Matiur Rahman	Field Supervision Consultant, Private Financing of Rural Water Supply - Social Development Foundation
Md. Mozaharul Islam	Market Development Programme Manager, Chars Livelihoods Programme (CLP) – DFID
Mohirul Islam Tusar	Program Manager, Gana Unnayan Kendra
Muhammad Fazlur Rahman	Managing Director, Social Development Foundation
Ranjan Karmaker	Executive Director, Steps Towards Development (STD)
Shaheen Anam	Executive Director, Manusher Jonno Foundation (MJF)
T.M. Tajul Islam	Managing Director, HORTEX Foundation
Wahiduddin Mahmud	Chairman, PKSF Bhaban - Palli Karma-Sahayak Foundation (PKSF)
Quazi Mesbahuddin Ahmed	Managing Director, Palli Karma-Sahayak Foundation (PKSF)
Md. Fazlul Kader	General Manager (Operations), PKSF Bhaban - Palli Karma-Sahayak Foundation (PKSF)
M. A. Hakim	General manager, Palli Karma-Sahayak Foundation (PKSF)
Md. Fazlul Kader	General manager, Palli Karma-Sahayak Foundation (PKSF)
Mahabub Hossain	Executive Director, BRAC
Manzoor Hasan	Director, Institute of Governance Studies – BRAC University

Md. Abul Kashem	Director, Project Implementation Unit - BARC
N.H. Choudhury	Former Member Director, BARC
Samir Ranjan Nath	Research Coordinator, Education Research Unit, Research and Evaluation Division
Shahidul Hasan	Program coordinator, BRAC education program
Faruque Ahmed	Director, BRAC Health Program
Nil Ratan Halder	Senior Regional Manager, BEP-PACE, BRAC
Md. Abdul Quyyum	Senior Regional Manager, BEP-PACE BRAC
Simeen Mahmud	Senior Research Fellow, Bangladesh Institute of Development Studies, BRAC Development Institute, Health Watch Group

### **C. Private Sector**

A B M Mafizur Rahman	Consultant, The Federation of Bangladesh Chambers of Commerce & Industry (FBCCI)
Abdul Haque	Director, The Federation of Bangladesh Chambers of Commerce & Industry (FBCCI)
Abdur Razzaque	Chairman, Bangladesh Agriculture Development Corporation (BADC)
Abu Alam Chowdhury	Vice President, The Federation of Bangladesh Chambers of Commerce & Industry (FBCCI)
Aftab-Ul-Islam	Director, The Federation of Bangladesh Chambers of Commerce & Industry (FBCCI)
Annisul Huq	President, The Federation of Bangladesh Chambers of Commerce & Industry (FBCCI)
Aroma Dutta	Executive Director, PRIP TRUST
C. K. Hyder	Secretary-General, Metropolitan Chambers of Commerce & Industry, Dhaka
Dasgupta Asim Kumar	General Manager, Central Bank Strengthening Project Cell – Bangladesh Bank
Faisal Samad	Director, Bangladesh Garment Manufacturers and Exporters Association (BGMEA)
Farooq Ahmed	Secretary, Metropolitan Chambers of Commerce & Industry, Dhaka
Latifur Rahman	President, Metropolitan Chamber of Commerce & Industry, Dhaka
M. Ismail Hossain	Director, Bangladesh Bank
M. Showkat Ali	Chairman, Bangladesh Power Development Board (BPDB)
M.A. Hakim	General Manager (Admin.), PKSF Bhaban - Palli Karma-Sahayak Foundation (PKSF)
Mahmud Hasan Khan	Vice President, Bangladesh Garment Manufacturers and Exporters Association (BGMEA)
Md. Abul Quasem	Executive Director, Bangladesh Bank
Mir Shahabuddin Mohammad	Secretary General, The Federation of Bangladesh Chambers of Commerce & Industry (FBCCI)
Munsur Khaled	Joint Secretary, Bangladesh Garment Manufacturers and Exporters Association (BGMEA)
Salehuddin Ahmed	Governor, Bangladesh Bank
Selina Ahmed	President, Women's Chamber of Commerce

