



Country Partnership Strategy

August 2021

Bangladesh, 2021–2025 —Sustain Growth, Build Resilience, and Foster Inclusion

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 9 August 2021)

Currency unit	–	taka (Tk)
Tk1.00	=	\$0.012
\$1.00	=	Tk84.6696

ABBREVIATIONS

ADB	–	Asian Development Bank
AIIB	–	Asian Infrastructure Investment Bank
CAPE	–	country assistance program evaluation
COL	–	concessional ordinary capital resources lending
COVID-19	–	coronavirus disease
CPS	–	country partnership strategy
GDP	–	gross domestic product
GESI	–	gender equality and social inclusion
LCG	–	Local Consultative Group
LDC	–	least-developed country
NGO	–	nongovernment organization
OCR	–	ordinary capital resources
PPP	–	public–private partnership
SASEC	–	South Asia Subregional Economic Cooperation
SDG	–	Sustainable Development Goals
TA	–	technical assistance

NOTES

- (i) The fiscal year (FY) of the Government of Bangladesh ends on 30 June. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2022 ends on 30 June 2022.
- (ii) In this report, “\$” refers to United States dollars.

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COUNTRY AT A GLANCE

Economic^a	2016	2017	2018	2019	2020
GDP (\$ billion, current)	221.4	249.7	274.1	302.6	323.1
GDP per capita (\$, current)	1,385.0	1,544.0	1,675.0	1,828.0	1,970.0
GNI per capita (\$, atlas method)	1,370.0	1,520.0	1,750.0	1,940.0	...
GDP growth (% , in constant prices)	7.1	7.3	7.9	8.2	3.5
Agriculture	2.8	3.0	4.2	3.9	4.6
Industry	11.1	10.2	12.1	12.7	3.3
Services	6.3	6.7	6.4	6.8	4.2
Gross domestic investment (% of GDP)	29.7	30.5	31.2	31.6	30.5
Gross domestic saving (% of GDP)	25.0	25.3	22.8	25.0	23.8
Consumer price index (annual % change)	5.9	5.4	5.8	5.5	5.7
Liquidity (M2) (annual % change)	16.4	10.9	9.2	9.9	12.6
Overall fiscal surplus (deficit) (% of GDP)	(3.8)	(3.4)	(4.7)	(5.5)	(5.6)
Merchandise trade balance (% of GDP)	(2.9)	(3.8)	(6.6)	(5.2)	(5.5)
Current account balance (% of GDP)	1.9	(0.5)	(3.5)	(1.5)	(1.4)
External debt service (% of exports of goods and services)	2.8	3.0	3.5	3.4	4.4
External debt (% of GDP)	14.5	13.7	14.9	14.9	15.3
Poverty and Social	2010		Latest		
Population (million)	147.8		167.6	[2020]	
Population growth (annual % change)	1.4		1.2	[2020]	
Maternal mortality ratio (per 100,000 live births)	242.0		163.0	[2020]	
Infant mortality rate (below 1 year/per 1,000 live births)	38.9		21.0	[2020]	
Life expectancy at birth (years)	70.9		72.8	[2020]	
Adult literacy (%)	64.6		75.6	[2020]	
Primary school gross enrollment (%)	106.0		116.5	[2018]	
Child malnutrition (% below 5 years old)	45.0		21.9	[2018]	
Population below national poverty line (%)	31.5		20.5	[2019]	
Population with access to safe water (%)	84.0		98.5	[2019]	
Population with access to sanitation (%)	56.0		84.6	[2019]	
Environment	2000		Latest		
Carbon dioxide emissions (million tons)	27.9		82.8	[2018]	
Carbon dioxide emissions per capita (tons)	0.2		0.5	[2018]	
Forest area (million hectares)	...		2.6	[2020]	
Urban population (% of total population)	22.8		37.4	[2019]	
ADB Portfolio (active loans and ADF grants)^b				As of 31 December 2020	
Total number of loans and ADF grants					
Sovereign					68
Nonsovereign					6
Total loan and ADF grant amount (\$ million) ^c					
Sovereign					10,379.6
Nonsovereign					202.8
Disbursements (sovereign)					
Disbursed amount, total (\$ million)					1,644.7
Disbursed amount, excluding PBL (\$ million)					976.6
Disbursement ratio, excluding PBL (%)					18.4

... = not available, () = negative, [] = latest year for which data are available, ADB = Asian Development Bank, ADF = Asian Development Fund, GDP = gross domestic product, GNI = gross national income, M2 = broad money, OCR = ordinary capital resources, PBL = policy-based lending.

^a Fiscal year ending 30 June, e.g., FY2020 ended on 30 June 2020.

^b Covers ADF and OCR financing for projects and programs, including policy-based lending, unless otherwise stated.

^c Net of droppages and cancellation.

Sources: Bangladesh Bureau of Statistics; Bangladesh Bank; Ministry of Finance; World Bank; and ADB estimates

I. COUNTRY PARTNERSHIP STRATEGY SNAPSHOT

1. **Key development challenges.** Bangladesh has achieved robust growth of 6.5% per year since fiscal year (FY) 2010.¹ Poverty has declined from 49% in FY2000 to 20.5% in FY2019. The gender gap has narrowed, with significant improvements in human development indicators. Bangladesh became a lower middle-income country in 2015 and is on track to graduate from least-developed country (LDC) status in 2026, having met the United Nations eligibility criteria in March 2018 and February 2021. The major challenges facing Bangladesh are (i) lack of economic diversification and weak competitiveness, (ii) threats from climate change and environmental degradation, and (iii) limited human capital development and social protection. Other factors impeding faster, more inclusive growth are poor-quality infrastructure, a weak business and investment environment, low productivity of the rural economy, inadequate institutional capacity and governance, and limited integration with regional and global value chains.

2. **ADB's strategic objectives and priorities.** The Asian Development Bank (ADB) will adopt a holistic and comprehensive approach to support sustainable, resilient, and inclusive growth over the country partnership strategy (CPS) period (2021–2025). ADB will (i) boost competitiveness, employment, and private sector development; (ii) promote green growth and climate resilience; and (iii) strengthen human capital and social protection. In delivering these strategic priorities, ADB will (i) accelerate gender equality and social inclusion, (ii) strengthen institutional capacity and governance, (iii) deepen regional cooperation and integration, and (iv) promote new technology and innovation. ADB will prioritize support to the government's coronavirus disease (COVID-19) recovery efforts, including by expanding support for the health sector and social protection. ADB will be selective and interventions in each area will be based on careful consideration of its core strengths and the role of other development partners.

3. **Alignment with the government's development plan.** ADB assistance is aligned with the government's Eighth Five-Year Plan (2021–2025), and its road map for promoting prosperity and fostering inclusiveness.² ADB strategic objectives reflect recommendations from the Country Assistance Program Evaluation (CAPE) for Bangladesh, 2011–2020 and are aligned with ADB's Strategy 2030 and its operational priorities.³ ADB engagement complements the strategies of other development partners by pursuing a sector-wide approach, and common policy dialogues.

4. **ADB's value addition.** To realize the aspiration of becoming an upper middle-income country by 2031, Bangladesh needs increased public and private investments during 2021–2025. ADB will increase its lending operations to \$10 billion–\$12 billion during 2021–2025, from \$9.6 billion during 2016–2020. ADB will further expand its private sector operations and continue to leverage a high level of cofinancing.⁴ ADB operations will be increasingly driven by upstream strategic knowledge works that will build a deeper and broader understanding of cross-sectoral development issues, and prioritize transformative investments with policy dialogues, including multisector projects to address complex development challenges holistically through the One ADB approach. Climate change will be a key consideration in selection of projects. Programmatic policy-based loans will be used to address key policy challenges where ADB has comparative advantage. ADB will promote regional transport, trade, and energy connectivity through coordinated support to the South Asia Subregional Economic Cooperation (SASEC) program.

¹ Gross domestic product (GDP) growth averaged 7.6% per year during FY2016–FY2019, but moderated to 5.2% in FY2020 because of the impact of the coronavirus disease (COVID-19) pandemic.

² Government of Bangladesh. 2020. [Eighth Five-Year Plan 2021–2025](#). Dhaka.

³ ADB. 2021. [Country Assistance Program Evaluation: Bangladesh, 2011–2020](#). Manila; ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

⁴ A total of \$7.2 billion cofinancing was leveraged between 2016 and 2020, of which \$2.9 billion was nonsovereign.

II. COUNTRY DEVELOPMENT CONTEXT

5. **Positive development momentum.** Sustained growth and appropriate policy measures have helped Bangladesh achieve good development outcomes. Almost universal access to power (99%), basic drinking water (98.5%), and sanitation (86.5%) have helped improve the quality of living (footnote 2). Record levels of remittances and stable food production helped poor households cope with economic uncertainties. Employment generation has been encouraging—the manufacturing sector, especially manufacture of ready-made garments, has absorbed low-skilled, mostly female workers. Increased access to finance and cellphone services have helped increase financial inclusion. Good progress in health and education has helped increase productivity and competitiveness of the young labor force.⁵ The country is located between South Asia and Southeast Asia, offering opportunities to be part of global and regional value chains.

