



DEVELOPMENT EFFECTIVENESS BRIEF

BANGLADESH

ASIAN DEVELOPMENT BANK



DEVELOPMENT EFFECTIVENESS BRIEF

BANGLADESH



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BANGLADESH DEVELOPMENT INDICATORS

MDG	
Population living on less than \$1.90 a day (%), 2013	11.7
Population living below the national poverty line (%), 2016	23.6
Under-5 mortality rate, per 1,000 live births, 2015	36.0
Population with sustainable access to an improved drinking water source (%), 2015	87.0
Urban (%), 2015	87.0
Rural (%), 2015	87.0
Net enrollment in primary education (%), 2015	97.1
Boys (%), 2015	96.6
Girls (%), 2015	98.8
Non-MDG	
Population (million), 2016	159.9
Population living in urban areas (%), 2012	26.9
Annual population growth rate (%), 2016	1.3
Overall adult literacy rate (%), 2015	64.6
Male (%), 2015	67.6
Female (%), 2015	61.6

MDG = Millennium Development Goal.

Sources: Bangladesh Bureau of Statistics; World Bank. 2016. *World Development Indicators 2016*. Washington, DC; United Nations. 2003. *Indicators for Monitoring the Millennium Development Goals*. New York; Bangladesh Bureau of Educational Information and Statistics. 2015. *Bangladesh Educational Statistics 2015*. Dhaka.



BANGLADESH AND ADB: PARTNERING FOR INCLUSIVE AND SUSTAINABLE GROWTH

Bangladesh reached lower-middle-income status in July 2015, on the strength of an annual economic growth rate of 6% and above during FY2011 to FY2015. Growth was fueled mainly by a rise in readymade garment exports, overseas workers' remittances, and domestic consumption. In the past 2 decades, growth was steady and inclusive, creating jobs for low-skilled workers and women. A large increase in food production together with a sharp decline in population growth led to higher food availability per capita.

■
In the past 2 decades, growth was steady and inclusive, creating jobs for low-skilled workers and women.

Macroeconomic stability was maintained in the past 5 years. The inflation rate dropped, the fiscal deficit was kept in check, foreign exchange reserves showed robust growth, the exchange rate stayed broadly unchanged and external debt as a percentage of gross domestic product (GDP) steadily decreased.

Bangladesh met the Millennium Development Goal (MDG) of halving the incidence of poverty in 1990–2015. Rapid GDP growth and job creation helped reduce poverty, as did the expansion of microcredit, social safety net programs, and remittances, particularly in the rural areas.

Major improvements were made in human development in the last 2 decades. Maternal and infant mortality had markedly dropped by 2015, and life expectancy had risen to nearly 71 years, from 56 years in 1990. Women gained more opportunities to participate in decision making. More women now work in high positions in both the government and the private sector.

Economic policies dating from the 1980s spurred private investment and private sector development. Privatization picked up speed, the import regime was liberalized, and fiscal discipline strengthened. Private sector banks, nonbank financial institutions, and insurance companies were allowed to operate. Export processing zones boosted export-led growth. Capital accumulation, higher participation in the labor force, especially by women, and increased investment in education and skills became the key drivers of growth. Labor productivity and real wages surged, and the production structure noticeably changed.

LOANS AND TECHNICAL ASSISTANCE GRANTS APPROVED AND DISBURSED BY ADB

Since 1973, when it started operating in Bangladesh, the Asian Development Bank (ADB) has supported improvements to accelerate economic growth and poverty reduction, in response to the country's evolving priorities.

By the end of 2015, ADB had provided 259 loans worth \$17,263 million to Bangladesh (Table 1), and 411 technical assistance (TA) projects totaling \$244.6 million. Bangladesh is a major recipient of concessional Asian Development Fund (ADF) resources. To help catalyze private investments, ADB granted nonsovereign loans amounting to \$402 million for 12 private sector transactions. It also provided \$2.2 billion in trade finance support for 1,478 transactions.

The largest share of the total loan approvals in 1973–2015 went to energy, closely followed by transport (see chart). The other priority sectors are agriculture, natural resources, and rural development; education; water and other urban infrastructure and services; finance; and public sector management. Table 2 shows the loans disbursed in 2012–2015.

