



# Periodic Financing Request Report

---

Project Number: 44213-017  
November 2015

## People's Republic of Bangladesh: Secondary Education Sector Investment Program – Tranche 2

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

## CURRENCY EQUIVALENTS

(as of 4 November 2015)

Currency unit	–	taka (Tk)
Tk1.00	=	\$0.01258
\$1.00	=	Tk79.5024

## ABBREVIATIONS

ADB	–	Asian Development Bank
AOP	–	annual operations plan
DLI	–	disbursement-linked indicator
DSHE	–	Directorate of Secondary and Higher Education
EGP	–	electronic government procurement
FFA	–	framework financing agreement
IBAS	–	integrated budgeting and accounting system
IFR	–	interim unaudited financial report
MFF	–	multitranche financing facility
M&E	–	monitoring and evaluation
MOE	–	Ministry of Education
PFM	–	procurement and financial management
PFW	–	Procurement and Finance Wing
SESIP	–	Secondary Education Sector Investment Program
SWAp	–	sector-wide approach
TMECP	–	tribes, minor races, ethnic sects, and communities peoples

## NOTE

- (i) In this report, "\$" refers to US dollars.

<b>Vice-President</b>	W. Zhang, Operations 1
<b>Director General</b>	H. Kim, South Asia Department (SARD)
<b>Director</b>	S. Ra, Human and Social Development Division, SARD
<b>Team leader</b>	E. Tajima, Senior Social Sector Specialist, SARD
<b>Team members</b>	S. Alam, Senior Safeguards Officer (Resettlement), Bangladesh Resident Mission (BRM)
	A. Faisal, Senior Project Officer (Environment), BRM
	X. Long, Social Sector Economist, SARD
	G. Mortaza, Senior Economics Officer, BRM
	C. Png, Principal Counsel, Office of the General Counsel
	S.M. E. Rahman, Senior Social Sector Officer (Education and Health), BRM
	K. Tagle, Operations Assistant, SAHS
	R. Van Dael, Senior Social Sector Specialist, BRM
<b>Peer reviewer</b>	J. Sarvi, Advisor (Education), Central and West Asia Department

## CONTENTS

	Page
TRANCHE AT A GLANCE	
I. BACKGROUND	1
II. ASSESSMENT OF IMPLEMENTATION	2
III. PERIODIC FINANCING REQUEST	3
A. Impact and Outcome	3
B. Outputs	3
C. Investment and Financing Plans	3
D. Implementation Arrangements	4
E. Project Readiness	5
F. Advance Contracting and Retroactive Financing	5
IV. DUE DILIGENCE	5
A. Economic and Financial	5
B. Governance	6
C. Poverty, Social, and Gender Dimensions	7
D. Safeguards	7
E. Risks and Mitigating Measures	8
F. Risk Categorization	8
V. ASSURANCES AND CONDITIONS	8
VI. RECOMMENDATION	9
APPENDICES	
1. Periodic Financing Request from the Government	
2. Loan Agreement	
3. Project Design and Monitoring Framework	
4. Updated Facility Administration Manual	
5. Summary Poverty Reduction and Social Strategy	
6. Safeguard Reports	
7. Gender Action Plan	
8. Economic and Financial Analysis	
9. Contribution to the ADB Results Framework	
SUPPLEMENTARY APPENDICES	
1. Status of Moving Towards the Sector-Wide Approach	
2. Project Climate Risk Assessment and Management Report	