6. **Macroeconomic context.** Despite COVID-19, Bangladesh has successfully maintained macroeconomic stability. Gross domestic product (GDP) grew steadily from 7.1% in FY2016 to 8.2% in FY2019, with average annual GDP growth of 7.6% during the period. Exports, remittances, and domestic consumption have been the major sources of growth. Capital accumulation has also been a key driver of economic growth, aided by investments in infrastructure and human development. During FY2016–FY2019, inflation remained under control (5.4%–5.9%), fiscal deficits were low (3.4%–5.5% of GDP), and current account balances showed either a surplus or a small deficit (–3.5% to 1.9% of GDP). Foreign exchange reserves grew from \$30 billion in FY2016 to \$36 billion in FY2020, and external debt remained stable at about 15% of GDP. The COVID-19 pandemic has slowed growth, increased short-term unemployment, and marginally impacted the fiscal deficit and inflation. The low revenue-to-GDP ratio (which averaged 9.9% of GDP in FY2016–FY2019) is a major macroeconomic concern. Efforts to enhance domestic resource mobilization will be a key priority in the CPS period to meet the growing needs for public expenditure on physical and social infrastructure.

7. **Pace of structural transformation and economic diversification.** The structure of the economy continues to shift from agriculture to manufacturing and services. During FY2016–FY2019, the industry sector grew at an average rate of 11.5% per year, the services sector at 6.5%, and agriculture at just 3.5%. The agriculture sector's share of GDP declined from 15.4% to 13.6%, while that of industry increased from 29.2% to 34.6%. However, industry, including the export-oriented manufacturing sector, lacks diversification, with over 80% of exports concentrated in ready-made garments to traditional export destinations, including the United States and the euro area. Infrastructure deficit is identified as a key constraint for economic diversification. Diversification in manufacturing and export items (such as leather, agro-products, information and communication technology [ICT], light engineering, pharmaceuticals), together with increased competitiveness and access to new markets, will be critical in recovering from COVID-19 pandemic, sustaining economic growth, and generating employment opportunities.

8. **Sustainable Development Goals.** The Sustainable Development Goals (SDGs) were integrated with the Seventh Five-Year Plan with the pledge to “leave no one behind”.⁶ During 2016–2020, good progress was made in eradicating poverty; reducing malnutrition, undernourishment and stunting; healthy lives; primary education enrollment; increasing gender equality, financial inclusion, and access to electricity and safe sanitation; and marine protection.

⁵ United Nations Development Programme. 2020. [Human Development Report, 2020](#). New York. Bangladesh is ranked 133 (out of 189 countries), with a Human Development Index value of 0.632. Notable advances have been made in infant and maternal mortality, life expectancy (72.6 years), and primary education (enrollment 100%, no gender gap).

⁶ Government of Bangladesh, 2015. [Seventh Five Year Plan 2015–2020](#). Dhaka.

Areas that require enhanced actions include reducing income inequality, providing universal access to health coverage and quality education, meeting urban demands, climate change adaptation and mitigation, and mobilizing financial resources.

9. **Private sector development.** Increased private sector participation is essential to meet the country's development needs. However, during FY2016–FY2019 private investment was relatively modest at 23.5% of GDP, and foreign direct investment remained low at less than 1% of GDP. Majority of businesses are informal and cost of doing business is high. The banking sector is the primary lender, but faces challenges of low profitability, high nonperforming loan ratio, weak governance, operational inefficiencies, tenor and asset liability management issues, and capital shortfalls. Improving the banking sector, the ease of doing business, business environment, and investment climate will help accelerate private sector development.⁷

10. **Employment generation.** While economic growth has been robust, its impact on employment generation has been modest. Even though 68% of the population is aged between 15 and 64 in 2020, new employment creation in the industry and services sector expanded by an average of 3%–4% per annum, indicating limited labor absorption capacity. Labor productivity improved in all sectors, growing by 5.6% per annum, with productivity in manufacturing growing fastest (by 9%). Female labor force participation increased to 36.3% in FY2017, from 33.5% in FY2013. Industrial and economic diversification combined with better skills training and access to finance can increase employment opportunities in domestic and overseas markets.

11. **Poverty reduction and social protection.** Poverty has declined because of rapid GDP growth, employment creation, expansion of microcredit, social safety net programs, remittances (especially to rural areas), and public investments in large infrastructure projects.⁸ However, falling real wages and worsening income distribution, together with the impact of COVID-19, have caused a slowdown in the pace of poverty reduction. There is also disparity in poverty incidence between urban and rural areas, and western and eastern regions of the country. Specific actions to reduce inequality and poverty include effective implementation of the government's social protection program, more equitable rural and regional development, investments in low-cost housing and basic services (including quality health and education for the poor), and disaster risk management to reduce vulnerability to extreme weather events.

12. **Climate change and environment.** Bangladesh faces serious climate challenges because of its location in a river delta with low-lying flood plains. It is ranked as one of the most vulnerable countries to the impacts of climate change.⁹ Changing rainfall and water flow patterns, coupled with poverty incidence, high population density, rapid urbanization, and reliance on livelihoods that are weather-sensitive (such as agriculture) can affect rural livelihoods, food security, public health, and access to infrastructure and social services. The government has prepared the Bangladesh Delta Plan 2100 that integrates the country's development goals with sustainable management of water, ecology, environment, and land resources in the context of climate change and disaster vulnerabilities.¹⁰

⁷ World Economic Forum. 2019. [The Global Competitiveness Report 2019](#). Geneva; and World Bank. 2020. [Doing Business 2020](#). Washington, DC. Bangladesh ranked 105 among 141 economies in the Global Competitiveness Index, and 168 among 190 economies in the Ease of Doing Business index.

⁸ Government of Bangladesh, Bangladesh Bureau of Statistics. 2019. [Report on the Household Income and Expenditure Survey 2016](#). Dhaka. [Poverty and Extreme Poverty Rate of Bangladesh 2018–19](#). Dhaka. The national poverty rate in Bangladesh decreased from 24.3% in 2016 to 20.5% in 2019; extreme poverty fell from 12.9% to 10.5% during the same period.

⁹ Germanwatch. 2019. [Global Climate Risk Index 2020](#). Bonn.

¹⁰ Government of Bangladesh, Ministry of Planning. 2018. [Bangladesh Delta Plan 2100](#). Dhaka.

13. **Gender equality and women’s empowerment.** Bangladesh has made significant progress in several dimensions of gender equality: women’s participation in the political process, employment in the readymade garments sector, and primary and secondary education enrollments. However, economic opportunities for men and women remain unequal; women are concentrated in the informal sector, and receive about 61% of male wages for equal work. The female labor force participation rate is below international norms, although it increased marginally from 33.5% in FY2013 to 36.3% in FY2017. Gender inequality can be addressed in part by providing women with equal access to education and skills development, employment opportunities, and productive assets; and increasing their involvement in decision making.

III. COUNTRY STRATEGY FRAMEWORK

A. Lessons from Previous Strategy

14. The design of the CPS carefully considers the recommendations of ADB’s CAPE for Bangladesh, 2011–2020 which rated ADB operations during 2011–2020 *successful*. The CAPE recommends to (i) build a deeper and broader understanding of cross-sectoral development issues; (ii) ensure that climate change and the environment are the overall strategic priority in the CPS, 2021–2025; (iii) scale up economic and sector analytical work; (iv) target the use of programmatic, policy-based lending for the most critical and relevant policy issues where the government’s reform commitment is strong, and where governance can be strengthened; and (v) increase support for Bangladesh’s national health and social protection systems.

15. The CAPE rated the development impact of the ADB program *satisfactory* and *relevant* to the country’s needs, in addition to *efficient* and *likely sustainable*. It noted positive development impact in the areas of education, energy, transport, water, health, finance, and agriculture. The CAPE found that ADB contributed to the economic diversification of Bangladesh through its support in the areas of energy and transport. Support for inclusion, education and skills development, and greater gender equality achieved good results. Investments in urban primary health care services contributed to positive health outcomes in many urban areas. ADB investments in flood protection had significant advantages for agriculture and rural livelihoods with proactive climate change adaptation and disaster risk management measures. ADB also contributed to the development of the finance sector and public sector management, albeit on a limited scale (rated *less than effective*). The key lessons are to pursue capital market development, increase public engagement and analytical work to build public sector management and the good governance program, focus on productivity and livelihoods in the agriculture sector, and make efforts to further improve project readiness. These lessons have been incorporated in the design of the CPS.

