

ASIAN DEVELOPMENT BANK

**COUNTRY ASSISTANCE PLAN
(2001-2003)**

BANGLADESH

December 2000

FOREWORD

The Country Assistance Plan describes the planned program of assistance by the Asian Development Bank (ADB) for [Bangladesh](#) covering the three-year period 2001-2003. It includes loan and technical assistance projects, as well as possible cofinancing from other donors. The CAP was prepared by the ADB between April and June 2000, in close consultation with the Government of [Bangladesh](#), and other stakeholders, including non-government organizations. The CAP was discussed with the Board of Directors in October 2000. The assistance plan described in the CAP is only indicative and may be revised to reflect more recent developments.

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CURRENCY EQUIVALENTS

(as of 30 November 2000)

Currency Unit	–	Taka
Tk1.00	=	\$0.0186
\$1.00	=	Tk 54.00

ABBREVIATIONS

ADB	-	Asian Development Bank
ADF	-	Asian Development Fund
ADP	-	Annual Development Program
ADTA	-	Advisory Technical Assistance
BB	-	Bangladesh Bank
BBS	-	Bangladesh Bureau of Statistics
BPDB	-	Bangladesh Power Development Board
BRM	-	Bangladesh Resident Mission
BWDB	-	Bangladesh Water Development Board
CAP	-	Country Assistance Plan
CIDA	-	Canadian International Development Agency
CMDPL	-	Capital Market Development Program Loan
CNG	-	Compressed Natural Gas
COS	-	Country Operational Strategy
DESA	-	Dhaka Electric Supply Authority
DESCO	-	Dhaka Electric Supply Company
ESW	-	Economic and Sector Work
GAD	-	Gender and Development
GDP	-	Gross Domestic Product
GOB	-	Government of Bangladesh
HES	-	Household Expenditure Survey
HPI	-	Human Poverty Index
ILO	-	International Labor Organization
JBIC	-	Japan Bank for International Cooperation
LCG	-	Local Consultative Group
NAP	-	National Action Plan
NEMAP	-	National Environmental Management Action Plan
NFE	-	Non-formal Education
NGO	-	Non-Government Organization
NPLs	-	Nonperforming loans
NWMP	-	National Water Management Plan
OCR	-	Ordinary Capital Resources
O&M	-	Operation and Maintenance
PAPR	-	Partnership Agreement on Poverty Reduction
PARC	-	Public Administration Reform Commission
PBS	-	Palli Biddut Samity (<i>Rural Power Cooperative</i>)
PEDP II	-	Second Primary Education Development Plan
PGCB	-	Power Grid Company of Bangladesh
PHC	-	Primary Health Care
PMS	-	Poverty Monitoring Survey
PPTA	-	Project Preparatory Technical Assistance

RETA	-	Regional Technical Assistance
REB	-	Rural Electrification Board
RPC	-	Rural Power Company
SAARC	-	South Asian Association for Regional Cooperation
SAGQ	-	South Asia Growth Quadrangle
SEC	-	Securities and Exchange Commission
SEMP	-	Sustainable Environment Management Program
SESDP	-	Secondary Education Sector Development Plan
SMU	-	Sundarbans Management Unit
SOEs	-	State-Owned Enterprises
TA	-	Technical Assistance
UNICEF	-	United Nations Children's Fund
kWh	-	Kilowatt-hours
MW	-	Megawatt

NOTES

- (i) The fiscal year (FY) of the Government ends on 30 June.
- (ii) In this report, "\$" refers to US dollars.

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BANGLADESH

I. Country Performance Assessment

A. Economic Performance Assessment

1. In response to initiation of structural reforms and prudent macroeconomic management since the early 1990s, the economy's growth rate picked up in the last decade. The annual economic growth in the 1990s averaged a shade below 5 percent compared to 4 percent per annum in the 1980s. In the 1990s, GDP growth was higher in the second half of the decade - an average growth of a little over 5 percent in the second half compared to 4.4 percent in the first half. Even though there was some improvement in the growth performance in the 1990s compared to the earlier decade, the overall economic performance of Bangladesh remains considerably below the country's potential. The economy will need to grow at a considerably faster rate – in the range of 7-8 percent – to have, within a reasonable time frame, a discernible impact on the country's pervasive poverty. In order to achieve faster economic growth along with rapid poverty reduction, the Government needs to accelerate the pace of economic reforms, improve economic management, increase the quantum and quality of social sector investment, and urgently address critical governance issues that are impairing the country's economic performance.

2. GDP growth in FY2000¹ is estimated at 5.5 percent, higher than the flood affected growth rate of 4.9 percent achieved in FY1999². Economic growth picked up in FY2000 with a major contribution coming from the agriculture sector (estimated growth of 6.4 percent in FY2000). A noteworthy feature in recent years is that the growth performance of the economy has been driven mainly by the agriculture sector. In the first half of the 1990s, agricultural growth was sluggish; averaging 1.6 percent per annum while industry grew at a robust 7.5 percent per annum. This has been reversed in the second half of the decade, and especially over the last three years. Agriculture growth picked up from 3.2 percent in FY1998 to 6.4 percent in FY2000 while industrial growth declined from 8.3 percent to 5.6 percent over the same period. The services sector continues to maintain a growth rate of close to 6 percent per annum.

3. Several factors account for the recent acceleration in the growth rate of the agriculture sector. Apart from favorable weather conditions, there was adequate supply of key agricultural inputs – fertilizer, diesel and seeds – at stable prices. Further, the Government has removed the import duty on irrigation equipment, power tillers, and other agriculture equipment. The procurement price of food grains has also been increased gradually.³ Simultaneously, a substantial increase in agriculture credit took place in the second half of the 1990s. On the other hand, deceleration in the industrial sector's growth rate has occurred largely due to slow down in the pace of implementing sector specific reforms, severe infrastructure bottlenecks, especially of power and ports, social and political unrest, and weak corporate governance. Lack of term finance, and a narrow equity market have constrained the expansion plans of domestic investors. At the same time, slow decision-making, inadequate infrastructure, and growing

¹ FY2000 refers to the fiscal year July 1999 – June 2000.

² All macroeconomic indicators are based on the new National Accounts series, computed with 1995/96 as the base year. The old National Accounts series suffered on account of under-coverage, outdated coefficients or ratios, and methodological weaknesses.

³ Between FY1996 and FY2000, the procurement price per quintal of *Aman* rice has been increased from Tk1100 to Tk1250, and that of *Boro* rice from Tk1125 to Tk1300, and wheat from Tk750 to Tk880.

social unrest have deterred foreign investors. The emerging pattern of sectoral growth rates has implications for sustaining the overall growth rate. Since agricultural performance is dominantly dependent on weather, and the prospect of sustaining agriculture subsidies is uncertain in a strained fiscal situation (see discussion in paras 5, 7 and 8), the overall economic performance could be subject to unpredictable fluctuation unless the industrial sector regains its earlier dynamism.

4. According to the new national account series, gross domestic investment is estimated to have risen from 19.1 percent of GDP in FY1995 to 22.4 percent in FY2000. However, over the last three years, growth in investment/GDP ratio has been sluggish, fluctuating between 21-22 percent. It is important to note that the increase in investment/GDP ratio over the last five years has been due largely to an increase in private investment. Public investment/GDP ratio has been more or less constant in the range of 7-8 percent. Gross national savings have increased sharply from 16.7 percent of GDP in FY1995 to 21.3 percent in FY2000; but like investment, growth in savings/GDP ratio has also been sluggish over the last three years. Foreign savings have remained in the range of 3.5 – 4.0 percent of GDP over the last five years.

5. The Government was successful in containing inflation in single digit per annum in the 1990s. Inflation peaked to 8.9 percent in the aftermath of the floods in FY1999 but declined to 3.78 percent in FY2000 due to higher agriculture production and sluggishness in the prices of non-food items. Despite low inflation, it is pertinent to point out that poor fiscal performance over the recent years remains a major threat to macro economic stability. Tax/GDP ratio is a mere 7 percent of GDP (one of the lowest in the world), and there has been no increase over the last three years. Non-tax revenue is relatively small and has been declining over the last three years. On the other hand, Government expenditure has been rising and is estimated to be 15.5 percent of GDP in FY2000. As a consequence, the fiscal position has been deteriorating with the overall budget deficit rising from 4.8 percent of GDP in FY1999 to 6.1 percent in FY2000 and is projected to increase further to 6.3 percent in 2000/01 budget. However, this has not yet included contingent liabilities arising from losses incurred by state-owned enterprises (SOEs), which account for about 2 percent of GDP. If these losses were taken into account, the fiscal position would be even weaker. The Government has resorted to financing the deficit by increased borrowing from the banking system. The Bangladesh Bank has provided more than one half of the amount, thus injecting a large amount of liquidity into the system. In FY2000, the Government had to borrow Tk39.3 billion from the banking system, while the original Budget for the year had no provision for bank borrowing. The FY2001 Budget has provided for a further borrowing of Tk35 billion, and if the expenditure in the year cannot be kept within the budgeted amount, borrowing from the banking system could further rise. As a result of the fiscal deterioration, broad money supply growth accelerated to 19 percent in the year ending March 2000. The banking sector itself has been faced with difficulties associated with large debt overhang due to high proportion of nonperforming loans (NPLs) of over 40 percent. The overly expansionary fiscal and monetary policies could cause severe inflationary pressures if the forthcoming crop production is lower than expected on account of adverse weather conditions. Poor macroeconomic management could also put unsustainable pressures on the fragile balance of payments. And the country's ability to withstand balance of payments pressures is limited because of thin foreign exchange reserves estimated at \$1.5 billion (equivalent to about 2 months of imports of goods and services).

6. Exports grew at a healthy rate of 16.8 percent in FY1998 but the growth rate declined to 2.9 percent in FY1999, partly due to floods. In FY2000, export growth is estimated at about 9 percent above the flood-depressed levels of the previous year. The lackluster export performance is due to increased regional competition, severe infrastructure constraints,

continuing political strife, and inadequate attention given by the Government to appropriate exchange rate management. Further, it is a matter of considerable concern that exports are concentrated in the garments and knitwear sector and there has been no particular success in diversifying the export composition. Broad-based export expansion will require major improvements in infrastructure, enhancing export competitiveness, simplifying complex procedures, and addressing managerial deficiencies. According to provisional data, import growth in FY2000 is estimated at 6.8 percent. With strong growth in workers remittances (12.8 percent), estimated at about \$2 billion in FY2000, the current account deficit of the balance of payment was contained at 1.1 percent of GDP.

7. In the short to medium term perspective, the major challenge facing Bangladesh is to address the emerging macroeconomic strains. Unless these issues are urgently addressed, the medium term growth prospects of the economy are on shaky foundations. Lack of fiscal discipline is the main underlying cause of the current problems. Tax receipts in FY2000 were Tk14.1 billion and non-tax receipts Tk12.6 billion below the Budget projections (11 percent and 7 percent lower than expected, respectively). The FY2001 Budget is based on assumed buoyancy of revenue receipts, which is unlikely to materialize with the current revenue mobilization efforts. On the other hand, Government expenditure (both current and development) in FY2000 exceeded the Budget targets, and the expenditure could further exceed the Budget targets for FY2001 due to general election pressures. While some loosening of fiscal stance is understandable in an election year, major deviations from the Budget targets could have serious adverse macroeconomic consequences. The Government should avoid policies that provide possible short-term gains but compromises the medium term economic prospects of the country.

8. The revenue mobilization effort needs to be considerably strengthened and steps should be initiated to modernize the tax administration system. Simultaneously, the Government should adjust the administered prices of natural gas, electricity, fertilizer, and petroleum products to appropriate levels to bolster non-tax revenue.⁴ Expenditure needs to be strictly prioritized and unproductive expenditure, including subsidies that have dubious economic justification, should be pruned to the maximum extent feasible. The economic benefits of Annual Development Program (ADP) financed projects also need to be thoroughly scrutinized and their foreign exchange content should be closely examined before embarking on them. It is encouraging to note that the Government has stated its intention of pursuing privatization of SOEs in a serious and systematic manner. But the results to date have been less than encouraging. The Government needs to urgently privatize viable enterprises, and restructure enterprises that can become viable over the medium term. The Government should also consider closing down nonviable enterprises. Delay in pursuing the privatization policy in a determined and serious manner will continue to cause an avoidable drain on scarce resources and put further pressures on the strained fiscal situation. The Government's overarching goal of poverty reduction can only be successfully pursued in an environment of macroeconomic stability.

B. Poverty Assessment

9. Accelerated poverty reduction is the single most important challenge facing Bangladesh where close to half the population lives in absolute poverty. There have, however, been some modest gains in reducing income poverty over the years. Estimates based on the Household

⁴ In this context, Government's measures in FY2001 to increase the prices of kerosene and diesel by about 20 percent; and those of petrol, octane, and gas by 9.5, 9.0 and 15 percent, respectively are steps in the right directions.

Expenditure Survey (HES) indicate that the incidence of income poverty declined from over 70 percent of the population in FY1973 to 47 percent in FY1996. Further, the Summary Results of the Poverty Monitoring Survey (PMS) conducted by the Bangladesh Bureau of Statistics (BBS) indicate that poverty incidence has further declined to under 45 percent in 1999.⁵ The survey results also show that, over this period, poverty has declined both in the urban and rural areas – in the rural areas from 47.9 percent to 44.9 percent and in urban areas from 44.4 percent to 43.3 percent.⁶ Furthermore, it is noteworthy that while in the first half of the 1990s, the potential decline in poverty was partially negated due to worsening income distribution (Gini coefficient of income inequality increased from 0.40 to 0.44 in the urban areas and from 0.36 to 0.38 in the rural areas)⁷, the more recent PMS results suggest that the income distribution has improved somewhat over 1996 and 1998.

10. More progress has been made in improving the Human Poverty Index in the last decade. Between 1992 and 1998, Bangladesh's Human Development Index increased by 49 percent with marked improvements in life expectancy, adult literacy, gross primary school enrollment ratios, and decreases in infant mortality rates, total fertility rates, and dropout rates in primary schools. These results have been achieved by continued efforts of the Government and non-government organizations to expand the coverage of essential services to the weaker sections of the society. In particular, the shift in public expenditure towards social sectors in the 1990s, especially on health and primary education, rural roads and electricity, has been a contributing factor. In tandem, Government's targeted interventions for the benefit of the vulnerable poor such as the food assisted programs like Food for Work, Vulnerable Group Development, and Food for Education have also been instrumental in providing food security and simultaneously creating employment opportunities. Also notable in tackling poverty, especially of rural women, are the innovative micro credit programs in the country.

11. Despite these efforts, poverty remains pervasive in Bangladesh and there is acute awareness, both amongst the Government and ADB, that the pace of poverty alleviation needs to be further accelerated. If targeted interventions are not strengthened, and sustained over time, it will take an unacceptably long time for the country to get rid of the problem. There are, however, several hurdles that would need to be overcome in the process. The institutional capacity of the agencies responsible for delivering social and productive services to the poor is weak, which is a severe constraint on the effective utilization of scarce resources. Of equal concern are the continuing high proportion of extreme poor and the serious regional disparities in the incidence of poverty. Further, the Urban-Rural contrast in the nature of poverty has not received due attention in Government's Programs. There is inadequate targeting of social policies for the urban poor and an insufficient recognition of the fact that development of secondary towns is the basis on which rural development can be sustained. Furthermore, Government's ability to allocate adequate resources for investments that benefit the poor is constrained by large-scale tax evasion, corruption, continuing losses of inefficient SOEs, support to insolvent banks and unproductive expenditure.

C. Assessment of Socio-Environmental Performance

⁵ PMS results are not strictly comparable with the HES data. Comparable HES data on poverty will become available in 2001.

⁶ The average daily per capita calorie intake of the poor increased from 1919 to 1953 kcal in rural areas and from 1918 to 1959 kcal in urban areas during 1996-1998.

⁷ During this period, the income ratio of the highest 20 percent to the lowest 20 percent of the population increased from 4.1 in 1990 to 8.8 in 1995/96.

1. Gender Issues

12. Over the recent years, women's development has received increased attention and the Government has declared a National Policy for Advancement of Women. A National Action Plan (NAP) has been prepared in the light of the Platform for Action adopted at the Fourth World Conference on Women held in Beijing. Various institutional mechanisms are being put in place to promote and coordinate efforts of different ministries towards mainstreaming gender in their development plans and policies. Besides Government, different non-government agencies, women's organizations, human rights groups, broader civil society, and development partners are working for improving women's status.

13. The Government has recently undertaken several important steps to improve the condition of women in the society. Women and Child Repression Prevention Act 2000 has been enacted to deal with offenses like rape, acid attacks, forced prostitution and trafficking. Old age pension scheme has been introduced for old and distressed people, and 50 percent of recipients of the pension are women. At the local level, one-third of seats are reserved for women with provision of direct elections in Union *Parishads* and *Pourashavas*⁸.