## TRANCHE AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 44213-017</b>	
<b>Project Name</b>	Secondary Education Sector Investment Program - Tranche 2	<b>Department /Division</b>	SARD/SAHS
<b>Country Borrower</b>	Bangladesh People's Republic of Bangladesh	<b>Executing Agency</b>	Ministry of Education
<b>2. Sector</b>	<b>Subsector(s)</b>	<b>ADB Financing (\$ million)</b>	
✓ Education	Education sector development		185.00
		<b>Total</b>	<b>185.00</b>
<b>3. Strategic Agenda</b>	<b>Subcomponents</b>	<b>Climate Change Information</b>	
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project	Low
<b>4. Drivers of Change</b>	<b>Components</b>	<b>Gender Equity and Mainstreaming</b>	
Partnerships (PAR)	Bilateral institutions (not client government) International finance institutions (IFI) Official cofinancing	Gender equity (GEN)	✓
<b>5. Poverty Targeting</b>		<b>Location Impact</b>	
Project directly targets poverty	No	Nation-wide	High
<b>6. Risk Categorization:</b> Low			
<b>7. Safeguard Categorization</b> Environment: B Involuntary Resettlement: C Indigenous Peoples: B			
<b>8. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>185.00</b>	
Sovereign MFF-Tranche (Loan): Asian Development Fund		185.00	
<b>Cofinancing</b>		<b>323.00</b>	
Export-Import Bank of Korea		58.00	
World Bank		265.00	
<b>Counterpart</b>		<b>2,963.60</b>	
Government		2,963.60	
<b>Total</b>		<b>3,471.60</b>	
<b>9. Effective Development Cooperation</b>			
Use of country procurement systems		Yes	
Use of country public financial management systems		Yes	

## TRANCHE AT A GLANCE

Date of Receipt by ADB of PFR: 18 June 2015

Tranche Number: 2

10. Country Operations Business Plan

CPS

COBP

<http://www.adb.org/sites/default/files/institutional-document/33002/files/cps-ban-2011-2015-0.pdf>

<http://www.adb.org/sites/default/files/institutional-document/83726/cobp-ban-2015-2017.pdf>

11. Tranche Summary

Tranche 2 will build on Tranche 1 interventions on curriculum implementation, examination reforms, stipend provision, and school infrastructure development. Tranche 2 will (i) support the introduction of pre-vocational and vocational subjects and strengthen teaching in science subjects; (ii) introduce a resource teacher program (RTP) to improve access and retention of socially and culturally marginalized students which will be integrated in the National Campaign and Community Awareness programs on student counselling, student safety, and sexual harassment in schools and madrasahs; and (iii) further strengthen institutional capacity of secondary education management which include making e-procurement fully operational in the Ministry of Education and its institutions; the Directorate of Secondary Higher Education field offices will continue to improve academic supervision; construction of selected district and thana/upazila education offices; and institutional capacity development in planning, monitoring and evaluation, procurement and finance which will continue to prepare the transition to a sector-wide approach.<br>

**Impact and Outcome:** The impact will be a more efficient, equitable, and higher quality secondary education system (National Education Policy 2010, Secondary Education Sector Roadmap 2013-2023). The outcome will be inclusive participation in secondary education improved.

**Outputs:** (i) Quality and relevance of secondary education enhanced, (ii) Equitable access and retention of secondary education increased, and (iii) Secondary education management and governance strengthened

**Implementation Arrangements:** Ministry of Education will be the executing agency.

**Project Readiness:** Tranche 2 overlaps Tranche 1. The Sector Program Support Unit at the central level and the new Procurement and Finance Wing in the Directorate of Secondary and Higher Education are fully staffed and trained. Consultants hired under Tranche 1 are supporting advanced actions.

12. Significant Developments in the MFF and Previous Tranches

Tranche 1 (Loan 3047), approved in October 2013 for \$90 million, financed eligible expenditure items from both development and non-development expenditures. These include goods, works and services, grants to nongovernment schools, stipends, and training. Cumulative contract awards and disbursement have reached \$56 million (62%). Compliance with covenants is on track. Of the 21 covenants, 6 have been met, 6 are being met, and 9 are not yet due.

