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**INTERNATIONAL FINANCE CORPORATION**

**COUNTRY ASSISTANCE STRATEGY**

**FOR**

**THE PEOPLE'S REPUBLIC OF BANGLADESH**

**FOR THE PERIOD FY11-14**

**July 30, 2010**

**Bangladesh Country Management Unit  
South Asia Region**

**International Finance Corporation  
South Asia Department**

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**The date of the last Country Assistance Strategy for Bangladesh is April 12, 2006**

### **CURRENCY EQUIVALENTS**

(Exchange rate effective May 4, 2010)

Currency unit = Bangladeshi taka (Tk)  
Tk 69.27 = US\$1  
US\$1.50 = SDR 1

### **FISCAL YEAR**

July 1-June 30

### **ABBREVIATIONS AND ACRONYMS**

AAA	Analytical and Advisory Activities
ACC	Anti-Corruption Commission
ADB	Asian Development Bank
BBBF	Bangladesh Better Business Forum
BDF	Bangladesh Development Forum
BICF	Bangladesh Investment Climate Fund
BoP	Base of Pyramid
BRAC	Bangladesh Rural Advancement Committee
CAS	Country Assistance Strategy
CASE	Clean Air and Sustainable Environment
CDD	Community Driven Development
CMU	Country Management Unit
CPIA	Country Policy and Institutional Assessment
CPFR	Country Portfolio Performance Review
CTG	Caretaker Government
DFGG	Demand for Good Governance
DFID	Department for International Development
DPL	Development Policy Lending
DP	Development Partner
EGPP	Employment Generation Program for the Poorest
ERD	Economic Relations Division
ESW	Economic Sector Work
EU	European Union
GAC	Governance and Anti Corruption
GDP	Gross Domestic Product
GFDRR	Global Facility for Disaster Reduction and Recovery
GNI	Gross National Income
GoB	Government of Bangladesh
CPFR	Country Portfolio Performance Review
GSM	Global System for Mobile Communication
HIES	Household Income Expenditure Survey
HNPSF	Health, Nutrition and Population Sector Program
ICT	Information and Communication Technology
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IGR	Institutional and Governance Review
IGS	Institute of Governance Studies
ILRT	Investment Lending Risk Team

IMF	International Monetary Fund
INT	Department of Institutional Integrity
IPFF	Investment Promotion and Financing Facility
ISR	Implementation Status and Results
JCS	Joint Cooperation Strategy
JICA	Japanese International Cooperation Agency
JOTAP	Joint Assistance Technical Program
LCG	Local Consultative Group
LGSP	Local Government Support Project
MDG	Millennium Development Goal
MDTF	Multi Donor Trust Fund
MIGA	Multilateral Investment Guarantee Agency
MSME	Micro, Small and Medium Enterprise
NGO	Non-Governmental Organization
NBR	National Board of Revenue
NLTA	Non-Lending Technical Assistance
NSAPR	National Strategy for Accelerated Poverty Reduction
ORAF	Operational Risk Assessment Framework
ORMAP	Operational Risk Management and Assessment Program
PEFA	Public Expenditure Financial Accountability
PFM	Public Financial Management
PPP	Public Private Partnership
PRSC	Poverty Reduction Strategy Credit
PSD	Private Sector Development
RTI	Right to Information
SEDF	South Asia Enterprise Development Facility
SIPP	Social Investment Program Project
SME	Small and Medium Enterprise
SMU	Sector Management Unit
SOE	Statement of Expenditure
SPEMP	Strengthening Public Expenditure Management Program
SWAP	Sector-wide Approach
TF	Trust Fund
WBG	World Bank Group
WBI	World Bank Institute
WSP	Water and Sanitation Program

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THE PEOPLE’S REPUBLIC OF BANGLADESH  
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**COUNTRY ASSISTANCE STRATEGY FOR  
THE PEOPLE’S REPUBLIC OF BANGLADESH**