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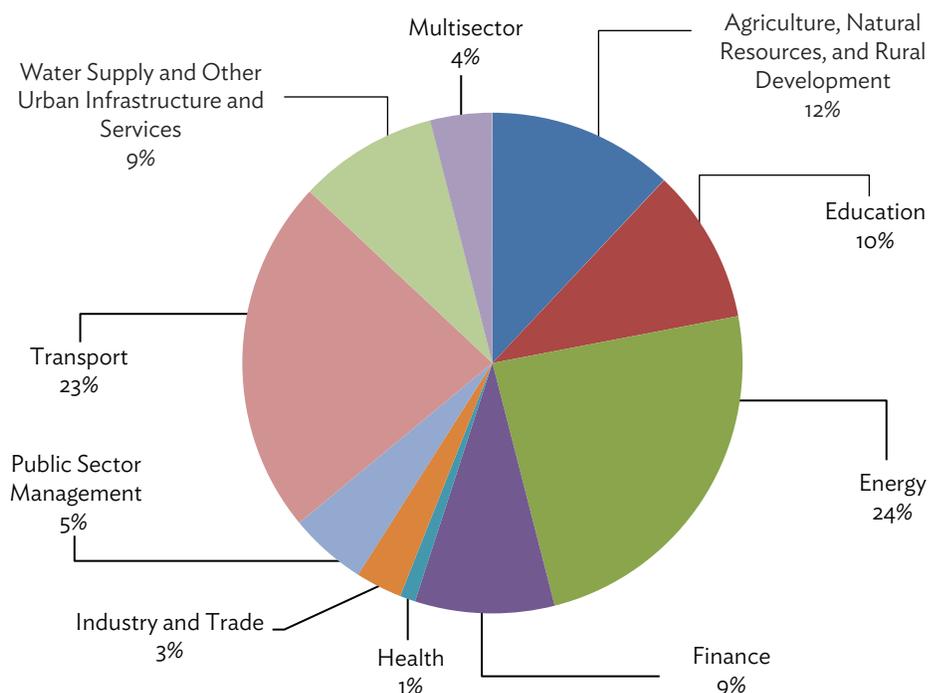
Table 1: ADB Loan Approvals (\$ million)

Loan Source	Loan Type	2011	2012	2013	2014	2015	1973–2015
OCR	Sovereign	450	410	510	400	590	5,168
ADF		450	654	362	493	565	11,713
OCR	Nonsovereign	30	25	0	75	30	371
ADF		0	0	0	0	0	11
Total		930	1,089	872	968	1,185	17,263

ADF = Asian Development Fund, OCR = ordinary capital resources.

Note: Nonsovereign loans also include equity investments and guarantees. There was also an ADF grant of \$11.30 million, and a B loan of \$20 million.

Source: Asian Development Bank.

Cumulative Loan Approvals in Bangladesh, by Sector, 1973–2015

Note: Approvals include sovereign and nonsovereign loans.

Source: Asian Development Bank.

Table 2: Loan Disbursements (\$ million)

Item	2012	2013	2014	2015
Loan disbursements	611.6	626.5	653.0	723.7

Note: Amounts include sovereign and nonsovereign operations and grants.

Source: Asian Development Bank.

ADB has also provided significant amounts of TA grants to Bangladesh (Table 3).

Table 3: Technical Assistance Grants (\$ million)

TA Type	2011	2012	2013	2014	2015	1973–2015
Total	9.4	13.4	10.75	4.36	4.0	244.6

TA = technical assistance.

Source: Asian Development Bank

ADB'S CONTRIBUTION TO DEVELOPMENT AND POVERTY REDUCTION, 2013–2015

ADB projects are contributing to rapid socioeconomic development and poverty reduction. Development outputs from ADB-supported projects in 2013–2015 are shown in Table 4.

Table 4: Development Outputs from ADB-Supported Projects, 2013–2015

Sector	Outputs Achieved
Education	
Students benefiting from new or improved educational facilities, male/female (number)	TVET: 30,000 (F 4,000) Non-TVET: 7.3 million (F 3.8 million)
Students educated and trained under improved quality assurance systems, male/female, TVET/non-TVET (number)	TVET: 23,000 (F 7,000) Non-TVET: 31 million (F 16.2 million)
Teachers trained with quality or competency standards, male/female, TVET/non-TVET (number)	TVET: 5,400 (F 500) Non-TVET: 2.59 million (F 1.45 million)
Energy	
Greenhouse gas emission reduction (tCO ₂ -equiv/year)	383,000
Energy saved (terawatt-hour equivalent per year)	0.58
New households connected to electricity (number)	315,000
Installed new energy generation capacity (megawatts)	225
Power transmission lines installed or upgraded (kilometers)	73
Power distribution lines installed or upgraded (kilometers)	1,126
Transport	
Use of railways built or upgraded (average daily ton-kilometers in the first full year of operation)	216,485
Provincial, district, and rural roads built or upgraded (kilometers)	1,241.2
Railways constructed or upgraded (kilometers)	64
Finance	
Trade finance supported (\$ million per year)	1,009.8
Microfinance loan accounts opened or end borrowers reached, male/female (number)	46,758
Number of loans provided to small and medium-sized enterprises	13,645