13. Milestones

Estimated Approval

Estimated Effectiveness

Estimated Completion<sup>a</sup>

16 November 2015

10 December 2015

31 December 2017

14. Linked Documents

	Required Document	Disclosure Date
(i) Environment	IEE - Initial Environment Examination	
Weblink:	<a href="http://www.adb.org/projects/documents/search?keywords=44213-017">http://www.adb.org/projects/documents/search?keywords=44213-017</a>	23 June 2015
(ii) Involuntary resettlement		
Weblink:		
(iii) Indigenous peoples	IPP - Indigenous Peoples Plan	
Weblink:	<a href="http://www.adb.org/projects/documents/secondary-education-sector-investment-program-t2-ipp">http://www.adb.org/projects/documents/secondary-education-sector-investment-program-t2-ipp</a>	23 June 2015

<sup>a</sup> For Tranches, this refers to the financial closing date.

## I. BACKGROUND

1. Bangladesh aspires to attain middle-income status by 2021. One critical factor in achieving the goal is human capital accumulation. Bangladesh has a young population—with about one out of three people below the age of 15. The labor force is growing by 3.2%, or about 2 million people per year. The country is well-positioned to earn a significant demographic dividend. The Government of Bangladesh has emphasized the value of secondary education as a country priority for medium- and long-term economic development and competitiveness.

2. The Secondary Education Sector Investment Program (SESIP) (2013–2023) supports the government's secondary education (grades 6–12) reform as the foundation for a skilled labor force, and prepares youths to meet the requirements of a rapidly developing economy. It supports (i) advanced teaching programs that use information and communication technology; (ii) improved science, mathematics, and English; (iii) prevocational and vocational programs; (iv) improved teacher development; and (v) examination reforms. It promotes gender-equitable and pro-poor stipends for students and helps decentralize education management and efficiently allocate and use resources, as well as strengthen sector performance monitoring. SESIP enhances the government's results orientation by linking disbursement to achievements. It also supports the transition to a sector-wide approach (SWAp) for better development partner coordination.

3. The government and Asian Development Bank (ADB) signed the framework financing agreement (FFA) on 21 July 2013. On 27 September 2013, the Board approved the provision of loans to Bangladesh under a multitranche financing facility (MFF) of up to \$500 million equivalent. ADB management approved Tranche 1 consisting an Asian Development Fund loan of SDR59.836 million on 21 October 2013.

4. Project 1 (2013–2017) is being implemented with strong government ownership. ADB's long-term support through the MFF assures the government in undertaking reform initiatives such as decentralization of education management and effective curriculum delivery. Outputs of Project 1 include: (i) a more efficient, equitable, and harmonized stipend program; (ii) pilot activities to introduce advanced teaching modalities in laboratory-based practical science teaching and school information hubs; and (iii) institutional strengthening in secondary education management.

5. SESIP adopts the MFF's principle of flexible support investment to optimize the pace of the systematic reforms envisioned in the sector road map and the National Education Policy, 2010. Project 2 (2015–2017) was designed to overlap with Project 1 and will support the (i) expansion and strengthening of Project 1 activities (e.g., practical science teaching and institutional capacity building); and (ii) implementation of new activities for emerging needs, such as introduction of prevocational and vocational courses in secondary schools and *madrasahs* (Islamic religious schools). Project 1 and 2 outputs will be scaled up in Project 3 (2017–2023). SESIP also support phased reform initiatives with a SWAp.

6. ADB received the government's second periodic financing request on 18 June 2015 for \$185 million for 2015–2017. Project 2 is included in Bangladesh's country operations business plan (2015–2017). This report has been prepared to provide the management with the project team's assessment of the MFF implementation and the salient features of the proposed project.

## II. ASSESSMENT OF IMPLEMENTATION

7. Project 1 implementation has been satisfactory. Maximum allocations for the disbursement-linked indicator (DLI) for years 1 and 2 (\$16 million for 2013 and \$40 million for 2014) were disbursed with achievement of all DLIs and submission of satisfactory interim unaudited financial reports (IFRs). The first 2 years of implementation has resulted in changed mindsets of government officials from a traditional input-based project approach to a program- and result-based approach. Experiences show DLIs are powerful tools to shift attention from inputs to achieving essential results that deliver quality education. This demonstrates that in a large system with multiple stakeholders, such as Bangladesh's secondary education sector, strengthening stakeholders' incentives and accountability toward achieving priority results is more effective than focusing on inputs.

