



Implementation Completion Memorandum

Project Number: 42149-012
Grant Number: 9153
July 2017

Bangladesh: Institutional Support for Migrant Workers' Remittances (Financed by the Japan Fund for Poverty Reduction)

JAPAN FUND FOR POVERTY REDUCTION (JFPR)
IMPLEMENTATION COMPLETION MEMORANDUM (ICM)¹

I. BASIC INFORMATION			
1. JFPR Number and Name of Grant: 9153-BAN: Institutional Support for Migrant Workers' Remittances			
2. Country (DMC): People's Republic of Bangladesh		3. Approved JFPR Grant Amount: \$2,000,000	
4. Grant Type: <input checked="" type="radio"/> Project <input type="radio"/> Capacity Building		5-A. Undisbursed Amount \$211,903	5-B. Utilized Amount \$1,788,097
6. Contributions from other sources			
Source of Contribution	Committed Amount	Actual Contributions	Remark - Notes
DMC Government	\$29,000	\$18,917	For component B and C
Other Donors	Not applicable	Not applicable	Sole donor (JFPR)
Private Sector	\$385,750	\$265,306	For component A
Community/Beneficiaries	\$	\$	
7-A. GOJ Approval Date 9 November 2010		7-B. ADB Approval Date 18 January 2011	
		7-C. Date the LOA was signed (Grant Effectiveness Date) 18 January 2012	
8-A. Original Grant Closing Date 18 January 2015		8-B. Actual Grant Closing Date 15 April 2016	
		8-C. Account Closing Date 12 September 2016	
9. Name and Number of Counterpart ADB (Loan) Project: Not applicable. The project is an independent intervention and has no specific links to any ADB-financed loan projects in Bangladesh.			
10. The Grant Recipient(s): Name: Saifuddin Ahmed, Joint Secretary, Economic Relations Division, Ministry of Finance, People's Republic of Bangladesh. Address: ADB-Wing, Room # 25-26, Block # 08, ERD, Sher-e Bangla Nagar, Dhaka-1207. Tel: +8802 9180676(Off), Cell: +88 01712298015(M), +88 01726316179, Fax: +8802 9133467 E-mail: js-adb@erd.gov.bd , and saif957@yahoo.com , adbwing@gmail.com			

¹ The ICM was prepared under responsibility of the ADB Project Officer with contributions from the Recipient, EA/IAs, and the grant project manager/coordinator at the PIU.

11. Executing and Implementing Agencies:

Executing Agency:

(i) Bank and Financial Institutions Division, Ministry of Finance

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Implementing Agencies:

(i) Bangladesh Bank (BB):

Mr. Subahankar Saha, Project Director and Executive Director, Bangladesh Bank

Phone: +8802 9530413; Cell: +88 01729226699; email: subankar.saha@bb.org.bd

(ii) Ministry of Expatriates' Welfare and Overseas Employment (MEWOE):

Mr. K M Ali Reza, Project Director and Deputy Chief

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II. GRANT PERFORMANCE ASSESSMENT

12. Description:

Bangladesh was a labor surplus country and sent about 300,000 workers each year abroad for employment. The formal remittance income was about \$9 billion in 2009. This had contributed to rural household spending on food intake, housing, education, and health care; and declined percentage of population living below the national poverty line from 50% in 2000 to 40% in 2006. For the majority of the poor people in Bangladesh, however, formal banking services were out of reach, because it was costly for the banks to extend their outreach to the poor and low income population. It was estimated that more than 50% of remittances to Bangladesh were made through informal channels such as *hundi* system, traders, or friends. In the informal system, transactions were undocumented, and the risks were high. Remittances transferred could finance smuggling, money laundering, or other illegal activities. Key constraints on the use of formal channels by migrant workers were (i) lack of access in the originating countries to the Bangladeshi network of banks and exchange houses; (ii) infrastructure and technology challenges that place payment innovations beyond the reach of many Bangladeshi recipients of remittances; (iii) lack of financial literacy and awareness of formal remittance services; and (iv) limited access to branches of commercial banks, particularly private banks, in the rural areas of Bangladesh.

Technologies such as internet and mobile networks require minimum physical infrastructure and would allow banks and their clients to interact remotely on trust, reducing the costs of extending the service outreach. The Project was to test a new enabling product technology [point of sales (POS) terminals and cards] to make remittance and other financial services more accessible to unbanked people in Bangladesh.