Sector	Outputs Achieved
Agriculture, Natural Resources, and Rural Development	
Farmers trained (number)	242,524
Farmers provided with microcredit whose income increased (number)	180,647
High-value crops and new technologies adopted by beneficiaries (number)	119,564
Embankments built (kilometers)	20
Land improved through irrigation, drainage, or flood management (hectares)	172,763
People benefiting from irrigation facilities (number)	230,880
People protected from flooding (number)	320,000
Water Supply and Other Urban Infrastructure and Services	
Households with new or improved water supply facilities (number)	172,988
Households with new or improved sanitation facilities (number)	10,916
Wastewater treatment capacity added or improved (cubic meters per day)	820
Water supply pipes installed or upgraded (length of network in kilometers)	2,470
Regional Cooperation	
Cross-border transmission of electricity (gigawatt-hours per year)	2,829
Public Sector Management	
Policy reforms accomplished in anticorruption, judicial, and financial subsectors with ADB assistance (number)	44
Number of capacity development programs (CDTA) under ADB-assisted governance program	3

CDTA = capacity development technical assistance, F = female, tCO₂-equiv/yr = tons of carbon dioxide equivalent per year, TVET = technical and vocational education and training.
Source: Asian Development Bank estimates.

Transport: Connecting Places and People

A well-developed transport network—roads, bridges, ports, railways, and inland water transport—can integrate the economy by linking the rural and urban areas, connecting cities, and enabling easier access to jobs and markets. It can also promote domestic, regional, and global trade, and help diversify the economy.

From 1973 to the end of 2015, 50 ADB loans (\$4.0 billion) and 61 TA projects (\$39.6 million) went to extending the coverage of the transport sector and increasing its efficiency. Bridges were built, road networks and urban transport improved, port operations streamlined, and rail infrastructure developed. Bangladesh Railway operations have also become more efficient through policy and institutional reform.

The **Chittagong Port Trade Facilitation Project** (\$30.6 million), completed in 2013, improved cargo handling at the port by automating its container terminal management system and installing other facilities. A strategic master plan for the next 30 years was developed with TA support.

In their first full year of operation, the \$100 million **Second Rural Infrastructure Improvement Project (RIIP-II)** and the \$126 million **Second Road Network Improvement and Maintenance Project (RNIMP-II)**, both completed in 2013, built or upgraded rural roads (1,425 kilometers [km] for RIIP-II and 140 km for RNIMP-II). RIIP-II also contributed to a daily vehicle-kilometer average of 2,163,150, and RNIMP-II, to 442,600.

Besides implementing system reforms, the ongoing \$430 million **Railway Sector Investment Program** has financed the installation of 64 km of a double-track railway and a signaling system from Tongi to Bhairab Bazar railway junction along the Dhaka–Chittagong railway corridor, connecting to Chittagong port. Train services have become more reliable and timely, and confidence in the services has risen. "More passengers heading for the Chittagong region now use trains instead of buses to avoid traffic congestion and save time," notes Mohammad Halimuzzaman, station master, Tongi



■ Bridges were built, road networks and urban transport improved, port operations streamlined, and rail infrastructure developed.

ADB is helping Bangladesh to improve railway infrastructure and services.

Railway Station. The program has also introduced new accounting architecture, key performance indicators, and annual tariff adjustments, and corporatized the container business.

Under the **South Asia Subregional Economic Cooperation (SASEC) Road Connectivity Project** (\$198 million), approved in 2012, ADB is helping upgrade 70 km of road (Joydebpur–Elenga) and the Benapole and Burimari land ports. "The traffic jams drive people crazy," says Mohammad Khokan, 30, bus driver at Konabari, Gazipur. He adds, pointing at the flyover being built under the project. "I hope this flyover will save time and money." The **Greater Dhaka Sustainable Urban Transport Project** (\$160 million), also approved in 2012, is providing funding for corridor improvements, including a 20.5 km bus rapid transit system.

In 2014, ADB approved the **SASEC Railway Connectivity: Akhaura–Laksam Double Track Project** (\$495 million) for 72 km of double-track railway lines in the Dhaka–Chittagong corridor. ADB is also investing in new coaches and locomotives under the **Railway Rolling Stock Project** (\$200 million), approved in 2015. The **SASEC Chittagong–Cox's Bazar Railway Project** (\$1.5 billion), approved in 2016, will extend the Dhaka–Chittagong corridor by 102 km to Cox's Bazar, near the Myanmar border.

