



DEVELOPMENT EFFECTIVENESS COUNTRY BRIEF

Bangladesh

Selected Country Indicators

Country Indicators	Comparison year	Most recent year
Gross domestic product per capita	\$319 (1995)	\$482 (FY2007)
Human Development Index rank	147/173 (1990)	137/177 (2004)
Poverty incidence (% below poverty line)	51 (1995/96)	40 (2005)
Population living on less than \$1 a day (%)	28.6 (1995)	36 (2004)
Population growth rate (%)	1.9 (1990)	1.3 (2007)
Maternal mortality ratio (per 100,000 live births)	480 (1990)	320 (2005)
Under-5 child mortality (per 1,000 live births)	149 (1990)	73 (2005)
Underweight children under 5 years of age (%)	66 (1990)	48 (2005)
Births attended by skilled health staff (% of total)	9.5 (1995)	13 (2005)
Prevalence of HIV/AIDS (% , 15–49 years)	–	<0.1 (2005)
Contraceptive prevalence rate (%)	31 (1990)	58 (2005)
Tuberculosis cases (per 100,000 people)	263.8 (1990)	227 (2005)
Primary education net enrollment (%)	80.1 (1997)	93 (2005)
Primary completion rate to grade 5 (% of relevant age group)	49 (1991)	77 (2005)
Ratio of girls to boys in primary and secondary education (%)	77.1 (1990)	105.5 (2005)
Ratio of literate females to males (% , 15–24 years)	65.5 (1990)	71.1 (2005)
Population with access to an improved water source (%)	72 (1990)	78 (2006)
Urban population with sustainable access to basic sanitation (%)	55 (1990)	85 (2006)
Fixed line subscribers (per 1,000 people)	6 (2004)	8 (2005)
Mobile phone subscribers (per 1,000 people)	31 (2004)	63 (2005)
Access to an all-season road (% of rural population)	27 (1995)	78 (2006)
Total road network (kilometers)	–	239,226 (2004)
Electricity consumption per capita (kilowatt-hours)	128 (2003)	158 (2007)
Cost required for business start-up (% of GNI per capita)	81.4 (2005)	87.6 (2006)
Time required for business start-up (days)	35 (2005)	37 (2006)

GNI = gross national income.

COUNTRY DEVELOPMENT SETTING

Overview of Country Achievements and Development Challenges

1. **Poverty and Human Development.**

Bangladesh has made impressive progress in reducing poverty and fostering human development over the past 15 years. The incidence of poverty declined to 40% in 2005 from 48.9% in 2000, a reduction of 1.8% annually compared with 1% annually in the preceding decade. The decline in poverty was fueled by higher gross domestic product (GDP) growth and a steady rise in the access of the poor to microcredit, in workers' remittances, and in social services. If the current trends continue, poverty will decline to 22% by 2015. Good progress has also been made in several other Millennium Development Goals (MDGs). Over the past 15 years, under-five mortality has been cut in half, life expectancy has risen from 56 to 66 years, and the percentage of underweight children under 5 years of age has declined from 66% to 48%. The majority of children now attend primary school, and gender parity has been achieved in primary and secondary education under a committed government policy for educating girls.

2. **Economic Growth and Macroeconomic Policy.**

GDP growth steadily improved to over 6% annually in the past 5 years, up from 4.8% in the 1990s, and 3.5% in the 1980s. Although income inequality increased, the poor benefited from economic growth as both rural and urban poverty declined. The stable macroeconomic environment and measures to open up the economy resulted in

robust growth in exports that generated substantial employment opportunities, especially in the garment sector. Macroeconomic stability, strengthened banking operations, and open labor markets contributed to a significant rise in overseas workers' remittances, which reached 9% of GDP by fiscal year (FY) 2007. These remittances have fueled a boom in construction and strong growth in services. In recent years, macroeconomic stability has been broadly maintained within the thresholds of the macroeconomic framework agreed with the International Monetary Fund (IMF). Well coordinated fiscal, monetary, and exchange rate policies supported strong economic activities and aided poverty reduction despite higher international fuel and commodity prices. Monetary policy supported sustainable higher economic growth while maintaining price stability and adjusting to internal and external shocks. Although the fiscal deficit remained at a sustainable level, revenue collection at 10.6% of GDP for FY2007 remains low compared with other countries in the region and needs to be substantially increased to support the expenditures needed for public infrastructure and human resource development. Bangladesh has significantly liberalized its trade regime through progressively reducing tariff rates, compressing rates, and removing non-tariff barriers. In governance, the Anti-Corruption Commission is operational, and prosecution of corruption has also significantly improved.