14. Despite recent improvements, gender specific gaps still exist in Bangladesh. Women generally have fewer rights and opportunities, and women of all classes generally hold subordinate position in the society compared to men. Their socio-economic opportunities are lower in terms of education, health, economic participation, and political and decision-making process. Adult literacy rate is 42.5 percent for females while it is 59.4 percent for males. Similarly, net enrollment at secondary school is 19 percent for females as against 23 percent for males. The wage rate for women is only 57 percent of men. Though Bangladesh's Constitution grants equal rights to women, and the country has ratified the Convention on Elimination of All Forms of Discrimination against Women, there is still pervasive discrimination against women.

2. Human Development

15. Although the human development indicators in Bangladesh are low, the pace of human development has been encouraging in recent years. Progress has been particularly impressive in increasing immunization coverage, improving primary school enrollment, and female economic activity rate. The infant mortality rate declined by half from 112 per thousand live births in 1985 to 57 in 1998, while life expectancy at birth increased from 55 years to 60.8 years. The adult literacy rate also increased from 33 percent in 1985 to 56 percent in 1998, while primary school enrolment increased from 63 percent to 96 percent. The decline in the population growth rate from 2.07 percent per annum in FY1985 to 1.7 percent per annum in FY1999 is also impressive.

16. Bangladesh's progress in reducing human poverty, which includes three elements of deprivation i.e. longevity, knowledge and economic provisioning has been faster than the progress recorded in the case of income poverty. However, despite impressive progress in reducing human poverty, some key human development indicators remain poor – both in education and in health and nutrition. In the education sector, dropout rate for primary education remains high – at about 35 percent, while secondary school enrollment rate is still only

⁸ Union *Parishads* are the village level elected local governments, while *Pourashavas* are elected local governments (Municipalities) in the urban and semi-urban areas.

34 percent. The quality of education and its delivery, including the quality of teaching and learning materials, also remain inadequate.

17. In the health and nutrition sector, the majority of population (about 60 percent) still lack adequate access to basic health facilities. The maternal mortality rate (449 per 100,000 live birth) is one of the highest in the world. Level of malnutrition in Bangladesh remains one of the highest in South Asia and in the developing world despite some improvement in the last decades. Fifty six percent of the children below 5 years are underweight. Undernourishment is especially severe in rural areas, but even in urban localities, malnutrition remains unacceptably high. The National Nutrition Program has made a start at tackling this problem in respect of children under two years, and pregnant and lactating mothers. The Government will need to strengthen this initiative and others such as Vulnerable Group Development and Rural Maintenance Program to reach poor areas and communities.

18. The Government will need to ensure adequate resource allocation for the education sector, with the eventual objective of achieving full enrollment and lower dropout rates at the primary education level, and qualitative improvement in education. It is also important to correct the relative under-investment in the health sector, as envisaged by the Health and Population Sector Program. Since health is also dependent on the living environment, the Government needs to improve the delivery and coverage of urban water supply and sewerage, giving due emphasis to secondary and small towns. Although the government has made efforts to augment the shares of education and health in the budget, public expenditures on education (2.1 percent of GDP) and health (1 percent of GDP) are still lower than the South Asian average.

19. In terms of labor protection, Bangladesh has generally sound labor laws for protecting workers, with right of association and collective bargaining. However, the implementation and supervision of the labor laws are not always strictly enforced due to weak enforcement machinery. As a result, workers in the informal sector face poor working and living conditions. Given no link between wages and productivity, centrally fixed wages in the public sector influence private sector wages. Child labor is prevalent in some industries due to lack of birth records, widespread unemployment, and a large and unregulated informal sector. A major breakthrough is the resolution of the problem of child labor in the garments sector. Around 10,000 child workers (below 14 years old) have been withdrawn from garments industries. An education program for these workers has been introduced with the assistance of the International Labor Organization (ILO), the United Nations Children's Fund (UNICEF), and the Bangladesh Garments Manufacturers and Exporters Associations.

3. Environment

20. Bangladesh is confronting severe environmental degradation on account of declining soil fertility, excessive extraction of water for irrigation, deforestation, depleting biodiversity, arsenic contamination of ground water, increasing air pollution and global warming effects (Appendix 1, page 3). High population growth and overwhelming poverty have also added pressures on scarce natural resources. The economic costs due to environmental problems are estimated at between \$0.4 billion and \$1.1 billion per year.⁹

21. Bangladesh is environmentally vulnerable in many aspects. The country is regularly subject to severe flooding which often causes large-scale damage to crops, livestock and infrastructure. In some parts of the country, drought often reaches severe dimensions. Tropical

⁹ Environment Operational Strategy, Bangladesh. ADB, Draft, May 2000.

cyclones persistently affect the coastal areas. Over the past decades, forests have been declining at an alarming rate. Riverbank erosion is a major contributory factor to rural poverty and the resultant migration of poor from rural to urban areas. Soil erosion and land degradation are diminishing biological diversity and degrading vital fish breeding grounds. Serious environmental degradation is also affecting soil and water quality. Bangladesh's biodiversity is also severely threatened. Ground-water contamination from arsenic is widespread in shallow aquifers that are the major water source for drinking water and irrigation. A program to test all drinking water wells in the country and to provide immediate relief measures was recently initiated along with the examination of arsenic transmission in the food chain.

22. The National Environmental Management Action Plan (NEMAP) was adopted in 1995. In 1998, a number of initiatives were agreed upon including a new five-year program to implement NEMAP: Sustainable Environment Management Program (SEMP). Two priority projects are now being implemented to support NEMAP. Several environment-friendly measures have been announced in the 2000-2001 budget including withdrawal of duties and taxes on double decker busses using compressed natural gas (CNG), withdrawal of all taxes (except 5 percent custom duties) on busses with 40 or more seats using CNG, and banning the import of three wheelers with two stroke engines.

23. The agency responsible for enforcing environmental law is the Department of Environment (DoE) of the Ministry of Environment and Forest. Sectoral level (e.g. transport and energy) departments are responsible for screening, monitoring and maintaining environmental standards in their respective areas. Environment policies at national and sectoral level are now fully developed and the legal basis has been codified into law. However, there is little evidence of serious enforcement on the part of government although some 'forced enforcement' is taking place through public-interest litigation. The main problems with respect to current policy implementation and legislation enforcement are due to overlapping mandates, limited administrative capacities and lack of institutional coordination.

D. Governance: Sound Development Management

24. Though weak and ineffective governance remains a central problem in accelerating the pace of economic development in Bangladesh, there has been improvement in some areas. Progress has been achieved in establishing the system of representative local government including provision for direct election of women. While Union *Parishads* elections have been held, the Upazila *Parishads*¹⁰ elections are being delayed due to the unwillingness of the opposition political parties to participate. The system of installing caretaker government three months prior to national elections has paved the way for fair and credible elections. Freedoms of the press and NGO activities are the other two positive features of governance in Bangladesh. The Government is working out the arrangements for establishing the office of Ombudsman, and is also examining the draft law for constituting the Human Rights Commission.

25. Several aspects of governance in Bangladesh are cause for worry. Lack of political consensus on national issues, bureaucratic entanglements, and an ill-equipped civil service hold back the momentum for critical reforms. The Government is unable to provide essential public services such as law and order, judicial service, and social infrastructure, in an efficient and effective manner. Outdated legislation and regulations, and discretionary authority together with weak accountability and poor working conditions have resulted in a system which promotes slow decision-making, rent-seeking, and corruption. The problems created by weak institutions

¹⁰ Upazila *Parishads* are the subdistrict level elected local governments (see also footnote 8).

are being compounded by a political environment that is increasingly confrontational. Growing political instability overshadows the governance and reform agenda. Deteriorating law and order situation, violence against women, and ineffectively enforced human rights are particularly disturbing. The police and law enforcement agencies appear to lack the trust of the people.

26. Efficient, well managed and responsive institutions are pre-requisites for an appropriate “legal, institutional and administrative framework” that are essential for ensuring good governance. Bangladesh still lacks a competent and efficiently functioning bureaucracy. While several studies and commissions have recommended wide-ranging public administration reforms, few have been implemented. There has been little progress in implementing the recommendations of the Public Administration Reform Commission (PARC) – only 5 of the 28 recommendations have been approved by the Government.

27. Corruption is an endemic problem in Bangladesh. Without comprehensive civil service and administrative reforms, any breakthrough in combating corruption will be difficult to accomplish. Concerted efforts by the Government and civil society are needed to tackle corruption. It is encouraging that the print media and NGO community are now increasingly focussing on public interest issues and putting pressures on the Government for improving governance.

E. Implementation Assessment

1. The Portfolio

28. As of 31 December 1999, ADB had provided 132 public sector loans totaling \$5.85 billion, and 256 technical assistance grants totaling \$155.9 million. Portfolio performance indicators show that for the 28 loans approved between 1985 and 1990 the average delay in loan effectivity (beyond the statutory 90 days) was 133 days (4.4 months), whereas for the loans approved in the succeeding five years, the average delay had dropped to 77 days (2.6 months). Similarly, the average loan closing delay for the 28 loans approved between 1985 and 1990 was 770 days (2.1 years), whereas in the successive five years, the average loan closing delay had dropped to 440 days (1.2 years) for the 15 loans that closed during this period.

29. A total of 46 projects have been post-evaluated, 90 percent of which were approved 10 or more years ago. Results showed that the average project implementation delay was 2.8 years, and only 37 percent of the post-evaluated projects were classified as ‘generally successful’. This compares unfavorably with an ADB wide average of 54 percent. Of the remainder, 54 percent were rated ‘partly successful’ and 9.0 percent ‘unsuccessful’.

30. Portfolio performance has been affected by long-standing issues such as (i) insufficient delegation of authority; (ii) poor accounting practices and poor quality of project audit; (iii) cumbersome internal procedures; (iv) shortage of personnel in line ministries and executing agencies who are adequately trained in procurement procedures; (v) weak project monitoring mechanisms; and (vi) frequent transfer of project directors and other key staff. An overall portfolio performance is presented in Appendix 2.

2. Issues in Project Implementation

31. The undisbursed loan balance as of 31 December 1999 was \$1.21 billion. Disbursements from ADB’s portfolio were \$271.47 million in 1999, or 77.4 percent of the annual projection. Despite political disturbances during the peak project implementation period (the last

quarter of the calendar year) contract awards and disbursements improved compared with the 1998 performance. The disbursement ratio¹¹ increased from 19.1 percent on 31 December 1998 to 21.8 percent on 31 December 1999. However, it still fell short of the annual projection of 27.9 percent and the ADB-wide average of 22.2 percent.

32. The Government and ADB have taken various measures to help reduce implementation constraints including establishing Project Steering Committees and more frequent and in-depth project progress reviews. ADB has also coordinated closely with other external funding agencies to ensure complementary efforts in improving project implementation capacity. As in the previous year, the Country Portfolio Review Mission (CPRM) in 2000 will be held jointly with the World Bank. However, the reforms called for in the Action Plan agreed during the last CPRM, particularly those relating to appointment and delegation of authority to Project Directors, streamlining recruitment of consultants, simplified procedures for land acquisition and resettlement, and guaranteed adequacy of counterpart funds, have not yet been satisfactorily addressed. During the Paris meeting of the Bangladesh Development Forum in April 2000, there was unanimity that project implementation procedures and practices in Bangladesh need to be comprehensively reviewed and improved for effective utilization of external aid. To assist the Government in improving project implementation capacity, ADB has approved a TA for Strengthening Project Portfolio Performance. The objectives of the TA, *inter alia* are to strengthen the Government's capacity in project monitoring, account management and audit, and to improve contract award and disbursement procedures in the line agencies. The establishment of a Project Administration Unit within Bangladesh Resident Mission (BRM) in mid 1999 is also expected to have a positive impact in improving project implementation performance. Meanwhile, as a pilot test arrangement aimed at enhanced portfolio management, BRM has been delegated loan administration functions for all ADB-financed projects in the country, excepting co-financed and program loans, and loans which have been approved during the past year, or are expected to close within a year.

II. Country Operational Strategy (COS)

A. The COS

33. A new COS for Bangladesh was finalized in August 1999, which anticipated ADB's Poverty Reduction Strategy¹² in identifying poverty reduction as the overarching objective in Bangladesh.¹³ The COS aims to achieve poverty reduction by:

- (a) Promoting faster private sector led economic growth by accelerating the pace of structural reforms, providing assistance for improvement in infrastructure and financial systems, promoting private sector activities through ADB's public sector operations, and fostering sub-regional cooperation;

¹¹ Includes program loans.

¹² See 'Fighting Poverty in Asia and the Pacific', the Poverty Reduction Strategy of the Asian Development Bank, R179-99, 19 October 1999 (henceforth Poverty Strategy Paper).

¹³ While the COS identifies poverty reduction as the overarching objective in Bangladesh, an exercise will be undertaken in the year 2000 to determine whether any adjustments are required in the COS to achieve the medium term poverty reduction targets identified in the Partnership Agreement on Poverty Reduction (PAPR) signed between ADB and the GOB in April 2000.

- (b) Creating better development opportunities for the poor by encouraging community and private sector participation in rural development and focus urban sector interventions on development of small and secondary towns;
- (c) Improving human development by helping to increase the productivity of the poor by investing in primary health, primary, secondary and non-formal education (NFE), and provisioning of equitable access of social services to women;
- (d) Improving and protecting the environment by addressing environmental concerns in all ADB projects, capacity building in planning management, legislation, and regulatory capacity of the Government, with particular emphasis on urban environment improvement and poverty-related environmental issues.

34. The COS advocates sharper focus in ADB's operations in Bangladesh and recommends long-term involvement in a limited number of sectors. More specifically, the COS has reduced the sub-sectors adopted for ADB intervention from 30 to about 15. The strategy advocates assisting these priority sub-sectors on a sustained basis, involving several interventions over a decade to ensure maximum development impact. However, each intervention should be linked to demonstrated Government ownership and commitment to policy and institutional reforms. Where there is no such clear evidence of Government commitment to reform, the strategy requires that the ADB postpone new investments and, if appropriate, gradually withdraw from the sub-sector. In order to sustain the sharper focus, the COS recommends that assistance be provided only to those sub-sectors where a clear strategy for long-term ADB involvement is available, based on a comprehensive sector study.

35. In April 2000, the GOB and ADB signed a Partnership Agreement on Poverty Reduction (PAPR)¹⁴. The COS, along with the PAPR, will guide ADB's operations in Bangladesh. Starting in 2001, all ADB's projects will contribute to poverty reduction by either helping to accelerate other development interventions, or by focussing on poverty directly. Thus in selecting the sub-sectors in which ADB will provide assistance, the CAP exercise has applied two filters, i.e., poverty impact of projects, following the ADB's PAPR with Bangladesh, and the sectoral performance in terms of accomplishing policy reforms and in institutional strengthening.

B. Progress in Implementation

36. The 2001-2003 CAP has been formulated within the operational framework provided by the new COS and the PAPR. All new projects and technical assistance will focus either directly or indirectly on poverty reduction. Through these projects and programs, particular attention will be paid to creating better development opportunities for the poor, improving human development, promoting private sector development, and improving and protecting the environment. ADB is involved in a detailed dialogue with the Government, stakeholders, and civil society to ensure that there is adequate ownership by project beneficiaries. Further, projects under processing are paying increased attention to addressing sector policy issues and to strengthening the institutional setup. In order to exercise maximum impact in terms of support for policy and institutional reform within the constraint of available loan resources for Bangladesh, ADB is trying to limit the spread of its operations. Consequently, assistance to Bangladesh over the period 2001-2003 will concentrate on about 10 sub-sectors.

¹⁴ The details of the PAPR are contained in Section II C.

37. The principle of performance-based sector lending will further sharpen the focus of ADB assistance within the set of priority sectors/sub-sectors. Sub-sectors where there is demonstrated Government commitment to policy and institutional reform will gain at the cost of sub-sectors where such commitment is missing or uncertain. Assistance to the latter will be postponed in the absence of visible progress with reforms, though ADB will make all possible efforts to support the reform process and continue to engage the Government in policy discussions to facilitate reforms.

38. ADB is closely monitoring the compliance of covenants of existing loans before processing new loans in a particular sub-sector. And, in sectors where the commitment of the Government to implement reforms appears weak, processing of projects is being held back till such time that there is adequate compliance of agreed policy conditions. In the water resources management sub-sector, ADB's position is that the pipeline of projects planned over the next three years will be undertaken only on successful implementation of institutional reforms in the sector, and fulfillment of loan covenants of on-going projects, including recovery of costs of operating the irrigation pump stations. In the forestry sub-sector, implementation of on-going projects is less than satisfactory, as the Government has not yet been able to meet some key loan covenants. ADB has informed the Government that further assistance to this sub-sector will be considered after there is a distinct improvement in the implementation of the existing projects. Processing of three projects in the urban sector is also being withheld because the *Pourashavas* have not been able to meet the agreed resource mobilization targets and other performance criteria. Further assistance to the ports sub-sector has also been postponed until the Government demonstrates its commitment to involve the private sector to improve the efficiency of the Chittagong Port. Similarly, ADB has informed the Government that sustaining assistance to the power sub-sector will be feasible only if the reform measures agreed in the past are implemented.