**EXECUTIVE SUMMARY**

i. ***A peaceful transition to democratic government.*** In 2006, the political system in Bangladesh was shaken by civil unrest that threatened longer-term peace and stability. Ultimately, a caretaker government (CTG) stepped in for two years in early 2007 with the aim of restoring peace and democracy. Elections held in December 2008 resulted in a peaceful transfer of power and the restoration of democracy—a triumph for political governance in a region often fraught with conflict.

ii. ***A strong track record on growth and development.*** Despite political turbulence and frequent natural disasters in recent years, Bangladesh has sustained a surprisingly good track record for growth and development. In the past decade, the economy has grown by nearly 6 percent per annum, accelerating in recent years. This has been accompanied by significant poverty reduction and profound social transformation over the past two decades, with an influx of girls into the education system and women into the labor force to support the burgeoning garment industry. Bangladesh has made laudable progress on many aspects of human development, and is on track to meet Millennium Development Goals for infant and child mortality and gender equality in education. However, with around 55 million people still living in poverty and two-fifths of children chronically malnourished, development needs remain large and pressing.

iii. ***A challenging governance environment.*** Relatively strong progress on development has occurred within a challenging governance environment, characterized by paralyzing political rivalry, weak checks and balances among branches of government, weak accountability, inadequate systems for public resource management and a widespread culture of corruption. This seeming paradox has been much analyzed, with the conclusion that successive governments have nonetheless managed to maintain macroeconomic stability, create adequate space for private sector-led growth and encourage labor migration and workers’ remittances. Indeed, ready-made garment exports and workers’ remittances have been the twin drivers of growth in the past decade.

iv. ***Ambitious aspirations for development.*** Looking ahead, Bangladesh has an opportunity to accelerate growth by taking advantage of its low labor costs relative to other Asian producers. However, the country will need to come to grips with the effects of weak governance, including unchecked urban congestion, insufficient planning and under-investment in basic infrastructure. Annual growth of around 8 percent will be needed for the country to achieve its ambitious aspirations of reaching middle-income status and reducing poverty from 40 percent to 15 percent of the population by 2021. Past performance has been positive, but a significantly higher growth rate in future will require the country to address persistent governance challenges that undermine the effectiveness of the public sector and create disincentives for private sector initiatives.

v. ***Strategic objectives of the CAS.*** The Country Assistance Strategy (CAS) for FY11-14 will support Bangladesh’s ambitions by contributing to accelerated, sustainable and inclusive growth, underpinned by stronger governance at central and local levels.

- ***Accelerated growth.*** Massive infrastructure investment and a more conducive business environment are needed—even to sustain recent levels of private sector growth. The Bank Group will increasingly invest in transport (including logistics and ports) and power infrastructure that can overcome severe infrastructure deficits, transform lagging areas of the country, create agglomeration economies in urban areas and foster broader regional networks. Investment will be accompanied by support for reforms to strengthen sector governance, financial sustainability and

private sector participation in infrastructure provision and maintenance. More generally, the Bank Group will continue to provide strong support for investment climate reform, building on recent progress in this area. The strategic objective to accelerate growth under this CAS is defined as: ***increasing transformative investments and enhancing the business environment***. Among the major Bank interventions will be an exceptional level of support for the Padma Multipurpose Bridge Project in order to unlock the economic potential of the isolated Southwest Region, as well as scaled-up support for power sector development, including financing for an additional 750 MW of power generation. IFC's assistance will focus on access to finance, Economic Zone Development, Public-Private Partnerships (PPPs) and private sector investments.