Energy: Lighting Up Villages, Powering Industries

■ **By the end of 2015, ADB had provided 44 loans (\$4.2 billion) to the energy sector and 55 TA projects (\$31.6 million) to improve the country's capacity to produce and transmit natural gas, and to generate and distribute power.**

Although about 72% of the population has access to electricity, per capita generation, at 371 kilowatt-hours in 2015, is still quite low. Investments in power generation and distribution must increase to keep pace with the rapidly rising demand and address a binding constraint on inclusive growth. More investments are also needed to boost the production and delivery of natural gas, the primary fuel in about 70% of power generation in Bangladesh. Gas is also used in factories (e.g., as feedstock in fertilizer production), in households for cooking, and as a clean transport fuel.



A 450-megawatt power plant under construction in Ashuganj.

By the end of 2015, ADB had provided 44 loans (\$4.2 billion) to this sector and 55 TA projects (\$31.6 million) to improve the country's capacity to produce and transmit natural gas, and to generate and distribute power.

The **Sustainable Power Sector Development Program** (\$465 million), completed in 2014, installed 300 MW of new generating capacity, built 73 km of transmission lines and 1,126 km of distribution lines, and connected 315,000 more households to electricity. "A few years ago load shedding was frequent," observes Mohammad Abdul Karim, a 24-year-old shopkeeper in Murakandi, Savar, in the outskirts of Dhaka. "Now there is electricity for the tasks we need to do."

The **Power System Efficiency Improvement Project** (\$500 million) approved in 2011, supports the construction of 450 MW of new generation capacity, which is expected to be operational by December 2016. "With its modern technology and equipment, the new combined-cycle power plant will use the same amount of energy as before to generate electricity, but this time over 80% more efficiently," says project director Khitish Chandra Biswas. "In the process, it will contribute to environmental sustainability."

The \$185 million **Power System Expansion and Efficiency Improvement Investment Program** (first tranche of the \$700 million multitranchise financing facility [MFF]), approved in 2012, upgraded the Khulna 150 MW power plant into a 225 MW combined-cycle power plant by 2015. Seven substations and 235 km transmission lines are also expected to be completed by June 2017.

The **Second SASEC Bangladesh-India Electrical Grid Interconnection Project** (\$120 million), approved in 2015, will revamp the power grid connecting Bangladesh and India, thus doubling electricity imports from India from 500 MW at present.

Under the **Gas Transmission and Development Project** (\$230 million), approved in 2005, 270 km of distribution lines and 353 km of gas transmission lines were completed, and four compressor stations were installed, by 2015. The **Natural Gas Access Improvement Project** (\$265 million), approved in 2010, led to the construction of 61 km of gas transmission lines by 2015, and the installation of four compressor stations and 8,600 gas prepaid meters.

Education: Imparting Marketable Skills and Enhancing Employability

With 30% of the population below the age of 15, Bangladesh is poised to reap a demographic dividend. The challenge is to transform the vast youth population into a trained human resource base through better education and the development of skills needed by industry.

In 1973–2015, ADB loans of about \$2.0 billion and TA projects worth \$27.7 million financed the modernization of education and skills development to improve their quality and relevance and make them more accessible to everyone, promote gender equity and reduce dropout rates, and strengthen policy, governance, infrastructure, and service delivery.

Under the ongoing **Third Primary Education Development Project**, a large (\$10 billion) government-led primary education reform program (ADB is contributing \$440 million), over 25,000 classrooms, 17,400 water and sanitation blocks, and 27,200 drinking water facilities have been built. Every year (since 2012), all the 19 million primary education students receive new textbooks at the start of the school year. The teachers in primary education undergo regular in-service training. Teaching

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Secondary Education Sector Development Project (\$85 million), completed in June 2014, helped update the secondary curriculum and make it skills based, gender oriented, and consistent with the primary curriculum.

methods are being modernized, examination questions that test students' competencies instead of their rote memory are being introduced, and teacher recruitment is being streamlined.

"After training, our teachers teach more effectively," says Jannatul Ferdous, head teacher, North Kafrul Government Primary School in Dhaka. "Some teachers have had training in information and communication technology. A few have also had leadership training. The 'Each Children Learn' approach has boosted our teaching skills, the quality of teaching, and learning outcomes, and made education and learning in government primary schools more attractive."