39. In order to develop long term sector strategies, detailed studies are being undertaken in some of the key sub-sectors in which ADB's operations are likely to concentrate over the medium to long term *viz* agriculture and rural development, water resource management, urban development, surface transport, and financial sector. These studies are expected to be completed by the end of year 2000 and their findings will be incorporated in ADB's future operations. In addition, special studies are also being undertaken on cross cutting areas emphasized in the COS like private sector development, human resource development, environmental operation strategy, and a briefing paper on the status of women. These studies are also likely to be completed in the current year. A study has also been initiated on foreign exchange management and export policy to assist the Government in medium term balance of payments management.

C. Partnership Agreement on Poverty Reduction (PAPR)

1. PAPR

40. In accordance with the operational cycle spelt out in the ADB's *Poverty Reduction Strategy*, a Poverty Analysis of Bangladesh was conducted earlier this year. An Experts Group reviewed the draft Poverty Analysis Paper in Dhaka in January 2000. Thereafter, the Government held a Public Forum in early March where all stakeholders discussed the Government's Poverty Reduction Strategy. Based on the Poverty Analysis, and the outcome of the deliberations, a PAPR was signed between the GOB and ADB on 3 April 2000. The PAPR lays down the broad parameters, which will guide ADB's operations in Bangladesh over the medium term, including the 2001-2003 time slice covered by the present CAP.

41. The PAPER specifies targets for reduction of income poverty as well as human poverty, i.e., the non-income dimensions of poverty such as literacy, health and access to education and health services. It specifies both medium term (2005) as well as for the long-term (2010) targets for poverty reduction. The medium term targets – which are relevant to the CAP 2001- 2003 are: 25 percent reduction in the proportion of people below the poverty line, a 50 percent reduction in the proportion of children aged 6-10 not attending school, elimination of gender disparities in access to basic education, a 35 percent reduction in maternal mortality rate and 30 percent reduction in the infant and 'under 5' mortality rates, a 20 percent reduction in the proportion of malnourished children under 5 years of age, and a 50 percent reduction in the proportion of women of appropriate age not having access to reproductive health services.

42. The PAPER lays down the measures that the Government will take to achieve the medium-term poverty reduction targets. It also specifies the support that ADB will consider providing towards this end, in terms of ADB's three pillars for achieving poverty reduction, i.e., promoting other development interventions, improving social development, and attaining good governance.

2. Implementation of the PAPER

43. In order to meet the medium term goals, the PAPER recommends that the Government promotes other development interventions, increases the quantum and quality of social sector investments, and promotes good governance. The poverty reduction strategy also requires that the Government maintains a stable macroeconomic environment for achieving non-inflationary economic growth for sustaining anti-poverty initiatives.

44. The Government has stated that poverty alleviation is its overarching goal and remains at the center of its development approach. The current development strategy of the Government is to accelerate economic growth, provide higher investments in social sectors and basic services, restructure institutional and administrative framework, enhance the crisis coping capacity and build the assets of the poor, and promote targeted income and employment programs. In sum, according to the Government, growth with equity and social justice is its core development agenda.

45. The Government is of the view that it is pursuing a well-prioritized public expenditure policy to achieve their economic and social objectives. In pursuance of this policy, social sector expenditure as a proportion of total public expenditure (at constant FY1985 prices) increased from 20 percent in FY1991 to 25 percent in FY1999. Public expenditure on education and health has also increased significantly. Development outlay on education had increased nearly four folds over FY1991 – FY1999 along with substantial increase of ADP expenditure on health. The Government is giving particular attention to primary education and non-formal education and is allocating almost 50 percent of public expenditure on education to these activities. In tandem, Government is attempting to target public expenditure on health to the poor along with improved delivery service and making health care services more accessible, cost effective and sustainable. In addition to social infrastructure, the Government also recognizes the important role of physical infrastructure in poverty reduction, particularly in rural areas where the bulk of the poor live. For example, the Government has raised the share of rural roads in public transport sector expenditure from around 7 percent in the early 1990s to the current level of 23 percent. The share of rural electricity in the power sector's budget has also increased from 26 percent to 33 percent over the same period. The Government is also implementing several targeted programs such as Food for Works, Vulnerable Group Development, and Food for

Education to address food insecurity problems of specific groups and simultaneously create employment opportunities. In addition, Bangladesh has also implemented several innovative and successful micro-credit programs. The NGOs continue to play an important role in supplementing Government's efforts in poverty reduction.

46. While the Government's efforts have yielded positive results in reducing both income and human poverty, ADB would like to stress that the pace of poverty reduction is slow and a more determined effort is required to meet the medium and long term targets of PAPR. The Government needs to further step up its investment in the social sectors, especially in primary education, health and nutrition, as these are crucial for reducing deprivation and improving the quality of human resources for sustaining long term growth. ADB has also emphasized to the Government that while the social sector expenditure (both revenue and development) as a proportion of total expenditure increased sharply during the period FY1991 to FY1995, the ratio has remained virtually constant since FY1996. The Government also needs to explicitly target the urban poor, especially those who reside in "squatter" settlements with limited access to safe drinking water and sanitation. Apart from providing them with the basic social infrastructure, the Government should also consider provision of security of tenure for slum dwellers and facilitate more self-help investment and employment opportunities.

47. ADB is of the view that mere increase in allocation of resources will not be sufficient to make a significant dent on poverty alleviation. It is equally important that the quality of service delivery is simultaneously improved. This will require development of decentralized and accountable local governments, greater private sector and community participation, and the creation of a conducive policy environment. Furthermore, ADB has stressed to the Government that an enlarged public expenditure program is sustainable only if it is accompanied by a greater tax effort. Given the current level of the fiscal deficit, any additional expenditure without a corresponding increase in revenue could lead to macroeconomic instability, which in turn will reduce the growth rate of the economy. It could also trigger unacceptably high level of inflation if the forthcoming harvests are below normal, which would hurt the poor in a disproportionate manner. ADB has also cautioned the Government against undertaking import-intensive projects, which are not aid financed, as they could further erode the already thin foreign exchange reserves.

48. In the current year, ADB will closely examine whether the Government's prospective plans for poverty alleviation are sufficient to meet the targets set in PAPR. Policy dialogue on key social sector issues and institutional constraints will be carried out to assist the Government meet the PAPR targets.

49. Regarding ADB's plan to implement its commitments under the PAPR, refer to section VII (ADB's Operational Program). The PAPR also indicates that good governance and reduction of corruption are essential for accelerated poverty reduction. Hence, ADB will provide assistance in this field, in particular, for policy and institutional reform in sectors where ADB is active. It will also help build capacity for improved local governments in both rural and urban areas to promote a more decentralized and participatory process of governance (refer to section III D for details on Governance related program).

3. Monitoring Implementation of the PAPR

50. Monitoring the accomplishment of PAPR targets is an important component of the Agreement. Accordingly, an advisory TA was included in the current year (2000) to help develop indicators for this purpose. The TA fact finding was completed in June 2000 and it has been

agreed with the Government that the TA will assist in reviewing and improving the quality, methods used, timely production, and dissemination of key poverty measures and related socio-economic indicators. The TA will assist the Bangladesh Bureau of Statistics (BBS), in close collaboration with the Planning Commission, to produce and disseminate core human and income poverty estimates as well as related social indicators namely mortality rates, nutrition, access to reproducible health services, primary education enrollment and completion rates. This will be accomplished by (i) thorough study, documentation and critical evaluation of the methodologies and estimates, (ii) proposed improvement and building capacity to implement them, and (iii) field testing the proposed methodologies. The TA will also attempt to enhance the capacity of BBS to compile and disseminate these data on a regular basis.

51. Apart from monitoring the PAPR outcome targets, it is also important to monitor the implementation of various projects aimed at accomplishing these targets. The Government has been informed about ADB's internal project implementation monitoring system, and has been requested that this be used as a tool for improving project implementation on a continuing basis.

III. SECTOR STRATEGIES

A. Agriculture

1. Agriculture and Rural Development

52. Agriculture is the single most important sector of the economy being the major source of livelihood in the rural areas where about 78 percent of the population lives. The sector employs approximately two-thirds of the labor force and contributes one-third of the GDP. The majority of the poor in Bangladesh are in the rural areas. The sector is predominantly in the private sector with ample scope for further expansion of private sector activities. The Agriculture sector will therefore remain the major focus of ADB's interventions aimed at poverty alleviation.

53. To address the constraints and utilize the latent potentials of the sector, the Government has formulated strategies and program framework for agricultural development within a growth-equity-sustainability framework. The National Agriculture Policy was approved in April 1999, the focus of which is on increasing production of all crops and ensuring a dependable food security system. The current priority of the Government is to increase crop yields by shifting from local varieties to high yielding varieties (HYVs) and hybrid varieties. Agriculture intensification and diversification is being pursued to attain self-sufficiency in crops. As part of this approach, irrigation network is being expanded combined with greater application of HYV in rice and wheat. The country's Fifth Five-year Plan accords high priority to agricultural development.

a) Crop and Rural Developments

54. Increasing production and productivity of staples, combined with crop diversification into higher value added agriculture including livestock, fisheries, poultry and other off-farm activities would be the key components of sustaining agriculture growth. These will, in turn, depend on farmers' access to better technologies (research and extension), improved financial services and development of post-harvest services such as marketing and storage as well as physical infrastructure such as farm to market roads. These different components are not substitutes, and piecemeal provision of some elements will not sustain growth in agriculture. For optimal impact of growth mediated poverty reduction, it is essential to give farmers access to the entire

package. Hence, ADB's assistance will focus on making the package available in specific areas of high poverty incidence such as the NorthWest and Chittagong Hill Tracts regions.¹⁵

55. Two projects, namely Northwest Crop Diversification Project (NCDP) and Chittagong Hill Tracts Rural Development Project (CHTRDP) will be processed during 2000. Located in a region where 62.2 percent of the population lives below the poverty line, the NCDP will capitalize on the agro ecological advantages inherent in the area and will address problems inhibiting intensification and diversification into higher value crops through provision of research, extension, and credit. The CHTRDP will provide better infrastructure, community development and credit for income generating activities. Moreover, such assistance will not be one shot interventions, but part of a series of sustained interventions to maximize the impact in helping reduce poverty in these regions. The lending pipeline for 2001-2003 includes a Rural Development Project in the year 2002 and similar interventions in the succeeding years to address the sectoral policy and institutional constraints mentioned in para 54.

b) Microfinance

56. Micro-credit programs have been successfully developed and effectively utilized in Bangladesh as a potent instrument for poverty reduction. The scale of micro-credit operations in Bangladesh is extensive with the involvement of Government, Nationalized Commercial Banks, statutory financial institutions, and NGOs. A noteworthy feature of the micro-credit program is that more than 90 percent of the borrowers, under different programs, are women. The various programs have thus contributed to the empowerment of the women. Despite these efforts, the reach of the various programs is only limited to a small proportion of the rural poor and the urban poor have virtually no access to these schemes.

57. The ADB's focus on microfinance will be towards (i) assisting NGOs and Government in supporting microcredit institutions to convert them to formal financial institutions; (ii) helping the Government and Bangladesh Bank to develop a regulatory and supervisory framework on these upgraded institutions; and (iii) assisting NGOs to expand microcredit activities to help the urban poor.

58. In line with this strategy, the ongoing Rural Livelihood Project develops an alternative source of micro-finance through cooperatives, and will consolidate cooperatives into a district level bank. It will also develop a framework for sustainable microfinance operations. The experience of ongoing projects will be utilized in developing similar projects in the coming years.

2. Forestry and Natural Resources

a) Water Resources Management

59. Water is central to the way of life in Bangladesh and the single-most important resource for the well being of its people. It sustains an extremely fragile natural environment and provides livelihood for millions of people. Water resources management in Bangladesh faces immense challenges to resolve the diverse problems and issues. The most critical of these are alternating

¹⁵ These areas were largely isolated from the rest of the country before the opening of the Jamuna Bridge and signing of the Peace Accord respectively, and their development lags behind the rest of the country. Poverty incidence in these regions is higher than the national average. Following the opening of the Jamuna Bridge and signing of the Peace Accord, economic activity has begun to increase.

flood and water scarcity during the wet and the dry seasons, ever-expanding water needs of a growing population, and massive river sedimentation and bank erosion.

60. The key challenges which need to be addressed in managing this resource include flood protection, riverbank erosion prevention in areas of most intense poverty, rising salinity and other adverse effects of reduced water flow in the Ganges dependent South West region of the country, cyclones and tidal surges which decimate life and property in coastal areas, and the growing problem of arsenic contamination of ground water, affecting millions of people. ADB's assistance to address these challenges in the past have included a number of technical assistance and loan projects. However, their performance has been mixed because of institutional weaknesses and capacity constraints. Further assistance will have to be organized in line with the emerging policy and regulatory framework, and keeping in view the performance of the sector as a whole. The Government has recently formulated a National Water Policy and is presently engaged in formulating a National Water Management Plan (NWMP) with support from several donors, including ADB. This exercise will address ADB's concerns in the sector including poor operation and maintenance, low cost recovery, the need for more effective beneficiary participation, strategic planning and improved institutional management. The policy agenda also includes capacity building in water sector institutions and implementation of a compact portfolio of priority projects. Over the medium term, ADB will develop a program within the framework of the NWMP in coordination with other donors, once it is completed. Meanwhile, it will focus on sustainable water resource development in high poverty areas, improved flood protection, river management in vulnerable areas, and measures to mitigate arsenic contamination.

61. The 2001-2003 pipeline includes five projects in the subsector, i.e. Small Scale Water Resources Development II and Kalni-Kushiyara River Management (in the year 2001), Arsenic Mitigation (in the year 2003), Jamuna-Meghna River Erosion Prevention (in the year 2003) and Integrated Water Resource Management in the Southwest (standby project in the year 2003). The large pipeline is contingent on successful implementation of institutional reforms in the sector and fulfillment of policy reforms required under the ongoing projects, including recovery of operating cost of the irrigation pumping stations. The Government intends to implement management transfer and cost recovery policies under which the management of small to medium water resources schemes with a command area of less than 5,000 ha will be handed over to local community groups, such as water user associations, for operation and maintenance, thereby eliminating the need for cost recovery by the Government. For large irrigation schemes, the Government intends to recover full operation and maintenance (O&M) charges, and a part of the capital cost. In the water management sector, ADB will work in close coordination with all donors, especially the Netherlands Government, which has indicated its interest in working together on the TA for the Water Resources Management Investment Strategies and the Second Small-Scale Water Resources Development Sector Project II (in the year 2001). ADB will consider providing assistance to develop long-term solutions to the problem of arsenic contamination which will be addressed through a TA planned in the year 2001 followed by a loan in the year 2002.

b) Forestry

62. The forest area in Bangladesh is estimated at 1.47 million ha, or about 11 percent of the total land area. In recent decades, the forest area has declined at an alarming rate¹⁶ due to: (i)

¹⁶ During 1981-1990, the forest estate shrunk by about 3.3 percent, as compared to an average of about 0.6 percent for South Asia.

encroachment for agricultural development, homesteads, and urban expansion; and (ii) excessive tree felling due to the ever increasing excess of demand over supply for timber and fuel wood. With high population density, the pressures on the forest reserves are severe. Forest areas are being encroached upon increasingly by the large number of landless population. Among those living within and in the vicinity of forestland, women and vulnerable groups (including ethnic minorities, indigenous occupants of forestland, people on the bottom rung of the social ladder) are amongst the poorest and require special attention. As collectors of fuel, fodder and other non-timber forest products for consumption and sales to urban markets, they are major stakeholders (and beneficiaries) in the proper planning and management of the sector.

63. ADB's involvement in the forest sector takes into account the need for sustainable development and management of forest resources, conservation of potential risk areas, marketing of forest products, enhancement of institutional capacity and restructuring, and promoting a participatory approach to assist the poor and vulnerable groups. ADB has three ongoing projects with the Ministry of Environment and Forests, namely, Coastal Greenbelt, Forestry Sector, and Sundarbans Biodiversity Conservation. However, the implementation of these projects has not been satisfactory. Legal and institutional reforms envisaged under the Forestry Sector Project have not been carried out fully. Operationalization of the Sundarbans Management Unit (SMU) is yet to be fully accomplished. While the Ministry has issued a notification for the setting up of SMU, the Forest Department has not taken adequate steps to fully operationalize SMU with proper staffing, which is essential for implementing the Project. The need for institutional reforms in the sector is urgent and pressing. Demonstrated progress in the sectoral reforms and in the implementation of ongoing projects is needed before considering further assistance to the sector.

B. Infrastructure

1. Energy

64. Inadequate supply of electricity is a major constraint to Bangladesh's economic growth. Its annual per capita electricity consumption of 71 kilowatt-hours (kWh) in FY1998 is the third lowest among ADB's developing member countries, after Nepal and Cambodia. Only about 18 percent of the population has access to electricity. Consumption of electricity increased at an average annual rate of 8.5 percent from FY1994 to FY1999, with major increases in industrial and residential use. Despite an installed generation capacity exceeding peak demand, the economy still suffers on account of substantial load shedding. This is due to the fact that some of the older stations need to be replaced, and the existing plants require routine maintenance, which reduces the effective supply availability.