13. Grant Development Objective and Scope:

The impact of the project was sustainable welfare improvement and poverty reduction of migrant workers' households. The outcome was increased use of formal remittance and investments by migrant workers and their households in project targeted areas. The outputs were: (i) remittance and investment opportunities development for the rural poor, (ii) remittance and information dissemination and awareness creation, and (iii) enterprise development support for migrant workers households. Originally, the project had the following three components:

Component A (Bangladesh Bank): Remittance and Investment Opportunities Development for the Rural Poor. This component was to improve access to affordable and safe remittance services among Bangladeshi migrant workers and their families. It would develop partner-agent relationships between banks and microfinance institutes (MFIs) with a partnership agreement. Under the agreement, an MFI would function as a remittance agent of a bank. The participating MFIs would issue at least 18,000 debit cards to their rural clients for remittance transactions. Capacity development and technology solutions were to provide to the MFIs. Specifically, the component would equip 700 rural branches of the participating MFIs with POS terminals and computers to connect to the banking systems of the partner banks.

Component B: Remittance Information Dissemination and Awareness Creation. The component was to conduct awareness campaigns using leaflets, posters, brochures, information booklets, short films on television, and programs on radio to inform migrant workers and their families of the benefits of using formal remittance services and the risks of informal methods of remittance. The information programs would also provide returnee migrant workers with information on investment and employment opportunities.

Component C: Microenterprise Development Support for Migrant Workers' Households. This component was to support migrant workers' households, especially returnee migrant workers and their families, in setting up microenterprises. It would provide business identification and development services, managerial skills development training, entrepreneurship development support, backward and forward linkages, and links to financial and other support services. The priority target beneficiaries were (i) returnee migrant workers whose labor contracts were terminated because of deteriorating economic conditions in the host countries, and (ii) female heads of households and migrant workers' household members.

In May 2013, at the Government's request, ADB approved financing of a real time gross settlement system (RTGS) at BB, and component A was reformulated to be "Remittance and Payment System Infrastructure Development". The revised component would develop and install RTGS, develop RTGS rules and guidelines, conduct consultations and seminars with commercial banks on use of RTGS, and operationalize RTGS.

14. Key Performance Indicators	Accomplish-ments Rating (HS,S,PS,U ²)	Evaluation of each Indicator:
Component A: Remittance and Payment System Infrastructure Development (\$1,755,371, 88% of the grant)		
i) RTGS developed and installed at BB.	S	Achieved. RTGS went live on 29 October 2015
ii) RTGS rules and guidelines developed.	S	Achieved. RTGS rules and guidelines developed in mid-September 2015
iii) Consultations and seminars with commercial banks on use of RTGS.	S	Achieved. Total six seminars conducted. First seminar held on 31 October 2015.
iv) RTGS operational.	S	Achieved. RTGS operational from 29 October 2015
Component B: Remittance Information Dissemination and Awareness Creation (\$17,864, 1% of the grant)		
v) Information dissemination strategy in place by Q2 2011	S	Achieved. The dissemination strategy was in place in December 2015.
vi) Leaflets, posters, booklets, and short films widely disseminated, and launch of mass information dissemination program by Q3 2011	PS	Leaflets, posters, and booklets were prepared by the consultants, but no information dissemination program was undertaken. The IA is using the leaflets, posters, and booklets developed under the project for its core training programs for outbound migrant workers.

² ADB = Asian Development Bank; HS = Highly Satisfactory; S = Satisfactory; PS = Partly Satisfactory; RTGS = Real Time Gross Payment; TPP = Technical Assistance Project Proforma; U = Unsuccessful;

