



Technical Assistance Report

Project Number: 52102-001
Transaction Technical Assistance Facility (F-TRTA)
July 2018

People's Republic of Bangladesh: Capacity Building for Improving Portfolio Performance

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CURRENCY EQUIVALENTS

(as of 25 June 2018)

| | | |
|---------------|---|-----------|
| Currency unit | – | taka (Tk) |
| Tk1.00 | = | \$0.012 |
| \$1.00 | = | Tk83.25 |

ABBREVIATIONS

| | | |
|--------|---|-------------------------------------------------------|
| ADB | – | Asian Development Bank |
| COBP | – | country operations business plan |
| CCGP | – | Cabinet Committee on Government Purchase |
| CDRC | – | capacity development resource center |
| CPS | – | country partnership strategy |
| DPP | – | development project proforma |
| ECNEC | – | Executive Committee of the National Economic Council |
| ERD | – | Economic Relations Division |
| FAPAD | – | Foreign Aided Project Audit Directorate |
| GDSUTP | – | Greater Dhaka Sustainable Urban Transport Project |
| ISA | – | international standards on auditing |
| ISSAI | – | international standards of supreme audit institutions |
| SEIP | – | Skills for Employment Investment Program |
| TA | – | technical assistance |
| TAPP | – | technical assistance project proforma |
| TPRM | – | tripartite portfolio review meeting |
| TRTA | – | transaction 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., FY2017 ends on 30 June 2017.
- (ii) In this report, “\$” refers to United States dollars.

| | |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Vice-President | Wencai Zhang, Operations 1 |
| Director General | Hun Kim, South Asia Department (SARD) |
| Country Director | Manmohan Parkash, Bangladesh Resident Mission, SARD |
| Team leader | Tika Limbu, Senior Portfolio Management Specialist, SARD |
| Team members | Faiza Ahad, Program Analyst, SARD Gobinda Bar, Senior External Relations Officer, SARD Mahjabeen Halima, Associate Portfolio Management Analyst, SARD Mohammed S. Haque, Associate Portfolio Management Officer, SARD Mohammed Zulyaminayn, Senior Procurement Officer, SARD |

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TRANSACTION TECHNICAL ASSISTANCE FACILITY AT A GLANCE

| | | | |
|---------------------------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------|---------------------|
| 1. Basic Data | | Project Number: 52102-001 | |
| Project Name | Capacity Building for Improving Portfolio Performance | Department/Division | SARD/BRM |
| Nature of Activity Modality | Capacity Development Facility | Executing Agency | Ministry of Finance |
| Country | Bangladesh | | |
| 2. Sector | Subsector(s) | ADB Financing (\$ million) | |
| ✓ Public sector management | Economic affairs management | | 1.50 |
| | | Total | 1.50 |
| 3. Strategic Agenda | Subcomponents | Climate Change Information | |
| Inclusive economic growth (IEG) | Pillar 1: Economic opportunities, including jobs, created and expanded | Climate Change impact on the Project | Low |
| 4. Drivers of Change | Components | Gender Equity and Mainstreaming | |
| Governance and capacity development (GCD) | Institutional development Institutional systems and political economy | No gender elements (NGE) | ✓ |
| 5. Poverty and SDG Targeting | | Location Impact | |
| Geographic Targeting | No | Nation-wide | High |
| Household Targeting | No | | |
| SDG Targeting | Yes | | |
| SDG Goals | SDG1 | | |
| 6. Risk Categorization | Complex | | |
| 7. Safeguard Categorization | Safeguard Policy Statement does not apply | | |
| 8. Financing | | | |
| Modality and Sources | | Amount (\$ million) | |
| ADB | | 1.50 | |
| Transaction technical assistance: Technical Assistance Special Fund | | 1.50 | |
| Cofinancing | | 0.00 | |
| None | | 0.00 | |
| Counterpart | | 0.00 | |
| None | | 0.00 | |
| Total | | 1.50 | |