8. In its first 2 years, Project 1 has completed preparatory activities to accelerate implementation, and therefore, the program can absorb more funds for implementation in 2015–2017. An electronic government procurement (EGP) initiative was successfully introduced in the Ministry of Education (MOE) for SESIP implementation. About 340 staff in MOE, Directorate of Secondary and Higher Education (DSHE), and co-implementing agencies were trained, and full operationalization of electronic procurement is planned in 2015–2017, along with the Procurement Capacity Development Plan under MOE institutions.<sup>1</sup> Other developments include increased reliance on an integrated budgeting and accounting system (IBAS)-generated financial reports, which has improved financial reporting and internal controls, and establishment of a new Procurement and Finance Wing (PFW) in DSHE.

9. Building MOE and DSHE institutional capacity is critical. SESIP supports a phased transition to a SWAp with (i) all projects aligned by a common secondary education program framework by 2017, and the number of parallel projects and their implementation units gradually decreased; (ii) enhanced institutional capacity in MOE, DSHE, other implementing agencies, and field offices; and (iii) development partners' contributions harmonized and aligned with the country system.<sup>2</sup> From 15 to 16 February 2015, a first government-development partners' Joint Sector Review of the secondary education sector took place with strong government ownership. The government's SWAp road map was re-confirmed.<sup>3</sup> The Joint Sector Review found there is a need to further strengthen capacity for functions such as planning, monitoring and evaluation (M&E), procurement, financial management and accounting, and fiduciary oversight in 2015–2017. Sufficient MOE and DSHE institutional capacity is crucial to move to a full SWAp in Project 3 (2017–2023).

10. Supported by the National Education Policy, MOE has committed to implement SESIP to achieve the secondary education sector road map (2013–2023) targets. Project 1 activities include (i) ongoing nationwide delivery of the revised national curriculum (2012) reflecting new content and pedagogy—with curriculum dissemination training for 400,000 teachers to be completed in 2015; and (ii) reform initiatives, such as decentralization of education management, which were initiated by strengthening field-level education officers. The sector road map has been translated into the Secondary Education Sector Program Framework. Consultations with stakeholders, including development partners and civil society organizations, were held, and the program framework will become a common development framework for all stakeholders. The sector road map and the facility design and monitoring framework covering 10 years have been

<sup>1</sup> MOE approved the plan in October 2014. Available upon request.

<sup>2</sup> SWAp Road Map available in the Updated Facility Administration Manual (Appendix 4).

<sup>3</sup> Updated Facility Administration Manual (Appendix 4).

updated with a higher target because of the fast-increasing cycle completion rate of secondary schools and *madrasahs* (footnote 3).

11. FFA undertakings and loan agreement covenants due at the time of processing Project 2 were generally complied with.

### III. PERIODIC FINANCING REQUEST

#### A. Impact and Outcome

12. The impact will be a more efficient, equitable, and higher-quality secondary education system. The outcome will be improved inclusive participation in secondary education.

#### B. Outputs

13. Project 2 outputs will be (i) enhanced quality and relevance of secondary education, (ii) increased equitable access and retention of secondary education, and (iii) strengthened secondary education management and governance.