Figure 1

Asian Development Fund Disbursements by Sector, 1995–2006 (\$ million)

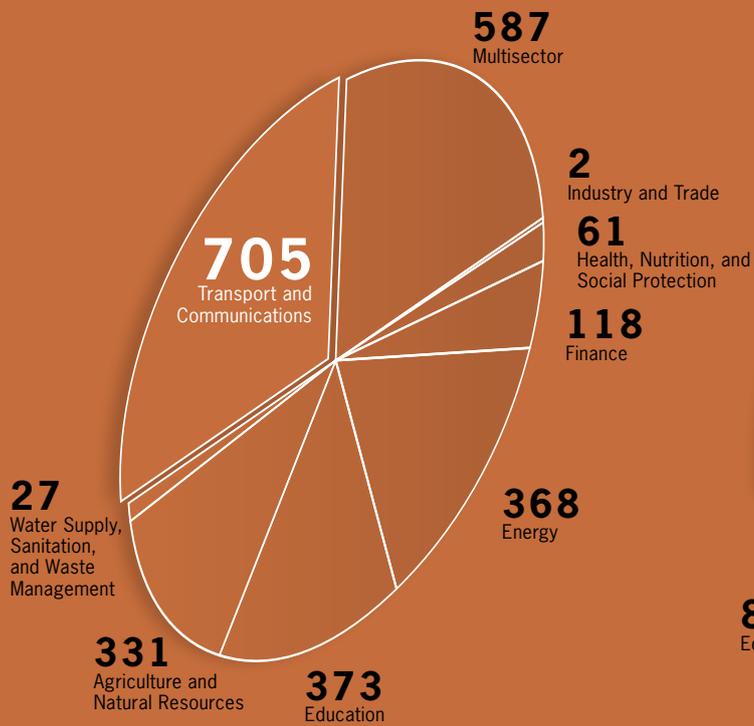


Figure 2

Asian Development Fund Loans and Grants Approved by Sector, 1995–2006 (number of projects)

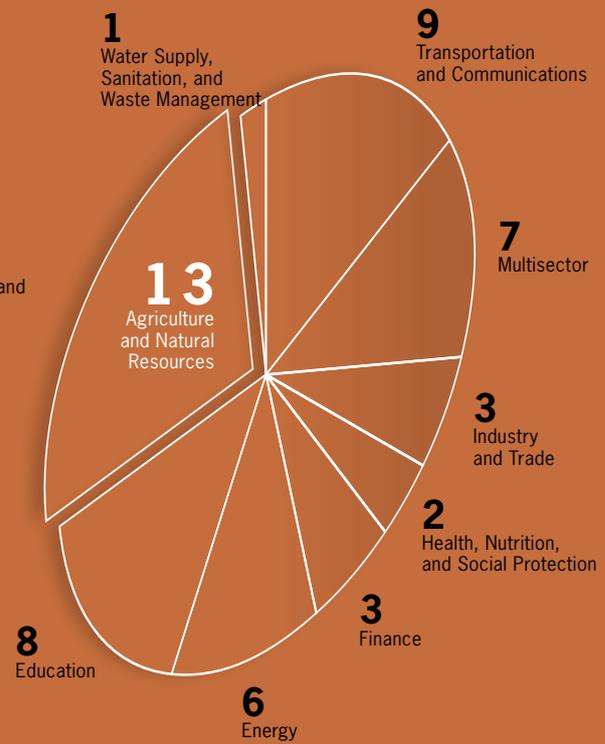


Figure 3

Ordinary Capital Resource Disbursements by Sector, 1995–2006 (\$ million)