I. THE TECHNICAL ASSISTANCE FACILITY

A. Justification

1. The Economic Relations Division (ERD), under the Ministry of Finance, and several executing agencies have requested ADB on various occasions, including during tripartite portfolio review meetings (TPRM), for a systematic capacity development program to enhance quality of project implementation and management, and project readiness. Given the growing portfolio with higher complexity and relatively low project readiness, ADB's hands-on support is essential for successful project implementation. Hence, a TRTA facility is proposed to provide project specific implementation support as well as the institutional capacity development in a systematic manner.

2. The transaction technical assistance (TRTA) facility¹ will provide implementation support to a series of ongoing and ensuing projects.² In addition, the facility will support capacity development of line ministries and executing agencies, and project review and monitoring for improving the portfolio performance. The TRTA facility builds on the lessons learned from the implementation of ongoing TA 8426-BAN: Capacity Building for Portfolio Management approved on 13 August 2013, which is closing on 31 December 2018.³ Scope of TA 8426 is limited to supporting portfolio review and monitoring, and short-term capacity development and trainings. The purpose, scope, implementation arrangements, costs, financing arrangements, and terms of references of the TRTA were discussed with the ERD.⁴ Key areas of support needs are detailed in the following paragraphs.

3. **Portfolio-wide support.** ADB's ongoing portfolio in Bangladesh has grown rapidly over the past few years. Current ongoing portfolio amount stands at \$8.5 billion and consists of 87 loans and grants for 52 projects.⁵ The portfolio will continue to grow as ADB's annual lending to Bangladesh is expected to grow to \$2.1 billion in 2018 from \$1.3 billion in 2017. However, slow procurement process, project start-up delays and lengthy process for approval and revision of development project proforma (DPP) and technical assistance project proforma (TAPP) are often hampering the project implementation, resulting in time and cost overruns. Among the 52 ongoing ADB supported projects, over 15% are aged more than seven years, 10% were extended twice, and 20% were extended for more than two years. The DPPs above Tk500 million (approximately \$6 million) require approval of Executive Committee of the National Economic Council (ECNEC).⁶ TAPPs above Tk100 million (approximately \$1.2 million) require approval of the minister/state minister of planning. All procurement packages above Tk1,000 million (approximately \$12 million) and consultancy contracts above Tk300 million (approximately \$3.6 million) have to be approved by the Cabinet Committee on Government Purchase (CCGP). The ECNEC and CCGP approvals are process intensive. The weak due diligence capacity of line ministries and executing agencies often result in delays in preparation, revision and approval of DPPs/TAPPs. To reduce project

¹ The proposed TRTA is not included in the ADB 2018 country operations business plan, Bangladesh, 2018 -2020. The Economic Relations Division, Government of Bangladesh has been consulted with, and it has endorsed the processing of TRTA. The South Asia Regional Department confirmed that such financial assistance can be accommodated in 2018 resource envelope.

² Ongoing projects include Greater Dhaka Sustainable Urban Transport Project (Loan 2862/63/64), Skills for Employment Investment Program –Tranche 1 and 2 (Loan 3131/3468/Grant 0391/0517), and projects from agriculture and natural resources and transport sectors. The TRTA will also support ensuing projects on need basis.

³ TA 8426-BAN: Capacity Building for Portfolio Management, August 2013.

⁴ ERD confirmation was received on 16 April 2018.

⁵ As of 20 June 2018.

⁶ The minister/state minister of planning has the authority to approve DPPs up to Tk500 million (approx. \$6 million). The authority for project revision by the relevant minister/state minister is limited to first revision with some conditions. In case of approval of TAPPs, the ministerial ceiling is up to Tk100 million (approx. \$1.2 million).

lead time, capacity of executing agencies needs to be strengthened and expedite the DPPs/TAPPs and CCGP process.