For Razia Akhtar, 11-year-old student in Class 5, the free textbooks make a big difference. Razia lost her father several years ago and her mother can barely support her four children on her domestic worker salary. The free textbooks enable her to stay in school.

The **Secondary Education Sector Development Project** (\$85 million), completed in June 2014, helped update the secondary curriculum and make it skills based, gender oriented, and consistent with the primary curriculum. A poverty-targeted criterion for distributing stipends among poor students in 53 underserved *upazilas* (sub-units of districts) was developed. Sixty-three new schools were also built in underserved areas; 250 overcrowded schools added more classrooms; and 33 *madrasahs* (Islamic religious schools) were upgraded into model *madrasahs*.

In 2013, ADB approved the **Secondary Education Sector Investment Program** (\$500 million), a 10-year secondary education sector investment program, to be implemented in three tranches under an MFF. The program has trained 35,000 science teachers in practical science teaching, and supported the development of interactive digital textbooks for grades VI-VIII of the *madrasah* stream. Md. Zakir Hossain Bhuiyan, head teacher of Badarpur Model High School in Narsingdi, notes: "This remote area had no high school; students had to travel far to study. But this school, set up in 2011, has allowed students to complete secondary education, and aspire for a better future."



Students in Bangladesh are learning better due to improved education management, teaching quality, and infrastructure.

The \$350 million **Skills for Employment Investment Program (SEIP)**, a 7-year skills development reform program, to be implemented in three tranches, was approved by ADB in 2014. Skills development targets were set and training programs were developed to suit private sector needs. Training providers are paid on the basis of trainee enrollment, certification, and job placement, to keep the training relevant to the market. Almost 55,000 trainees (including 14,000 women) have completed training so far, and 31,500 (including 11,000 women) have found jobs.

Sixteen-year-old Bibi Marium is training to become a welder-fabricator at the UCEP School in Chittagong, one of the 32 institutes that are training potential job seekers under the SEIP. "If I get a skills-based job, I can help my family," says Bibi, who hopes to be offered at least Tk8,000 a month by a steel manufacturing or shipbuilding company after the 3-month training. She could earn much more. Out of 30 youths trained in one recent batch at the SEIP training center run by the Bangladesh Garment Manufacturers and Exporters Association in Tongi, Gazipur, 24 were hired by knitwear manufacturers. Saikat, 23, one of those trained, hopes to earn Tk9,000 or so monthly to start with; the amount could go up to Tk18,000 once he becomes more proficient at his job.

Agriculture, Natural Resources, and Rural Development: Raising Income, and Reducing Poverty and Inequality

Agriculture accounts for about 15% of GDP but employs 45% of the labor force, and provides a livelihood for about 70% of the population. High poverty resulting from low productivity persists among the agriculture-dependent population.

By the end of 2015, ADB had provided 60 loans amounting to \$2.1 billion, and 114 TA projects worth \$65.9 million to help raise rural productivity and income. The assistance involves diversifying crops, developing agribusiness, improving rural infrastructure, managing flood risk, developing water resources and irrigation, and increasing resilience in the face of climate change. Commercialized agriculture, reduced loss of life and damage from floods, and more empowered women are major benefits.

The **Second Crop Diversification Project** (\$40 million), approved in 2010, will further commercialize agriculture by promoting diversification into high-value crops like fruits, vegetable, pulses, and spices, as well as cut flowers and potted plants, and foster gender mainstreaming. The southwest region of Bangladesh is the primary focus of the project, which is building on the successful lessons of the Northwest Crop Diversification Project (completed in 2009).

Since 2012, the project has doubled the income of more than 250,000 farmers—over half of them women—following a switch to high-value crop farming, according to project director Golam Maruf. About 70,000 hectares (ha) of land is now devoted to this kind of farming, and about 200,000 farmers have received more than \$60,000 in loans. The project has directly benefited marginal, small, and medium-sized farmers, and provided job opportunities in the rural areas for the landless.

Shahan Ara, a widow from Jhikargacha in Jessore district, worked hard to make a living for herself and her three children. Thanks to her training in floriculture, and in fertilizer and water management, her flower-growing business is now a success. "I can sell flowers directly to buyers in Dhaka, with no broker," she says. Her earnings have allowed her to buy a plot of land and build a house for her family.

■ ADB had provided 60 loans amounting to \$2.1 billion, and 114 TA projects worth \$65.9 million to help raise rural productivity and income. The assistance involves diversifying crops.