65. Weak sector agencies and poor governance characterizes the power sub-sector. ADB's strategy has been to provide assistance, in cooperation with other donors, to ensure at least a minimum rate of growth of power supply, combined with comprehensive reform of the regulatory framework, tariffs and institutional structure of the sector. These are intended to ensure growing private sector participation, better population coverage, and enhanced technical and financial efficiency in the sector. Substantial progress has been made on many of these aspects. The Government amended the Dhaka Electric Supply Authority (DESA) Act in April 1998 to rationalize the boundary of operations between DESA and Rural Electrification Board (REB). All areas outside the redefined boundary of DESA have been handed over to REB. In terms of unbundling and rationalizing the sector, the Power Grid Company of Bangladesh (PGCB) has been incorporated and operationalized, to take over the transmission assets of the Bangladesh

Power Development Board (BPDB) and DESA by the year 2002. Similarly, a newly formed company, Dhaka Electric Supply Company (DESCO) will take over the distribution assets of DESA by the year 2002. The Government has also agreed to liquidate, in phases, Government's dues to BPDB and DESA. The power tariff adjustment formula, which determines the semi annual adjustment of electricity tariff to compensate for changes in the exchange rate and gas price, is being regularly implemented. The Government has also fixed the transmission (wheeling) charge for PGCB. BPDB and DESA are in the process of implementing a project for computerizing their accounting and billing system.

66. On the generation side, the Government adopted a private power generation policy in October 1996. Five contracts with the private sector (including 3 barge-mounted plants) for 1100 MW power generation have been signed. The Government also permitted REB to incorporate a Rural Power Company (RPC) to install a 70-MW power plant for selling power to the national grid. The plant was commissioned in February 2000 and RPC is planning another 70-MW plant at the same site financed by mobilizing domestic resources from the shareholders [Pally Biddut Samities (PBS) – (*Rural Power Cooperative*) responsible for distribution of power in rural areas under REB]. The Cabinet approved the English version of the Electricity Reform Bill in principle in late 1999. The Bill (Bengali version) incorporating the observations made by donors in the English version is in the process of being submitted to the Cabinet for fresh approval before placing it in the Parliament for enactment. The Government has also approved the proposal for corporatization of the Ashuganj Power Station.

67. Since mid 1999, however, the reform process slowed down considerably, especially the reform relating to BPDB. BPDB appears to be stalling the operations of RPC and PGCB. In the case of RPC, the power purchase agreement has not been carried out by BPDB and in the case of PGCB, BPDB is moving at a slow pace in transferring the transmission assets and the required manpower. It has not paid the wheeling charge to PGCB and it is also blocking the agreed asset transfers to REB. With the changes in BPDB management in May 2000, some progress has been made in activating the agreed reform agenda. ADB has been holding discussions with the Government to facilitate and expedite the reform process. ADB has informed the Government that unless the agreed reforms are implemented, it would be difficult to sustain the assistance program. The Government has assured ADB of its commitment to implement mutually agreed reforms and to resolve the outstanding issues.

68. In the hydrocarbon sector, Bangladesh is dominated by natural gas which accounts for over 70 percent of commercial energy in the country. Prospecting and development through production sharing contracts has rapidly increased production capacity. The size of the domestic market is, however, limited resulting in a situation of temporary excess supply, combined with excessive foreign exchange payment commitments in the sector. For efficient development of the gas sector, several institutional reforms need to be instituted. The sector needs to be restructured to enable competitive production by private/public sector entities. A common access gas transmission company needs to be created. Simultaneously, the gas distribution companies need to be corporatized, and preferably privatized. The Government should introduce the Gas Reform Bill in the Parliament without any further delay. An autonomous Regulatory Authority needs to be created to regulate down stream activity in the sector based on competition and commercial principles. Most important, the Government should make a balanced assessment of gas utilization taking into account the production capacity, the potential foreign exchange payments on account of production sharing contracts, and the net benefits to the country on alternative use of gas. In this assessment, export of gas through pipeline should be considered as one of the feasible options.

69. ADB strategy is to help the Government develop both the internal and export markets through investment in trunk transmission lines, distribution lines and other basic infrastructure if these are not forthcoming from the private sector. Such investment assistance will be linked to development of a sound regulatory framework and a gas sector development strategy, including exports.

70. The 2001-2003 pipeline includes two loans in the energy sector: Rural Power Transmission and Distribution Project (in the year 2002) and Gas Sector Development II (in the year 2003). In addition, a gas sector loan is planned for the year 2000. It has poverty reduction as one of its objectives by providing gas supply to relatively poor areas of the country (the Northwest and Southwest parts) so that poor consumers can have access to cleaner energy resources at lower cost. The ADB will also undertake further economic and sector work, in cooperation with other aid agencies active in the sector, to support policy discussions with Government and civil society.

2. Transport

a) Ports

71. Until road and rail links are improved through the more effective integration of domestic networks with those of neighboring countries, the ports of Chittagong and Mongla will continue to handle the bulk of the country's export trade. Congestion and labor disputes have seriously hindered the Chittagong Port's performance, while the smaller Mongla port has limited capacity and is restricted to shallow draft vessels due to siltation problems.

72. The ADB's role has been that of a facilitator for (i) promoting sector reforms and efficiency improvements; (ii) greater private sector participation in port development and operations (iii) enhancing the autonomy of port authorities and (iv) ensuring environmental management and protection. The past year, however, has seen an increase in protests by port workers, and an impasse between the ADB and the Government on the terms and conditions of a proposed Port Efficiency and Access Improvement Project. As a result, the project has been shelved and the access improvement component reconstituted as the Chittagong Port Access Road under the proposed Road Maintenance and Improvement Project, scheduled for Board consideration in the year 2000. ADB's current involvement in the sub-sector is limited to a TA for an Oil Spill Impact and Response Management Program which seeks to develop the basis of a national oil spill contingency plan and oil spill response mechanisms in the Ports of Chittagong and Mongla. Further interventions will be considered only after the Government agrees to undertake critical policy reforms in the sector.

b) Railways

73. ADB, together with Kreditanstalt für Wiederaufbau (KfW) continues to assist Bangladesh Railways (BR) in improved financial performance, organizational reforms, resource and asset rationalization and upgrading of physical infrastructure. Notable progress has been made in moving BR towards an autonomous corporate structure with full financial accountability and transparency in its operations. This goal has been mapped out under a five-year Time Bound Restructuring Action Program included as a conditionality of the Jamuna Bridge Railway Link Project Loan Agreement signed in September 1997.

74. Current and medium term interventions include (i) rail network expansion and upgrading centered on the Jamuna Bridge rail link crossing; (ii) rationalization of the rail network and

improved resource utilization; (iii) continuing support for restructuring of BR; (iv) encouraging private sector involvement and private financing in selected areas; and (v) promotion of regional cooperation and network integration.

75. Although BR has made an encouraging start to its staff reduction program, further efforts are required in this direction. In its quest for corporate status, it must also (i) dispose off non-core assets; (ii) improve productivity and cost efficiency through the introduction of modern technology and management methods; (iii) introduce incentives for enhanced performance; and (iv) create an environment conducive to greater private sector participation in the provision of railway services. ADB assistance towards these goals includes two TA grants in the current year for Regional Rail Traffic Enhancement Program (PPTA) and Organization Reform of BR Phase III (AOTA). The former is expected to lead to a loan in 2001.

c) Roads

76. The demand for road transport continues to increase at an average annual rate of 8 percent for passengers and 7 percent for freight, while the country's vehicle fleet has increased at a similar rate over the same period. Despite broad agreement that the road network coverage is satisfactory, much of the network is in urgent need of rehabilitation and maintenance. In addition, demand still exists for capacity enhancement on some arterial routes, including regional linkages, and for the construction of fixed-link crossings on major rivers.

77. The recently signed PAPR provides renewed direction for ADB's support for the road sector. Accordingly, roads subsector strategy will focus on (i) accelerating pro-poor economic growth through improved access to markets and inputs; (ii) improvements to networks, including national, regional and feeder roads serving poor areas; (iii) introducing more objective and transparent approaches to resource allocation especially for road maintenance; and (iv) opening up road sector operations for private sector involvement and public-private sector partnership. ADB will continue to promote institutional changes required in network management, road safety improvement, and regional network integration.

78. The shift in emphasis is reflected in ADB's proposed Road Maintenance and Improvement Project scheduled for Board consideration in late 2000. Concurrently, a TA will investigate the impact of roads on poverty reduction in Bangladesh, the findings of which will provide guidance on ADB's further operations in the road sector. Other planned interventions include technical assistance in the year 2000 for preparation of a proposed Road Network Improvement and Maintenance Project scheduled in the year 2002, and a similarly designed project in 2003. The lending pipeline also includes TAs to support loans in the current and planned pipeline.

79. In essence, policy and institutional reform based lending will also be the guiding principle in the road sector. While past ADB assistance was largely focussed on national highways, future assistance will target capacity constraints and network deficiencies in regional and feeder roads. Such an integrated approach is expected to reduce poverty through improved transport services, particularly in poorer areas of the country.

3. Finance

80. An efficient and well-developed financial sector is vital for increasing domestic savings and channeling them into productive investment. Bangladesh has a nascent financial sector but the challenges facing the sector are widespread, deep-rooted, and long standing. The

development finance institutions, nationalized commercial banks, and non-bank financial institutions all have sizeable infected portfolios, though the degree varies across sub-sectors. Yet stable long-term growth in the economy is not sustainable without an efficient and transparent financial intermediation.

81. Policy and institutional reform in the sector therefore remains a high priority. The ADB closely coordinates with IMF and the World Bank to provide assistance to Bangladesh in this sector. While the IMF and World Bank focus on the central bank and the banking sector, ADB focuses on the development of the capital market as an alternative channel for resource mobilization. ADB has an on-going Capital Market Development Program Loan (CMDPL), the second tranche of which is due for release. The program has strengthened the market regulation and supervision role of the Securities and Exchange Commission (SEC), developed capital market infrastructure, modernized capital market support facilities (including the automation of the stock exchange and the establishment an automated central depository), and has paved the way for investment of long term institutional funds in the stock exchange. As part of the broad-based support for capital market development, ADB has recently concluded three TAs for Capacity Building of the SEC and Stock Exchanges, Institutional Strengthening of the Privatization Board, and Insurance Industry and Pension and Provident Fund Reforms. The impact of the CMDPL and the TA for Capacity Building of the Securities and Exchange Commission and the Stock Exchanges has been positive in strengthening the capital market in Bangladesh. The TA for Strengthening of the Privatization Board and the TA for Insurance Industry and Pension Fund Reforms have diagnosed the problems and issues to be addressed in formulating a comprehensive strategy for the development of the capital market. ADB has also been pursuing policy dialogue with the Government on secured transactions law reforms.

82. The year 2000 program contains a TA that will further enhance the institutional capacity of the SEC and the Stock Exchanges. This TA will focus on corporate governance by implementation of international accounting and auditing standards as well as promoting transparency, accountability and disclosure. It will also aim to improve the professional standards of key market players, especially brokers and merchant bankers. Another TA in the year 2000 is on Insurance and Pension Fund Development. The pipeline for 2001-2003 includes two loans, namely, Long Term Financial Market Development (in the year 2001) and Insurance and Pension Funds Development (in the year 2002). In addition, a TA is proposed for Capacity Building of the Bangladesh Insurance Academy (in the year 2002).

C. Social Infrastructure and Environment

1. Urban Development

83. Bangladesh's urban population growth has been over 8 percent per annum over the past three decades compared to the overall population growth rate of 1.6 percent. Urbanization has taken place generally without much planning, resulting in insufficient urban infrastructure and services. With rapid urbanization, the number of urban poor has increased from 7 million in 1985 to nearly 30 million in 1999. The socio-economic conditions facing the urban poor are often worse than in the rural areas with higher cost of living, increased exposure to environmental risks, and weak social safety net. Female – headed poor households are even more vulnerable in the urban than in the rural areas.

84. The demographic overload is already straining urban services and urban infrastructure. Most urban areas lack proper drainage systems; roads systems are insufficient with no regular maintenance; and public facilities including markets, public health centres, solid waste

management and basic services are grossly inadequate. Urban slums are large and growing. Major concerns in the sector are unsatisfactory living conditions and environmental degradation, weak institutional policy and regulatory frameworks for urban planning and management, and inadequate revenue generation and expenditure allocation policies and mechanism.

85. As a lead donor, ADB has been active in the sector through the assistance of seven projects and several complementary TAs. Mostly focused on secondary towns, these interventions have helped to improve the living environment for the poor, promote private enterprise in the delivery of urban services and, most important, support policy and institutional reform for improved urban governance. The objective of these interventions is to slow down the migration to large cities like Dhaka by helping improve urban infrastructure services in secondary towns. While the physical components of past projects have been successful, their impact has been undermined by poor performance of the reform component. The administrative capacities and finances of the *Pourashavas* continue to remain weak despite sustained efforts of ADB. The financial problems are partly due to the nonpayment of dues by other government agencies.

86. With a view to addressing the above issues, ADB's assistance focuses on (i) ensuring sustainability in delivery of urban services through strengthening urban management capacity, particularly improving revenue generation; (ii) improving the living conditions of the urban poor; (iii) improving the decentralization and strengthening the local government to deliver quality services in a sustainable manner; (iv) supporting community and private sector involvement in urban services; and (v) addressing urban environmental issues. To address the issues effectively, ADB's urban sector strategy for Bangladesh is in an advanced stage of finalization.

87. The pipeline for 2001-2003 includes three loans, i.e., Third Urban Development Sector (in the year 2001), Land Administration Reform (in the year 2002) and Third Water Supply and Sanitation (standby project in the year 2003). In addition, there are several advisory technical assistance projects to support improved urban governance, and PPTAs to support planned loan projects in the current and future pipeline. However, processing of the pipeline is contingent on progress in accomplishing the *Pourashavas* performance targets. ADB will continue to work closely with the government to facilitate the accomplishment of agreed reforms.

2. Health

88. Health and population remains among the country's most urgent development issues. Although Bangladesh has made progress in some areas like fertility reduction, decrease in infant and child mortality, major challenges still remain.

89. The ADB's operational focus is on primary health care in the urban areas. The sector strategy aims to (i) support the Government policy for decentralization of health services, communicable diseases control, and reproductive health; (ii) develop public private partnership for primary health care services; (iii) enhance privatization of health services; and (iv) develop alternative health care financing schemes, including a social insurance system for providing affordable medical care and protection for old age.

90. The proposed program includes a PPTA for the Second Urban Primary Health Care Project in 2002. The main objective of the TA is to prepare a project that will build on the ongoing project to implement high quality preventive, promotional and curative primary health care services to the urban poor, particularly women and children. To help assist the

Government in addressing the serious malnutrition problem, the pipeline also includes an ADTA in 2003 for National Nutrition Program.

3. Education

a) Primary and Non-formal Education

91. ADB's operational strategy in Bangladesh focuses on human development through provision of basic education as part of the overall poverty reduction strategy. The operational strategy for the education sub-sector aims to (i) increase equitable access to basic education, particularly for girls and disadvantaged children; (ii) improve educational quality and system efficiency, particularly in teacher training; (iii) strengthen the institutional capacity to deliver basic and secondary education; and (iv) support decentralization and community involvement in education.

92. Bangladesh has achieved good progress in basic education over the past decade, especially in terms of enrolling more eligible children and increasing the number of girls enrolled. However, assessment suggests that in spite of considerable progress, Government's goal of eradicating illiteracy by 2006 should require continued support from funding agencies including ADB. At the same time, more needs to be done to achieve the 100 percent completion rate of children enrolled for primary education; the current completion rate is only 65 percent. The main challenge is to improve quality at all levels which means special attention needs to be given to training of teachers, improvement of management, academic supervision and monitoring of activities, and build-up of data collection and data maintenance system.

93. During 2001-2003, the pipeline will include the Second Nonformal Education (NFE) Project in 2001 (PPTA in 2000). The objective of the loan is to assist the Government in further strengthening the institutional and managerial capacity of the Directorate of Nonformal Education, in improving quality of NFE, and in expanding and sustaining NFE. The ADB will also provide a PPTA for the Primary Education Sector III project in the year 2002 followed by a loan in the year 2003. The objectives of the PPTA are to (i) assist the Government in preparing a Second Primary Education Development Plan for 2003-2007 consisting of a policy framework, prioritized strategies, and a concrete investment plan; and (ii) facilities development for improving primary education in Barisal, Chittagong, and Sylhet divisions.

b) Secondary Education

94. Access to secondary education remains poor with only about 34 percent of secondary school aged children attending schools. Secondary schools are inadequately managed, have limited facilities, and offer a low standard of education with less relevance to the job market or attaining specific skills. In addition, the increasing numbers of primary school graduates are also exerting pressure on the capacity of the secondary education system. In order to address these issues, the Government has prepared a Secondary Education Sector Development Plan (SESDP) for the period 2000-2010 with ADB's technical assistance support. As part of SESDP, the ADB has provided financing for the currently ongoing Secondary Education Sector Improvement Project.