B. National Development Strategy

16. **Key development goals.** The government aims to focus on areas where important performance gaps in implementing the Seventh Five-Year Plan remain, especially those impacted by the COVID-19 pandemic. The Eighth Five-Year Plan recognizes the need for higher resource mobilization, diversification of manufacturing and exports, and sustainable urbanization, among other issues.¹¹ It centers on six core themes: (i) rapid recovery from COVID-19 to restore human

¹¹ The Eighth FYP is the first medium-term development plan through which the Perspective Plan 2021–2041 is to be implemented. Government of Bangladesh, General Economics Division. 2020. [Making Vision 2041 into a Reality: Perspective Plan of Bangladesh 2021–2041](#). Dhaka sets the agenda for the country to become an upper middle-income country and eliminate extreme poverty by FY2031, and achieve a high-income country status by FY2041.

health, confidence, employment, income, and economic activities; (ii) GDP growth acceleration, employment generation, and rapid poverty reduction; (iii) a broad-based strategy of inclusiveness with a view to empowering every citizen; (iv) a sustainable development pathway that is resilient to disaster and climate change, entails sustainable use of natural resources, and successfully manages the inevitable urbanization transition; (v) development and improvement of critical institutions necessary to lead the economy to upper middle-income country status; and (vi) attaining SDG targets and mitigating the impact of LDC graduation.¹²

17. The government estimates about \$750 billion is required to achieve the Eighth Five-Year Plan targets. Of this, 94.9% will come from domestic resources and 5.1% from external resources. The plan seeks to achieve the following milestones: (i) accelerate the average annual growth rate from 7.1% to 8.0%, (ii) reduce poverty from 20.5% to 15.6% and extreme poverty from 10.5% to 7.4%, and (iii) provide 11.33 million new jobs. The plan assumes increases from current levels in (i) the tax-to-GDP ratio, from 7.9% to 12.3% in FY2025; (ii) expenditure-to-GDP, from 14.9% to 19.1% in FY2025; and (iii) revenue-to-GDP, from 9.4% to 14.1%. Remittances are projected to rise from \$18 billion to \$25.5 billion in 2025. An ambitious target has been set for foreign direct investment, projected to rise from the current level of \$1.8 billion (0.5% of GDP) to almost \$15.8 billion in FY2025 (3% of GDP). The plan aims to address the challenges arising from the COVID-19 pandemic swiftly and comprehensively by strengthening the health care system and through swift economic recovery. Health care spending will increase from 0.7% in FY2019 to 2.0% in FY2025, education from 2.0% to 3.0%, and social protection spending excluding civil service pension from 1.2% to 2.0%. Economic recovery will be pursued by fully implementing the stimulus packages, and creating new employment opportunities in cottage, micro, and small enterprises.

18. The government estimates that to accelerate economic growth the gross investment rate needs to rise from 30.5% in FY2020 to 36.6% by FY2025; while to maintain fiscal sustainability, 75.1% of the incremental investment needs to come from the private sector. Policies and measures to increase pro-poor expenditures and public investment in underserved regions and better target social safety programs are essential to ensure inclusive growth. Providing diverse opportunities for rural employment and income generation are effective ways to achieve more equitable growth. Vulnerability to environmental degradation and climate change also need to be addressed, as the livelihoods of the poor depend on increasing their resilience to unexpected environmental changes. Gender inequality remains an important social and economic issue, and limits the positive impacts of growth on a large section of the population.

19. **Government strategy to achieve the Sustainable Development Goals.** Bangladesh has embedded the SDGs into the Eighth Five-Year Plan and the Perspective Plan 2021–2041; this includes mapping ministries and agencies by target and preparing action plans for them, approving 40 priority indicators for localizing the SDGs, and preparing a monitoring and evaluation framework. In implementing SDGs, the government has adopted the “whole of society” approach through regular consultations with stakeholders including nongovernment organizations, civil society organizations, businesses, development partners, ethnic minorities, professional groups, labor associations, women’s networks, and the media. To implement the SDGs during FY2017–FY2030, financing of \$928.5 billion (in FY2016 constant prices) is estimated to be needed, with the private sector contributing 42%, the public sector 34%, external sources 15%, public–private partnerships (PPPs) 6%, and nongovernment organizations 4%. The SDG Coordinator (in Prime Minister Office) closely coordinates with line ministries and voluntary national reviews on SDG progress were presented in 2017 and 2020.

¹² Trade-related challenges may arise due to the loss of specific LDC market access provisions, special and differential treatment, and flexibilities.

C. Role of Development Partners

20. **Development assistance scenario.** Development assistance plays a significant role in Bangladesh's development process. The foreign aid commitment to Bangladesh in FY2020 stood at \$9.7 billion, with most of it in the form of concessional loans. In FY2020, foreign assistance accounted for 40.1% of the annual development program spending. An active Local Consultative Group (LCG) comprising the government and all development partners provides the overall framework for cooperation. ADB is part of the LCG Executive Committee and currently co-chairs the LCG working group on energy. ADB has been active in working groups on transport, health, education, agriculture and natural resources, and water and urban services. ADB has strong partnerships with development partners and leveraged \$7.2 billion cofinancing in 2016–2020. To combat the impacts of the COVID-19 pandemic, in 2020 ADB provided \$600 million in support, including \$500 million for the COVID-19 Pandemic Response Option—with \$651 million in cofinancing from the Japan International Cooperation Agency, the Asian Infrastructure Investment Bank (AIIB), and the OPEC Fund for International Development—and \$100 million for the Emergency Health Project. The International Monetary Fund also provided \$732 million in balance-of-payment support in FY2020.¹³ Other partners such as the World Bank, the United Nations Children's Fund, the World Health Organization, and bilateral partners also provided support. In 2021, ADB has provided \$940 million to support vaccine procurement under the Asia Pacific Vaccine Access Facility. The government has requested \$1 billion programmatic budget support for economic resilience and health and social protection, of which \$250 million has been provided and the rest is under process for approval in 2021–2023.

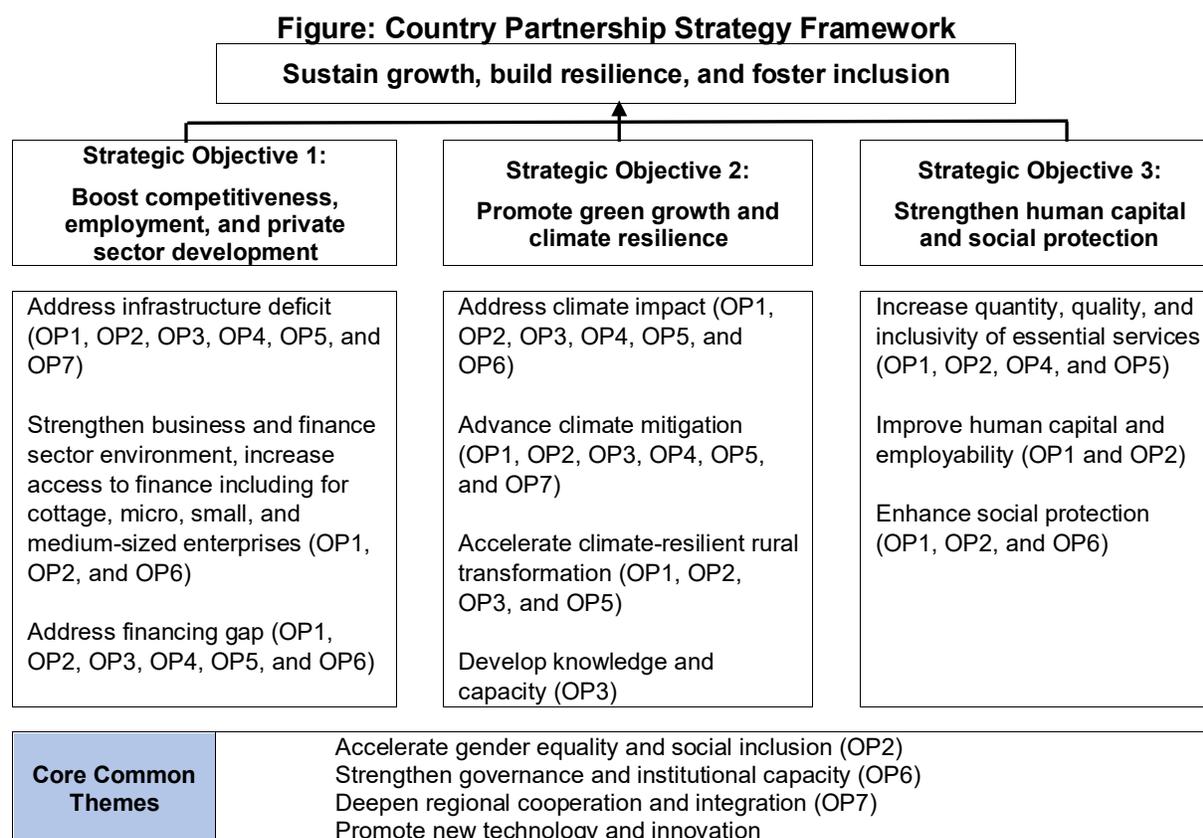
21. **Partnerships and areas of coordination.** ADB will further deepen coordination with development partners to enhance the effectiveness of its assistance and explore more cofinancing opportunities. ADB's future operations envisage cofinancing in projects and programs focusing on infrastructure development, human capital development, finance, health and social protection, rural transformation, and urban infrastructure and services. In the health and social protection sector, ADB will work closely with the World Bank, the Japan International Cooperation Agency, the European Investment Bank, AIIB, and OPEC Fund for International Development. In education, ADB will continue to work with a consortium of development partners using a sector-wide approach. In infrastructure, ADB will work closely with AIIB, the European Investment Bank, and other partners. In agriculture and rural development, cofinancing opportunities with the Netherlands and the International Fund for Agricultural Development will be sought. In water and other urban infrastructure and services, cofinancing from Agence Française de Développement will be pursued. ADB will harmonize approaches with other development partners in terms of fiduciary oversight, governance, financial management, reporting, and procurement. Efforts will be made to deepen the ongoing collaboration with civil society organizations for community-based approaches in urban health, water management, gender equality and social inclusion, and urban services.