### **D. Donor**

Ahmed Faruque	Senior Project Implementation Officer, Asian Development Bank (ADB)
David Parish	Economic Consultant in Energy, Asian Development Bank (ADB)
Deleep Kumar Guha	Transport Specialist, Asian Development Bank (ADB)
Suganya Hutaserani	Education Specialist, Asian Development Bank (ADB)
Walter Kolkma	Senior Evaluation Specialist, Asian Development Bank (ADB)
M. Zahid Hossain	Head Country Programming, Bangladesh Resident Mission - Asian Development Bank (ADB)
Rahman Murshed	Head of Energy, Bangladesh Resident Mission - Asian Development Bank (ADB)
Paul J. Heytens	Country Director, Asian Development Bank (ADB)

Brajesh Path	Program manager, PEDP 2, ADB
Waheed Islam	Health Specialist, ADB
Bo Sundstrom	Head of Corporate , DFID Bangladesh
Chris Austin	Country Representative in Bangladesh, DFID
Jane A. Crowder	Infrastructure Adviser, DFID
Lynne Henderson	Evaluation Department, DFID
Rebecca Calder	Social Development Advisor, DFID
Richard Boulter	Senior Private Sector Adviser, DFID
Fazle Rabbani	Education Adviser, DFID
Dr. Rebecca Calder	Senior Regional Social Development Advisor, DFID
Md. Kamaruzzaman	Senior Mission Engineer, Sector Development Unit/EGFE - USAID
A.K.D. Cher Mohammad Khan	Senior Energy Advisor and Country Coordinator, SAIR/Energy - USAID
Zandra Hollaway André	Technical Advisor, Avian and Pandemic Influenza: South Asia – U.S. Agency for International Development (USAID)
G. M. Alam	Representative, IFAD
Jan Møller Hansen	Deputy Head of Mission, Royal Danish Embassy
Jonathan C. Dunn	Resident Representative, International Monetary Fund (IMF)
Masami Tamura	Counsellor for Development Cooperation and Economic Affairs, Embassy of Japan in Bangladesh
Md. Shahadat Hossain	Line Director, National AIDS/STD Program
Nobuyuki Kobayashi	Consultant, OPMAC Corporation
Ad Spijkers	Bangladesh Representative, Food and Agriculture Organization of the United Nations (FAO)
Alan C. Brooks	Regional Director, Bangladesh & South Asia Office - WorldFish Center
Rokeya Ahmed	Poverty and Equity Adviser, WaterAid
Dr Md. Khairul Islam	Country Representative, WaterAid
Yasuo Fujita	Chief Representative, Japan Bank for International Cooperation (JICA)
Dirk Gehl	Project manager, KfW Bankengruppe
Habibur Rahman	Senior program manager, KfW Bankengruppe
Touhid Ul Alam	National program officer, Strategic Development, UNFPA
Afsana Taher	Operations manager, UNFPA
M. A. Mukhtadir Mazumder	Consultant, WFP

## **E. World Bank**

Alan Townsend	Sr. Energy Specialist, SASDE
Amit Dar	Lead Education Economist, SASHD
Anif Ahamed	Project Analyst, SASDU – World Bank
Binyam Reja	Sr. Transport Economist, SASDT
Christina Aston-Lewis	Sr. Investigator, INT
Clay Wescott	Consultant, IEGCG
Constance A. Bernard	Sector Director, SASSD
Dinesh M. Nair	Health Specialist, SASHD
Elliott Hurwitz	Consultant, IEGCR
G.M. Khurshid Alam	Senior Private Sector Development Specialist, World Bank
Hassan Zaman	Lead Economist, PRMPR