4. **Procurement capacity support.** ADB's country partnership strategy for Bangladesh (CPS 2016-2020)⁷ prioritizes investment in infrastructure such as energy, transport and urban development, and help the country's rapid economic growth. Accordingly, ADB's assistance in recent years has focused on large and complex projects. The contract sizes have grown, and there are several ongoing contracts valued more than \$100 million. However, weak capacity of executing and implementing agencies to handle complex and diverse projects has been a concern. While concerted efforts supported by the government and development partners to develop institutional capacity are ongoing, progress is incremental. Hence, the CPS (2016-2020) envisages more project-based assistance on procurement and project implementation by providing on-the-job training with direct oversight of result and outcome. In addition, stronger support is needed in application of ADB's Procurement Policy 2017 and Procurement Regulations for ADB Borrowers 2017 (as amended from time to time).

5. **Institutional capacity and governance.** Institutional capacity and governance are also the priority cross-cutting areas identified by CPS (2016-2020) for enhancing the effectiveness of ADB-assisted projects and programs. The CPS (2016-2020) recommends providing systematic institutional capacity support over a longer period and more targeted than general.

6. **Financial management.** Timely preparation and submission of year-end audited project financial statements (APFS) following international accounting standards are essential for sound public financial management and good governance. Support to strengthen country systems, implementation and monitoring mechanism of financial management action plan, and fiduciary reviews in weaker and decentralized sectors are critical. ADB is supporting the executing and implementing agencies for improving the financial management and resolution of audit issues. However, the audit exit meeting for FY2017 shows that out of 1,034 audit observations for ADB supported projects, only 415 or 45% were resolved, 11% more than the previous year (34% in FY2016). ADB's oversight and technical support on resolution of audit issues needs to be strengthened. More collaboration with Foreign Aided Project Audit Directorate (FAPAD) is needed to improve the quality of audit as per international standard of auditing (ISA) and international standard of supreme audit institutions (ISSAI). Current accounting systems in most of the ADB funded projects are standalone, and government's ongoing roll-out plan of unified accounting software needs support at project level.

7. **Project implementation support.** On the project specific case, Loan-2862/63/64/Grant-0287(BAN): Greater Dhaka Sustainable Urban Transport Project,⁸ a complex project, has several implementation challenges, such as delays in review of engineering designs, land acquisition and inter-agency coordination. Project completion date has been revised to December 2020, but this remains a challenge. Moreover, project start-up has been delayed by more than three years. Among the four consultancy packages under the project, contract of operational design and business model (ODBM) was closed in December 2017 without completing the envisaged outputs. The consultant completed only two of the three outputs. It delivered (i) bus rapid transit (BRT)

⁷ ADB. 2016. *Country Partnership Strategy: Bangladesh, 2016–2020*. Manila.

⁸ Project is approved in April 2012 with planned completion by 2015. However, project has been delayed by 3 years. Procurement of major civil works is completed only in 2017 as opposed to the planned 2014. The major component—construction of bus rapid transit corridor which was planned to start in Q1-2013 could start only in Q2-2017, causing a delay of more than three years. The loans have been extended by three years up to December 2020. Project is categorized A for Involuntary Resettlement, B for Environment and C for Indigenous Peoples. <https://www.adb.org/projects/42169-013/main#project-pds>

operational plan and (ii) BRT business model. But, approval of the two reports has been delayed due to capacity and resource limitation of implementing agency. A third component under the ODBM for 'negotiation with the existing bus operators to embark into the company model' has not been accomplished. On the other hand, consulting contracts of project management, coordination and capacity building (PMCCB); engineering, procurement and construction management (EPCM); and resettlement plan implementation (RPI) are closing in December 2018. Hence, there will be a gap in consultants' input. Project needs support to (i) review the operational plan and business model, (ii) study on integration of BRT with mass rapid transit (MRT) system, (iii) negotiation with the existing bus operators to embark into company model, and (iv) project and contract management of civil works. The allocated budget for consultancy under the project has been exhausted.⁹ The TRTA will partially fill in the resource gap beyond December 2018.