- ***Sustainable growth***. Bangladesh is among the most densely-populated countries in the world, already vulnerable to natural disasters and now becoming highly-affected by climate change. Water resource management, agricultural adaptation, environmental protection and disaster preparedness will be critical areas for intervention. Given its vulnerability, the country is at the global forefront on climate change policy and interventions, and needs cutting edge technical and financial support from the Bank Group and Development Partners (DPs) to adapt and respond to climate change and natural disasters. The country is also susceptible to external shocks, such as it experienced with the food and fuel crisis in 2008. The strategic objective for more sustainable growth under this CAS is defined as: ***reducing environmental degradation and vulnerability to climate change and natural disasters***. Major interventions in FY11-12 will focus on water resource management through the Bangladesh River Information and Conservation Project and the National Coastal Embankment Improvement Project as well as a Disaster Preparedness Project to build on earlier emergency work in this area. IFC's Sustainable Energy Program will also provide support through its South Asia Enterprise Development Facility (SEDF).
- ***Inclusive growth***. Long-run progress on human development has been encouraging, with some notable exceptions. The country is still struggling to rein in population growth, reduce maternal mortality, effectively combat malnutrition, streamline social assistance and enhance educational quality and learning outcomes. More effective delivery of social services at the local level is needed to address these shortcomings, bring marginalized groups and rural communities more firmly into the development process, and allow Bangladesh to compete in regional and global markets with a healthy and skilled labor force. The strategic objective for more inclusive growth under this CAS is defined as: ***improving social service delivery***. In FY11-12, this will include the Bank's second-generation support for sector-wide approaches with other partners in primary education and health, population and nutrition services, as well as expansion of targeted social assistance through an Employment Generation Program for the Poorest (EGPP). IFC will provide support through promotion of private sector participation in the social sectors.
- ***Stronger governance***. Bangladesh has made slow but steady upward progress in many areas of governance in the past five to ten years, but—as in much of South Asia—governance remains weak by global standards. For example, in the past five years the country has risen from the bottom to the 25<sup>th</sup> percentile in global rankings of corruption perception. To grow faster and more inclusively, government will need to be more responsive and effective, building on a renewed commitment to private sector-led growth and decentralized service delivery. The Bank Group will build on Government's interest in strengthening the investment climate as an entry point for dialogue on governance reforms, with IFC spearheading advisory work in this area through its Bangladesh Investment Climate Fund (BICF). This will be complemented by an IDA-funded Private Sector Development Project in FY11. On the public sector side, the Bank will support more decentralized service delivery, coupled with strengthening of domestic accountability at central and local levels. Overall, the strategic objective to strengthen governance is defined as: ***enhancing accountability and promoting inclusion***. Analysis under an Institutional and

Governance Review (IGR) will be an input into reform and investments under a second Local Government Support Project in FY12, as well as possible development policy lending.

vi. These four strategic objectives were defined through multi-stakeholder consultations in various locations in Bangladesh, which further identified sixteen outcomes to which the CAS could contribute within these areas. The program will build on an on-going portfolio which is well-aligned with the four strategic objectives, but with a ramping up of investments to accelerate growth (objective 1) and reduce vulnerability to climate change (objective 2). These strategic objectives will be supported by the entire World Bank Group, with initiatives by the IFC, for example, in each area and targeted support from the World Bank Institute (WBI) on governance issues in general and in key sectors.

vii. ***Cross-cutting dimensions.*** Additional dimensions that cut across all four strategic objectives of the CAS include fostering regional cooperation, strengthening gender mainstreaming and partnering for aid effectiveness.