14. Project 2 will build on Project 1 interventions in curriculum implementation, examination reform, stipend provision, and school infrastructure development. Output 1 will support the introduction of prevocational and vocational subjects and strengthen teaching in science subjects. Output 2 will introduce a Resource Teacher Program to improve access and retention of socially and culturally marginalized students. This program will be integrated with the national campaign and community awareness programs on student counselling, student safety, and sexual harassment in schools and *madrasahs*. Output 3 will further strengthen institutional capacity of secondary education management. EGP will be used in MOE and its institutions. DSHE field offices will continue to improve academic supervision, and selected district education offices and *thana* and *upazila* (urban and rural subdistrict) education offices will be constructed. The project will continue to strengthen institutional capacity in planning, M&E, procurement and financial management (PFM), and accounting to prepare for the transition to a SWAp. One of the initiatives is MOE inclusion in the Ministry of Finance's pilot on using more advanced IBAS.

#### C. Investment and Financing Plans

15. Project 2 is estimated to cost \$3,471.6 million inclusive of taxes, duties and interest, and other charges (Table 1). The government has requested a loan in various currencies equivalent to SDR130,817,000 from ADB's Special Funds resources to help finance the Project. It will have a 25-year term, including a 5-year grace period, an interest rate of 2.0% per annum during the grace period and thereafter, and such other terms and conditions set forth in the draft loan agreement.

**Table 1: Project 2 Investment Plan**  
(\$ million)

Item	Amount
A. Development Budget	
1. Result Area 1: Enhanced quality and relevance of secondary education	199.0
2. Result Area 2: More equitable access and better retention	10.0
3. Result Area 3: Strengthened secondary education management and governance	38.3



Item	Amount
4. Tax and duties	36.8
Subtotal (A)	284.1
B. Contingencies	3.3
C. Financing Charge During Implementation	3.7
Subtotal A+B+C	291.1
D. Non-Development Budget	2,857.5
E. Ongoing Development Projects (World Bank and KEXIM)	323.0
<b>Total</b>	<b>3,471.6</b>

KEXIM = Export-Import Bank of Korea.

Source: Asian Development Bank.

16. The financing plan is in Table 2. The government's contribution was included in the Medium-Term Budget Framework and will be translated into the annual operations plans (AOPs) for 2015–2016 and 2016–2017. The program includes collaborative parallel cofinancing from the World Bank for \$265 million and from the Export-Import Bank of Korea for \$58 million.

**Table 2: Project 2 Financing Plan**

Source	Amount (\$ million)	Share of Total (%)
ADB	185.0	5.0
Government	2,963.6	85.0
World Bank	265.0	8.0
KEXIM	58.0	2.0
<b>Total</b>	<b>3,471.6</b>	<b>100.0</b>

ADB = Asian Development Bank, KEXIM = Export-Import Bank of Korea.

Source: Asian Development Bank estimates.

## D. Implementation Arrangements

17. The implementation arrangements for Project 1 have worked well and will continue. MOE will be the executing agency, and DSHE will be the key implementing agency. Other MOE agencies involved in secondary education will be co-implementing agencies. An inter-ministerial sector program steering committee, led by the MOE secretary, will oversee implementation, approve AOPs, review verification of DLI achievement, and ensure compliance with fiduciary oversight arrangements. A sector program implementation committee, led by the DSHE director general, will coordinate implementation by all agencies, review progress, and recommend AOP approval. A sector program support unit will assist DSHE units and field offices in daily implementation, AOP preparation, and progress report compilation, including DLI progress and achievement reports. The arrangements are summarized in Table 3.

**Table 3: Implementation Arrangements**

Aspects	Arrangements		
Implementation period	July 2015–June 2017		
Estimated completion date	30 June 2017		
Management			
(i) Oversight body	Sector program steering committee chaired by the MOE secretary		
(ii) Executing agency	MOE		
(iii) Key implementing agency	DSHE		
(iv) Implementation unit	Sector program support unit located in DSHE (34 people)		
Procurement	International competitive bidding	3 contracts	\$44 million
	National competitive bidding	147 contracts	\$105 million

Aspects	Arrangements		
Consulting services	Quality- and cost-based selection	5 packages	\$58 million
	Individual	18 contracts	\$1.5 million
Retroactive financing and advance contracting	The loan may finance eligible expenditures of up to 20% of the loan amount. Advance contracting is allowed for recruiting consulting services.		
Disbursement	Loan proceeds will be disbursed following ADB's <i>Loan Disbursement Handbook</i> (2015, as amended from time to time) and detailed arrangements agreed upon between the government and ADB.		