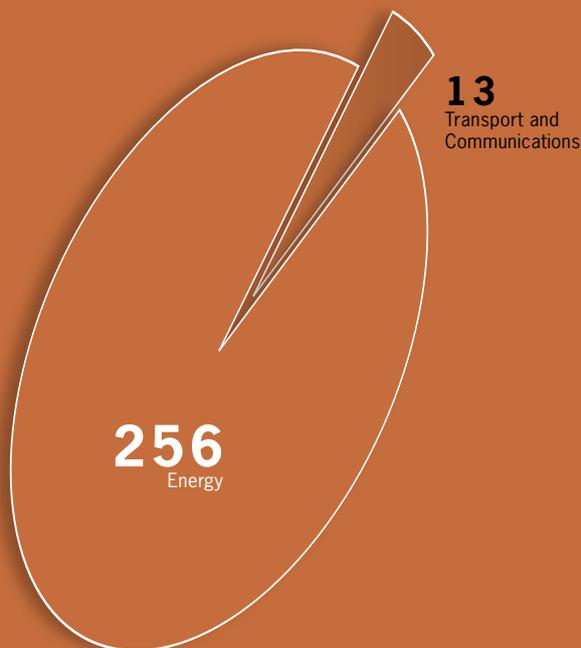
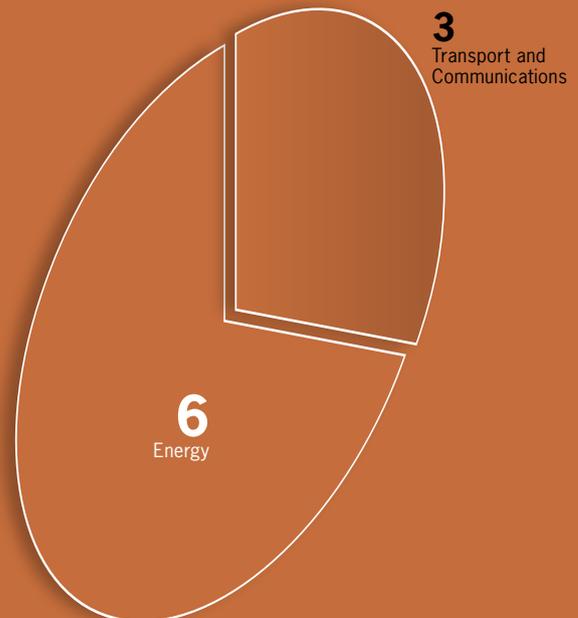


Figure 4

Ordinary Capital Resource Loans Approved by Sector, 1995–2006 (number of projects)



3. **Development Challenges.** Despite progress achieved, Bangladesh's development challenges remain significant. Improving social services, upgrading infrastructure, raising revenue collection, and improving governance remain priorities of the national development agenda. About 60 million people still live in poverty, two thirds of them in extreme poverty. Although improving, adult literacy remains low. Maternal and child mortality rates are still high. The quality of education is poor and gender discrimination continues. Government revenues remain far too low to meet the growing demand for infrastructure and social services.

Bangladesh still lags behind its rapidly improving Asian neighbors in economic performance and social outcomes because of deficient social services and infrastructure. Catching up will require capitalizing on regional growth. The country aims to achieve an annual GDP growth of 7%–8% over the medium term to reduce poverty more rapidly. This will require a substantial increase in investment to at least 28% of GDP annually from 24.5% in past years. Intensifying reforms in key sectors including education, energy, and transport are critical for unlocking growth potential and require increased support from development partners.

ADB'S CONTRIBUTIONS TO DEVELOPMENT RESULTS

Volume and Performance of ADB Operations

4. ADB has been a leading development partner since Bangladesh became a member in 1973. As of 31 December 2006, cumulative public sector lending to Bangladesh amounted to \$8.2 billion—\$7.4 billion Asian Development Fund (ADF) and \$0.8 billion ordinary capital resources (OCR)—for 170 loans (158 ADF and 12 OCR). As of the end of 2006, public sector lending was dominated by four sectors: energy (24.7%), agriculture and natural resource (20.3%), transport and communications (20.2%), and education (10.9%). Lending in other sectors including finance, governance, and multisector operations has been relatively small, although these sectors have been given more prominence in recent years (see figures 1–4).

5. **Project Implementation Performance and Success Rate.** Of the 53 project completion reports from 1992 to 2006, 44 were rated highly successful, generally successful or successful; 7 were rated partly successful; and 2 were unsuccessful (figure 5).