95. Improving the quality of secondary education in Bangladesh is an essential component of the human development strategy pursued by ADB. In line with this, the ADB's proposed loan and TA program in 2001-2003 includes the Secondary Education Teacher Training Project in 2002 (PPTA in 2001). The objective of the project is to assist the Government in implementing

necessary reforms, expansions and improvements in the secondary teacher training system. The PPTA will also include preparation of a Master Plan for Teacher Training.

4. Environment

96. The ADB has recently prepared a new environment operational strategy (EOS) for Bangladesh which addresses the major environmental problems, including exposure to natural hazards, widespread degradation of terrestrial and aquatic ecosystems, and global warming effects. The EOS focuses on: (i) slum development and associated problems like unsafe drinking water, waste management, drainage, and fecal pollution; (ii) water quality issues such as contaminated surface and groundwater, pollution from industries, agro-pesticides, and arsenic; (iii) vehicular air pollution and other environmental risks associated with poor performance in the road, rail, inland water and marine transport sector; and (iv) energy issues related to both renewable and non-renewable resources.

97. The new EOS identifies programs which put emphasis on a multi-sectoral approach, taking into account, wherever applicable: (i) economic trends; (ii) linkages to multi-phased programs; (iii) sustainability and continuity, especially where institutional strengthening and gender issues are involved; (iv) cooperation with other donors and the private sector, observing a balance between the green and brown sectors; and (v) underscoring involvement in the biodiversity sector. Poverty is identified as the critical factor that increases pressure for livelihood, hampering both development and environmental health, and the link between environmental degradation of ecosystem and its natural resources and population growth. Support to the private sector to tackle the problems has been underscored. The EOS is oriented towards long-lasting environmental effects associated with global climate change effects, such as soil properties and flooding pattern. These programs are closely related to disaster management, both in the national and in regional cooperation context. A TA is under preparation (in the year 2000) to foster ownership of the Government, private sector organizations, and other stakeholders for the promotion of cleaner production by establishing a firm partnership among them.

D. Governance Dimensions of ADB Operations

98. Lack of good governance is perhaps the single most important impediment to accelerating the pace of poverty reduction in Bangladesh. Since effective and efficient delivery of public services matters most to the poor, weak governance hurts them disproportionately. Consequently, governance and capacity building are high priorities in ADB's operations in Bangladesh.

99. In Bangladesh, governance challenges include, among others, weak administrative capacities of government institutions, weak commitment to sectoral reforms, and endemic corruption. On governance issues, ADB is concentrating on (i) helping the Government to develop core administrative capacities; (ii) supporting public enterprise reforms and assisting in changing the role of the state to becoming a catalyst or facilitator for promoting private sector-led growth; (iii) assisting reforms to strengthen the legal framework; (iv) supporting an accountable and transparent public administration; and (v) strengthening the Government's development partnership with NGOs and the private sector. Besides providing direct assistance for addressing governance-related issues, ADB is also incorporating governance components in its investment projects by including specific loan covenants that enhance capacity building and strengthen policy and institutional reforms. Several ongoing (and forthcoming) TA interventions support improved governance, especially in the areas of macroeconomic management, fiscal

management, capital market development, improvement of the quality of statistics, portfolio performance strengthening, government-NGOs and government-private sector partnership strengthening, land reforms and urban governance.

100. In the past, ADB's assistance has addressed governance-related issues through policy and capacity building components of loan projects, and advisory technical assistance. In railways, ADB's assistance has been instrumental in promoting financially accountable management. In the power sector, ADB's assistance is aimed at unbundling the sector to create efficient and transparent corporate entities in the generation, transmission, and distribution components. Assistance is also being provided for developing proper accounting and billing systems, and for supporting the creation of autonomous regulatory bodies. Similar support is also being provided for the gas sector. ADB's assistance has also achieved some success in improving institutional capacities in supervision and regulation of the capital market, and improving national accounts, land administration, feeder road management, water management and microcredit operations. In some other sectors like urban development, forestry, and ports, however, efforts to promote improved governance have been less satisfactory and policy discussions with the Government are on going to address governance-related issues.

101. A governance issues paper is under preparation in order to have a comprehensive assessment of the key governance challenges, consolidate the experience of ADB and other donors to promote assistance in this field, and develop a strategy of intervention. In addition to institutional/policy reforms and capacity building issues, this paper will also examine the scope and modalities of promoting civil society participation and partnership with NGOs.

102. Lending program includes an investment project for Land Administration Reform (in 2002). Processing of this project is, however, dependent on a clear policy statement from the Government concerning the institutional and legal changes that are essential for successful implementation of proposed land administration system. Meanwhile, new investment projects in all sectors are incorporating governance components either in the form of capacity building or policy/institutional reforms. Many stand-alone TA interventions are also in the pipeline to support improved governance. These include Efficiency Enhancement of Fiscal Management II, Capacity Building in Urban Governance, Capacity Enhancement of Local Government, Supervision and Regulation of Microfinance Institutions, Improvement of National Accounts II, Establishing a Regulatory System for Municipal Water Supply and Sewerage Services, and Strengthening Project Portfolio Performance II.

E. Gender Dimensions of ADB Operations

103. One of the important dimensions that characterize poverty in Bangladesh is the gender disparity among the poor households. Female-headed houses invariably have low earning capacity due to limited access to work opportunities and resources. Provision of training, education, skill, credit, and employment opportunities will help bring these disadvantaged female poor to the mainstream of development. Accordingly, ADB through its projects, has been providing women with basic services like water and sanitation, and health care facilities. (Secondary Towns Infrastructure Development Project-II (STIDP-II), and Urban Health Care Project). Self-employment opportunities through provisions of micro-credit and skills development training have been provided through other projects (Rural Livelihood, Participatory Livestock Development Projects, and STIDP-II). The on-going infrastructure development projects have been facilitating women's mobility and economic participation and have also created wage employment opportunities for the poorest women (STIDP-II, Third Rural Infrastructure Development Project and Small-Scale Water Resources Development Project).

Women will be the major beneficiaries in the Chittagong Hill Tracts Rural Development Project and Northwest Crop Diversification Project (both approved in November 2000). Capacity building activities of the Resident Missions and the Government's Executing Agencies are also being undertaken by ADB to facilitate integration of Gender and Development (GAD) issues in programming and project processing (RETA 5835).

104. The lending program developed for 2001-2003 further strengthens the ongoing efforts of ADB in enhancing the well-being of female poor by expanding the service network, strengthening grassroots-level organizations for women, helping create self employment, and wage employment opportunities (including promotion of parity in male/female wages), and developing supportive infrastructure. The Second Non-formal Education Project programmed for 2001 will essentially benefit the illiterate and newly literate young females. The Third Urban Development Sector, and Rural Development Project programmed for 2001 and 2002 respectively, will have components addressing the persistent poverty of urban and rural poor and slum dwellers, particularly females. Other projects in the pipeline with favorable impact on women include Primary Education III programmed for 2003 and Third Water Supply and Sanitation (standby project in the year 2003).

F. Private Sector Development

105. Under the recently approved *Private Sector Development Strategy*, ADB will utilize its public and private sector operations to deliver synergistic solutions to problems that impede private sector growth in the DMCs, and to enhance the private sector's contribution to poverty reduction. Through its public sector operations, ADB will provide support to DMCs in creating enabling conditions for business, and helping generate business opportunities in ADB-financed public sector projects. Simultaneously, ADB will also catalyze private investments through direct financing, credit enhancement, and risk management instruments. These strategic thrusts will be focused primarily on four priority areas of operation: governance in the public and private sectors, financial intermediation, public-private partnerships, and regional and sub-regional cooperation.

106. In line with the new strategy, ADB will strengthen its operations in Bangladesh for promoting private sector development. Towards this end, ADB will engage in policy dialogue with the Government in promoting sound macroeconomic management, appropriate sector-specific competition policies, liberalization of trade and investment, and state enterprise reform. ADB's on-going engagement in capital market reforms, which includes strengthening the regulatory and supervision role of the Securities and Exchange Commission, pension and insurance sector reforms, will be further broadened. Appropriate Economic and Sector Work will be undertaken in these areas to provide policy advice.

107. Given the colossal drain of public resources on account of losses of SOEs, estimated at over \$600 million in FY2000 (1.2 percent of GDP), ADB will continue to assist the Government in its privatization efforts. Under the Capital Market Development Program Loan (CMDPL), a TA was recently completed on the *Institutional Strengthening of the Privatization Board*. This TA assisted in proposing a policy document and regulations for privatization for consideration by the Privatization Board, prepared a manual on SOEs valuation, and conducted workshops and discussions on privatization methods, rules and procedures, and on legal and regulatory issues. The TA also assisted in developing a computerized database on the portfolio of corporate entities identified by the Privatization Board as potential candidates for divestment. The Government is in the process of divesting its equity in enterprises specified as part of the second tranche release conditions of the CMDPL.

108. Privatization is an activity where the Government will continue to need the assistance of ADB, especially in the area of advising on appropriate privatization strategies. In addition, coordinated support by the donor community will be needed to encourage the Government to vigorously pursue privatization in a comprehensive manner and on a sustained basis. However, progress in privatization will depend critically on the Government's commitment.

109. The CAP includes significant assistance for investments in physical infrastructure (energy and transport sectors) that will facilitate the private sector to undertake business efficiently. ADB will also attempt to foster public-private partnership that will lower the risks and costs associated with large infrastructure projects. Simultaneous attempts will be made to establish an effective regulatory framework for private sector participation in infrastructure and to enhance the capacity of the regulatory authorities.

110. ADB's public sector projects will be designed in a manner that provides for specific opportunities for private sector participation. In addition, priority will be given to operations that have a high impact on poverty reduction. An important link in this context is the small and medium enterprises (SMEs) sector, which accounts for the bulk of private sector employment and production outside agriculture. Financial intermediation for this sector is poor, since the enterprises are too large for micro-credit institutions, and SMEs have limited access to financing from the commercial banks. The institutional support for this sector to access appropriate technology and markets is generally weak. The Government agrees with this assessment and endorses the proposal to make SMEs development the core of ADB's private sector development strategy in Bangladesh. Several donor agencies also support this initiative. SIDA, JBIC and USAID have indicated their interest in working jointly with ADB in this effort. ADB will develop a strategy for determining the appropriate mode of SMEs financing and providing business advisory services.

111. Under ADB's private sector investment operations, technical assistance has been provided to the Meghnaghat Power Project, the largest independent power producer in the country. In addition to investment in Meghnaghat Phase-I, ADB is also exploring possibilities of investment in Meghnaghat Phase II. ADB has recently invested in a private sector cement project (Lafarge Surma Cement Ltd.) and in a telecommunications project (Grameen Phone). ADB is also considering assistance to a Central Depository Company, which will facilitate script-less trading in corporate stocks. Further, to help ease the working capital constraints faced by industry in financing imported inputs, especially in the garments sector, ADB will explore the possibility of an investment or guarantee operation to support the establishment of an EXIM Bank. ADB has also informed the Government that the opportunities for supporting the development of information technology, e-commerce and e-banking in Bangladesh will be explored.

IV. Regional Cooperation

112. The increasing globalization of world economies has intensified international competition and, at the same time, has given rise to a new wave of regionalism. Geographical proximity, economic complementarity, political commitment, policy coordination, and sharing of common infrastructure facilities are factors conducive to formation of such groupings. Within these parameters, regional economic cooperation could offer South Asian countries significant potential benefits. In 1997, Bangladesh, Bhutan, India, and Nepal agreed to establish the South Asian Growth Quadrangle (SAGQ), to operate within the South Asian Association for Regional

Cooperation (SAARC) framework. The focus of SAGQ was on six sectors, viz. energy, multi-modal transport and communication, trade and investment facilitation and promotion, tourism, and natural resource utilization, and environment. It was further agreed to proceed on a project-by-project building-block approach, covering bilateral as well as multilateral cooperation. Supplementing this Government-level initiative, the Chambers of Commerce and other representatives of the private sector of the four SAGQ member countries have formed a Private Sector Forum for economic cooperation. Following preparatory meetings of the Steering Committee, the first meeting of the Private Sector Forum was held in Calcutta, India in November 2000.

113. Reflecting ADB's key catalytic role in promoting cooperation in the sub-region, a regional technical assistance (RETA) for the First Meeting of the Private Sector Forum has been provided. The RETA will facilitate focused discussion on possible areas of cooperation including energy and power, transportation, tourism, and investment facilitation and trade promotion. Another example of regional cooperation is the on-going RETA for power exchange between Bangladesh and India. Initiatives in the gas sector can build on an earlier RETA for the Regional Gas Conference on Natural Gas Supplies to South Asia and on the TA for developing gas sector master plans for Bangladesh and India. Furthermore, since Bangladesh is the coordinator for the energy sector under the SAGQ framework and ADB is the lead donor in the sector in Bangladesh, it has been agreed that the GOB and ADB will work closely in promoting sub-regional cooperation in the energy sector.

114. ADB is working with the governments of the four countries, to identify high priority projects that lie within national boundaries, but which offer potential sub-regional benefits. As an example, ADB financed a TA providing support to India for the upgrading of the north-south transport corridor in West Bengal, as well as a small-scale TA for Establishing a Public-Private Joint Venture for the West Bengal North-South Economic Corridor Development. While the project is located in India, it is expected to benefit the neighboring countries as well, including Bangladesh. Support for bio-diversity conservation in the Bangladesh and Indian Sundarbans would offer further potential for enhanced cooperation between the two countries in the protection and sustainable development of this globally important but fragile ecosystem. Further, two TAs approved this year in the transport and communication sector, Regional Rail Traffic Enhancement Program (PPTA) and Organizational Reforms of the Bangladesh Railways III have sub-regional cooperation components.

V. Donor Activities and Aid Coordination

115. External assistance has played a vital role in the development of Bangladesh. Nearly 40 bilateral and multilateral donors are active in Bangladesh with external assistance accounting for about 53 percent and 58 percent of current and capital expenditure of the Government respectively (Appendix 3). In spite of the substantial amount of external assistance received, given the country's large population, per capita aid was only \$12 in FY1999.

116. Given the low savings rate of the economy, and the limited access of the country to private commercial capital, external assistance will continue to be essential for supporting the economic development of Bangladesh. The large number of donors and sizeable magnitude of aid flow to the country necessitate proper donor coordination for ensuring the most effective utilization of external assistance. With poverty reduction as the overriding operational objective, the development partners share the same broad understanding regarding the development strategy for Bangladesh. The Local Consultation Group (LCG) provides a formal forum for coordination among the major donors in the country, and ADB chairs LCG sub-groups on

energy, urban development, railways, and project implementation. The World Bank leads the sub-groups on rural infrastructure, water supply and sanitation, and agriculture. The Department for International Development (DFID) of UK coordinates the sub-groups on education, fisheries and roads and highways. USAID is leading the sub-groups on environment and private sector development. Netherlands coordinates water management, health, and population sub-groups, while Canada leads the micro-finance sub-group. JBIC is the lead bilateral donor and focuses its assistance on the physical and social infrastructure sector. There is particularly close interaction between ADB and the World Bank on project implementation/ portfolio management and sector policy issues. ADB has similar close coordination with JBIC, which participated in the recent Country Programming Mission.

VI. Cofinancing and Catalyzing External Resources

117. ADB's Resident Mission and Project Missions frequently interact with the donors to explore possibilities of cooperation and co-financing for specific projects. Overall co-financing strategy during 2001-2003, places special attention to mobilize grant or concessional loan co-financing to support poverty reduction operations. The ADB and other donors have identified several potential areas of collaboration. The 2001-2003 Program has identified the following projects for possible co-financing: Small-Scale Water Resources Development Sector II (Government of Netherlands), Kalni-Kushiyara River Management (CIDA), Second Non-Formal Education (Norway/JICA), Third Urban Development Sector (JICA), Arsenic Mitigation (DFID/ World Bank/UNICEF), Rural Power Transmission and Distribution (JBIC, KfW and IsDB), Secondary Education Teacher Training Sector (DFID), Land Administration Reform (AusAID), and Gas Sector Development II (JBIC/Commercial Co-financing). Donors have also expressed interest in co-financing projects in the health and nutrition sector (UNICEF), and the SMEs Development (JBIC, USAID, SIDA). Other areas where ADB will collaborate with donors are Portfolio Management (World Bank) and Solvency and Debt Management Study (JBIC).

VII. ADB's Operational Program

A. The Proposed Program

118. The CAP for 2001-2003 is based on the framework of the Country Operational Strategy (COS) formulated in 1999, and the Partnership Agreement on Poverty Reduction (PAPR) signed between the GOB and ADB in April 2000. The CAP has been designed taking into account the program of the Government and other donors to address the medium- and long-term poverty reduction targets specified in the PAPR. Accordingly, about 35 percent of the country assistance loan program for the period 2001-2003 will consist of poverty intervention projects (including 12 percent for core poverty intervention). The balance 65 percent of the loan amount will be for projects that promote other development interventions. In order to assist the Government in monitoring the progress in meeting the poverty alleviation targets, a TA has been programmed in the year 2000 to help develop appropriate methodology for generating statistics on the various dimensions of poverty on a regular and consistent basis.