ADB = Asian Development Bank, DSHE = Directorate of Secondary and Higher Education, MOE = Ministry of Education.

Source: Asian Development Bank.

18. **Disbursement conditions and arrangements.** The Project 1 arrangements will continue. ADB will disburse its loan to the government's consolidated fund through a designated account with the Bangladesh Bank. Expenditures will be made from the treasury via accounting offices under the controller general of accounts system, following the approved annual budget. Annual disbursements will be made on a reimbursement basis with amounts subject to (i) evidence of achieving DLIs, and (ii) submission and acceptance of a statement of expenditure based on the IFRs for the corresponding period. Flexibility will be allowed for partial disbursement and disbursement for late achievement of annual DLIs. DLI achievement will be verified through a detailed verification protocol that includes third-party validation, where appropriate. The IFRs, which will be IBAS-generated, are required to show government spending on eligible expenditures under each program budget head exceeds ADB's contribution for the same period. A DLI matrix (footnote 3) for Projects 1 and 2, which includes definition, protocol, and disbursement schedule, was agreed during the appraisal.<sup>4</sup> An IFR format, which covers Projects 1 and 2, has been also agreed (footnote 3).

## E. Project Readiness

19. Project readiness is high, as Project 2 overlaps with Project 1. At the central level, the sector program support unit and a new PFW, established in DSHE on 1 January 2014, were fully staffed and trained. Project 1 consultants are supporting advance actions for Project 2 implementation.

## F. Advance Contracting and Retroactive Financing

20. The FFA allows advance contracting of civil works, goods, and consultancy services, subject to ADB procedures. The government has been informed that the approval of advance actions does not commit ADB to finance Tranche 2. The FFA also allows retroactive financing of expenditures incurred under advance contracting, provided that the expenditures are incurred for a period of 12 months prior to the signing of the related loan agreement, and do not exceed an amount equivalent to 20% of the individual loan. The government requested retroactive financing for the project.

# IV. DUE DILIGENCE

## A. Economic and Financial

21. **Economic viability.** The investment program's economic viability was assessed based on the overall return on education and a cost-benefit analysis for Projects 1 and 2. The

<sup>4</sup> Agreed at the appraisals of Project 1 and the facility in 2013.

two projects' activities are interrelated and have common outcome targets in the overlapping timeframe. The program is expected to generate benefits through (i) increased equitable participation, (ii) enhanced internal efficiency with reduced repetition and drop-out rates, and (iii) improved employability and higher earnings. The economic internal rate of return was calculated at 17.7%, which suggests the program is economically sound.

22. **Financial sustainability.** The program is financially sound and affordable. Its long-term sustainability will depend on (i) adequate budget allocated to MOE to cover investments and associated recurrent expenditures as per the Medium-Term Budget Framework projection, (ii) improvements in secondary education quality and efficiency as envisaged, and (iii) the institutionalization of the program as part of the regular government program to adopt a SWAp. Sustainability is built into the design in (i) using the country system for budgeting, accounting, reporting, and auditing; (ii) strengthening institutions involved in secondary education; and (iii) emphasizing DLIs to promote increased allocation to secondary education.

## B. Governance

23. **Procurement.** The assessment showed the country's procurement laws and procedures have improved since extensive procurement reform began in 2003. The government recently launched its EGP system, which will improve efficiency, transparency, and competition in procurement. Project 1 has introduced EGP in MOE on a priority basis. The Central Procurement Technical Unit trained 78 officials on EGP and 262 officials on procurement management for 3 weeks. Electronic tendering began in May 2015, and EGP will be operationalized for Project 2 implementation.