D. ADB's Strategic Objectives and Operational Priorities

22. In providing support to the government in achieving its vision of promoting prosperity and fostering inclusiveness, the CPS has three strategic objectives, based on ADB's core strengths in Bangladesh, and ADB Strategy 2030; and is aligned with the SDGs. The first objective is to boost competitiveness, employment, and private sector development. To achieve this, ADB will invest in infrastructure; strengthen the business and finance sector environment; strengthen

¹³ Bangladesh received about \$2.6 billion as budget support during FY2020 and FY2021, and has requested a further \$2 billion in FY2022. Source: [Finance Minister's Budget Speech on 3 June 2021](#).

domestic resource mobilization; improve access to finance for cottage, micro, small, and medium-sized enterprises; expand nonsovereign operations; and promote PPPs. The second objective is to promote green growth and climate resilience. ADB operations will build disaster and climate resilience, accelerate sustainable agriculture and rural transformation, and scale up energy efficiency and renewable energy. ADB will also develop knowledge and capacity for environmental protection, climate change adaptation and mitigation, and disaster risk management. Helping Bangladesh access concessional climate finance—including international climate finance sources such as the Green Climate Fund and ADB-administered trust funds—will be a priority. The third objective is to strengthen human capital and social protection by increasing the quantity, quality, and inclusivity of essential services; improving human capital and employability; and enhancing social protection. These objectives will help realize a rapid, inclusive recovery from the COVID-19 pandemic and mitigate the impact of LDC graduation (figure).



OP = operational priority; OP1 = addressing remaining poverty and reducing inequality; OP2 = accelerating progress in gender equality; OP3 = tackling climate change, building climate and disaster resilience and enhancing environmental sustainability; OP4 = making cities more livable; OP5 = promoting rural development and food security; OP6 = strengthening governance and institutional capacity; OP7 = fostering regional cooperation and integration.

Source: Asian Development Bank.

23. The CPS will apply an integrated, One ADB approach in implementing ADB operations in both sovereign and nonsovereign interventions. ADB will further promote gender equality and social inclusion in all sectors to increase participation and economic empowerment of women and disadvantaged groups. ADB will broaden governance and institutional capacity with a mix of policy and project-based loans and technical assistance (TA) support to enhance the capacity of executing and implementing agencies. ADB will enhance regional cooperation and integration to accelerate the development process, create employment opportunities, raise incomes, and

improve lives. ADB will promote adoption of more advanced technologies by supporting digital solutions in education, health, social protection, energy, transport, urban and water, agriculture, and finance. Policy dialogues and upstream knowledge operations will identify and support critical reforms. ADB will coordinate with other development partners and adopt a flexible approach to maximize its impact and respond to Bangladesh's evolving and emerging needs. To unlock untapped investment into sustainable development, especially from the private sector, blended concessional finance will be considered for relevant nonsovereign operations that comply with the development finance institutions Blended Finance Principles. Given the uncertainties in the duration and depth of the impacts of COVID-19, the CPS retains the flexibility to adjust to evolving needs and opportunities.

24. **Selectivity.** Given the diverse and evolving needs of Bangladesh, and ADB resources representing only a fraction of total development financing in the country, ADB will adopt a selective and differentiated approach to finance projects and programs. Guided by the Strategy 2030's operational priorities, sectors and thematic areas will be selected based on strategic engagement which may entail supporting policy-based loans (in finance, health, social protection, and trade facilitation) in the early years of the CPS, to help unlock sovereign and nonsovereign investments in later years. High-impact projects focusing on underserved regions (e.g., southwest and northeast Bangladesh), vulnerable populations (e.g., tribes, special needs children), and counterpart agencies with limited implementation capacity (e.g., 22 coastal towns) will be selected.

1. Boost Competitiveness, Employment, and Private Sector Development

25. To enhance the competitiveness, create employment opportunities, and develop private sector, ADB will continue to prioritize addressing the country's deficit with regard to energy, transport, ICT, rural, and urban infrastructure; promote economic diversification; enhance domestic resource mobilization; and expand nonsovereign operations. Regional connectivity will continue to be a major priority. The focus will be on quality infrastructure development that is sustainable and climate resilient, and make cities more livable. ADB will further advance road, railway, energy, and urban infrastructure reforms, and include the principles of good governance, efficiency, cost recovery, and corporatization where possible.

26. In the transport sector, ADB will pursue multimodal transport network development involving roads, railways, inland waterways, and urban transport. Priority will be given to SASEC corridors for enhanced regional connectivity and integration with regional and global value chains. In the road sector, ADB will support the expansion of national highways to enhance regional and international trade and passenger movement, boost competitiveness, and catalyze private investment and growth. In the rail sector, a corridor approach will be adopted to complete the network, and standardize the gauge. Investments will be continued to renew and upgrade infrastructure, together with reforms for institutional strengthening and commercialization of operations. Opportunities for the development of waterways together with intermodal connectivity will be explored, including connectivity with roads, rail lines, and river and seaports. An integrated multimodal transport development plan will be prepared to take full advantage of transport infrastructure. ADB will consider expansion or rehabilitation of port facilities to increase capacity for trade and improve connectivity. A holistic approach for urban transport planning will be adopted, including value-capture financing and land transit-oriented development to ensure sustainable and environment-friendly public and urban transport options for Dhaka and other major cities. Private sector and PPP opportunities will be explored.

27. In the water and other urban infrastructure and services sector, ADB will adopt an integrated and climate-resilient urban development approach for large, medium-sized, and small cities. The focus will be on water supply and sanitation and other urban infrastructure to make cities more livable. More support to sanitation through a city-wide inclusive sanitation approach will be considered. ADB will continue to support improving urban planning and more resilient urban infrastructure and services promoting agglomeration economies. All support will pursue (i) strengthening policy, regulation, and urban governance; (ii) strengthening urban systems and resilience to the impact of disaster and climate risks; (iii) mainstreaming the use of digital and advanced technologies; (iv) building capacity of government agencies with support to policy and governance improvements; (v) promoting municipal resource mobilization; (vi) greater participation by communities and the private sector; and (vii) consideration of the needs of women, people with disabilities, and other vulnerable groups in project design.

28. In the energy sector, ADB will focus on investments to (i) improve the reliability of electricity supply through improvements in the technical quality of the supply, and the commercial quality of the service; (ii) expand renewable energy generation; (iii) strengthen the power transmission and distribution network; (iv) support supply and demand-side energy efficiency measures; and (v) promote the regional energy trade. ADB will prioritize energy sector reform with a focus on grid stability, pricing, improving regulatory capacity, and governance. ADB will support private sector participation through increased nonsovereign operations, and strengthen energy sector institutions to improve their planning capacity.

29. To promote economic diversification, ADB will strengthen the business and finance sector to mitigate the impact of the COVID-19 pandemic and facilitate private sector development. ADB will focus on strengthening sector governance, policy and regulatory reforms, upgrading financial market infrastructure, supporting resource mobilization, enhancing access to finance, and improving financial literacy. Improvements to trade and business policies and regulations to facilitate intra- and inter-regional trade, promote foreign direct investment, and stimulate export diversification will be pursued. ADB will strengthen the financial market with diversified financial products including small and medium-sized enterprise financing and microenterprise credit, and facilitate necessary reforms in the banking sector. Further support will be provided for stock and bond market development. Stronger emphasis will be given to mobile financing solutions, technology enablement, and startup support. Inclusive finance solutions in areas such as affordable housing, health care, and climate finance solutions may also be explored.