8. Similarly, Loan 3131/Grant 0391-BAN - Skills for Employment Investment Program¹⁰ needs improved management of fiduciary risk. Office of Anticorruption and Integrity (OAI) has conducted a project procurement related review (PPRR) in 2017.¹¹ The following three issues are noted in OAI's PPRR interim report (i) documents for milestone and stipends payments are inadequate, (ii) monitoring of training centers is inadequate and (iii) financial management of industry associations is weak. OAI has suggested for improvement in (i) document keeping, (ii) review of milestone-based payments for job placements, and (iii) transparency in stipend payment.

B. Outputs and Activities

9. **Output 1: Capacity of executing agencies and line ministries improved.** The TRTA will enhance the project implementation capacity of executing and implementing agencies by providing structured trainings and capacity building support on procurement; financial management and audit; project management; and cross-cutting issues such as environmental and social safeguards, and gender empowerment and social inclusion. The TRTA will also support in successful roll out of ADB's Procurement Policy 2017.

10. The TRTA will develop a systematic capacity development plan that cuts across the entire project cycle. Learning from the experience of capacity development resource center (CDRC) established in ADB's India and Nepal Resident Missions, the TRTA facility will set up a CDRC in ADB's Bangladesh Resident Mission. As part of CDRC activity, survey and capacity assessment of executing and implementing agencies will be conducted for training needs assessment. Annual training calendar will be developed, and trainings delivered on the areas highlighted in para 9. Additional thematic capacity development activities will cover trainings on high level technologies, innovation, new business opportunities, project evaluation, climate change and disaster risk management, and good governance and anticorruption measures. Training materials prepared by ADB's India and Nepal Resident Missions may be referred as appropriate. E-learning modules of the trainings will be developed. A CDRC website¹² will be maintained to share the training materials and e-learning activities. The website will also maintain trainees database and facilitate communication with the trainees. A mobile based application of the website will also be developed.

⁹ Four consultant contracts include (i) PMCCB -\$1.274 million, (ii) EPCM -\$4.112 million, (iii) ODBM - \$0.872 million, and (iv) RPI - \$0.135 million.

¹⁰ Approved on 3 Jun 2014 for \$100 million, co-financed by World Bank (\$79 million); revised closing date 30 Jun 2019. Project is categorized C for Involuntary Resettlement, C for Environment and B for Indigenous Peoples. <https://www.adb.org/projects/42466-015/main>

¹¹ OAI's PPRR missions were fielded on 20 August - 7 September 2017 and 13 November - 6 December 2017, and exit meeting was held on 12 December 2017.

¹² Website developed by TRTA will follow the Guidelines on Social Media at ADB and the Branding Tool Kit.

11. The TRTA facility will engage a CDRC Team Leader / Training Coordinator. In addition to sector and thematic staff from ADB, a roster of external (international and national) resource persons will be maintained to deliver the trainings.¹³ The external resource persons will be engaged on need basis. The CDRC will train approximately 500 officials from various executing and implementing agencies. Overseas trainings for up to 50 government officials will be organized based on the demand and needs assessment. The CDRC may support the executing and implementing agencies for certified or accredited short-term trainings, as appropriate.

12. **Output 2. Projects successfully implemented.** Implementation of series of ongoing and ensuing projects on procurement, safeguards, financial management, project implementation and contract management will be supported. The TRTA will recruit international consultants to support implementation of Greater Dhaka Sustainable Urban Transport Project (Loan 2862/63/64/Grant 0287-BAN). The consultants will support to (i) review the operational plan and business model, (ii) study integration of BRT with MRT subprojects, (iii) negotiate with existing bus operators to embark into company model, and (iii) ensure engineering due diligence of civil works.¹⁴ Loan 3131/Grant 0391-BAN: Skills for Employment Investment Program will be supported for improving the financial management and mitigating the fiduciary risk. In addition, TRTA will support at least five ongoing or ensuing projects in different sectors on project implementation on need basis.