Highlights of ADB Results

6. **Agriculture and Rural Development.** The Northwest Crop Diversification Project (NCDP) approved in 2000 is raising farm outputs and incomes and stimulating the economy of this relatively less-developed region by tapping the enormous potential of high value crop (HVC) production and agribusiness. The project promotes disseminating appropriate modern technologies for HVC production and processing, diversifying agricultural production into non-rice HVCs (such as vegetables, spices, fruits, pulses, and maize), and providing marketing assistance. NCDP has a strong focus on economically and socially empowering

Figure 5

Project Completion Report Ratings, 1992–2006



poor women. Major accomplishments include forming over 10,000 beneficiary groups of 186,500 poor farmers, and extending credit to 110,000 farmers with loans totaling \$14 million with a repayment rate of nearly 100%. In all, 43,000 hectares of land have been planted with HVCs, and 77 rural markets throughout the project area are being upgraded. Agribusiness credit is extended to small entrepreneurs for processing and adding value. The project is significantly contributing to building sustainable partnerships for increasing productivity between the Government and leading nongovernment organizations (NGOs) in agricultural development by engaging four national NGOs in group mobilization and extending credit (including the Bangladesh Rural Action Committee [BRAC] and the Grameen Krishi Foundation).

7. The Rural Infrastructure Improvement Project, approved in 2002, is reducing rural poverty in 16 districts of Khulna and Barisal divisions in the southwest by increasing economic opportunities for the poor through participatory planning and rehabilitating sustainable rural infrastructure, social and gender development, and improved local governance. Building on ADB's previous assistance to the sector, improved rural roads and infrastructure provide the

population of the region, estimated at 5.9 million, with easier access to markets and government services. The project promotes women's involvement in decision making in local government bodies and in market management committees. The project will generate 50,000 person-years of employment for local laborers in road improvement and maintenance. Improved infrastructure will create about 84,000 person-years of permanent employment, of which 30% will be for women. About 2,100 person-years of employment will be created annually for destitute rural women for maintenance of the roads and roadside tree plantations.

8. Through the Second Small-Scale Water Resource Development Sector Project approved in 2001, sustainable water management systems are being set up throughout the country with a special focus on poor people. The project encompasses flood management, drainage improvement, water conservation, and irrigation development in approximately 300 sites of fewer than 1,000 hectares each. It features strong beneficiary participation and community-driven development. Benefits include increased agricultural and fishery production that yield increased farm and off-farm employment, a nearly 50% increase in cereal production due to higher cropping

intensity and the use of high-yielding varieties on 190,000 hectares of arable land, support for 280,000 farm families totaling about 1.7 million people, and greatly reduced vulnerability of the rural poor to floods through improved maintenance of protection and drainage systems.

9. **Education.** ADB's support for primary and secondary education focuses on the quality and relevance of education through policy reform, institutional and organizational strengthening, and capacity building. In primary education, ADB is taking the lead among development partners to support the Government's \$1.8 billion Second Primary Education Development Program under a sector-wide approach (see box). Through the Secondary Education Sector Improvement Project (SESIP) approved in 1999, ADB helped the Government to strengthen education management systems and capacities by focusing on (i) policy support and strategic planning, (ii) decentralizing management, (iii) developing performance-based management systems, and (iv) reviewing curriculum. The project established the foundation for strengthening school management and supervision. It promoted gender equality at the secondary level and expanded access to secondary education in underserved areas by constructing new secondary schools and classrooms and establishing a school improvement fund and stipends for girls. The Secondary Education Sector Development Program was approved in 2006 to support the implementation of the reforms developed under SESIP throughout the nation. ADB is also supporting nonformal education in collaboration with other partners by developing a comprehensive vision and strategic framework for the subsector.

The Primary Education Sector-Wide Approach in Bangladesh

The government and 11 development partners (led by the Asian Development Bank) are implementing a sector-wide approach to the development of primary education through the Second Primary Education Development Program approved in 2003. Nearly \$640 million in financial support from all partners has been pooled with the Government's \$1.16 billion to provide the needed assistance more efficiently. The program covers both priority investments and a comprehensive reform package. The sector-wide approach has led to significant advances in harmonization in the country including:

- planning and budgeting—a single annual operation plan sets priorities and allocates resources;
- procurement—over 80% of expenditures use government procurement procedures;
- financial management and auditing—all procurement and financial management are covered under common statutory audits and external audits;
- reporting, reviewing, monitoring; and evaluation—the program uses a set of common indicators and baselines.