Component C: Enterprise Development Support for Migrant Workers' Households (\$14,862, 1% of allocation)		
vii) Provision of skills training to at least 12,000 returnee migrant workers' households, of which 60% are female heads of households and migrant workers' household members by end 2013	PS	Partially Achieved. The consultant prepared a manual for microenterprise development support for migrant worker households. Microenterprise training could not be imparted as the IA could not access the grant funds due to the discrepancy in payment procedure set in the technical assistance project proforma (TPP ³) and annual development plan (ADP). The TPP stated reimbursable project aid (RPA), but ADP stated direct project aid. This was identified towards the end of the project, and there was no time to remedy.
viii) Provision of enterprise development support to at least 12,000 migrant workers households, of which 60% are female heads of households and migrant workers' household members, by end 2013.	U	
15. Evaluation of Inputs:		
<p>Relevance: The project design was relevant to the ADB's long-term strategic framework 2008-2020 (Strategy 2010) which identified inclusive growth as one of four strategic pillars and extensive financial services to the poor and rural areas as a core strategic area for ADB's interventions. On the other hand, the project design was less than relevant to the country context. In 2013, Component A which would invest in retail payment system in banks and microfinance institutions had to be replaced with RTGS which supported Bangladesh Bank (BB) to develop its payment infrastructure. This was because the implementation arrangements under the original design included the International Network of Alternative Financial Institutions Bangladesh, a global network of microfinance nongovernment organization (NGO) as a partner NGO and technical assistance provider supporting BB in implementing Component A. The direct selection of the NGO without competition was questioned during the government process of approving the project.</p> <p>According to the statistics of Bureau of Manpower, Employment, and Training (BMET), Bangladesh; during 2012 to 2016, the number of Bangladesh workers who went overseas increased by about 25%, but remittances decreased by 3.8%. Remittances declined sharply in 2016 by 10.9% compared with that in 2015. Among all other reasons, increasing use of the informal channels like '<i>hundi</i>' due to the significant difference in the Taka-Dollar exchange rate between the official and market rates was identified as a major one, but was not considered by the project design. Overall, the project design is rated less than relevant.</p> <p>The project was envisaged to be implemented over a 4-year period from January 2011 to January 2015. Actual physical and financial completion took 15 months longer due to the problems associated with Component A and the subsequent reformulation. Of the 2.0 million grant, the project utilized \$1,788,097 or 89.4%, leaving an unutilized balance of \$211,903 which were cancelled upon closure of the financial account. Component A made use of \$1,755,371 or 92.8% of the grant allocation to procure the RTGS hardware and software, operate and maintain the system up to the project closing date of 15 April 2016, and disseminate the system to the potential users. Components B and C were only able to utilize \$32,726 or 30.6% of its allocated funds of \$107,000. The chronological events are shown in Appendix 1, and the table for grant allocation and disbursement in Appendix 2. The project is rated less than efficient.</p> <p>The performance of Grant Recipient was less than satisfactory. The Economic Relations Division of the Ministry of Finance was the grant recipient. The recipient provided useful assistance to ADB during the grant processing, reformulation, and implementation. On the other hand, the recipient confirmed the ADB's Aide Memoire which described the project design and implementation arrangements on 20 June 2010. Based on the confirmation, the Government of Japan approved the grant project on 9 November 2010, and ADB approved on 18 January 2011. But Component A, the core of the project, could not be approved by the</p>		

³ TPP is the Government's internal approval document for TA project, based on which EA or IA implements project.

government and was eventually reformulated. This delayed the signing of the grant agreement to 18 January 2012, one year after the grant approval; and implementation to May 2013, almost 2 years and a half after the grant approval.

Performance of EA and one implementing agency (IA) was satisfactory, and performance of the other IA was less than satisfactory. BFID was the executing agency, BB was the IA for Component A, and MEWOE was the IA for components B and C. The TPPs were separately prepared by each IA. The grant became effective in January 2012, Component A was revised in May 2013, and the TPP for the revised Component A was approved in November 2013. After the TPP approval, Component A started to move fast. Procurement following the ADB's international competitive bidding one stage two envelope procedure was completed during March to September 2014, and RTGS was installed soon after and went on live on 29 October 2015. **The performance of BB was rated satisfactory.** MEWOE initially had difficulty in coming up with concrete work plan in line with the project document and could not recruit consultants until July 2015. However, at the later stage, the new project manager was very much dedicated and devoted to the implementation of the activities and project. He closely coordinated and worked with ADB and held a number of meetings in order to crystallize the ideas of the implementation mechanism. The consultants prepared the dissemination strategy and manuals for microenterprise development support for migrant worker households, including leaflets, posters, and booklets. Due to the discrepancy in payment procedure set in the TPP and ADP, MEWOE could not impart the intended training during the project period. **The performance of MEWOE is rated less than satisfactory.**

Performance of Supplier was satisfactory. The contract with the RTGS supplier was signed on 20 November 2014. The supplier completed installation of the hardware and software during June to July 2015, trained BB officials throughout May – August 2015, conducted user acceptance test in August and September 2015; and finished the system integration in September and October 2015. The RTGS system went live on 29 October 2015. The installed system and program were found working without any complaint from any of the users.