Helen J. Craig	Senior Education Specialist, SASHD
Ishtiaque Ahmed	Transport Specialist, SASDT - World Bank
Jorge Garcia-Garcia	Consultant, IEGCR
Junaid Kamal Ahmad	Sector Manager, SASDU
Kapil Kapoor	Country Manager, AFMZM
Karin Kemper	Sector Manager, SASDI
Maitreyi Das	Senior Social Sector Specialist, SASDI
Md. Iqbal	Senior Energy Specialist, SASDE – World Bank
Meena Munshi	Senior Economist, SASDA - World Bank
Mohamed Toure	Operations Advisor, World Bank
Mohi Uz Zaman Quazi	Senior Transport Specialist, Energy and Infrastructure SASDT - World Bank
Raihan Elahi	Senior Energy Specialist, AFTEG – World Bank
Reefat Sultana	Project Analyst, Energy and Infrastructure SASDT - World Bank
Robert L. Floyd	Country Program Coordinator, SACPA
Sadiq Ahmed	Senior Manager, SARVP
Sandeep Mahajan	Senior Economist, SASPR
Sandra Rosenhouse	Sr. Population & Health Specialist, SASHD
Shanta Devarajan	Chief Economist, AFRCE
Simon C. Bell	Sector Manager, SASPF
Subrata Dhar	Senior Operations Officer
Sultan Ahmad	Consultant, DECDG
Tania Dmytraczenko	Senior Health Economist
Xian Zhu	Country Director, World Bank
Zahed H. Khan	Senior Urban Specialist, SASDU – World Bank



# Donor Consultation Meeting IEG- World Bank

## PARTICIPANTS LIST (ATTENDED)

<b>Participants</b>	<b>Agency/Government</b>
Arthur ERKEN	UNFPA
Arup BISWAS	Norway
Dennise ROLLINS	USAid
Deqa IBRAHIM MUSA	UNICEF
Dirk GEHL	Germany
Fritz MEIJNDERT	Netherlands
Ge MINGDONG	China
Jan MOLLER HANSEN	Denmark
Jennifer FINCH	Australia
Jonathan DUNN	IMF
Joseph GUNTERN	Switzerland
K.A.M.MORSHED	UNDP
Kiranne GUDDOY	France
Linda CLOUTIER	CIDA
Milko van GOOL	EU
Moo Heon KONG	Korea
Nobuyuki KOBAYASHI	Japan
Ola HALLGREN	Sweden
Paul THORNTON	DFID Evaluation
Shamim HAMID	UNDP
Walter KOLKMA	ADB Evaluation

*The following participants were excluded from the discussions about the agencies they represent:*

Chris AUSTIN	DFID
Masami TAMURA	Japan
Paul HEYTENS	ADB
Xian ZHU	World Bank
Yasuo FUJITA	Japan
Zahid HOSSAIN	ADB

*IEG Staff Present:*

Ali KHADR	IEG
Carla PAZCE	IEG
Claudia von MONBART	IEG
Jaime JARAMILLO- VALLEJO	IEG
Michael LAV	IEG
Nils FOSTVEDT	IEG



# Attachment 1: Comments from the Government

Economic Relations Division  
Ministry of Finance  
Sher-e-Bangla Nagar, Dhaka

No. ERD/WB-1/IEG/2009/374

Date : June 09, 2009

Mr. Ali Khadr  
Senior Manager  
Country Evaluation and Regional Relations  
Independent Evaluation Group  
The World Bank  
1818 H Street N.W.  
Washington, D.C. 20433  
Fax : 202-522-3124

Subject - Comments on Bangladesh Country Assistance Evaluation

Dear Mr. Khadr,

This is in response to your letter of May 21, 2009 on the above subject. Please accept my apology for not being able to send our comments on the IEG evaluation report on Bangladesh Country Assistance, 2001-2008 of the World Bank within June 05, 2009 as was requested. I am sending some preliminary observations given the time constraints. You will kindly agree that compilation of full-fledged comments would need more time as it is difficult to give views on different sectors of World Bank support without getting feedback from the concerned ministries and agencies.