10. **Health.** The Urban Primary Health Care Project (UPHCP) is a pioneering, large-scale project for improving the delivery of primary health care services in urban areas. UPHCP supports contracting services to NGOs in geographically defined partnership areas covering 200,000 to 300,000 people. After the successful completion of UPHCP-I in early 2005, ADB approved UPHCP-II in May 2005. UPHCP-II is cofinanced by the Department for International Development of the United Kingdom (DfID), the Swedish International Development Agency, the United Nations Fund for Population Activities (UNFPA), and Orbis, reflecting an overwhelming endorsement of the model. The project design builds on the strong and tested features of UPHCP-I with a marked focus on targeting the poor (at least 30% of all services must be for poor households) for interventions

related to HIV/AIDS, sexually transmitted infections, and reproductive tract infections. An ADF IX grant on HIV/AIDS and other communicable diseases made it possible for ADB to build sufficient incentives in UPHCP-II to undertake an effective HIV/AIDS preventive program.

11. **Urban Governance.** A \$60 million loan was approved in 2002 for the Urban Governance and Infrastructure Improvement Project to support a range of investments in 30 (initially 22) of the 110 *pourashavas* (municipalities) in Bangladesh. The project adopted a performance-based approach in which participating municipalities are accountable for their performance in implementing action programs for better urban governance. It integrates a number of components specifically targeting poverty, such as slum development and special activities in education and health. One component targets extremely poor people by dedicating 51 NGOs to developing batches of 300 poor families by providing microfinance seed funds and training. Eventually, almost 25,000 families will receive assistance. Significantly, the project has adopted a results-based and demand-driven approach whereby the inclusion of a *pourashava* in the project and the level of funding are conditional on meeting annual performance targets in governance. If a *pourashava* is to be eligible for funding,

it must achieve 35 performance targets in an urban governance improvement action plan ranging from raising taxes to paying the town's electricity arrears. In view of the satisfactory project implementation to date, ADB is preparing a follow-up project to cover additional *pourashavas* with cofinancing from other development partners.

12. **Flood Damage Rehabilitation.** Bangladesh is the delta of several of South Asia's largest river systems and is frequently inundated, which causes considerable damage on infrastructure and crops, and immense human suffering. To date, ADB has provided emergency assistance through nine loans for damage rehabilitation and for restoring economic activity. The Emergency Flood Damage Rehabilitation Project was approved in early 2005 to minimize the devastating impact of the severe floods in mid-2004 that inundated about 38% of the country. The project financed the rehabilitation of 5,500 kilometers of rural roads and 13,200 meters of bridges and culverts; 201 kilometers of embankments and 114 bridges and culverts; 331 embankment and river bank protection works; and roads in 55 municipalities. Highly satisfactory implementation has restored damaged infrastructure and assisted people, particularly the vulnerable poor, to quickly resume their livelihoods.

ADB'S AGENDA FOR ENHANCING PARTNERSHIPS AND AID EFFECTIVENESS

Current ADB Portfolio and Assistance Pipeline

13. Projected approvals by sector from OCR and ADF from 2005 to 2008 in millions of dollars are shown in figures 6 and 7. Projected approvals by number of loans are shown in figures 8 and 9.

14. ADB's current assistance portfolio consists of 42 ongoing loans (39 projects and 3 program loans) with a net loan amount of about \$2.6 billion. Of the 42 ongoing loans, 85% have been rated as satisfactory, 10% as highly satisfactory, and the remaining 5% have not been rated (see figures 10 and 11).

Figure 6

Projected Asian Development Fund Approvals, 2005–2008 (\$ million)