119. ADB's firm lending program for 2001-2003 averages about \$480 million per year, including an OCR component of \$112 million, with some over programming to allow for possible slippage. The actual amount of annual lending will, however, depend on resource availability, country performance, and assistance provided by other donors. All projects will either directly

address poverty alleviation, or help promote other development interventions¹⁷. In determining which sectors should be given priority in allocation of ADB's resources, the guidelines of the policy on performance-based lending will be strictly applied.

120. A list of the 17 projects/programs identified for 2001-2003 is given in Appendix 4. A detailed breakdown of the lending program, including distribution by, poverty classification, cross-cutting operational priorities and sectors is given in Appendix 5. The Project Profiles for six projects for 2001 is given in Appendix 6. The lending pipeline is complemented by a TA program that will assist in project preparation, and address policy and institutional weaknesses either at a macroeconomic level or for specific sectors.

121. Of the 17 projects/programs identified for 2001-2003, six are direct poverty intervention projects (inclusive of core poverty intervention). These projects are in agriculture and social sectors. In agriculture, the projects will focus on small-/medium- scale irrigation system, flood control and rural development in areas with high degree of poverty incidence. The ADB-assisted projects in the social sector will concentrate on reducing human poverty, particularly for marginalized women and children, and vulnerable urban poor. These projects will also help improve the coverage and quality of urban primary health, basic and secondary education and non-formal education with special attention to women. The remaining 11 projects are other development interventions projects.

122. These other development interventions projects are in the key infrastructure sub-sectors such as power, gas, transportation, and finance. There is considerable cross- country empirical evidence of a close link between economic growth and poverty alleviation, and these other development interventions projects, when appropriately designed, will have a significant impact on poverty reduction. To the extent feasible, components of these projects will be spatially located in areas of high poverty concentration and will be designed either towards creating an enabling environment for private sector development or providing direct opportunities for private sector participation. For example, projects such as Long Term Financial Market Developments and Insurance and Pension Funds Development are aimed at creating markets to meet the financing needs for private sector development. On the other hand, projects such as Road Network Improvement and Maintenance I and II and Gas Sector Development II will provide opportunities for direct private sector participation.

123. The TA program, consisting of 34 projects for a total amount of \$22.5 million (Appendix 4), will support the processing of projects in the pipeline and also address poverty monitoring mechanism, environmental issues, and policy reforms in various sectors/sub-sectors of high priority.

¹⁷ This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

Table 1: Lending and Technical Assistance Program, 1999-2003**A. Public Sector Lending Program**

	1999 (Actual)		2000		2001		2002		2003	
	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)	(No.)	(\$ million)
Lending Program ^a	3*	332	4*	374	6*	460	6*	510	5	470
ADF	3	250	4	232	5	350	6	425	4	330
OCR	1	82	2	142	2	110	2	85	1	140
Lending Pipeline ^b			5*	424	7*	560	7*	560	7	580
ADF			4	232	6	450	7	475	6	440
OCR			3	192	2	110	2	85	1	140

B. Technical Assistance Program

	1999 (Actual)		2000		2001		2002		2003	
	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)	(No.)	(\$'000)
TA Program ^a	15	10,879.0	12	9,450.0	12	7,400.0	14	9,350.0	8	5,700.0
TA Pipeline ^b			12	9,450.0	12	7,400.0	14	9,350.0	8	5,700.0

^a The Program comprised the firm projects.

^b The Pipeline consists of both firm and standby projects.

* Blend loans are counted as one.

B. Strengthened Role of ADB's Resident Mission

124. As the oldest Resident Mission of ADB (established in July 1982), Bangladesh Resident Mission (BRM) has been providing support in promoting ADB operations in Bangladesh by active involvement in loan administration work, country programming, assisting in loan and TA processing, and carrying out policy dialogue on macroeconomic and sector policy issues. In addition, BRM is handling the loan disbursement processing functions for all on-going projects (excepting co-financed, program, and private sector loans). BRM chairs a number of sub-groups on donor coordination in the country. BRM conducted the first joint country portfolio review mission with the World Bank in 1999 and a similar exercise is currently being conducted this year.

125. As a consequence of the recently approved policy paper on Resident Missions, BRM has been selected for pilot testing the new policy. Starting from the mid 2000, BRM has been delegated full responsibility for carrying out country programming, economic and sector work, and administration of ADB's loan portfolio in the country. Necessary background work for undertaking these exercises has been initiated. BRM has also been given full responsibility for implementing and monitoring the PAPR. Additional staff and financial support to BRM for the added functions is being assessed. The outcome of the experiment will determine the feasibility of replicating this experiment in other RMs.

VIII. Economic And Sector Work Program

126. The economic and sector work (ESW) for Bangladesh will be geared towards complementing ADB's country operations and, in particular, facilitating policy dialogue with the Government. The ESW will address three broad areas: (i) assessment of the foreign exchange constraint, and external debt management, including the foreign trade outlook and sectoral strategies for exports; (ii) strategic issues for SMEs development; and (iii) developing a set of long-term operational strategies in selected sub-sectors that are of strategic importance in promoting poverty reduction. ESW in each sub-sector will identify the current policy and institutional deficiencies hindering efficient growth, the most effective areas for intervention, necessary support for policy reforms and institutional development, and investment priorities for

the next 5-10 years. The ESW which started in 1999 and continued into 2000 include Poverty Reduction Strategy (completed), Gender Strategy, Human Development Strategy, Environment Operational Strategy (completed), Urban Development Strategy, Financial Sector Strategy, and Strategy for Advisory Assistance for Macroeconomic Analysis and Data Management. New ESW in 2000 includes Foreign Exchange and External Debt Management, Private Sector Strategy, Nonfarm Employment Strategy, Agriculture and Rural Development Strategy, Water Resource Management Strategy, and Surface Transportation Strategy. A majority of these studies are at an advanced stage of preparation. A Governance issues paper is also under preparation.

IX. Local Cost Financing

127. During FY2000, the implementation of some projects was affected due to paucity of local funds. In the CAP 2001-2003, of the 17 projects identified, 10 projects are in agriculture and social infrastructure sectors, which generally require relatively high levels of local cost financing in comparison to the physical infrastructure sector (e.g. transport and energy sectors). While in its FY2001 Budget, the Government has increased ADP to Tk175 billion from Tk165 billion in FY2000, it is difficult to judge at this stage whether the increase in ADP will be sufficient to meet the local cost financing requirements of all donor-financed projects. The problem is compounded by the fact that the Government faces a stretched fiscal situation. Furthermore, in line with ADB's overarching poverty reduction objective and the PAPER with Bangladesh, the lending program for 2001-2003 includes a high proportion of rural and social infrastructure projects with low foreign exchange costs. Therefore there may be a need for ADB to finance a reasonable proportion of local costs.

**BANGLADESH
COUNTRY PERFORMANCE INDICATORS**

Item	1995	1996	1997	1998	1999	2000 ^d
ECONOMIC INDICATORS						
A. Income and Growth						
1. GDP per Capita (dollars, current)	316.4	333.5	340.5	348.1	356.6	373.1
2. GDP Growth (% in constant prices) ^a	4.9	4.6	5.4	5.2	4.9	5.5
Agriculture	-0.3	3.1	6.0	3.2	4.8	6.4
Industry	9.9	7.0	5.8	8.3	4.9	5.6
Services	4.9	4.0	4.5	5.0	5.2	5.3
B. Saving and Investment (current market prices)						
	(percent of GDP)					
1. Gross Domestic Investment	19.1	20.0	20.7	21.6	22.2	22.4
2. Gross National Saving ^b	16.7	16.0	18.6	20.6	20.8	21.3
C. Money and Inflation						
	(annual percent change)					
1. Consumer Prices (annual average) ^c	8.9	6.7	2.5	7.0	9.0	4.5
2. Broad Money (M2)	16.1	8.3	10.8	10.2	12.8	19.0
D. Government Finance						
	(percent of GDP)					
1. Total Revenue	9.3	9.0	9.2	9.3	9.0	8.9
2. Total Expenditure and Net Lending	14.6	13.4	13.5	13.3	13.8	15.0
3. Overall Surplus/Deficit (-)	-5.3	-4.4	-4.3	-4.1	-4.8	-6.1
E. Balance of Payments						
1. Merchandise Trade Balance (% of GDP)	-6.2	-7.4	-6.5	-5.3	-5.9	-5.7
2. Current Account Balance (% of GDP)	-2.4	-4.0	-2.1	-1.1	-1.4	-1.1
3. Export (\$) growth (annual percent change)	37.1	11.8	14.0	16.8	2.9	9.1
4. Import (\$) growth (annual percent change)	39.2	17.9	4.1	5.1	6.6	6.8
F. External Payments Indicators						
1. International Reserves (billion dollars, end of period)	3.1	2.0	1.7	1.8	1.5	1.5
- months of imports	6.3	3.6	2.9	2.8	2.3	2.3
2. External Debt Service (% of exports of goods & services)	11.2	10.7	9.5	7.8	6.7	7.3
3. External Debt (% of GDP)	43.4	39.7	36.6	38.0	37.7	36.6
Memorandum Items:						
GDP (current prices, billion Taka)	1,525.2	1,663.2	1,807.0	2,001.8	2,197.0	2,412.7
GNP (current prices, billion Taka)	1,571.7	1,712.7	1,865.4	2,068.8	2,269.9	2,499.7
Exchange Rate (Taka per dollar, annual average)	40.2	40.8	42.7	45.5	48.1	49.7
Population (million)	119.9	122.1	124.3	126.5	128.7	130.2

a/ Based on the new series with 1995/96 as base year.

b/ Gross national saving = GDP at current market prices less consumption plus net factor income from abroad plus net private transfers from abroad.

c/ At 1985/86 = 100, CPI, National.

d/ Staff estimate.

Note : The years indicated above refer to fiscal years (1 July - 30 June).

Sources: Bangladesh Bureau of Statistics, Revised National Accounts Data (30 March 2000).

Bangladesh Bureau of Statistics, Statistical Yearbooks (various issues).

Bangladesh Ministry of Finance, Memorandum for Bangladesh Development Forum (1999-2000).

IMF, Economic Indicators (30 March 2000).

World Bank, Bangladesh Recent Economic Performance (1 April 2000).

BANGLADESH
COUNTRY PERFORMANCE INDICATORS

	1985	1990	Latest Year	
POPULATION INDICATORS				
Total Population (millions)	97.5	109.6	128.7	(1999)
Annual Population Growth Rate (% change)	2.07	1.95	1.70	(1998-99)
SOCIAL INDICATORS				
Total Fertility Rate (births per woman)	4.7	4.3	3.0	(1998)
Maternal Mortality Rate (per hundred thousand live births)	-	850.0	449.0	(1997)
Infant Mortality Rate (below 1 year; per '000 live births)	112.0	92.0	57.0	(1998)
Life Expectancy at Birth (years)	55.0	56.6	60.8	(1998)
Female	56.0	56.7	60.9	(1998)
Male	55.0	56.5	60.7	(1998)
Adult Literacy (%)	33.0	35.3	56.0	(1998)
Primary School Enrollment (% of school age population)	63.0	77.0	96.5	(1998)
Female	43.8	70.0	94.5	(1998)
Secondary School Enrollment (% of school age population)	17.0	19.0	33.0	(1997)
Female	10.0	14.0	31.0	(1997)
Child Malnutrition (% of under age 5)	70.0	68.0	56.0	(1997)
Population Below Poverty Line (%)	55.0	47.8	44.7	(1999)
Income Ratio of Highest 20% to Lowest 20% ^a	-	4.1	8.8	(1995-96)
Population with Access to Safe Water (%) ^b	-	80.0	95.0	(1997)
Population with Access to Sanitation (%) ^c	-	40.0	43.0	(1997)
Public Education Expenditure as % of GDP	1.39	1.37	2.11	(1997)
Public Health Expenditure as % of GDP	0.92	0.63	1.00	(1997)
Human Development Index ^d	0.369	0.400	0.461	(1998)
Human Development Ranking	108	147	146	(1998)

Footnotes:

a/ Refers to expenditure ratio.

b/ Percent of households with either tap or tube well water source.

c/ Refers to % of households.

d/ Human Development Index and Rank may not be comparable in different years since statistical administration and research books seek to update or improve their estimates using new sources of data such as censuses and surveys as indicated in the Human Development Report (1997) of UNDP.

Sources:

ADB, Key Indicators (1999).

Bangladesh Bureau of Statistics, Statistical Yearbooks (various issues).

Bangladesh Ministry of Finance, Memorandum for Bangladesh Development Forum (1999-2000).

UNDP, Human Development Report (1999).

BANGLADESH

ENVIRONMENTAL INDICATORS		
	1980	Latest Year
Energy Efficiency of Emissions		
GDP per unit of energy use (ppp \$ per kg oil equivalent)	2.9	6.8 (1997)
Traditional fuel use (percent of total energy use)	81.3	43.3 (1996)
Carbon dioxide emissions (million metric tons)	7.6	23.0 (1996)
Carbon dioxide emissions (per capita metric tons)	0.1	0.2 (1996)
Water Pollution		
Emissions of organic water pollutants (kg/day)	66,713.0	
Industry share of emissions of organic water pollutants		
Wood (percent)		0.6 (1997)
Primary Metals (percent)		2.8 (1997)
Pulp and Paper (percent)		6.8 (1997)
Chemical (percent)		3.5 (1997)
Food and Beverages (percent)		34.2 (1997)
Textiles (percent)		50.9 (1997)
Land Use and Deforestation		
Forest area (million hectares)		1.47 (estimated)
Rate of deforestation (percent change)		3.3 (1981-90)
Rural population density (people per sq. km of arable land)		
Arable land (percent of land area)	68.3	60.8 (1997)
Permanent cropland (percent of land area)	2.0	2.5 (1997)
Biodiversity and Protected Areas		
Nationally protected areas (sq. km '000)		1.0 (1996)
Percent of total land area		0.8 (1996)
Mammals (number of threatened species)		18 (1996)
Birds (number of threatened species)		30 (1996)
Higher plants (number of threatened species)		24 (1997)
Reptiles (number of threatened species)		13 (1996)
Amphibians (number of threatened species)		19 (1996)
Urban		
Urban population (millions))	12.5	29.4 (1998)
Percentage urban	14.0	23 (1998)
Per capita water use (l/day) - Dhaka		119.0
Wastewater treated (percent) - Dhaka		55.0
Per capita solid waste generation (kg/day) - Dhaka		0.1
Air Pollution - Dhaka		
City population ('000)		7,500 (1993)
Total suspended particulates (micrograms per cubic meter)	420.06-2,253.9	(1996-97)
Lead (micrograms per cubic meter)	122.78-251.84	(1997)
Sulfur dioxide (micrograms per cubic meter)	56.3-162.50	(1996-97)
Nitrogen oxide (micrograms per cubic meter)	16.33-45.5	(1996-97)

Sources:

RETA5555: Data on Environmental Indicators for Participating DMCs.

World Bank, World Development Indicators (2000).

World Resources: A Guide to Global Environment (1998-99).

BANGLADESH
PORTFOLIO PERFORMANCE

Table 1 : Implementation, Disbursement Performance and Postevaluation Results
Public Sector Projects only
(as of 31 December 1999)

A. Project Portfolio	Net Loan Amount \$ million %		Rating (No.) ^a									
			Total		Implementation Progress				Development Objectives			
			No.	%	HS	S	PS	U	HS	S	PS	U
Agriculture and Natural Resources	499.5	20.4	13	36.1	1	10	1	1	1	10	1	1
Energy	620.5	25.4	6	16.7	0	5	1	0	0	6	0	0
Finance and Industry	79.7	3.3	1	2.8	0	1	0	0	0	1	0	0
Social Infrastructure	570.2	23.3	10	27.8	0	10	0	0	0	10	0	0
Transport and Communications	571.4	23.4	5	13.9	2	3	0	0	0	5	0	0
Others/Multisector	102.5	4.2	1	2.8	1	0	0	0	1	0	0	0
Total	2,443.8	100.0	36	100.0	4	29	2	1	2	32	1	1

B. Disbursements	OCR	ADF	Total
(1) Total funds available for withdrawal (\$ mn, active loans only)	0.00	2,171.90	2,171.9
(2) Disbursed amount (\$ mn, cumulative, active loans only)	0.00	1,232.10	1,232.10
(3) Percentage disbursed [(2)/(1)] (%)	0.00	56.70	56.70
(4) Disbursements (\$mn, active loans only, latest year)	0.00	271.50	271.50
(5) Disbursement ratio (%) ^b	0.00	21.81	21.81

C. Net Transfer of Resources ^c (\$ million)	OCR	ADF	Total
Net transfer in 1995	(0.30)	208.30	208.00
Net transfer in 1996	(0.30)	227.10	226.80
Net transfer in 1997	(0.20)	112.90	112.70
Net transfer in 1998	(0.20)	146.20	146.00
Net transfer in 1999	10.00	172.80	182.80

D. Post-Evaluated Projects (By Year of Approval)	1968 - 1977		1978 - 1987		1988 - 1999		1968 - 1999			
	No.	%	No.	%	No.	%	No.	%		
1. Postevaluation Rating (as of 31 December 1999)										
Rated Generally Successful (GS)	4	28.6	11	39.3	2	50.0	17	37.0		
Rated Partly Successful (PS)	8	57.1	15	53.6	2	50.0	25	54.3		
Rated Unsuccessful (US)	2	14.3	2	7.1	0	0.0	4	8.7		
No Rating	0	0.0	0	0.0	0	0.0	0	0.0		
Total	14	100.0	28	100.0	4	100.0	46	100.0		
2. Postevaluation Rating by Sector 1968-99 (as of 31 December 1999)										
	GS		PS		US		NR		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture and Natural Resources	10	58.8	11	44.0	1	25.0	0	0.0	22	47.8
Energy	4	23.5	3	12.0	0	0.0	0	0.0	7	15.2
Finance and Industry	1	5.9	4	16.0	2	50.0	0	0.0	7	15.2
Social Infrastructure	0	0.0	6	24.0	0	0.0	0	0.0	6	13.0
Transport and Communications	2	11.8	1	4.0	1	25.0	0	0.0	4	8.7
Others/Multisector	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Total	17	100.0	25	100.0	4	100.0	0	0.0	46	100.0

^a HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory

^b Ratio of disbursement during the year over the undisbursed net loan balance less cancellations at the beginning of the year. Effective loans during the year have also been added to the beginning balance of undisbursed loans.