13. **Output 3: Portfolio performance effectively reviewed and monitored.** To enhance the operational effectiveness of ADB's portfolio, the TRTA will help strengthen portfolio review and monitoring. The TRTA will support at least five TPRMs and three business opportunities seminars. It will support implementation of various actions agreed in the TPRMs. Trainings and IT support to roll-out procurement activity monitoring tool (PAMT) developed in Bangladesh Resident Mission in 2018 will be provided to all projects for improved monitoring of procurement activities.¹⁵ The TRTA will develop a quality management system as per International Organization for Standardization (ISO: 9001-2015).¹⁶ Annual portfolio performance of Bangladesh for 2018 will be prepared to assess the portfolio performance and make recommendation for improvement.

C. Cost and Financing

14. The TRTA is estimated to cost \$1.6 million, of which \$1.5 million equivalent will be financed on a grant basis from ADB's technical assistance fund (TASF - 6) while the government will provide the rest as counterpart support in kind, such as data, staff time, venues for meetings and events, review of the reports submitted by consultants, and participation in trainings, workshops and knowledge sessions. The cost estimate and financing plan is in Appendix 1

D. Implementation Arrangements

15. ADB will administer the TRTA. In consultation with ERD, and executing and implementing agencies, the overall framework program structure and outputs will be finalized. Bangladesh Resident Mission will recruit, supervise and evaluate the consultants, and procure the goods.

¹³ Travel cost of ADB staff acting as a resource person will be supported by TRTA, as appropriate.

¹⁴ The DMFs of the projects are updated to reflect the outputs and activities of the TRTA. The updated versions will be incorporated in the project administration manuals of the respective projects.

¹⁵ PAMT is a web-based database (www.bdpamt.org) that records, monitors the time taken at each step of procurement process, and tracks and alerts the delays.

¹⁶ ISO 9001:2015 - quality management system certification will help ADB achieving the high standard operation.

16. The implementation arrangements are summarized in Table 1.

Table 1: Implementation Arrangements

| Aspects | Arrangements | | |
|-------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-----------|
| Indicative implementation period | July 2018 - June 2021 | | |
| Executing agency | Bangladesh Resident Mission, ADB | | |
| Implementing agency | Bangladesh Resident Mission, ADB will be responsible for TRTA implementation oversight, accountability for the outputs and communication with consultants and stakeholders. | | |
| Consultants | To be selected and engaged by ADB | | |
| | Individual | International 20 person-months National 84 person-months | \$535,000 |
| Procurement | Training equipment and computers will be procured using requests for quotation (RFQ) method in accordance with ADB Procurement Policy (2017 as amended from time to time) and Procurement Regulations for ADB Borrowers (2017, as amended from time to time). | | |
| | RFQ | multiple contracts | \$40,000 |
| Advance contracting and retroactive financing | Not applicable | | |
| Disbursement | The TRTA resources will be disbursed following ADB's <i>Technical Assistance Disbursement Handbook</i> (2010, as amended from time to time). | | |
| Asset turnover or disposal arrangement upon TRTA completion | Not applicable | | |

ADB = Asian Development Bank, QCBS = quality and cost-based selection, TRTA = transaction technical assistance

17. **Consulting services.** ADB will recruit the consultants following the ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions.¹⁷ The TRTA will be implemented by international and national individual consultants (20 person-months for international and 84 person-months for national). Additional consultants may be recruited as needed. Given the diverse nature of deliverables, the consultants will be recruited individually on need basis. Equipment will be procured using RFQ procedure according to ADB Procurement Policy (2017, as amended from time to time) and its associated project administration instructions and/or staff instructions. Consulting services will commence in October 2018 and continue full time as well as on intermittent basis till June 2021.