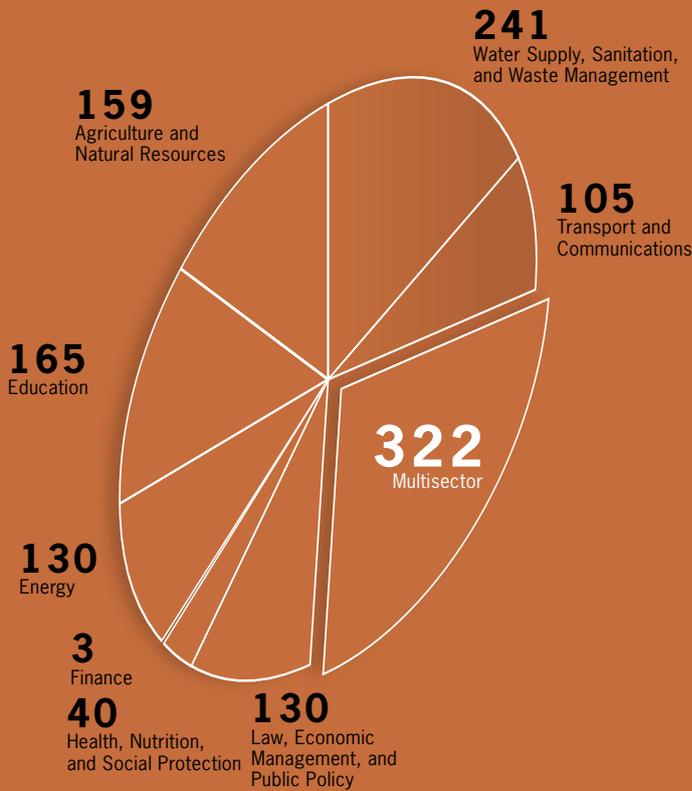


Figure 7

Projected Ordinary Capital Resource Approvals, 2005–2008 (\$ million)

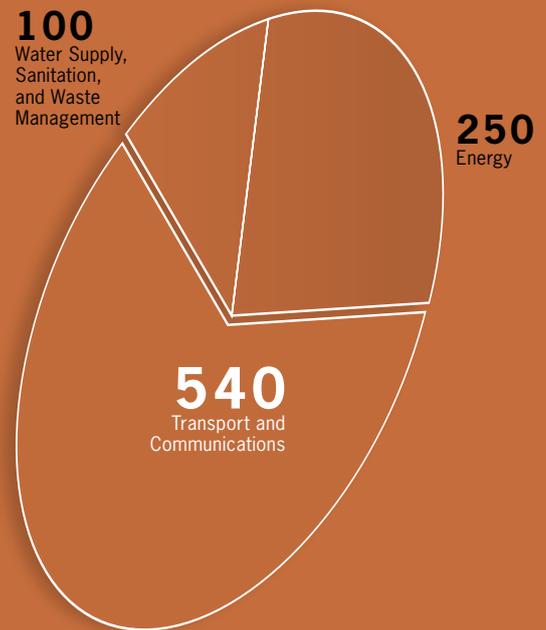


Figure 8

Projected Asian Development Fund Approvals, 2005–2008 (number of loans)

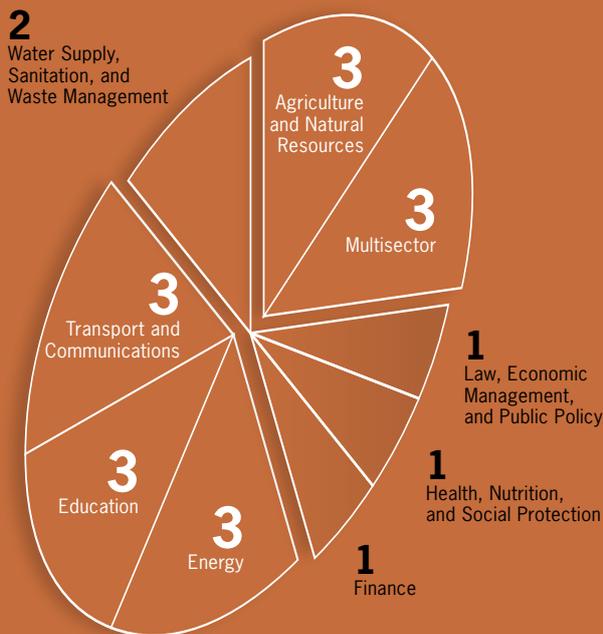


Figure 9

Projected Ordinary Capital Resource Approvals, 2005–2008 (number of loans)