The **Southwest Area Integrated Water Resources Planning and Management Project** (\$20 million), completed in 2015, has reduced flooding and boosted irrigation water supply by improving flood control and drainage systems on 57,000 ha (mostly farmland) in Narail and Chenchuri. Over 80,000 farm households cultivating the land have directly benefited. Rice cultivation in the subproject areas has increased by 12.6% (4,318 ha). Cropping intensity has gone up by 20 percentage points, to 210%.

The **Second Chittagong Hill Tracts Rural Development Project** (\$55 million), approved in 2011 and implemented in Bandarban, Khagrachari, and Rangamati hill districts, built 53.2 km of feeder roads and six market buildings, allocating 50% of the building space to women (as of June 2016). The project created 4,648 workdays—2,395 for women—and thus enabled women to be more directly engaged in income-earning activities, in suitably constructed marketplaces. Rural road subprojects in the three districts are in various stages of implementation. Community infrastructure has already been completed in 185 villages.



ADB supported
Bangladesh in
diversifying crops.



ADB promotes women's
employment opportunities.

Water Supply and Other Urban Infrastructure and Services: Making Cities More Livable

The urban population has been growing by 6% a year for over 4 decades, compared with 1.3% growth for the total population; at the current rate, it is expected to double by 2035. Urban infrastructure and services have not kept pace causing an acute shortage of services in urban areas.

ADB has been assisting Bangladesh in developing water supply and other urban infrastructure and services in city corporations and municipalities, and improving municipal governance. Sector interventions increasingly incorporate climate risk and vulnerability assessments in project design and implementation. Early-warning systems, cyclone shelters, coastal embankments, reforestation schemes, and evacuation plans have been put in place. ADB also supports the mainstreaming of climate resilience into urban planning. Until December 2015, ADB had provided 19 loans amounting to about \$1.4 billion and 41 TAs for \$23.9 million for the development of the sector.

The \$87 million **Second Urban Governance and Infrastructure Improvement (Sector) Project (UGIIP-II)**, which closed in 2015, covered 47 *pourashavas* (municipalities). Among other urban and municipal infrastructure, the project developed 1,084 km of roads and 4,531 km of road dividers; constructed 130.8 km of drains, 30.4 km of electricity transmission and distribution lines, 461 electric posts, and 5,353 streetlights; set up four boat landing stations; and dug nine production tube wells and 177 hand tube wells.

The project has dramatically changed the life of Rabeya Sultana, chair of the women-led slum improvement committee formed under the project in Cox's Bazar. "Managing people and money gave me more confidence," she says. "I returned to college to get a law degree and am now a practicing lawyer. I earn Tk35,000-Tk40,000 a month. I also helped my husband get a job with an insurance company."

■ ADB has been assisting Bangladesh in developing water supply and other urban infrastructure and services in city corporations and municipalities, and improving municipal governance.



ADB is supporting efforts to supply water to the marginalized people.

ADB is implementing the third phase of the project (UGIIP-III). In addition, it approved the Coastal Towns Environmental Infrastructure Project (\$52 million) in 2014.

Through the **Secondary Towns Water Supply and Sanitation Project** (\$41 million), completed in July 2016, ADB helped uplift living and health standards in secondary towns and the sustainability of *pourashava*-level water utilities. In the project area covering 16 *pourashavas*, 73% of the households are now connected to piped water. Improved toilet facilities have significantly reduced cases of diarrhea and dysentery. The community is also more aware of sanitation and hygiene education issues as a result of the massive awareness campaigns under the project.

The ongoing **City Region Development Project** (\$120 million) rehabilitated 28 km of canals, 12.2 km of secondary and tertiary drainage systems, and flood control structures in Khulna city region, promoting the smooth discharge of floodwaters into the river system and significantly reducing waterlogging, to the benefit of over half a million people. In Mongla port township, flood barriers created have improved connectivity and the livelihood of the residents.

The **Dhaka Water Supply Sector Development Program** (\$200 million), which closed in 2016, gave better access to safe and clean water to some 100,000 poor and disadvantaged people in the Korail slum in Dhaka and empowered women in the slum areas. The success of this pilot project has encouraged its replication in other slums in Dhaka.

Finance: Addressing Access and Affordability, and Expanding Options

Access to affordable finance has been an important challenge. The overwhelming dependence on commercial banks has limited the availability of funds for infrastructure development and other long-term investments. Nonperforming loans and inflation must be reduced to lower lending rates.