Our observations are as follows:

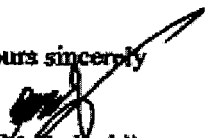
1. We would like to generally agree with the outcome ratings done on the basis of achievements in different areas/sectors of world Bank support in Bangladesh. While it is true that weak implementation capacity renders achieving a highly satisfactory project performance difficult, the report maintains a silence on why the overall performance could not have been even better despite the fact that the Bank was very closely involved at all stages of the project/programmatic cycle;
2. The Bank's retreat from some vital sectors in the past had been antithetical to one of the main pillars of the Country Assistance, namely, creating a better business climate for accelerated growth in the country. The country programme should have the needed flexibility to calibrate its interventions in all vital sectors so that reform windows do not get closed altogether even in difficult circumstances;
3. Although it is understood that serious capacity constraints limited achievement of many agreed goals and objectives, there was a clear lack of initiative towards mainstreaming any integrated capacity building programmes for the public sector.

Support for the civil service reform was conspicuously absent in the portfolio and little effort was there to engage with the Government;

4. Efforts to improve national ownership of the development programmes had been lacking from the very beginning. Deliberate actions to promote fullest national involvement at the program/project design stage could contribute greatly to not only national ownership but also to sustainability of outcomes;
5. Overreliance on international and national consultants contributed to not only significant expenses on that account but also acted as discouragement to work commitment, assumption of responsibilities and domestic capacity building;
6. The joint CAS with ADB, DFID and Japan was a good initiative but programmatic cooperation, like joint project interventions, was not there. Even in sector programmes, the CAS donors maintained their separate procurement and financial systems creating inconvenience for the implementing agencies;
7. Cooperation with the UN system organizations in Bangladesh was not satisfactory. Strong and programmatic cooperation with FAO, UNDP, WFP and UNICEF should be promoted in the next CAS.

Best regards

Yours sincerely

  
M. Mejbahuddin  
Additional Secretary  
Tel : 8112684

June 12, 2009

Mr. M. Mejbahuddin  
Additional Secretary  
Economic Relations Division  
Ministry of Finance

Dear Mr. Mejbahuddin,

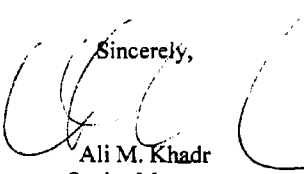
**Subject: Comments on Bangladesh Country Assistance Evaluation**

We appreciate your comments on the draft we sent you, and we are glad to see that we share many of your views on the Bank's assistance program to Bangladesh. We will incorporate your letter in the draft report, and we will make some adjustments in the text to take into account your comments. In particular, we note your concerns about the nexus of issues including ownership, use of consultants by the World Bank, institutional development, and sustainability.

Concerning civil service reform, we fully agree with your concern that the Bank could have had a more proactive stance. However, this topic was not entirely overlooked as it was included within the objectives of the development policy loans of recent years, and, note that this is reflected in the CAE.

We understand your concerns about time constraints and the difficulties this presented in the context of obtaining comments from your sector colleagues. The time allocated for comments was dictated by our protocol, and was the standard time given to all governments to comment on our reports. We would, however, like to offer you the opportunity to present further information on behalf of the Government of Bangladesh. This could be done during the forthcoming visit to Dhaka on June 25th by Mr. Jaramillo-Vallejo, the Task Team Leader of the evaluation. Please feel free to convey to Mr. Jaramillo-Vallejo any additional comments that you may have by that time, and he will ensure that they are presented during the discussion of the evaluation by the Committee for Development Effectiveness of the Executive Board, scheduled for July 13, and also presented as an integral part of the final version of the report. Mr. Jaramillo-Vallejo can be reached at [jjaramillo1@worldbank.org](mailto:jjaramillo1@worldbank.org).

Sincerely,



Ali M. Khadr  
Senior Manager

Country Evaluation and Regional Relations  
Independent Evaluation Group