24. MOE and DSHE have relied heavily on project implementation units for procurement.<sup>5</sup> Project 1 helped establish and fully staff a permanent PFW in DSHE. The PFW, with procurement officers in co-implementing agencies, will be responsible for procurement in Project 2. Progress will be monitored through the Program and Procurement Monitoring and Information System, developed in Project 1, and the online national EGP system.<sup>6</sup>

25. **Financial management.** Project 1's overall risk, rated *substantial*, remains for Project 2. The assessment shows IBAS reform has improved financial management. The Ministry of Finance plans to strengthen IBAS, which is gradually gaining the trust of line ministries and development partners for development projects. Measures have been identified to further mainstream good financial management practices through adequate budget execution, improved financial reporting, and capacity development for the MOE internal audit. These measures were consolidated in the PFM action plan. Specific policy requirements and supplementary measures are described in the Facility Administration Manual (footnote 3).

26. The assessment confirms that various tools embedded in program design have improved overall governance. MOE remains committed to improve oversight and ensure compliance with the agreed rules and procedures. The PFM Action Plan (footnote 3) and the Procurement Capacity Development Plan under MOE institutions are being implemented.<sup>7</sup> An improved cash advance arrangement will be in place for Project 2 implementation. To improve

<sup>5</sup> DSHE has 18 secondary education projects. Each project implementation unit is responsible for procurement. Per the SWAp road map, MOE and DSHE will decrease the numbers of projects and implementation units, and the PFW will be responsible for procurement.

<sup>6</sup> Government of the People's Republic of Bangladesh. National e-Government Procurement Portal. <https://www.eprocure.gov.bd>.

<sup>7</sup> Available upon request.

system capacity, an annual fiduciary review linked to the annual DLI 6 Strengthened Risk Management is considered a strong instrument to identify and mitigate risks. Capacity building technical assistance will further strengthen institutional capacity in PFM, reporting, and M&E.

27. ADB's *Anticorruption Policy* (1998, as amended to date) was explained and discussed with the government and MOE. The specific policy requirements and supplementary measures are described in the updated facility administration manual (Appendix 4).

### C. Poverty, Social, and Gender Dimensions

28. Bangladesh had a steady decline in poverty rates from 56.7% in 1991 to 31.5% in 2010. The estimated poverty headcount ratio for 2013 is 26.2%. Substantial progress has been made in secondary education enrollment from 43.1% in 2011 to 64.5% in 2013. Girls constitute more than 50% of secondary education enrollment. Girls' schooling retention and completion are still major challenges, especially at *madrasahs*. This reflects the low survival rate of girls (50.4%), compared to boys (75.2%). Project 2 is classified as category I (gender equity as a theme).<sup>8</sup> Creating synergies with concurrent Project 1 implementation, Project 2 will directly benefit poor and disadvantaged students, *madrasahs*, boys, and girls by improving their access to quality education. To retain girls in schools and *madrasahs*, Project 2 will focus on student support initiatives, including the recruitment of local female resource teachers, student counselling free from gender bias, and a community awareness program on reducing sexual harassment at schools. Specific measures addressing girls' retention are in the gender action plan.<sup>9</sup>

### D. Safeguards

29. Three frameworks outlining the environmental and social safeguard principles and requirements were prepared for Projects 1 and 2, including (i) an environmental assessment review framework, (ii) a resettlement framework, and (iii) a tribes, minor Races, ethnic sects, and communities peoples (TMECP) planning framework.<sup>10</sup> The first 2 years of Project 1 implementation were compliant on safeguards' requirements. Project 2 is category B for environment. The environmental management plans for Project 2 will help mitigate environmental impacts from civil works, including construction of one additional classroom at 640 schools and *madrasahs*. Initial environmental examinations have been prepared for three categories of civil works along with the environmental assessment review framework and ADB's *Safeguard Policy Statement* (2009) requirements. Project 2 is category C for involuntary resettlement, as no land acquisition or resident relocation is required. TMECP will not suffer any adverse impact and will benefit from the project. To ensure this occurs in a culturally appropriate manner, Project 2 was classified under category B for indigenous peoples. A TMECP plan was prepared to improve access to quality secondary education for small ethnic peoples.