From 1973 up to the end of 2015, ADB loans to the finance sector totaled about \$1.5 billion. ADB also provided \$19.3 million in TA projects. The \$110 million **Second Public-Private Infrastructure Development Facility** (PPIDF-II), approved in 2013, supports the construction of the country's first river container terminal with a capacity of 120,000 twenty-foot equivalent units, a drydock for large oceangoing vessels with a capacity of 100,000 deadweight tons and three power plants with a total generating capacity of 217.2 MW. The project also covers assistance to the government-owned Infrastructure Development Company in its renewable energy program, aimed at bringing solar power to households in off-grid areas. So far, 46,758 solar home systems have been financed under PPIDF-II.

Through policy and regulatory reforms, the \$300 million **Second Capital Market Development Program** (CMDP II), approved in 2012 and completed in 2014, helped stabilize the Bangladesh capital market, following its collapse in 2010. CMDP II enhanced the operational and financial efficiency of the Bangladesh Securities and Exchange Commission and introduced a state-of-the-art market surveillance system, making market transactions more transparent and bolstering business confidence. The program also helped modify the governance structure of the Dhaka and Chittagong stock exchanges through demutualization. Building on the stabilization measures under CMDP II, the \$250 million **Third Capital Market Development Program**, approved by ADB in 2015, is further strengthening the capital markets and removing remaining impediments to their efficient operation.

■ From 1973 up to the end of 2015, ADB loans to the finance sector totaled about \$1.5 billion.

ADB supported the construction of Bangladesh's first river container terminal in Munshiganj district to help uninterrupted container transportation to and from Chittagong port.



Improving access to finance for small and medium-sized enterprises (SMEs)—the “missing middle”—has helped bring about more inclusive growth. The **SME Development Project** (\$76 million), which closed in 2014, accelerated the development of SMEs outside the Dhaka and Chittagong metropolitan areas by facilitating access to credit. Sub-loans were extended to 13,645 SMEs, of which 6,589 were new companies; 439 of the sub-loans went to women-led SMEs. The project also created 8,933 jobs. To deepen support in this area, ADB approved the **Second SME Development Project** (\$200 million) in 2016.

Better access to finance for SMEs is also a result of growing automation and interbank networking, and more attention by banks to central bank directives to expand financial services to SMEs and other previously underserved clients and areas.

ADB approved a \$50 million financial intermediation loan in 2012 to help modernize the brick sector, as well as to improve the environment by replacing the polluting fixed-chimney brick kilns with high-capacity energy-efficient kilns (hybrid Hoffman, and tunnel kilns). So far, eight subprojects involving the construction of energy-efficient brick kilns have been financed.

In 2012, ADB approved a \$25.1 million nonsovereign loan for the **PRAN Agribusiness Project**—its first such project in 27 years. PRAN, a leading private food and beverage company, used the loan to develop an integrated starch and liquid glucose plant, a flour mill, and a frozen food processing plant. The project, especially the glucose plant, is highly inclusive. A contract-farming program for 9,000 local farmers encourages the cultivation of cassava for starch and glucose production. In 2014–2015, the company bought 40,000 tons of cassava directly from farmers, who cultivated the crop on 514 hectares of land in the five hilly districts.

PRAN has been helping farmers switch from subsistence farming to cash crop farming through TA, agricultural input, interest-free loans, and, critically, a 100% buyback guarantee. The livelihood of thousands of farmers is changing, and jobs are being created for marginal farmers. “I feel no anxiety about growing cassava, as there is no way I will lose money,” says one farmer. “I struggled to support my six-member family despite having enough land,” says another. “Now I can earn more.”

IMPROVING OPERATIONAL AND ORGANIZATIONAL EFFECTIVENESS

Addressing Operational and Organizational Issues

The validation report on the final review of the country partnership strategy (CPS) 2011–2015¹ rated ADB operations during the period a success while stressing the need for a stronger link between the CPS and the operational program. The CPS 2016–2020 was prepared with this recommendation in mind.

Timely project implementation is still a key operational challenge. In 2015, the government and ADB began joint reviews of individual project readiness and the status of key start-up activities, e.g., land acquisition, environmental and social safeguards, detailed design, procurement, and consultant recruitment. ADB is prioritizing projects on the basis of their readiness, and is supporting capacity building for procurement and financial management and in the area of gender, environmental, and social safeguards.

In procurement, as well as in accounting and treasury, ADB is expanding the use of the country's rules and systems, especially under sector-wide programs. Improvements in procurement and contract administration are receiving extensive ADB support and close monitoring. In the CPS 2016–2020 period, ADB will target larger undertakings and keep projects to a manageable number to avoid overloading government implementation capacity.