Performance of Consultants was satisfactory. Component B and C implemented by MEWOE recruited two national consultants in July 2015 for six person-months. Despite the late selection, the consultants completed the assignments within the contract periods and produced two reports that were accepted by the EA. The consultants were found dedicated and sincere in their work.

Performance of ADB was less than satisfactory. The project analysis did not take into account the exchange rate factor which may be a root cause of using the informal channels for remittances. Component A for which over 90% of the grant was allocated had to be scrapped after the grant approval and replaced with RTGS which does not target providing easier access to and reducing transaction costs for the remittance senders. No training was conducted, and none of the key performance indicators envisaged at the time of approval has been achieved. On the other hand, ADB was flexible and adjusted Component A and implementation arrangements to enable implementation of the project. It processed procurement review and approvals for RTGS efficiently and contributed to the successful installation and operation of RTGS.

16. Evaluation of Outputs and Results

Component A was redesigned, and the original outputs and indicators could not be achieved. The reformulation of Component A was effected through approval of the grant reallocation (Appendix 2), not change in scope, and there were no performance indicators in the approval memo. The Aide-Memoire of the ADB March 2013 Special Project Administration Mission, however, provided monitorable deliverables under paragraph 14, against which Component A was assessed.

Revised Component A: Remittance and Payment System Infrastructure Development. RTGS was installed in BB and went live on 29 October 2015 with 55 commercial banks operating in Bangladesh. Related rules and guidelines have been prepared. National seminars and workshops for the key decision makers of the banks, MFIs, mobile financial service providers, and government entities and public awareness campaigns in Chittagong, Sylhet, Khulna, Rajshahi, and Barisal have been held. RTGS is a gross settlement system of money or securities in which both processing and final settlement of funds transfer instructions can take place continuously in real time. It is the fastest possible money transfer system through the banking channels. Currently, BDT100,000 or above are settled through the system. BB is working on scaling down to any amount. Since introduction, the numbers of transactions and amount using RTGS have been on rise. They increased from 3,279 transactions amounting to BDT539.78 billion in November 2015 to 28,115 transactions amounting to BDT788.43 billion in December 2016, and the trend is likely to continue. The transactions through RTGS from its commencement to December 2016 are shown in Appendix 3. The component is rated *effective, and likely sustainable*.

Component B: Remittance Information Dissemination and Awareness Creation. The consultant was recruited in July 2015 for six person-months. The dissemination strategy was in place in December 2015. Leaflets, posters, and booklets were prepared by the consultants. Due to the discrepancy in payment procedure between TPP and ADP, the dissemination could not be undertaken under the grant project. MEWOE, however, is pursuing its own training for the migrant workers through BMET, Institute of Marine Technology (IMT), and Teachers Training Centers (TTC), using the leaflets, posters, and booklet messages for its core training programs financed by the government. In 2016, BMET provided pre-departure training to 197,023 migrant workers; and IMT and TTCs provided training to 307,849 migrant workers. The trainings provided by MEWOE from 2012 to 2016 are given in Appendix 4. The component is rated *less than effective, and likely sustainable*.

Component C: Enterprise Development Support for Migrant Workers' Households. The consultant was recruited in July 2015 for six person-months, and prepared the manual for micro-enterprise development support for migrant worker households. Microenterprise training could not be imparted as the IA could not obtain the grant funds due to the aforementioned reason. The IA informed that it is taking necessary measure to impart microenterprise training to the migrant workers' households, focusing on the women members and returnee workers. The component is rated *less than effective and less than likely sustainable*.

17. Overall Assessment and Rating (HS,S,PS,U):

Overall, the Project is rated *partly successful*. The Project design was substantially revised after the grant approval. Although RTGS was successfully established and launched in BB, and training materials were prepared; there is no indication that use of informal channels for remittances is being reduced. The sharp decline in remittances in 2016 might point to the reverse. No training was conducted under the project, and none of the key performance indicators in the approved grant proposal was achieved except preparation of training materials under components B and C. Implementation of the project started 1 year and a half after the grant approval and took 15 months longer to complete.

18. Major Lessons Learned:

The lessons drawn from the project are as follows:

- (i) Thorough analysis and diagnosis of the binding constraints for using the official channels by remittance senders are essential for formulating interventions. Simply meeting with government offices and banking sector may not be sufficient. Survey of a reasonable sample of overseas workers may provide valuable clues.
- (ii) Confirmation of aide memoire by grant recipient does not necessarily guarantee acceptance of project

design by all the government stakeholders. ADB loan processing missions have to consult with the government stakeholders to the extent possible, highlight critical project component and implementation arrangement, explore feasibility, and obtain agreement.