30. Adopting the One ADB approach, ADB will catalyze nonsovereign financing through the private sector, PPPs, and state-owned enterprise financing opportunities in agribusiness, health, education, logistics, manufacturing, ICT, energy, transport, urban, and other infrastructure. ADB will continue to support public finance institutions such as the Infrastructure Development Company Limited and Bangladesh Infrastructure Finance Fund Limited to diversify their funding sources, including market-based sources, blended finance or bond issuances. ADB will continue to provide financial assistance to private sector projects with sound fundamentals and strong development impact. Coordination and collaboration with the private sector will be actively sought, including the use of innovative financial products and instruments, including local currency funding sources, to diversify financing solutions and mitigate financial risks. ADB will continue to provide guarantees and loans to the local financial institutions through its Microfinance, Trade and Supply Chain Finance Programs. ADB will adopt a multi-pronged strategy for PPPs encompassing four pillars: (i) capacity building and awareness raising in key areas, (ii) policy and institution support, (iii) project preparation and development, and (iv) project financing. ADB will work with the government to make the PPP process more efficient and pursue financing of PPP transactions.

2. Promote Green Growth and Climate Resilience

31. ADB will adopt a holistic approach to integrate climate change in all its operations, fully aligned with the goals of the Paris Agreement, while expanding operations that directly aim to address climate change impacts. Climate adaptation, environmental, and disaster risk-reduction measures will be systematically addressed in all ADB investments. ADB projects in the areas of urban and agriculture will integrate climate resilience. Urban areas are identified as a hotspot under the Bangladesh Delta Plan 2100, and ADB will adopt an integrated and climate-resilient urban development approach for coastal zones and large, medium-sized, and small cities by incorporating climate change, environment, and disaster risk considerations in infrastructure design. Likewise, ADB will enhance operations in water resources including flood and riverbank erosion management, and watershed management to manage climate change and disaster risks. Climate-proofing of investment projects will be applied in all sectors. Nature-based solutions will be pursued and integrated in ADB projects.

32. Accelerating rural transformation will be a priority. ADB will improve rural livelihoods by commercializing agriculture and improving its productivity and competitiveness. Integrated and strategic water and natural resource management will be central to ADB's support, given the importance of the natural resource base for agriculture. The interventions will (i) underpin effective local community and beneficiary's participation in the decision-making process; (ii) promote gender equality in economic opportunities; (iii) ensure sustainable operation and maintenance, technical skills enhancement, and capacity building of local government institutions; and (iv) integrate climate-risk informed land use planning and develop climate-resilient infrastructure.

33. Modernization of agriculture for increased productivity and development of robust supply chains for agricultural products will be key focus areas. Agricultural value chains and logistics will be strengthened to directly link farmers and small agri-entrepreneurs with consumers and curtail the influence of middlemen. Research and development in agricultural products that can increase food security and export potential will be promoted. Provision of crop insurance and credit to farmers at reasonable rates will be pursued, together with improved logistics and productivity. Reshaping rural areas as economic centers is an important lesson from the pandemic. Localization of growth can facilitate equitable economic growth throughout the country. The launch of innovative programs with participatory urban planning approaches to bring urban amenities to rural dwellers will be explored. Programs such as "One Village, One Product" or "One District, One Product" can create local employment, strengthen rural ecology, rejuvenate local economies, and support implementation of the government's "My Village, My Town" program.

34. Climate mitigation and adaptation will continue to be a priority for all infrastructure investment. ADB will help the government meet its targets for Nationally Determined Contributions through its investments in energy and transport sectors.¹⁴ ADB sovereign and nonsovereign operations will support renewable energy, energy efficiency, cross-border green power trade, e-vehicles, and public transport such as mass rapid transit systems. ADB will support the development of a green financing market, including green bonds. Use of digital and new technologies will be actively sought to make investment more effective. ADB will also leverage private sector capital in advancing climate mitigation through public and private financial institutions by providing targeted incentives for climate financing. ADB will continue to build partnerships, support policy dialogue, strengthen knowledge base, and implementation capacity for environmental protection, climate change and disaster risk management.

¹⁴ Bangladesh committed voluntarily to reduce greenhouse gas emissions by 5% from business-as-usual levels in the power, transport, and industry sectors and 15% below business-as-usual levels, contingent on international support.

3. Strengthen Human Capital and Social Protection

35. ADB will support the provision of good quality health and hygiene services. This will include urban primary health care services, tertiary health care services, and universal health coverage. To mitigate the impact of the COVID-19 pandemic, ADB will support the procurement of vaccines, equipment, and health infrastructure. ADB will also continue to support the development of primary health care services at the community level with the active participation of private sector partners and nongovernment organizations.

36. Building human capital is essential for inclusive and sustainable growth, and will help raise Bangladesh's economic profile and help respond to challenges, including the structural transformation forced by the COVID-19 pandemic and the fourth industrial revolution (IR 4.0). In education, the focus will be on quality, equitable access to higher education, and better employability. ADB's engagement will be closely linked to learning outcomes, gender equality, system efficiency, decentralized management, and investment sustainability. Education for disadvantaged people will be promoted. Digital and new technologies will be integrated to improve access and impart quality lessons, and support for private equity funds investing in new technologies may be considered. ADB will support improvement of selected higher education programs in strategic growth areas. ADB will enhance its support for skills development and contribute to developing market-responsive and mid-management advanced skills. ADB assistance will aim to ensure gender equality in access to services and empowerment of women.

37. Given COVID-19, support for social protection will be a priority. ADB, through its use of project and programmatic policy-based loans, will improve the coverage and administrative efficiency of existing social programs. Expanding and strengthening social protection systems and enhancing financial inclusion for the poor and excluded vulnerable groups, including women, will also be a priority. The scope of social protection systems will be broadened by adopting a life cycle approach. New concepts of social protection, support for the urban poor, and universal pension scheme coverage will be explored.

4. Crosscutting Priorities

38. **Accelerate gender equality and social inclusion.** ADB will harmonize OP1 and OP2 priorities to expand focus from gender equality to gender equality and social inclusion (GESI). ADB will consider various dimensions of exclusion and vulnerability, including gender; age (older people, youth, and children); disability; social identities; sexual and gender identities; geographic location; and income status. ADB will accelerate GESI and increase the social, voice, and economic empowerment of excluded and vulnerable groups in all sectors by supporting inclusive education, enhancing their access to social protection systems, infrastructure and services, increasing their labor force participation, enhancing their incomes, and supporting their representation in the sectors' governance structures. Involvement of excluded and vulnerable groups will be facilitated in the design of projects to accelerate gender equality and improve social inclusion. ADB will target providing equal access to employment opportunities, education and skills development, quality health services, and finance and productive assets; enhancing working environments; and increasing involvement of excluded and vulnerable groups in decision-making, and their capability to influence project designs. In terms of economic empowerment, the emphasis will be on GESI-responsive services and working environments, including care facilities for children and older family members, and those with severe disabilities; transport accessibility and mobility; and occupational health and safety, especially in the informal sector.

39. **Strengthen governance and institutional capacity.** Improving governance and enhancing institutional capacity will be embedded in all ADB operations. Institutional development will be prioritized with active support for capacity building of executing and implementing agencies. Good governance will be promoted through a mix of policy and project-based loans and TA. ADB will promote decentralization; capacity building; improvements in financial governance, management, and accounting systems; private sector participation; and strengthening of monitoring and evaluation. Improving governance will be a key element of project design and policy dialogue. For example, urban governance will be further strengthened by (i) replicating a performance-based budget allocation strategy; (ii) promoting citizen-centric local governance; (iii) ensuring sustainability through increased municipal internal revenue mobilization and administration, sound asset management, increased tax collection efficiency, and municipal services PPPs; and (iv) implementing integrated municipal information systems. Use of technology to improve governance, strengthen institutions, and build capacity will be actively explored. Digitization of basic services, land records, single-window clearances, and e-government will be explored for improved public service delivery. Faster and better project implementation, through the use of e-procurement and close monitoring, will be pursued.

40. **Deepen regional cooperation and integration.** ADB's support for regional cooperation and integration will be anchored on the premise underlying ADB's support for the SASEC program: that regional cooperation and integration accelerates the development process, creates jobs, raises incomes, and improves lives. ADB will support development of intra- and inter-regional transport and economic corridors to improve access to key markets and gateway ports, and boost prospects for participating in regional and global value chains. ADB will upgrade transport infrastructure, including SASEC corridors, across all modes to meet fast-growing transport and freight traffic demand, support trade routes, and yield maximum trade and economic benefits. In addition to the ongoing trade facilitation measures that focus on expediting trade and transit clearance, reducing transaction costs, and increasing compliance management efficiency, ADB will prioritize trade facilitation reforms and evolving initiatives that help sustain trade, particularly in critical goods, with due regard for public health and safety. This may include development of multimodal infrastructure (e.g., inland container depots, border ports, seaports, and river ports) and regional agreements. ADB will continue to support cross-border electricity trade, especially with India, Nepal, and Bhutan, to improve the country's energy mix by exploiting regional hydropower potential. ADB will also increase its engagement with Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation to provide Bangladesh better connectivity and trade linkages with Association of Southeast Asian Nations members, and Southeast Asia. ADB will promote regional public goods through enhanced coordination and cooperation.