^c Includes private sector projects for countries with private sector operations.

**BANGLADESH
PORTFOLIO PERFORMANCE
Table 2: Status of Project Implementation
Public Sector Projects Only
(As of 31 December 1999)**

Sector ^a	Project Title	Net Loan Amount		Approval Date (mm/yy)	Effectivity Date (mm/yy)	Closing Date		Project Progress (% complete)	Cum Contract Awards (\$ million)	Cummulative Disbursement (\$ million)	Project Performance Rating ^b	
		OCR (\$ million)	ADF (\$ million)			Original (mm/yy)	Revised (mm/yy)				Implementation Progress	Development Objective
AGR	Horticulture Development	0	25.5	Dec-89	Jul-90	Sep-97	Sep-99	100	23.57	22.98	S	S
AGR	Northeast Minor Irrigation	0	24.6	Nov-91	Dec-92	Sep-98	Jun-00	100	22.18	22.29	S	S
AGR	Second Bhola Irrigation	0	32.1	Feb-92	Dec-92	Dec-97	Jun-00	100	29.60	30.82	S	S
AGR	Rural Poor Cooperative	0	25.8	Dec-92	Apr-93	Oct-98	May-99	100	22.87	23.43	S	S
AGR	Second Rural Infra. Dev.	0	84.4	Dec-92	Mar-93	Sep-99	Jun-00	97	78.51	78.00	HS	HS
AGR	Khulna-Jessore Drainage Rehab.	0	50.6	Dec-93	Apr-94	Dec-99	Dec-02	35	15.42	17.20	U	S
AGR	Coastal Greenbelt	0	22.1	Mar-95	Jul-95	Dec-02	-	34	8.99	7.68	S	U
AGR	Small-Scale Water Resources Dev.	0	29.7	Sep-95	Apr-96	Dec-02	-	53	9.71	10.70	S	S
AGR	Command Area Development	0	28.6	Nov-95	Jan-96	Jun-01	-	52	13.80	16.57	S	S
AGR	Forestry Sector	0	48.8	Nov-96	Jan-96	Jun-04	-	11	5.36	3.35	S	S
AGR	Participatory Livestock	0	20.2	Jun-97	Dec-97	Jun-03	-	26	5.81	4.84	S	S
AGR	Third Rural Infra. Development	0	71.7	Nov-97	Jul-98	Jun-05	-	41	15.43	10.95	S	S
AGR	Rural Livelihood	0	45.2	Sep-98	Mar-99	Jun-05	-	0	0.81	1.84	S	S
AGR	Sundarbans Biodiversity Conservation	0.0	38.0	Nov-98	Aug 99	Dec 06	-	0	0.0	0.0	S	S
ENE	Eighth Power	0.0	186.4	Jul-89	Dec-89	Dec-93	Dec 99	96	182.1	175.7	PS	S
ENE	Third Natural Gas Development	0.0	106.0	Dec-93	Mar-94	Dec-99	-	75	61.7	42.5	S	S
ENE	Rural Electrification	0.0	43.8	May-95	Oct-95	Jun-99	Mar 00	85	41.3	32.3	S	S
ENE	Ninth Power	0.0	127.7	Dec-96	Jul-97	Jul-01	-	25	43.2	15.0	S	S
ENE	Dhaka Power System Upgrade	0.0	74.6	Dec 99		Jun 04	-	-	0.0	0.0	S	S
ENE	Dhaka Power System Upgrade	82.0	0.0	Dec 99		Jun 04	-	-	0.0	0.0	S	S
F&I	Capital Market Development Program	0.0	79.7	Nov-97	Jan-98	Jun-01	-	-	39.4	39.4	S	S
T&C	Road Overlay Improvement	0.0	68.1	Dec 93	Mar 94	Sep 98	Dec 99	98	66.1	66.3	S	S
T&C	Jamuna Bridge	0.0	209.6	Mar 94	Aug 94	Jun 99	Jun 00	100	196.6	201.9	HS	S
T&C	Jamuna Bridge Access Roads	0.0	68.2	Nov 96	Apr 97	Dec 01	-	63	43.7	34.3	S	S
T&C	Jamuna Bridge Railway Link	0.0	110.3	Oct 97	Mar 98	Dec 01	-	25	105.4	33.5	HS	S
T&C	Southwest Road Network Development	0.0	115.2	Nov 99		Sep 04	-	-	0.0	0.0	S	S
SOC	Secondary Towns Infrastructure Devt	0.0	42.6	Dec 90	Nov 91	Oct 96	Sep 99	100	41.5	42.6	S	S
SOC	Dhaka Integrated Flood Protection	0.0	89.5	Nov 91	Jul 92	Jun 97	Dec 00	85	77.5	77.1	S	S
SOC	Secondary Towns Integrated Flood Protection	0.0	53.5	Dec 92	Mar 93	Jun 98	Jun 00	98	50.2	50.6	S	S
SOC	Second Water Supply and Sanitation	0.0	27.8	Nov 93	Jun 94	Sep 99	Dec 00	81	24.0	20.2	S	S
SOC	Secondary Towns Infrastructure Dev II	0.0	58.8	Sep 95	Apr 96	Sep 01	-	50	25.2	28.7	S	S
SOC	Nonformal Education	0.0	24.3	Sep 95	May 96	Jun 01	-	68	13.2	11.7	S	S
SOC	Second Primary Education Sector	0.0	98.9	May 97	Dec 97	Apr 03	-	32	24.4	17.3	S	S
SOC	Urban Primary Health Care	0.0	40.5	Sep 97	Mar 98	Jun 03	-	20	4.8	1.0	S	S
SOC	Secondary Education Development	0.0	73.3	Nov 93	Mar 94	Jun 00	-	97	64.6	67.9	S	S
SOC	Secondary Education Sector Improvement	0.0	61.0	Jun 99	Dec 99	Apr 06	-	2	0.0	0.0	S	S
OTH	Flood Damage Rehabilitation	0.0	102.5	Dec 98	Feb 99	Jun 01	-	67	76.0	46.7	HS	HS
	Total	82.0	2,409.5						1,433.1	1,255.5		

^a Sector:

AGR: Agriculture & Natural Resources; ENE=Energy; SOC=Social Infrastructure; F&I=Finance & Industry; T&C=Transport & Communications; OTH=Others/Multisector

^b HS: Highly satisfactory; S: Satisfactory; PS: Partially satisfactory; U: Unsatisfactory

BANGLADESH
OVERALL EXTERNAL ASSISTANCE
(in \$ million)

External Source	Past 3 Years (annual average)		1999 Approvals	
	Loan/Credit	TA	Loan/Credit	TA
A. Multilateral Assistance				
ADB	312.8		254.3	
European Economic Community	49.5		85.8	
UN	82.2		45.4	
World Bank	666.2		1,038.1	
Subtotal	1,110.7		1,423.6	
B. Bilateral Assistance				
Canada	33.4		58.3	
Denmark	34.6		31.5	
Germany	26.4		3.0	
Japan	228.4		169.1	
Netherlands	22.2		19.0	
Norway	30.6		38.4	
Sweden	40.4		48.1	
United Kingdom	77.2		154.9	
United States	123.8		100.6	
Subtotal	617.0		622.9	
C. Others (Multilateral and Bilateral)				
Subtotal	305.6		801.1	
Total	2,033.3		2,847.6	
Memo Items:				
External Assistance as % of Current Expenditures	52		53	
External Assistance as % of Capital Expenditures	57		58	

Sources: Ministry of Finance.

BANGLADESH
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2001-2003

Sector/Project Name	Poverty Classification ^{a*}	Crosscutting Operational Priority ^{b*}	Responsible Division	Year of PPTA	PROJECT COST (in \$ million)					
					TOTAL	Bank			Gov't	Cofinancing (Others)
						OCR	ADF	Total		
2001 FIRM LOANS										
Agriculture and Natural Resources										
1 Small-Scale Water Resources Development Sector II	ODI	ENV	AWFN	1999	85.0	0.0	60.0	60.0	25.0	0.0
2 Kalni-Kushiyara River Management	ODI	ENV	AWFN	1999	85.0	0.0	60.0	60.0	25.0	0.0
Subtotal					170.0	0.0	120.0	120.0	50.0	0.0
Finance and Industry										
3 Long-term Financial Markets Development	ODI	PSD	IWFI	-	55.0	50.0	0.0	50.0	5.0	0.0
Subtotal					55.0	50.0	0.0	50.0	5.0	0.0
Social Infrastructure										
4 Second Nonformal Education	CPI	HD	AWEH	2000	115.0	0.0	80.0	80.0	35.0	0.0
5 Third Urban Development Sector	PI	ENV	AWWU	1997	130.0	0.0	90.0	90.0	40.0	0.0
Subtotal					245.0	0.0	170.0	170.0	75.0	0.0
Transport and Communications										
6 Regional Rail Traffic Enhancement Program	ODI	REG	IWTC	2000	230.0	60.0	60.0	120.0	50.0	60.0
Subtotal					230.0	60.0	60.0	120.0	50.0	60.0
Total					700.0	110.0	350.0	460.0	180.0	60.0
2001 STANDBY LOAN										
1 Road Network Improvement and Maintenance	ODI	REG	IWTC	2000	180.0	0.0	100.0	100.0	80.0	0.0
Total					180.0	0.0	100.0	100.0	80.0	0.0
2002 FIRM LOANS										
Agriculture and Natural Resources										
1 Rural Development	PI	ENV	AWAR	2001	80.0	0.0	80.0	tbd	tbd	tbd
Subtotal					80.0	0.0	80.0	tbd	0.0	0.0
Energy										
2 Rural Power Transmission and Distribution	PI	PSD	IWEN	-	170.0	50.0	120.0	tbd	tbd	tbd
Subtotal					170.0	50.0	120.0	tbd	0.0	0.0
Finance and Industry										
3 Insurance and Pension Funds Development	ODI	PSD	IWFI	-	70.0	35.0	35.0	tbd	tbd	tbd
Subtotal					70.0	35.0	35.0	tbd	0.0	0.0
Social Infrastructure										
4 Secondary Education Teacher Training Sector	ODI	HD	AWEH	2001	60.0	0.0	60.0	tbd	tbd	tbd
5 Land Administration Reform	ODI	GG	AWWU	-	30.0	0.0	30.0	tbd	tbd	tbd
Subtotal					90.0	0.0	90.0	tbd	0.0	0.0
Transport and Communications										
6 Road Network Improvement and Maintenance	ODI	REG	IWTC	2000	100.0	0.0	100.0	tbd	tbd	tbd
Subtotal					100.0	0.0	100.0	tbd	0.0	0.0
Total					510.0	85.0	425.0	tbd	0.0	0.0
2002 STANDBY LOAN										
1 Arsenic Mitigation	ODI	ENV	AWFN	2001	50.0	0.0	50.0	tbd	tbd	tbd
Total					50.0	0.0	50.0	tbd		

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions

^b ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD=Private Sector Development and RC = Regional Cooperation

* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

BANGLADESH
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2001-2003

Sector/Project Name	Poverty Classification ^{a*}	Crosscutting Operational Priority ^{b*}	Responsible Division	Year of PPTA	PROJECT COST (in \$ million)					
					TOTAL	Bank			Gov't	Cofinancing (Others)
						OCR	ADF	Total		
2003 FIRM LOANS										
Agriculture and Natural Resources										
1 Jamuna & Meghna River Erosion Prevention	PI	ENV	AWFN	2001	80.0	0.0	80.0	tbd	tbd	tbd
2 Arsenic Mitigation	ODI	ENV	AWFN	2001	50.0	0.0	50.0	tbd	tbd	tbd
Subtotal					130.0	0.0	130.0	tbd	0.0	0.0
Energy										
3 Gas Sector Development II	ODI ^c	PSD	IWEN	2002	140.0	140.0	0.0	tbd	tbd	tbd
Subtotal					140.0	140.0	0.0	tbd	0.0	0.0
Social Infrastructure										
4 Primary Education III	CPI	HD	AWEH		100.0	0.0	100.0	tbd	tbd	tbd
Subtotal					100.0	0.0	100.0	tbd	0.0	0.0
Transport and Communications										
5 Road Network Improvement and Maintenance II	ODI	REG	IWTC		100.0	0.0	100.0	tbd	tbd	tbd
Subtotal					100.0	0.0	100.0	tbd	0.0	0.0
Total					470.0	140.0	330.0	tbd	0.0	0.0
2003 STANDBY LOANS										
1 Integrated Water Resource Management in Southwest	ODI	ENV	AWFN	2002	50.0	0.0	50.0	tbd	tbd	tbd
2 Third Water Supply and Sanitation	PI	ENV	AWWU		60.0	0.0	60.0	tbd	tbd	tbd
Total					110.0	0.0	110.0	tbd	0.0	0.0
^a CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions ^b ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD=Private Sector Development and RC = Regional Cooperation [*] This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.										

BANGLADESH
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2001-2003 ^{al}

Sector/Project Name	Responsible Division	Type of TA	Amount (\$ '000)		
			ADB	Others	Total
2001 TECHNICAL ASSISTANCE PROGRAM					
Agriculture and Natural Resources					
1 Rural Development	AWAR	PP	500.0	0.0	500.0
2 Jamuna and Meghna River Erosion Prevention	AWFN	PP	900.0	0.0	900.0
3 Arsenic Mitigation	AWFN	PP	800.0	0.0	800.0
4 Water Resources Management Investment Strategies	AWFN	AD	600.0	0.0	600.0
5 Institutional Strengthening of BWDB in Kalni-Kushiyara River Management	AWFN	AD	600.0	0.0	600.0
Subtotal			3,400.0	0.0	3,400.0
Energy					
6 Rural Power Transmission and Distribution	IWEN	PP	600.0	0.0	600.0
7 Use of Renewable Energy Resources in the Rural Areas	IWEN	AD	500.0	0.0	500.0
Subtotal			1,100.0	0.0	1,100.0
Social Infrastructure					
8 Secondary Education Teacher Training Sector	AWEH	PP	600.0	0.0	600.0
9 Capacity Building in Urban Governance	AWWU	AD	600.0	0.0	600.0
10 Urban Microcredit	AWWU	AD	600.0	0.0	600.0
Subtotal			1,800.0	0.0	1,800.0
Transport and Communications					
11 Road Network Improvement and Maintenance II	IWTC	PP	600.0	0.0	600.0
Subtotal			600.0	0.0	600.0
Others/Multisector					
12 Efficiency Enhancement of Fiscal Management II	PW2	AD	500.0	0.0	500.0
Subtotal			500.0	0.0	500.0
Total			7,400.0	0.0	7,400.0
2002 TECHNICAL ASSISTANCE PROGRAM					
Agriculture and Natural Resources					
1 Capacity Enhancement of Local Government	AWAR	AD	600.0	0.0	600.0
2 Supervision and Regulation of Microfinance Institutions	AWAR	AD	800.0	0.0	800.0
3 Flood Management Improvement	AWFN	PP	900.0	0.0	900.0
4 Integrated Water Resource Management in Southwest	AWFN	PP	900.0	0.0	900.0
5 Rural Livelihood II	AWAR	PP	800.0	0.0	800.0
Subtotal			4,000.0	0.0	4,000.0
Energy					
6 Gas Sector Development Program II	IWEN	PP	600.0	0.0	600.0
Subtotal			600.0	0.0	600.0
Finance and Industry					
7 Capacity Building for Bangladesh Insurance Academy	IWFI	AD	300.0	0.0	300.0
Subtotal			300.0	0.0	300.0
Social Infrastructure					
8 Primary Education Sector III	AWEH	PP	600.0	0.0	600.0
9 Second Urban Primary Health Care	AWEH	PP	600.0	0.0	600.0
10 Secondary Towns Flood Protection II	AWWU	PP	750.0	0.0	750.0
11 Third Urban Water Supply and Sanitation	AWWU	PP	600.0	0.0	600.0
Subtotal			2,550.0	0.0	2,550.0
Transport and Communications					
12 Urban Transport Pollution Control Study	IWTC	PP	500.0	0.0	500.0
13 Regional Rail Traffic Enhancement Program II	IWTC	PP	800.0	0.0	800.0
Subtotal			1,300.0	0.0	1,300.0
Others/Multisector					
14 Improvement of National Accounts II	EDSD	AD	600.0	0.0	600.0
Subtotal			600.0	0.0	600.0
Total			9,350.0	0.0	9,350.0

^{al} Although the proposed TA program has been generally agreed upon by Management, ADB financing may be subject to further reprioritization to fit in with the ADB-wide annual resource envelope.