As a follow-up to the action plan that was prepared after the midterm review of Strategy 2020, the Bangladesh Resident Mission has been assigned the responsibility of monitoring the performance of all delegated and non-delegated projects in the country.

Enhancing Efficiency through Partnerships and Knowledge Solutions

Strong partnerships with stakeholders have been a hallmark of ADB operations in Bangladesh. ADB is an active member of the Local Consultative Group, a coordination forum for the government and its development partners, and is a leading development partner in the energy, transport, and education sectors.

¹ <https://www.adb.org/sites/default/files/evaluation-document/181457/files/ban-cpsfrv.pdf>

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ADB intends to deepen coordination with development partners and explore more cofinancing opportunities.

Development partner assistance through cofinancing has been instrumental in enabling ADB to leverage resources and build strong partnerships. As of 30 September 2016, cumulative official and other concessional cofinancing in Bangladesh amounted to \$7,416.6 million, including contractual (ADB-administered) and commercial cofinancing. For more effective assistance, ADB intends to deepen coordination with development partners and explore more cofinancing opportunities.

In the CPS 2016–2020 period, ADB will work closely with key financiers in the rural infrastructure and education sectors in its continued pursuit of harmonized approaches to fiduciary oversight, financial management, reporting, and procurement. In urban health, water management, and urban services, efforts will be made to deepen collaboration with civil society organizations for community-based approaches.

ADB will also intensify partnerships with the private sector and promote private sector development through (i) an enabling business environment, created with public sector support; (ii) direct private sector investment; and (iii) transaction advisory services for public–private partnerships.

Knowledge solutions, combining financial support with knowledge products and services, are a key part of ADB's support. In the CPS 2016–2020 period, ADB will develop a reference database, using its rich and varied experience and knowledge, while continuing to provide direct support for institutional capacity building for project implementation and guiding project executing agencies in instituting best practices and formulating policy.

ADB will undertake economic and sector work to accelerate the structural transformation of the economy and will study improvements in service delivery and climate-resilient urban planning at the municipal level. Its ongoing energy study will help it in mapping energy sourcing and use. ADB will leverage in-country expertise and coordinate with academe and think tanks to produce knowledge products and services.



Women are gaining more confidence due to better education, and growing employment opportunities.

FUTURE CHALLENGES AND GOALS

Bangladesh still faces challenges in creating enough productive jobs to reduce poverty and unlock the country's development potential.

Easing infrastructure constraints is an important priority. Enhancing the quality of the workforce is another. Other priorities and challenges include improving the business climate and reducing the costs of doing business. Mobilizing the large amounts of financing needed for physical and social infrastructure, including through private investments and public-private partnerships is also a priority. Ensuring environmental sustainability and climate resilience is a major challenge as well.

Under the CPS 2016–2020, ADB will finance priority investments in energy, transport, and urban infrastructure and in human capital development to diversify the economy and release long-term growth potential. Such support will also help make growth more inclusive by accelerating rural and regional development. ADB will advance industrial diversification by promoting the development of economic corridors, which will create opportunities to set up urban growth centers linked to national, regional, and global markets and supply chains. ADB will contribute to improving rural livelihoods by increasing agricultural productivity, encouraging diversification into high-value-added products, and developing access to markets. Finally, ADB will continue to put in place climate-resilient infrastructure and services to sustain development achievements and reduce the adverse impact of climate change, especially on the poor.

The CPS 2016–2020 will also help speed up private sector development, develop capacity and improve governance, deepen regional cooperation and integration, and promote gender equality for inclusive growth.



ADB promotes cleaner energy and environmental sustainability.



Development Effectiveness Brief: Bangladesh

Bangladesh has made significant socioeconomic gains with a steady rise in its gross domestic product, boost in social development, and meeting the Millennium Development Goal of halving the incidence of poverty in 1990–2015. Since 1973, the Asian Development Bank (ADB) has been a key partner contributing to economic development and reforms in Bangladesh, particularly in the energy, transport, and education sectors. As of December 2016, ADB's cumulative assistance for Bangladesh amounted to \$18.3 billion for 265 loans, and \$249.5 million for 419 technical assistance projects. Bangladesh is one of the largest recipients of concessional Asian Development Fund resources.

About the Asian Development Bank

ADB's vision is an Asia and Pacific region free of poverty. Its mission is to help its developing member countries reduce poverty and improve the quality of life of their people. Despite the region's many successes, it remains home to a large share of the world's poor. ADB is committed to reducing poverty through inclusive economic growth, environmentally sustainable growth, and regional integration.

Based in Manila, ADB is owned by 67 members, including 48 from the region. Its main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance.



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