(iii) TPP is the basis for EA or IA to implement TA project and needs to be aligned with ADB document.

19. Recommendations and Follow-up Actions:

Project Specific

(i) ADB should continue to follow up and monitor operation of RTGS, the number of transactions and amounts using RTGS, and remittances.

(ii) The government is studying the remittance fall and has sent two delegations abroad. The reports are under preparation. ADB should dialogue with the government on the report's findings and explore possibilities for further interventions.

General


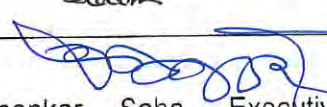
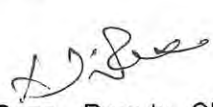
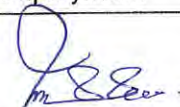
(i) ADB needs to step up consultation and participation in terms of both quantity and quality during project processing. Instead of aide memoire to be confirmed by recipient, it is recommended that memorandum of understanding should be prepared and signed by recipient, EA, and all IAs.

(ii) ADB needs to ensure TPP is aligned with ADB document in terms of project component description, project activities, funding allocation, and implementation arrangements.



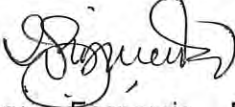
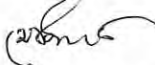

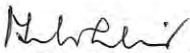
20. Additional Remarks, Comments and Suggestions:

None

III. PREPARATION AND APPROVAL

Prepared by:	Name of Person and designation / Name of Institution / Signature	Date
1. Representative from the Recipient:		
2. Manager, JFPR-GIU ⁴ :	<p>1. Subhankar Saha, Executive Director, Bangladesh Bank</p> <p></p> <p>2. K M Ali Reza, Deputy Chief (Planning & Development), Ministry of Expatriates' Welfare and Overseas Employment</p> <p></p>	
3. Project Officer, ADB:	<p></p> <p>Md. Nazmul Alam, Project Officer (Financial Sector), BRM</p>	

⁴ GIU=grant implementation unit (formerly called PIU=project implementation unit)

Approved	Name of Person and designation / Name of Institution / Signature	Date
1. Director General, SARD, ADB:	 Hun Kim, Director General, SARD	
2. Country Director, BRM, ADB:	 Kazuhiko Higuchi, Country Director, BRM	
3. Head of the Recipient:	 for Secretary, Economic Relations Division, Ministry of Finance	
4. Head of the Executing Agency:	 Secretary, Financial Institutions Division, Ministry of Finance	
5. Head of Implementing Agencies:	 Secretary, Ministry of Expatriates Welfare and Overseas Employment  Governor, Bangladesh Bank	

CHRONOLOGICAL EVENTS

Date	Events
2010 9 – 10 May 20 June 28 June 3 August 9 November	Consultation Mission Confirmation of ERD of the AM Draft Grant Proposal circulated for interdepartmental comments Submission of Proposal to OCO for clearance and to Government of Japan Government of Japan approved the proposal
2011 18 January 14 July 18 August	ADB approval ADB requested ERD for confirming date for signing Grant Agreement ERD requested ADB to allow some more time to sign Grant Agreement
2012 18 January 22-26 Feb 11 April	Grant Agreement signed Inception Mission AM confirmed by ERD
2013 12-14 March 10 April 14 May 26 Nov	Special Project Administration Mission (for reformulation of component A) AM confirmed by ERD ADB approved financing of RTGS and extended grant closing date by 1 year to 15 January 2015 TPP approval
2014 4-5 Feb 6-9 Dec	Second Inception Mission Review Mission
2015 6 January 26 February 8 June 23 April 12-13 Aug 11 September Mid-September 29 October	AM confirmed Proposal Evaluation Committee of MEWOE met for recruiting consultants ADB approved recruitment proposals for consultants (components B and C) Special Administration Mission Mid-term Review Mission Grant closing date extended to 15 April 2016 RTGS rules and guidelines developed RTGS went live
2016 Oct 2015-Apr 2016 15 April 12 Sep	Six dissemination seminars conducted Grant closed Grant account closed

GRANT ALLOCATION, DISBURSEMENT, AND CANCELLATION

(Amount in US Dollar)