- ***Fostering regional cooperation.*** The political transition in Bangladesh has created an historic opportunity for closer collaboration with neighboring India, which may gradually open the door to wider and deeper regional cooperation. The Bank Group will build on opportunities for enhanced cooperation as they arise in promising areas, including cross-border infrastructure networks and management of common natural resources (e.g. waterways, wildlife).
- ***Strengthening gender mainstreaming.*** The Bangladesh program has a good track record on gender mainstreaming, as noted by the Independent Evaluation Group (IEG) in its review of the previous CAS. This has included a long-term commitment to girls' education and to reproductive health, along with gender-focused community-driven development which has contributed to social transformation. Under this CAS, additional emphasis will be given to women's economic empowerment, in areas such as employment generation for low-income women and a pilot program to support rural women transitioning into labor-intensive manufacturing industries.
- ***Partnering for aid effectiveness.*** Enhancing aid effectiveness in line with Paris Declaration principles and the Accra Agenda for Action will be another cross-cutting feature of the country program. This will build on current donor partnerships in many sectors, including sector-wide approaches in health and education, coordinated co-financing of large infrastructure operations and multi-donor trust funds (MDTFs) in areas such as public resource management and investment climate reform. Sector-based partnerships will be guided by the recent endorsement of a Joint Cooperation Strategy (JCS) by bilateral and multilateral partners (including the Bank) at the Bangladesh Development Forum (BDF) in early 2010 and its subsequent signing by the Government of Bangladesh and eighteen DPs.

viii. ***Lessons learned from the previous CAS.*** The new CAS reflects lessons drawn from the CAS Completion Report, client surveys, multi-stakeholder consultations and an IEG Country Assistance Evaluation which judged outcomes in the most recent CAS period to have been moderately satisfactory. Among the most important lessons relates to the handling of governance concerns. The previous CAS had governance as a unifying theme, and an ambitious set of objectives in areas where political will was notoriously weak. While the Bank contributed to progress in public financial management and in the independence and accountability of local government, impact was negligible with respect to high-profile investigations and prosecutions, as well as judicial and civil service reforms. A longer-term, systemic engagement was needed to promote gradual and incremental change, build demand for good governance as well as greater selectivity in order to take advantage of pockets of political will.

ix. **Strategic repositioning on governance and anti-corruption.** The costs of weak governance in Bangladesh cannot be overestimated, in terms of adequate domestic resource mobilization, underperformance of the annual development program and disincentives for private investment. The FY11-14 CAS will make a deliberate shift to a longer-term and more systemic approach to strengthening governance and anti-corruption by building domestic accountability mechanisms. It will be more selective, focusing on areas with adequate government commitment and/or champions with whom to work, and where concrete results are considered feasible. In addition to a continued focus on core governance (particularly public financial management), this CAS seeks to build on the current political commitment to strengthen local government and local service delivery. A four-pronged approach to strengthening governance and anti-corruption (GAC) will be adopted, including: i) increasing operational selectivity based on sector-specific GAC analysis; ii) promoting systemic prevention of corruption through long-term governance improvements in areas where the Bank can align with political will to effect substantive change; iii) cultivating new entry points for strengthening GAC by engaging in dialogue with a wide range of stakeholders; and iv) fostering greater demand for good governance from civil society. This approach will be mainstreamed across all four strategic objectives, and will engage the entire Bank Group, including continued capacity development support from WBI and investment climate and corporate governance work by IFC.

x. **IDA lending volumes.** IDA commitments to Bangladesh have grown rapidly in the past five years, topping US\$ 1 billion for the first time in FY09. During the upcoming CAS period, new commitments will build on a US\$ 2.9 billion portfolio of two dozen operations. FY11 is expected to be a peak year, with new commitments of over US\$ 2 billion (backloaded from the FY09-11 IDA15 allocation), including US\$ 1.2 billion for the Padma Multipurpose Bridge mega-project. Indicative allocations for FY12-14 (from the IDA16 cycle) are assumed to remain on par with the IDA15 allocation of around US\$ 1.3 billion per annum. In total, the indicative allocation for the FY11-14 CAS is expected to exceed US\$ 6 billion if supported by continued strong country performance. Actual allocations during the CAS period will be determined annually based on: (i) total IDA resources available; (ii) the number of IDA eligible countries; and (iii) performance of all IDA borrowers as well as the terms of IDA assistance.

xi. **Better programming.** The sustained increase in the Bank's lending volume allows and necessitates a move to larger, more strategic interventions in order to maximize development impact, leverage structural reforms and maintain a manageable portfolio in the face of limited implementation capacity. Thus, future programming will encourage consolidation, so that the average size of operations will continue to rise from approximately US\$ 70 million in the earlier part of the decade to US\$ 120 million most recently and a targeted US\$ 150 million or more under the new CAS. Programming will be guided by the following principles:

- *Sequencing* of analytical work to guide policy dialogue on reforms and influence operational design;
- Use of *the full range of instruments*, including a possible resumption of development policy lending in selected areas with sufficient country ownership and capacity to carry forward reforms.
- *Realism* to maintain a manageable portfolio aligned with the client's capacity to implement and the Bank's capacity to supervise;
- Increased engagement where opportunities exist for *larger and more strategic interventions*;
- *Scaling up* of interventions with demonstrable results and high country ownership;
- Within an overall context of consolidation, retaining *flexibility to innovate* and pilot through selected, smaller interventions.

xii. Finally, with emphasis on enhancing the investment climate, IFC will continue to implement its large advisory services program (with UK and EU financing), while the ramping up of infrastructure investments will create opportunities for increased IFC investment and MIGA guarantees.

xiii. **Reducing corruption risk in operations.** The concept of consolidation is also intended to reduce corruption risks to the portfolio through larger operations with fewer and larger contracts subject to appropriate fiduciary oversight. It also will enable meeting government priorities by leveraging Bank resources in support of policy changes for transformative investments. While the CAS embraces a broader governance and anti-corruption agenda focused on strengthening country systems and domestic accountability mechanisms, the Country Team will take special measures to reduce corruption risks within operations as well. Addressing corruption risk is already at center stage in the Bangladesh country program, through the on-going Operational Risk Management Assessment Plan (ORMAP) team put in place under the previous CAS. Measures to strengthen the on-going engagement will include:

- *Modifying the ORMAP methodology to integrate the corporate Operational Risk Assessment Framework (ORAF) and to include risk assessment for both pipeline and on-going operations;*
- *Engaging in quarterly technical portfolio reviews and annual high-level portfolio reviews focused on corruption risk assessment and monitoring;*
- *Increasing diagnostics of political economy and operational risk assessments in key sectors in order to calibrate Bank engagement to the level of government commitment to the GAC agenda;*
- *Using the Bank’s new Access to Information policy and the country’s new Right to Information (RTI) Act to support social accountability mechanisms and third party monitoring in all operations;*
- *Continuing to cooperate with the Department of Institutional Integrity’s (INT) investigations in order to support the client in implementing follow-up action plans, such as the on-going technical assistance to strengthen governance and business processes in the road sector.*

xiv. **Managing for results.** Measures to strengthen governance and reduce corruption within Bank operations are one aspect of a broader effort to manage for better results. Monitoring of CAS implementation will be enhanced to ensure a continuous focus on progress towards results. In particular, the multi-sectoral “results teams” created around each strategic objective during CAS preparation will continue to play a role in periodic monitoring of progress towards the sixteen outcomes. The Country Management Unit (CMU) will play a more active coordinating role across these teams to ensure regular CAS monitoring and reporting on progress towards results, so that the CAS serves as a “live” management tool.

xv. **Risk mitigation.** CAS monitoring will focus on progress towards results, as well as mitigation of risks to results—risks which are deemed substantial in the Bangladesh context. Mitigation will address the main risks identified, which include a possible faltering commitment to reforms, setbacks on governance, corruption and misuse of Bank funds, limited implementation capacity and continued opposition to reforms and important strategic initiatives, particularly related to decentralization/local government and cooperation in the South Asia Region. The democratically-elected government is at a turning point in its tenure. In power for one year, the Government has had sufficient time to determine priorities and outline broad strategies. The challenge now is to translate these into sector-specific action plans and implement quickly and effectively to deliver results on the ground. The Bank Group is poised to provide peak levels of support for implementation of Government priorities, but will calibrate its support going forward in line with demonstrated commitment to structural reforms and good governance.