BANGLADESH
LENDING PIPELINE AND TECHNICAL ASSISTANCE PROGRAM, 2001-2003

Sector/Project Name	Responsible Division	Type of TA	Amount (\$ '000)		
			ADB	Others	Total
2003 TECHNICAL ASSISTANCE PROGRAM					
Agriculture and Natural Resources					
1 Third Small-Scale Water Resources Development	AWFN	PP	600.0	0.0	600.0
2 Chittagong Hill Tracts Rural Development II	AWAR	PP	800.0	0.0	800.0
3 Crop/Agribusiness Development	AWAR	PP	800.0	0.0	800.0
	Subtotal		2,200.0	0.0	2,200.0
Social Infrastructure					
4 Assistance for National Nutrition Program	AWEH	AD	600.0	0.0	600.0
5 Establishing Regulatory System for Municipal Water Supply and Sewerage Services	AWWU	AD	800.0	0.0	800.0
	Subtotal		1,400.0	0.0	1,400.0
Transport and Communications					
6 Road Network Improvement and Maintenance III	IWTC	PP	800.0	0.0	800.0
	Subtotal		800.0	0.0	800.0
Others/Multisector					
7 Strengthening Project Portfolio Performance II	BRM	AD	500.0	0.0	500.0
8 Capacity Building in Bangladesh Institute of Development Studies II	PW2	AD	800.0	0.0	800.0
	Subtotal		1,300.0	0.0	1,300.0
Total			5,700.0	0.0	5,700.0

BANGLADESH
FIRM LENDING PROGRAM, 2001-2003
BY POVERTY CLASSIFICATION, CROSSCUTTING OPERATIONAL PRIORITY AND SECTOR

Classification	2001		2002-2003	
	No.	%	No.	%
I. By Poverty Classification*				
A. Core Poverty Intervention	1	16.7	1	9.1
B. Poverty Intervention (Non-core)	1	16.7	3	27.3
C. Other Development Interventions	4	66.7	7	63.6
Total	6	100.0	11	100.0
II. By Crosscutting Operational Priority*				
A. Environment	3	50.0	3	27.3
B. Gender and Development	0	0.0	0	0.0
C. Good Governance	0	0.0	1	9.1
D. Human Development	1	16.7	2	18.2
E. Private Sector Development	1	16.7	3	27.3
F. Regional Cooperation	1	16.7	2	18.2
Total	6	100.0	11	100.0
III. By Sector				
A. Agriculture and Natural Resources	2	33.3	3	27.3
B. Energy	0	0.0	2	18.2
C. Finance and Industry	1	16.7	1	9.1
D. Social Infrastructure	2	33.3	3	27.3
E. Transport and Communications	1	16.7	2	18.2
F. Others/Multisector	0	0.0	0	0.0
Total	6	100.0	11	100.0

* This classification was completed prior to the finalization of the improved and redesigned classification system in December 2000, which will be applied from January 2001.

BANGLADESH

PROJECT PROFILE				
1. Project Name: Small-Scale Water Resources Development Sector II		2. Sector/Subsector: Agriculture/Water Resources		
3. Poverty Classification: ^{a*} ODI		4. Crosscutting Operational Priority: ^{b*} ENV		
5. Rationale & Objectives: Sustainable water resource management with participation of diverse stakeholders is a key to sustained incomes growth of rural Bangladesh. ADB has assisted small-scale schemes in western Bangladesh since 1996. The Government adopted the National Water Policy in 1999 that endorsed this direction, and intends to implement the Project and operationalize the Policy all over Bangladesh, by strengthening capacities and institutions for small-scale water resource management on the basis of the experience of the ongoing project.		6. Beneficiary Participation/Consultation Needs: The sector project will be formulated under PPTA in 2000 based on the intensive consultation with stakeholders on the basis of the ongoing project that has adopted (i) stakeholder-driven schemes identification, (ii) formation of Water Management Associations, (iii) consultation with WMCAs on schemes design and participation in construction supervision, and (iv) self-sustained O&M through resource mobilization.		
7. Scope: The PPTA will design a project to support sustainable small-scale local stakeholder-driven integrated water resources management interventions, thereby increasing agricultural and rural incomes all over Bangladesh. It will identify improved institutional framework and existing gaps to achieve the envisaged water resource management within the context of the Policy and experience of the ongoing project, and develop a sector investment package that comprises: (i) water management association development, (ii) development of small-scale water control structures, and (iii) strengthening institutional framework for small-scale water resource development.				
8. Estimated Cost & Financing Plan:				Remarks:
Loan Project Cost (\$m)				
Financing (Source)	FC	LC	Total	
ADB	60.0	0.0	60.0	
Co-financing	0.0	0.0	0.0	
Borrower	0.0	25.0	25.0	
Sub-borrowers	-	-	-	
Total	60.0	25.0	85.0	
9. Estimated Benefits and Beneficiary Groups: The main beneficiaries will be marginal to small farmers in the subproject area all over Bangladesh who will have increased agricultural production. Landless people will also benefit through increased employment opportunities for agriculture and other income generating activities such as aquaculture. Other benefits include environmental improvements and improved water resource management including improved flood management.				
10. Executing Agency: Local Government Engineering Department		11. Project Implementation Period: Start: 2001 End: 2007		
12. Environment Category: B		13. Processing Year: 2001		

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions

^b ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD=Private Sector Development and RC = Regional Cooperation

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BANGLADESH

PROJECT PROFILE				
1. Project Name: Kalni-Kushiyara River Management		2. Sector/Subsector: Agriculture		
3. Poverty Classification: ^{a *} ODI		4. Crosscutting Operational Priority: ^{b *} ENV		
5. Rationale & Objectives: Development of integrated and sustainable river management institutions and mechanisms is essential for water resource management in Bangladesh. This is crucial in the Project area in Northeast where 65 percent of people are under absolute poverty. Extensive siltation and river instability is threatening economic activities. Based on CIDA's studies in 1993-98 that concluded economic viability of interventions, CIDA and ADB are considering to cofinance the Project that envisages institutional development of river management and river stabilization works.		6. Beneficiary Participation/Consultation Needs: The Project will be formulated under PPTA in 2000. The Public Consensus Process funded by CIDA will also be conducted to determine institutional and funding mechanism of river management through extensive consultation with all stakeholders including local politicians. Consultations in development of Resettlement Action Plan will also be carried out under PPTA.		
7. Scope: The PPTA will (i) design a sustainable institutional and financing mechanism for managing the Kalni-Kushiyara River, and (ii) finalize an investment project proposal that is based on the feasibility study by CIDA and suitable for external financing. The ensuing project will tentatively comprise (i) establishment of an institutional mechanism for comprehensive river management, (ii) construction of two river loop cuts, 31 km of channel excavation and river training at three locations, (iii) construction of 20 km of levees, (iv) navigation dredging at five locations, (v) construction of 247 ha of settlement platforms at 44 locations.				
8. Estimated Cost & Financing Plan:				Remarks: Institutional Strengthening of BWDB in the Rural Area amounting to \$600,000 is piggybacked to this loan.
Loan Project Cost (\$m)				
Financing (Source)	FC	LC	Total	
ADB	60.0	0.0	60.0	
Co-financing	0.0	0.0	0.0	
Borrower	0.0	25.0	25.0	
Sub-borrowers	-	-	-	
Total	60.0	25.0	85.0	
9. Estimated Benefits and Beneficiary Groups: The main beneficiaries will be marginal to small farmers in the subproject area. According to CIDA's study, the proposed Project is expected to increase annually (i) rice production by over 82,000t; (ii) river transport by 200,000t of cargo, (iii) fisheries production by 1,300t, and (iv) employment by 23,000 person-years. The Project will also provide flood secure settlement areas to about 11,250 poor families.				
10. Executing Agency: Bangladesh Water Development Board		11. Project Implementation Period: Start: 2001 End: 2007		
12. Environment Category: B		13. Processing Year: 2001		

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions

^b ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD=Private Sector Development and RC = Regional Cooperation

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BANGLADESH

PROJECT PROFILE				
1. Project Name: Long-Term Financial Markets Development			2. Sector/Subsector: Finance/capital market	
3. Poverty Classification: ^{a*} ODI			4. Crosscutting Operational Priority: ^{b*} ENV/PSD	
5. Rationale & Objectives: The Project objectives are to (i) promote development of sustainable short- and medium/long-term financing and the effectiveness of financial intermediation; (ii) facilitate financial resource mobilization through development of the money and bond markets; (iii) strengthen the institutional capacity for term lending of the Participating Financial Institutions (PFIs).			6. Beneficiary Participation/Consultation Needs: Ministry of Finance, Securities and Exchange Commission, and Investment Corporation of Bangladesh will be consulted.	
7. Scope: The Project's main components include: a Facility which will, at market rates, (i) promote the issuance of medium/long-term debt (3 to 5 year bonds or debentures) through two channels: a direct credit component; and a credit for resource mobilization and (ii) provide long term funds to PFIs for subsequent lending to their corporate clients. Other key components include piggy backed TAs for the development of the money markets and institutional strengthening of the PFIs.				
8. Estimated Cost & Financing Plan:				Remarks:
Loan Project Cost (\$m)				
Financing (Source)				
	FC	LC	Total	
ADB	50.0	0.0	50.0	
Co-financing	0.0	0.0	0.0	
Borrower	0.0	5.0	5.0	
Sub-borrowers	-	-	-	
Total	50.0	5.0	55.0	
9. Estimated Benefits and Beneficiary Groups: The primary beneficiary will be the industries and commercial undertakings, which are currently facing great difficulty accessing term local currency funds. The secondary beneficiaries will be the PCBs, which will develop in-house capability at term credit analysis.				
10. Executing Agency: Bangladesh Bank			11. Project Implementation Period: Start: TBD End: TBD	
12. Environment Category: B			13. Processing Year: 2001	

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions

^b ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD=Private Sector Development and RC = Regional Cooperation

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BANGLADESH

PROJECT PROFILE					
1. Project Name: Second Nonformal Education		2. Sector/Subsector: Education/Basic Education			
3. Poverty Classification: ^{a*} CPI		4. Crosscutting Operational Priority: ^{b*} HD/GAD			
5. Rationale & Objectives: The Bank is assisting the Government in achieving education for all by improving and expanding nonformal education (NFE) to reach illiterate young adults (15-24 years), particularly females, under Loan No. 1390-BAN(SF): NFE Project. The Government aims to achieve full literacy by 2003 by expanding, improving, and sustaining NFE to reach young illiterates and newly literates. The proposed Project will address the persistent poverty problem of illiterate and newly literate young adults, particularly females. The objective of the Second NFE Project is to assist the Government in further strengthening the NFE system capacity, improving access to NFE by the poor, supporting quality improvement systems in NFE, and enhancing the relevance and effectiveness of post-literacy and targeted continuing education programs.		6. Beneficiary Participation/Consultation Needs: Illiterates Newly literates Trainers, Teachers, NGOs, Community Leaders, District Administrators, Primary and Mass Education Division Directorate of Nonformal Education			
7. Scope: The above objectives will be achieved through the following four inter-related components: (i) strengthened NFE system capacity in planning, management, monitoring and evaluation, (ii) improved access to NFE, (iii) improved quality of NFE programs, and (iv) enhanced relevance and effectiveness of post-literacy and targeted continuing education programs. Especially, the Project will reach young female illiterates and newly literates and to sustain their literacy through post-literacy, life skills and skills training programs.					
8. Estimated Cost & Financing Plan:				Remarks: The ADB will coordinate with IDA which will support post-literacy and continuing education, and with other potential cofinanciers including DFID, JICA, SDC, Sida, Norway, and UNICEF.	
Loan Project Cost (\$m)					
Financing (Source)		FC	LC		Total
ADB		80.0	0.0		80.0
Co-financing		0.0	0.0		0.0
Borrower		0.0	35.0		35.0
Sub-borrowers		-	-		-
Total		80.0	35.0	115.0	
9. Estimated Benefits and Beneficiary Groups: Illiterate and newly literate young females will benefit from expanded and improved NFE delivery by NGOs. The institutional and managerial capacity of the NFE system will be strengthened.					
10. Executing Agency: Directorate of Nonformal Education Primary and Mass Education Division		11. Project Implementation Period: Start: 2001 End: 2006			
12. Environment Category: C		13. Processing Year: 2001			

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions

^b ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD=Private Sector Development and RC = Regional Cooperation

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PROJECT PROFILE				
1. Project Name: Third Urban Development Sector		2. Sector/Subsector: Urban Development and Housing		
3. Poverty Classification: ^{a *} PI		4. Crosscutting Operational Priority: ^{b *} ENV/GAD/GG		
5. Rationale & Objectives: The Project is intended to help the Government realize the policy objective of balanced urban development.		6. Beneficiary Participation/Consultation Needs: Project components will be determined through consultation with potential beneficiaries and other stakeholders, including participatory workshops.		
7. Scope: The objectives of the Project are to (i) improve urban productivity, (ii) increase access to improved urban services by urban dwellers including the poor, and (iii) ensure sustainability in the delivery of urban services through enhanced municipal management. The Project will extend infrastructure services such as roads, drainage, water supply, sanitation, solid waste disposal, market development, slum improvement and land development to unserved 22 secondary towns. The Project will give special emphasis to the capacity of local authorities in terms of improved urban management practices, organizational and human resources development and local resource mobilization.				
8. Estimated Cost & Financing Plan:				Remarks:
Loan Project Cost (\$m)				
Financing (Source)				
	FC	LC	Total	
ADB	90.0	0.0	90.0	
Co-financing	0.0	0.0	0.0	
Borrower	0.0	40.0	40.0	
Sub-borrowers	-	-	-	
Total	90.0	40.0	130.0	
9. Estimated Benefits and Beneficiary Groups: The Project is expected to guide the urbanization process through developing secondary towns which will result in taking pressure off the capital city, Dhaka. About 1.8 million people, including the poor, will benefit from improved environment, enhanced economic growth and sustainable delivery of services to be provided under the Project.				
10. Executing Agency: Department of Local Government and Engineering		11. Project Implementation Period: Start: 2001 End: 2006		
12. Environment Category: B		13. Processing Year: 2001		

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions

^b ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD=Private Sector Development and RC = Regional Cooperation

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PROJECT PROFILE				
1. Project Name: Regional Rail Traffic Enhancement Program		2. Sector/Subsector: Transport/Railways		
3. Poverty Classification: ^{a*} ODI		4. Crosscutting Operational Priority: ^{b*} ENV/RC		
5. Rationale & Objectives: Promotion of regional rail traffic by developing conventions and other agreements for cross-border rail traffic with cross-border and customs procedures and improving physical railway facilities.		6. Beneficiary Participation/Consultation Needs: To include consultation with the Borrower/EA and other affected agencies as appropriate. Public consultation meetings within immediate project influence areas to be conducted.		
7. Scope: The policy program will cover defining appropriate institutional arrangements and operating principles including assessment of appropriate role of railways and review of tariff-setting procedures and tariff regulation policy and tariff charging structure				
8. Estimated Cost & Financing Plan:				Remarks:
Loan Project Cost (\$m)				
Financing (Source)				
	FC	LC	Total	
ADB	120.0	0.0	120.0	
Co-financing	60.0	0.0	60.0	
Borrower	0.0	50.0	50.0	
Sub-borrowers	-	-	-	
Total	180.0	50.0	230.0	
9. Estimated Benefits and Beneficiary Groups: Primarily all freight transport users in Bangladesh, India and Nepal. Secondary, people using the railway for long distance travelling in Bangladesh and in the region.				
10. Executing Agency: Bangladesh Railway		11. Project Implementation Period: Start: 2002 End: 2006		
12. Environment Category: TBD		13. Processing Year:	TA	LOAN
			2000	2001

^a CPI = Core Poverty Intervention; PI = Poverty Intervention; ODI = Other Development Interventions

^b ENV = Environmental Protection; GAD = Gender and Development; GG = Good Governance; HD = Human Development; PSD=Private Sector Development and RC = Regional Cooperation

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