Category Code	Category Name	Original Allocation	Reallocation In 2013	Final Reallocation	Amount Disbursed	Amount Cancelled
3101	Consulting services 1/	665,000	107,000	107,000	32,726	74,274
3601	Equipment and Supplies 1/	709,250	1,737,260	1,737,260	1,672,740	64,520
3801	Training, Workshops, Seminars, Public Campaigns 1/	254,000	65,000	155,700	82,631	73,069
3901	Project Management Support 1/	227,000	0	0	0	0
4901	Contingencies	144,750	90,740	40	0	40
Total		2,000,000	2,000,000	2,000,000	1,788,097	211,903

1/ Net of Tax

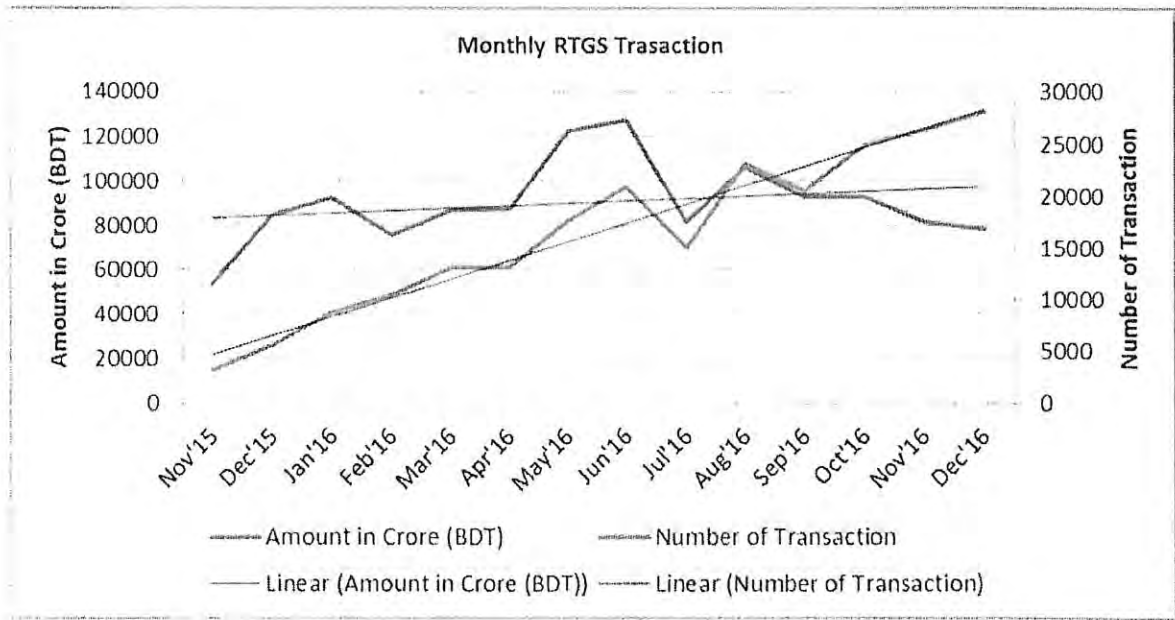
TRANSACTIONS THROUGH REAL TIME GROSS SETTLEMENT SYSTEM (RTGS)

1. To facilitate a safe, secured, and efficient interbank payment system, Bangladesh Bank introduced the Real Time Gross Settlement (RTGS) system on 29th October 2015 as a part of its inclusive digitalization initiative.
2. RTGS is an electronic settlement system where transfer of funds or securities takes place from one bank to another or one account to another on a real-time and gross basis. Transactions are settled as soon as they are produced. It is now capable for instant settlement of high value local currency transactions as well as government securities. Total 6,111 online branches of 55 scheduled banks are currently connected to RTGS. The system settles transactions of BDT100,000.00 or above between the participating banks instantly.
3. Monthly transactions starting from November 2015 to December 2016 with RTGS is shown below:

Table A3.1 Monthly RTGS Transactions

Month	Number of Transaction	Amount in billion BDT
November 2015	3,279	539.78
December 2015	5,547	847.33
January 2016	8,825	924.14
February 2016	10,490	758.82
March 2016	13,057	869.95
April 2016	13,222	874.68
May 2016	17,754	1,224.38
June 2016	20,946	1,271.69
July 2016	15,113	818.59
August 2016	23,121	106,663
September 2016	20,552	932.31
October 2016	24,951	933.62
November 2016	26,404	820.64
December 2016	28,115	788.43

BDT = Bangladesh Taka, RTGS = real time gross settlement.
Source: Bangladesh Bank, 2016. *Project Completion Report*. Dhaka.