41. **Promoting new technology and innovation.** ADB will promote digitization and technological transformation by mainstreaming the use of new and advanced technologies and promoting innovation in its operations where possible. High-level technology and innovation will enhance sustainability and resilience to external shocks such as COVID-19, as well as climate change and natural hazards. Use of new technologies, artificial intelligence, robotics, and the internet-of-things will help deliver inclusive and improved public services. The use of innovative technology, including mobile financing solutions and financial technologies, will be integrated in the finance sector. ADB may also support investment to upgrade digital technologies and infrastructure to help the country improve its competitiveness in the industrial, health, education, and business sectors, including through private equity fund investments. ADB will promote digitalization of project progress monitoring and troubleshooting across the portfolio.

E. Priorities for Knowledge Support

42. The Country Knowledge Plan (Appendix 2), as a driver of knowledge-driven country operations will align with the CPS's three strategic objectives and the country's needs. Guided by the Knowledge Management Action Plan 2021–2025, ADB will deliver tailored knowledge solutions for Bangladesh together with the financing and increased collaboration. Upstream knowledge work will drive priority investment identification and policy advice. Integrated knowledge support will be provided through (i) projects, programs, and associated TAs; (ii) policy and institutional reforms; (iii) technical and analytical studies; and (iv) capacity development of the government agencies and stakeholders. ADB will scale up economic, sector and thematic analytical work to guide policy reform and influence future investment, while providing a solid foundation for increased cross sectoral and multi-disciplinary operations. Knowledge support will help ADB prioritize its operations, focusing on the highest value-adding investments, along with necessary policy advice, in collaboration with other development partners where possible. Following the One ADB approach, knowledge operations will distil knowledge from ADB's sovereign and nonsovereign operations and across sectors and thematic groups to develop innovative knowledge and financing solutions. ADB will help Bangladesh develop and disseminate knowledge for environmental protection, climate change adaptation and mitigation, disaster risk management solutions through research, a capacity building program, and policy dialogue. The country director of ADB's Bangladesh Resident Mission, as ADB's knowledge custodian, will coordinate the knowledge operations in Bangladesh and ensure that the knowledge solutions by ADB are aligned with the country's needs.

IV. STRATEGY IMPLEMENTATION

A. Indicative Resource Parameters

43. While the government aspires to achieve greater private sector investment and domestic resource mobilization under the Eighth Five-Year Plan, the need for external borrowing during 2021–2025 will exceed that during 2016–2020 because of the higher need for public investment. Investment needs have increased because of higher demand for public expenditure for socioeconomic recovery from the COVID-19 pandemic and the impact of LDC graduation (footnote 12). The government expects ADB to expand its operations accordingly. ADB proposes \$10 billion–\$12 billion assistance for 2021–2025, from regular ordinary capital resources, including private sector operations, and concessional OCR lending.¹⁵ Given Bangladesh's increased investment needs, ADB will strive to (i) leverage cofinancing, (ii) mobilize private sector financing, and (iii) seek grant funding from Asian Development Fund-13 thematic pool (supporting regional cooperation and integration, disaster risk reduction and climate adaptation and achievement of the Sustainable Development Goal 5's transformative gender agenda). ADB will also endeavor to support private sector operations in Bangladesh as the business environment improves, especially in priority areas where commercially viable transactions are identified.

44. TA resources will be used judiciously, primarily for project or program development and preparation, implementation support, and to develop knowledge products and services. The ADB-funded TA program totaled \$37.1 million in 2016–2020. Given the vast needs for capacity building, knowledge, and project preparation, the TA program for 2021–2025 is expected to require higher

¹⁵ Projected commitments for 2021–2025: concessional ordinary capital resources lending (COL): \$4 billion; ordinary capital resources: \$8 billion. Actual commitments are subject to availability of resources.

levels of resources (\$40 million–\$50 million). Also, grant resources of \$50 million–\$60 million will be needed to support the previous commitments for displaced persons from Myanmar.¹⁶

45. The existing cost-sharing arrangements (with ADB financing covering up to 99% of loan project costs on an overall portfolio-wide basis) will be retained. Actual shares for specific ADB projects will be determined by project-specific considerations and available cofinancing.

B. Implementation Priorities

46. **Implementation approach.** ADB's engagement will focus on areas where it has comparative advantage and adds the most value. Given limited resources, ADB will identify areas of potential support in each sector, and build clear exit plans. Financing priorities will be reset with increased focus and support for health, education, social protection, urban development, and agriculture. Intensive dialogue with the government and stakeholders will continue to identify areas and transformational projects where ADB can add value for greater development impact. Adopting One ADB approach, the use of appropriate modalities—such as programmatic policy-based loans, sector loans, project readiness facilities, and additional financing—will be explored.

47. **Enhancing project readiness and implementation.** Timely project implementation is a key priority for ADB operations to maximize development impact. ADB will emphasize project readiness by securing requisite government approvals in advance; preparing projects with high-quality technical, economic, and safeguard assessments; and ensuring procurement readiness by awarding contracts upon loan effectiveness. Project approvals will be contingent upon project readiness (for both the government and ADB) and sector absorptive capacity. Regular tripartite portfolio review, use of the procurement activity monitoring tool, and quick resolution of complex and problem projects using the swift action team will be continued. Capacity building of executing and implementing agencies in the areas of procurement, safeguards, financial management, disbursement, and project management will be prioritized. A capacity development resource center will be established to promote capacity building, knowledge exchange, and best practices.

48. **Use of country systems.** ADB will make full use of country systems for budgeting and external audit, procurement, accounting, and treasury. ADB uses the government's Public Procurement Act and Public Procurement Rules for local procurement, with exceptions (e.g., the lottery system). ADB uses country systems for accounting and treasury under sector-wide programs, primarily in education. Accounting follows the government's Project Accounting Manual. Development partners, including ADB, also use the government's Integrated Budget and Accounts System that covers reporting requirements. ADB will support government efforts to progressively strengthen and increase the use of country systems.

49. **Empowering the resident mission.** ADB's Bangladesh Resident Mission has played a central role in country programming and implementation, ensuring timely delivery of the program, and strong portfolio performance. The resident mission closely coordinated with the government, development partners, and other stakeholders in designing and delivering complex and innovative programs, including the support for displaced persons from Myanmar, and the COVID-19 response (immediate and medium-term). The role of the resident mission will be further strengthened, with increasing responsibility given to resident mission staff.

¹⁶ ADB announced its support of up to \$200 million grant, of which \$100 million was approved on 6 July 2018 to support water and sanitation; disaster risk mitigation; energy supply; and road access to and within camps. Given limited availability of ADF grant funds, a phased approach has been adopted with an initial proposal to allocate \$41.4 million grant resources, programmed for approval in 2021. Likely areas for support are: COVID-19 response; water and sanitation, disaster risk mitigation; and energy access.

C. Monitoring of Results

50. The progress of CPS implementation will be monitored through a comprehensive CPS results framework that includes both physical and institutional indicators (Appendix 1). Wherever possible, impact and outcome indicators were harmonized with government goals expressed in the Eighth Five-Year Plan to strengthen alignment with national priorities. Progress will be monitored through ADB project and TA review missions, and regular portfolio reviews. The results framework will be updated, as needed, to ensure its continued relevance, in line with changes in the country's development setting. Updates to the country results framework will be reported annually in the indicative country pipeline and monitoring report. ADB will work to strengthen the monitoring capacity of executing and implementing agencies.

D. Risks

51. **Coronavirus disease risk.** The uncertainty associated with the pandemic could erode previous gains made by Bangladesh and put at risk the targets to be achieved under the Eighth Five-Year Plan. Effective implementation of the vaccination plan could help mitigate this risk, but accessing vaccines, given the shortage of global and regional vaccine supplies, has posed a challenge. Over 20 million doses have been administered (as of 15 August 2021). Bangladesh is expecting 100 million doses through the COVAX alliance and has entered into bilateral agreements for another 60 million doses. In addition, the COVID-19 situation in Bangladesh's export and migrant destination countries could adversely impact growth and affect capacity to absorb private investment flows. Any local outbreak of infections, or spread of more deadly strains, could result in loss of lives and reinforcement of movement restrictions, which could in turn slow down economic recovery. In addition to providing APVAX support, ADB will adopt a flexible approach under the new CPS to help government address any emerging challenges.

52. **Procurement risk.** The national legal and regulatory framework is considered robust. Procurement risk rating is *moderate* at the country level and *moderate to high* at the sector level. Bangladesh has continued its effort to make systemic changes to its public procurement system. An extensive capacity development program has been institutionalized; comprehensive electronic government procurement and activation of a Central Procurement Technical Unit have enhanced the efficiency and transparency of the procurement process. While progress has been made, risks remain in implementation of procurement processes, mainly because of a lack of implementation capacity. Electronic government procurement should be further improved with more autonomy given to agencies, improved capacity of the tender evaluation committees, and more frequent procurement audits. The government is making efforts to address these aspects with support from development partners, including ADB. ADB's standard bidding documents incorporate provisions for compliance with core labor standards.