18. CDRC Team Leader / Training Coordinator will duly consult with ERD, and executing and implementing agencies; and produce an inception report within two months of commencement stipulating the overall work plan. Training materials will be printed locally and posted on CDRC's website. CDRC Team Leader / Training Coordinator will prepare CDRC's annual capacity development report. Improvement in portfolio performance, information on number of training programs conducted, feedback from participants, best practices, and sector and thematic knowledge products will be included in the report. The report will be published on CDRC website.

II. THE PRESIDENT'S DECISION

19. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$1,500,000 on a grant basis to the Government of Bangladesh for Capacity Building for Improving Portfolio Performance, and hereby reports this action to the Board.

¹⁷ Terms of Reference for Consultants (accessible from the list of linked documents in Appendix 3).

COST ESTIMATES AND FINANCING PLAN
(\$'000)

| Item | Amount |
|---------------------------------------------------------|----------------|
| A. Asian Development Bank^a | |
| 1. Consultants | |
| a. Remuneration and per diem | |
| i. International consultants | 245.0 |
| ii. National consultants | 290.0 |
| b. Out-of-pocket expenditures | |
| i. International and local travel | 40.0 |
| ii. Goods (rental and/or purchase) ^b | 50.0 |
| iii. Training, seminars, and conferences | 500.0 |
| iv. Reports and communications | 10.0 |
| v. Miscellaneous administration and support costs | 50.0 |
| 2. Surveys | 5.0 |
| 3. Training, seminars, and conferences | |
| a. Facilitators | 50.0 |
| b. Travel cost of ADB staff acting as a resource person | 50.0 |
| c. Venue rental and related facilities | 100.0 |
| d. Representation | 10.0 |
| 4. Contingencies | 100.0 |
| Total | 1,500.0 |

Note: The transaction technical assistance (TRTA) is estimated to cost \$1,500,000, of which contributions from the Asian Development Bank are presented in the table above. The government will provide counterpart support in the form of counterpart staff, office and meeting venues, and other in-kind contributions. The value of government contribution is estimated to account for 6.67% of the total TA cost.

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF 6).

^b Consists of training equipment such as projector, digital board, laptops, printer, photocopier, clickers and software. Source: Asian Development Bank estimates.

PROJECTS UNDER TECHNICAL ASSISTANCE FACILITY

Table 2A.1: Indicative Consultants' Input Allocation
(person-month)

| Item | Total | Greater Dhaka Sustainable Urban Transport Project (Complex) | EDU and Health; Agriculture and Natural Resources; Transport Projects ¹ (Complex) | Capacity Building and Portfolio Management (Low risk) |
|-------------------------------------------|-------|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Individual Consultants | | | | |
| A. International | | | | |
| Transport Specialist (Urban) | 10.0 | 10.0 | - | - |
| Project Management Specialist | 10.0 | 10.0 | - | - |
| B. National | | | | |
| CDRC Team Leader/Training Coordinator | 24.0 | - | - | 24.0 |
| Project Implementation Expert (ANR) | 12.0 | - | 12.0 | - |
| Project Implementation Expert (Transport) | 12.0 | - | 12.0 | - |
| Procurement Specialist | 12.0 | - | 8.0 | 4.0 |
| Safeguards Specialists (Env. & Social) | 8.0 | 2.0 | 4.0 | 2.0 |
| Financial Management Specialist | 8.0 | - | 6.0 | 2.0 |
| Transport Specialist (Railways) | 6.0 | - | 6.0 | - |
| Quality Management Expert -National | 2.0 | - | - | 2.0 |

CDRC = capacity development resource center; ANR = agriculture, natural resources and rural development

¹ Ongoing/ensuing projects to be supported will be identified during the TA implementation.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/LinkedDocs/?id=52102-001-TARreport>

1. Terms of Reference for Consultants