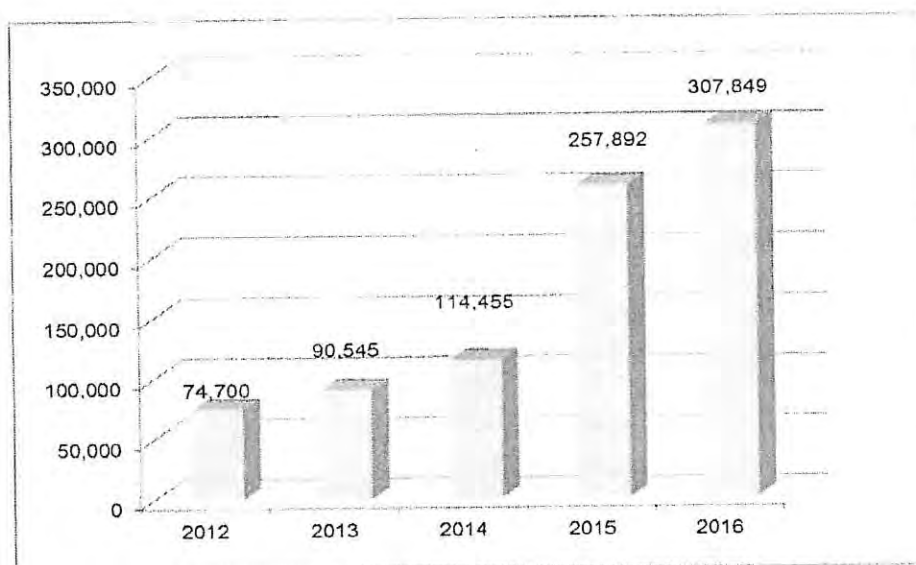


BDT = Bangladesh Taka.

Source: Bangladesh Bank. 2016. *Project Completion Report*. Dhaka.

TRAININGS PROVIDED BY MEWOE

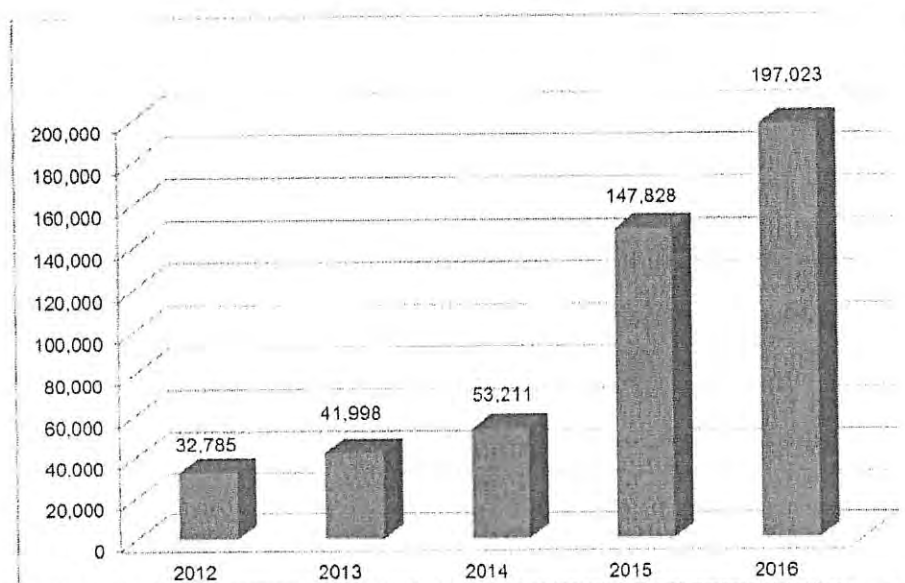
Figure A4.1 Training Provided by IMTs & TTCs



Source: Ministry of Expatriates' Welfare and Overseas Employment. 2017. *Major Achievements in 2016*. Dhaka.

IMT = Institute of Marine Technology, MEWOE = Ministry of Expatriates Welfare and Overseas Employment, TTC = Technical Training Center.

Figure A4.2 Pre-Departure Training Provided by BMET



Source: Ministry of Expatriates' Welfare and Overseas Employment. 2017. *Major Achievements in 2016*. Dhaka.

BMET = Bureau of Manpower Employment and Training,