53. **Public financial management risks.** Public financial management needs to be improved by producing timely year-end accrual accounts and aligning them with international accounting standards, strengthening internal audit, and appointing skilled personnel to conduct performance audit. ADB will (i) support the strengthening of country systems and counterpart capacity through financial management action plans, fiduciary reviews, and TA in both its projects and through results-based operations, particularly at the sector level in education and health; (ii) continue supporting governance reforms through programmatic policy-based lending (for example, the Sustainable Economic Recovery Program); and (iii) engage with policy makers and key stakeholders in collaboration with other development partners to progress enforcement of laws and implementation of agreed reforms.

COUNTRY PARTNERSHIP STRATEGY RESULTS FRAMEWORK

Country Development Impact Indicators with which the CPS is Aligned^a				
<ol style="list-style-type: none"> 1. Increase per capita GDP growth from 2.3% in FY2020 to 7.3% in FY2025 2. Reduce the proportion of the population living below the national poverty line to 15.6% by FY2025 from 20.5% in FY2019 3. Reduce the number of persons directly affected by disasters per 100,000 population from 12,881 in FY2015 to 8,000 in FY2025 4. Create 11.3 million additional jobs during FY2021–FY2025 				
CPS Strategic Objectives	Priority Areas	Key Outcomes that ADB Contributes to	Outcome Indicators (Target year is 2025 unless otherwise specified)	CPS Resources
Boost competitiveness, employment, and private sector development	Address infrastructure deficit (OP1, OP2, OP3, OP4, OP5, OP7)	Improved access to affordable and reliable electricity supply	Electricity supply coverage increased to 100% of households (2019 baseline: 97%) Power transmission capacity increased to 13,403 ckm (2020 baseline: 12,283 ckm)	Ongoing portfolio: As of 31 December 2020: Sovereign loan projects Number: 52 Amount: \$11.3 billion Nonsovereign projects Number: 6 Amount: \$203 million Planned operations and contribution 2021-2025: Sovereign Lending: \$10 to \$12 billion, including \$4 billion concessional ordinary capital resources (COL). Technical assistance Nonlending (\$40 to \$50 million)
		Water distribution network and climate-proofed sanitation strengthened	1,500 kilometers of water distribution network rehabilitated (2020 baseline: 0) 42,000 new or legalized water connections to households and communities, from which at least 550,000 women will benefit; and 12,500 households given access to climate-proofed public sanitation facilities (2020 baseline: 0)	
	Improve business and finance sector environment, and access to finance, including for cottage, micro, small, and medium-sized enterprises (OP1, OP2, and OP6)	Improved connectivity (including regional connectivity), and quality of transport infrastructure	Passenger traffic (billion passenger kilometers) increased to 246 and freight traffic (billion-ton kilometers) increased to 31 (2019 baseline: 166 billion passenger-km; 24 billion ton-km)	
		Increased access to financing for microenterprises, and small and medium-sized enterprises	Ratio of cottage and SMEs' credit to total bank credit increased to 28% (10% from SMEs led by women) (2020 baseline: 25%)	
	Address the financing gap (OP1, OP2, OP3, OP4, and OP5)	Improved business climate	Score in the World Bank's Doing Business Index improved to 65 (2020 baseline: 45)	
		Increased PPP infrastructure investment	PPP infrastructure investment increased to 1% of GDP (2020 baseline: <0.5%)	
Promote green growth and climate resilience	Address climate impact (OP1, OP2, OP3, OP4, OP5, and OP6)	Improved resilience to climate change and natural hazards	7,900 households in 10 coastal towns provided access to improved cyclone facilities with separate areas and toilets for women (2020 baseline: 0)	
		Enhanced environmentally	Installed renewable energy	

CPS Strategic Objectives	Priority Areas	Key Outcomes that ADB Contributes to	Outcome Indicators (Target year is 2025 unless otherwise specified)	CPS Resources
	OP2, OP3, OP4, OP5 and OP7) Accelerate climate-resilient rural transformation (OP1, OP2, OP3, and OP5) Develop knowledge and capacity (OP3)	sustainable infrastructure Improved rural access to markets, education and health facilities Enhanced public sector management of climate change, environmental sustainability and disaster risk management	capacity increased to 735 MW (2020 baseline: 650 MW) Length of railway network increased to 3,050 km (2018 baseline: 2,955 km) At least 2,630 km of rural roads improved to all-weather standards with climate resilience and safety features (2019 baseline: 0) At least 1,000 government officials acquired increased knowledge on climate change, environmental sustainability, and disaster risk management (30% women) (2020 baseline: 0)	
Strengthen human capital and social protection	Increase quantity, quality and inclusivity of essential services (OP1, OP2, OP4, and OP5) Improve human capital and employability (OP1 and OP2) Enhance social protection (OP1, OP2, and OP6)	Enhanced access to essential services and financial inclusion Improved quality of education Improved health services and social protection programs	Full coverage of eligible beneficiaries of two major social protection programs attained in at least 260 <i>upazilas</i> ^b (2020 baseline: 110 <i>upazilas</i>) Number of active mobile financial services account increased annually by at least 5% (10% for women and disadvantaged groups) (2020 baseline: 26.8 million) National survival rate to grade 5 increases to 87% with gender equality (2019 baseline: 85.2%) Ratio of girls to boys in tertiary education increased to 1.0 (2019 baseline: 0.7) Budget allocation for health sector increased to 2% of GDP (2019 baseline: 0.7%) Budget allocation for social protection increased to 2% of GDP (2019 baseline: 1.2%)	

ADB = Asian Development Bank; ckm = circuit kilometer; CPS = country partnership strategy; GDP = gross domestic product; km = kilometer; MW = megawatt; OCR = ordinary capital resources; OP = operational priority; OP1 = addressing remaining poverty and reducing inequalities; OP2 = accelerating progress in gender equality; OP3 = tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability; OP4 = making cities more livable; OP6 = strengthening governance and institutional capacity; OP7 = fostering regional cooperation and integration; PPP = public-private partnership; SME = small and medium-sized enterprise.

^a Government of Bangladesh, General Economics Division. 2020. [Eighth Five Year Plan FY2021-FY2025: Promoting Prosperity and Fostering Inclusiveness](#). Dhaka.

^b *Upazila* = Subdistrict comprising several unions. There are 492 *upazilas* in Bangladesh. *Union* = lowest administrative unit comprising several villages.

Source: Asian Development Bank.

COUNTRY KNOWLEDGE PLAN

A. Introduction

1. The Bangladesh country knowledge plan (CKP) identifies the country's priority knowledge needs during the country partnership strategy (CPS) period, 2021–2025 and how the Asian Development Bank (ADB) will address these needs. Bangladesh, as a lower middle-income country, with long-term development goals of becoming an upper middle-income country by fiscal year (FY) 2031 and a high-income country by FY2041, faces complex development challenges that require holistic, cross-sectoral solutions. Recognizing these challenges, the Country Assistance Program Evaluation (CAPE) for Bangladesh, 2011–2020 recommends that ADB build a deeper and broader understanding of cross-sectoral development issues and scale up economic and sector analytical work.¹⁷ The Eighth Five-Year Plan recognizes innovation as a key driver for structural transformation toward a knowledge-based economy.¹⁸

2. Guided by ADB's Knowledge Management Action Plan and Strategy 2030, ADB will strengthen its knowledge operations by focusing on results of knowledge work in a differentiated and balanced manner.¹⁹ ADB will nurture collaboration and knowledge promotion and leverage information technology in knowledge management. ADB will use knowledge solutions as a key driver to facilitate sustainable, resilient, and inclusive growth by combining finance, knowledge, and partnership. Upstream and strategic economic, sectoral, and thematic analyses will inform sector policy reforms and drive transformative investments to address complex development challenges. Tacit knowledge will be harvested to identify and design future ADB investments.

3. The CKP is aligned with the strategic objectives of the CPS, 2021–2025. The country director of ADB's Bangladesh Resident Mission will act as ADB's knowledge custodian for Bangladesh and be supported by the knowledge focal in the resident mission. The country director will chair Bangladesh knowledge management team—which will include representatives from ADB's South Asia Department sector divisions, Private Sector Operations Department, Office of Public–Private Partnership, Sustainable Development and Climate Change Department, Economic Research and Regional Cooperation Department, and ADB Institute—and coordinate knowledge operations to ensure that knowledge solutions are aligned with the country's needs.

B. Knowledge Needs

4. During consultations with the government, ADB identified significant knowledge needs for various sectors and crosscutting areas. These will support recovery from the impacts of the coronavirus disease (COVID-19) and help the country attain its development goals. ADB knowledge operations will focus on the following three strategic objectives during 2021–2025: (i) boost competitiveness, employment, and private sector development; (ii) promote green growth and climate resilience; and (iii) strengthen human capital and social protection.