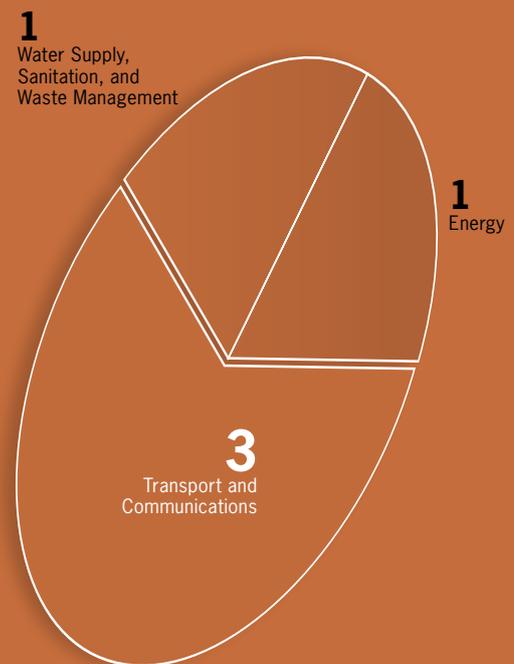
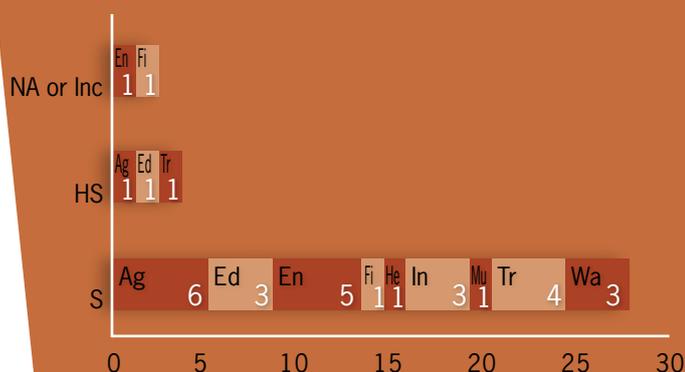


Figure 10

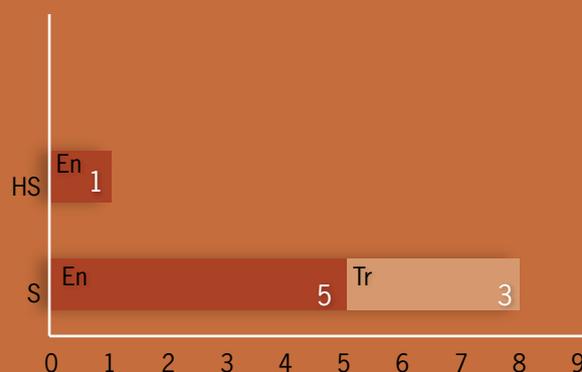
Asian Development Fund Projects
by Project Performance Rating (current)



Ag Agriculture and Natural Resources
Ed Education
En Energy
Fi Finance
He Health, Nutrition, and Social Protection

Figure 11

Ordinary Capital Resource Projects
by Project Performance Rating (current)



In Industry and Trade
Mu Multisector
Tr Transport and Communications
Wa Water Supply, Sanitation, and Waste Management

NA = not applicable, Inc = incomplete, HS = highly satisfactory, S = satisfactory.

Ownership, Alignment and Managing for Results in ADB Operations

15. **Lessons from Past Assistance.** The 2003 country assistance program evaluation (CAPE) concluded that ADB assistance in Bangladesh has been generally relevant and successful but recommended that ADB focus its interventions on fewer sectors to have a greater impact on poverty and development effectiveness. This should be achieved by prioritizing sectors of intervention, i.e. reducing support in sectors where performance has been poor, where the potential for catalyzing development impact is limited, or where ADB has no comparative advantage. In selecting sectors, the CAPE considers that government commitment to reforms to improve overall sector efficiency should be a key criterion. ADB should support champions of local reforms. Project-specific targets and road maps should be clearly specified in ADB operations, and

be consistent with government poverty reduction targets. The CAPE found that strong and comprehensive support that combines programs of incremental reform with capacity building and investment support, such ADB's assistance in the energy and transport sectors, can be especially beneficial over time. The CAPE recommends more emphasis of ADB operations on good governance and small and medium-sized enterprise development. In the education and health sectors, the CAPE supports the introduction of mechanisms to provide recurrent budget support.