30. Climate risk screening was conducted. Results showed Project 2's civil work components are medium to high risk from floods and earthquakes. The consultants will incorporate, as needed, design changes in the civil work components.

<sup>8</sup> ADB. 2012. *Guidelines for Gender Mainstreaming Categories of ADB Projects*. Manila.

<sup>9</sup> Gender Action Plan (Appendix 7) and Updated Facility Administration Manual (Appendix 4).

<sup>10</sup> The Environmental Assessment Review Framework, Resettlement Framework, and Small Ethnic Community Peoples' Planning Framework were approved in 2013 (Appendix 4).

## E. Risks and Mitigating Measures

31. Major risks and mitigating measures are summarized in Table 4. Overall project risk is assessed as substantial, but appropriate risk mitigation measures have been incorporated in the project design. These include (i) introduction of risk mitigating DLIs, (ii) organization of annual fiduciary review and (iii) institutional capacity building. Project 2 will ensure further strengthen systems and achievement of project outcome. The overall benefits and impacts are expected to outweigh the costs.

**Table 4: Summary of Risks and Mitigating Measures**

<b>Risks</b>	<b>Mitigating Measures</b>
Weak institutional capacity to implement, monitor, report, and verify results with introduction of results-based and program approach	(i) Systematic institutional capacity building is included (lesson learned is that ad-hoc training is not effective). (ii) The sequencing of annual DLIs takes into account the results chain and DSHE implementation capacity. It targets incremental results from implementation milestones, intermediate outcomes toward sector outcomes, or institutional development outcomes. (iii) TA builds capacity in results monitoring and reporting.
Insufficient budget allocation and slow execution	(i) A DLI on sector financing gives incentive to MOF to increase budget allocations for secondary education following the Medium-Term Budget Framework and efficient budget execution. (ii) Improved cash advance arrangement is introduced for better funds management in Project 2.
Fiduciary risks in procurement and financial management	A DLI on risk management gives incentive to develop a systematic fiduciary oversight arrangement with (i) regular internal control by MOE and DSHE that includes post-procurement review by the MOE, (ii) external audit by CAG, (iii) annual fiduciary review that includes post-procurement review by ADB, and (iv) introduction of improved financial management system in MOE and DSHE. JFPR TA also provides rigorous capacity building support.

ADB = Asian Development Bank, CAG = Office of the Comptroller and Auditor General, DLI = disbursement-linked indicator, DSHE = Directorate of Secondary and Higher Education, JFPR = Japan Fund for Poverty Reduction, MOE = Ministry of Education, MOF = Ministry of Finance, TA = technical assistance.

Source: Asian Development Bank.

## F. Risk Categorization

32. Project 2 is categorized as low risk. All key features of a low-risk project have been met, namely (i) a loan amount not exceeding \$200 million for projects, (ii) a sound record of ADB's previous experience in Bangladesh's education sector, (iii) reasonable executing agency capacity in externally financed project administration, and (iv) a safeguard categorization other than A.

## V. ASSURANCES AND CONDITIONS

33. The government has assured ADB that implementation of the project shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards,

gender, procurement, consulting services, and disbursement as described in detail in the project administration manual and loan documents.

34. The government has agreed with ADB on certain covenants for the project, which are set forth in the loan agreement.

## **VI. RECOMMENDATION**

35. On the basis of the approval by ADB's Board of Directors for the provision of loans under the multitranche financing facility in an aggregate principal amount not exceeding \$500,000,000 to the People's Republic of Bangladesh for the Secondary Education Sector Investment Program, it is recommended that the President approve the proposed tranche as described in paragraph 15 and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement for the proposed tranche.