5. **Boost competitiveness, employment, and private sector development.** Bangladesh ranks low in investment climate global rankings. Diversifying exports and improving the business climate are key areas where knowledge support is needed to help the country meet the challenges

¹⁷ ADB. 2021. [Country Assistance Program Evaluation: Bangladesh, 2011–2020](#). Manila.

¹⁸ Government of Bangladesh, General Economics Division. 2020. [Eighth Five Year Plan FY2021–FY2025: Promoting Prosperity and Fostering Inclusiveness](#). Dhaka.

¹⁹ ADB. 2021. [Knowledge Management Action Plan 2021–2025: Knowledge for a Prosperous, Inclusive, Resilient, and Sustainable Asia and Pacific](#). Manila; ADB. 2018. [Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific](#). Manila.

of graduation from least-developed country status, and attract new investments.²⁰ Developing quality infrastructure, efficient management of assets, and timely implementation of projects are other areas needing knowledge support. Access to finance, domestic resource mobilization, entrepreneurship development, and private sector development are areas where knowledge support can help make the country more competitive and provide new employment opportunities. Adoption of new technologies and diversification of financial instruments could help Bangladesh access new products and markets. Needs for capacity development for public–private partnerships are evident.

6. **Promote green growth and climate resilience.** Climate change, environmental issues, and natural hazards pose existential threats to Bangladesh. Knowledge solutions are needed in a range of areas, including ecologically friendly design, nature-based solutions, development of climate policies and capacity of government agencies on climate mitigation and adaptation, and disaster risk management. Given the country’s rapid urbanization, good practices for development of integrated climate-resilient urban infrastructure and services are a priority. Rural development priorities include comprehensive solutions to address the challenges of climate change, disaster vulnerability, employment, food security, and water resource management. In the energy sector, key areas for knowledge support are renewable energy development, energy efficiency, and development of a regional energy market.

7. **Strengthen human capital and social protection.** Responding to the evolving needs of industries and opportunities created by the Fourth Industrial Revolution are key areas for knowledge support that can help create a new workforce for the future. A comprehensive assessment of Bangladesh’s health sector is a key knowledge need that is required to develop a robust and dependable health system in the country. Adoption of universal health coverage and social protection schemes are areas where government is seeking ADB’s knowledge support.

8. **Crosscutting themes.** Mainstreaming gender equality and social inclusion are priorities, and effort will be directed to learning from best international practices on managing the obstacles faced by women and disadvantaged groups. ADB operations can be supported by building institutional capacity to address complicated development issues, together with improved governance for managing state-owned enterprises, public resources, and institutions. A holistic analysis will be undertaken that encompasses connectivity, industrial development, and trade to enable Bangladesh to fully exploit its locational advantage and better integrate with regional and global value chains. Learning from experiences in regional programs such as the Greater Mekong Subregion and the Central Asia Regional Economic Cooperation program will be facilitated.

C. Scope of ADB’s Planned Knowledge Operations

9. ADB’s knowledge operations will respond to the identified knowledge needs through an integrated approach of (i) projects, programs, and associated technical assistance; (ii) policy and institutional reforms; (iii) technical and analytical studies; and (iv) capacity development of government agencies and stakeholders under the three strategic objectives of ADB’s CPS. The CKP 2021–2025 will deliver the following knowledge outcomes: (i) competitiveness and enabling environment for private sector development improved, (ii) knowledge and capacity for green growth and climate resilience enhanced, and (iii) policy design for human capital and social protection improved.

²⁰ LDC graduation could enhance access to international financial markets, reduce cost of finance, and promote a higher flow of foreign direct investment (FDI), for which learning from international best practices will help.

Table A2: ADB's Planned Knowledge Operations for Bangladesh

CPS Strategic Objective 1: Boost competitiveness, employment, and private sector development		
Knowledge outcome: Competitiveness and enabling environment for private sector development improved through programmatic knowledge support		
Knowledge Results Categories and Outputs		
Improved Program or Project Delivery	Enhanced Capacities and Skills	Increased Awareness and Evidence-Based Information
Revised Strategic Transport Master Plan for Dhaka Multimodal logistics plan	Strengthening of digitization, capacity building, and business process improvement in the finance sector	Expansion of transport connectivity between South Asia and Central Asia Comprehensive economic corridor development plan
Energy sector reform strategy and action plan	Strengthening of safety and institutional capacity building in the road and rail sectors	Economic diversification and resilience strategy
Operations and safety improvements in railway sector (including institutional reforms)	Capacity development for implementation of business climate reforms	Bangladesh investment policy review
Strengthening of urban utilities and development of cost-recovery mechanisms	Capacity development of microenterprises	Banking sector diagnostics
Policy guide for access to credit and small and medium-sized enterprises credit rating agency development		Integration of Bangladesh in the global value chain
CPS Strategic Objective 2: Promote green growth and climate resilience		
Knowledge outcome: Knowledge and capacity for green growth and climate resilience enhanced through improved planning, project preparation, implementation and monitoring, and innovative finance options		
Knowledge Results Categories and Outputs		
Improved Program/Project Delivery	Enhanced Capacities and Skills	Increased Awareness and Evidence-Based Information
Sustainable and climate-resilient urban development strategy	Capacity building of executing and implementing agencies on environmental safeguards and resettlement	Best practices and lessons on inclusive sanitation
Agriculture modernization and market value chain development strategy	Capacity development for the modernizing agriculture sector	Renewable energy and energy efficiency potential assessment
River stabilization and waterways development study	Capacity strengthening to design and implement a water and rural infrastructure facility	Climate and disaster risk insurance and green infrastructure investment development
Water quality improvement in Dhaka watershed		Good practices in nature-based solutions for climate-resilience
CPS Strategic Objective 3: Strengthen human capital and social protection		
Knowledge outcome: Policy design for human capital and social protection improved through innovative knowledge solutions		
Knowledge Results Categories and Outputs		
Improved Program/Project Delivery	Enhanced Capacities and Skills	Increased Awareness and Evidence-Based Information
Guidance for development of social insurance scheme	Training module development on digital and financial literacy, trainers' training, and training of targeted groups	Skills development strategy for national and international markets
Improved education delivery using technology-enabled teacher training for information and communication technology	Capacity building for developing social inclusiveness and responsiveness policies, including	Assessment of coronavirus disease (COVID-19) impact on students and remedial actions for learning loss

Strengthening of mobile financial services for social protection	program harmonization, urban protection, and social insurance scheme	Technical and policy analyses of electronic payments for social protection benefits, streamlining safety net programs, and a social security system
Human capital development and operational improvement in urban health care facilities		Financial instruments for building women's resilience
Policy recommendations and best practices for universal health care system		
Crosscutting Priorities		
Knowledge Results Categories and Outputs		
Improved Program/Project Delivery	Enhanced Capacities and Skills	Increased Awareness and Evidence-Based Information
Gender equality and social inclusion integration in ADB operations	Capacity building to improve portfolio performance	Domestic resource mobilization strategy
Design and implementation mechanisms for enhanced supervision and monitoring of capital investment projects	Design and implementation of a training program on online tax return filing	Gender diagnostics for the finance sector
Public Expenditure and Financial Accountability assessment	Institutional strengthening of local government institutions	Realizing the potential of regional trade and investment
Update of the Public Financial Management Reform Action Plan (2018–2023)	Institutional strengthening mechanism for the South Asia Subregional Economic Cooperation program	Realizing the potential of the digital economy
Governance risk assessment for selected sectors	Anticorruption training for Dhaka Water Supply and Sewerage Authority	Analysis of economic and development issues, including Asian Development Outlook series

ADB = Asian Development Bank, CPS = country partnership strategy.
Source: Asian Development Bank.

D. Areas of Collaboration with Partners

10. ADB will collaborate with other knowledge partners to develop knowledge products and events. ADB will closely coordinate with the government, development partners, and other stakeholders—including local think tanks, and research and academic institutions—in planning, programming, and monitoring knowledge services and encouraging wider knowledge sharing and exchange. ADB will collaborate with the World Bank in the Public Expenditure and Financial Accountability assessment. ADB's partnership with the Islamic Development Bank will be strengthened to explore strategies to increase Bangladesh's participation in global value chains. ADB will seek to partner with other international organizations such as the Organisation for Economic Co-operation and Development to undertake an investment policy review of Bangladesh. ADB will leverage in-country expertise to produce knowledge products and services.

E. Resource Allocation

11. ADB estimates knowledge work during 2021–2025 will cost about \$50 million–\$60 million. Staff consultancies will be an important resource for delivery of outputs. Investment projects will include suitable knowledge products and services. In addition to country-specific assistance, ADB and ADB Institute regional technical assistance by will also be used. Trust funds, cofinancing from development partners, and cost sharing with the government will also support knowledge work.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/CPS/?id=BAN-2021>

1. Inclusive and Sustainable Growth Assessment
2. Development Coordination Matrix