16. **Joint Country Strategy.** The results-based country strategy and program (CSP) for Bangladesh for 2006–2010 was a landmark harmonizing initiative developed jointly with DFID, the Government of Japan, and the World Bank. The four partners together provide about 80% of all development assistance to the country. The CSP is fully aligned with the vision, strategies, and priorities of Bangladesh's

National Strategy for Accelerated Poverty Reduction. To contribute effectively to the country's development results, the CSP envisages that ADB will (i) scale up its assistance in priority sectors, (ii) increasingly involve the private sector and civil society, (iii) build local capacity to manage sector development, and (iv) improve the performance of its portfolio. Special attention will be accorded to promoting public-private partnerships and to enhancing subregional cooperation. Under the CSP, ADB will play a leading role in supporting policy and institutional reforms in energy, transport, education, and integrated urban infrastructure. In other sectors such as agriculture, irrigation, and finance, ADB will play a supporting role in the initiatives led by other partners. Joint country strategy collaboration has enabled ADB to strengthen engagement in railways, water supply and sanitation, and power, where reforms are difficult but critical for accelerating economic growth and poverty reduction.

17. **Managing for Development Results (MfDR).** Implementing the results-based CSP jointly with DFID, the Government of Japan, and the World Bank has enhanced coordination and the effectiveness of policy dialogue with the Government in key sectors. CSP monitoring is focused on results including providing specialized assistance to the Government in adopting MfDR as an explicit public sector management practice. Technical assistance for capacity building in results-based project monitoring and evaluation is being provided to the Implementation, Monitoring and Evaluation Department of the Planning Ministry and to the Foreign-Aided Project Audit Department of the Comptroller and Auditor General's Office. In addition, ADB is strengthening capacity in results-based management for four government agencies under a regional technical assistance project. With ADB assistance, each agency has undergone an institutional readiness assessment for results-based management and will

receive capacity building support including training of trainers and strengthening of information systems for monitoring and evaluation.

18. **Participation of Civil Society.** It is a well-established practice to consult civil society organizations (CSOs) along with other stakeholders in project areas in the formulation of new projects at both the central and local levels. CSOs and NGOs are regularly engaged by executing agencies to implement specific activities like promoting community participation in project activities, training and awareness-raising, delivering primary health care services, or extending micro-credit. In addition, the ADB Resident Mission conducts quarterly consultations with leading NGOs to exchange views on current socioeconomic development priorities and ADB's operational activities in the country.
19. **Use of Country Systems.** ADB makes use of the Government's public financial management systems (budgeting, financial reporting, and auditing) in the implementation of all its assistance programs in Bangladesh. Furthermore, all project management and implementation units are established within the Government's existing organizations.

ADB's Role in Donor Coordination and Harmonization Initiatives

20. **Local Consultative Group (LCG).** The Government is leading harmonization efforts by actively promoting greater cooperation between development partners and by improving the alignment of their assistance with the national poverty reduction strategy. External funding is coordinated by the local consultative group (LCG) that comprises 22 active sector/thematic working groups and provides a forum for exchanging

views on development and policy issues. ADB plays a leading role in supporting a coordinated response to the Government's reform initiatives in the transport, energy, education, and urban sectors, and chairs the LCG subgroups in transport, energy, project implementation, and the urban sector. Sector-wide approaches have been adopted in primary education led by ADB, and in health led by the World Bank.

21. **Joint Portfolio Reviews.** ADB, DFID, the Japan Bank for International Cooperation, and the World Bank have started to hold regular joint portfolio reviews with the Government. The partners are making a coordinated effort to assist the Government in addressing generic issues that hamper aid effectiveness such as delays in the use of funds, concerns about the efficient use of funds, and uncertainties about project effectiveness.

22. **Cofinancing.** For the ongoing loan portfolio, ADB has mobilized cofinancing in the amount of \$943 million, from the Canadian International Development Agency, DFID, Germany (through Gesellschaft für Technische Zusammenarbeit and Kreditanstalt für Wiederaufbau), Norway, the Netherlands, the Organization of Petroleum Exporting Countries fund, Orbis, Sida, the Swiss Agency for Development and Cooperation, UNFPA, and the World Bank. Several externally financed trust funds within ADB such as the Poverty Reduction Fund, the Japan Fund for Poverty Reduction, the Managing for Development Results Cooperation Fund, the Gender Development Cooperation Fund, and others have been tapped to provide technical assistance for the Government. These projects mainly focus on capacity building and institutional strengthening.

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