**COUNTRY ASSISTANCE STRATEGY FOR  
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**I. COUNTRY CONTEXT AND STRATEGY**

**A. Introduction**

1. Bangladesh, with nearly 160 million inhabitants on a landmass of 147,570 square kilometers, is among the most densely-populated countries in the world. It remains a low-income country, with a per capita income of US\$ 652 (Atlas method) in FY09 and 40 percent of its population living in poverty.

2. Geography is a strong determinant of Bangladesh’s development. The country is bounded by India on the west, north, and north-east, Myanmar on the south-east, and the Bay of Bengal on the south. Eighty percent of its area consists of floodplains created by more than 300 rivers and channels, including three major rivers: the Ganges, the Brahmaputra, and the Meghna. Bangladesh forms only a small part of a large regional hydrologic system—less than 10 percent of the river basin falls within the national territory. Its southern part is nestled in the Bay of Bengal with a 710 km long coastal belt that is home to nearly 35 million people. Bangladesh’s geographical position and very high population density make it extremely vulnerable to natural disasters including floods, droughts, and cyclones. Global climate change has increased these vulnerabilities manifold.

**B. Political Evolution**

3. Since independence in 1971, Bangladesh has experienced a variety of forms of government, including military rule. A parliamentary system was re-introduced in 1991, and power has alternated between the two major parties, the Bangladesh Awami League and the Bangladesh Nationalist Party, in each of the last four elections. The political system concentrates power in the hands of the party leaders. Political dialogue has been characterized by bitter party rivalry that undermines sustained development during political transition periods. In 2006, the political cycle was broken by civil unrest that threatened longer-term peace and stability in the country. A military-backed caretaker government stepped in for two years in late 2006 with the aim of restoring peace and democracy.

4. ***Democracy restored.*** The caretaker government held elections in December 2008 that were deemed free and fair by international observers and resulted in a peaceful transfer of power to an Awami League government led by Prime Minister Sheikh Hasina Wajed, daughter of slain freedom-fighter and first president of independent Bangladesh, Sheikh Mujibur Rahman. The Awami League won 230 out of a possible 300 seats in the parliament, granting it an absolute majority. This peaceful restoration of democracy was a triumph for political governance in a region often fraught with conflict.

5. ***Regional cooperation.*** The political transition in 2009 paved the way for renewed cooperation between Bangladesh and India which is an important prerequisite to greater regional economic integration. Despite significant labor migration, South Asia remains the least integrated region in the world in terms of trade in goods and services and management of common resources. Institutions for fostering regional collaboration need strengthening. A major study on economic cooperation points out that Bangladesh could gain very significantly in terms of trade and poverty reduction if opportunities for regional integration were more fully exploited, particularly through increased cross-border trade and use of Bangladesh as a transit hub for the sub-region<sup>1</sup>. An historic summit between the Bangladeshi and Indian

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<sup>1</sup> See Sadiq Ahmed et al (edited), *Promoting Regional Cooperation in South Asia: Beyond SAFTA*, Sage Publications, New Delhi, 2010.

Prime Ministers was held in February 2010 and resulted in the signing of accords on border security, trade, transport, and power interconnections. Implementation of these accords and deepening of dialogue on water resource management could herald the start of an era of improved cooperation with economic benefits for all countries of the region.

### C. Recent Economic Development

6. Despite periods of political turmoil and frequent natural disasters, the past decade in Bangladesh has been marked by sustained growth, stable macroeconomic management, significant poverty reduction and rapid social transformation and human development. This positive progress has given rise to problems of severe infrastructure deficiencies, environmental degradation and urban congestion. With governance and institutions weak--and only slowly improving--the ability of the country to manage its growth and confront emerging challenges will be stretched.

7. ***Sustained economic growth.*** During FY01-09, GDP grew by a healthy 5.8 percent per annum (including 6.3 percent per annum in FY06-09), accelerating by one percentage point compared to the previous decade. Despite natural disasters and political volatility, GDP growth has been remarkably stable, with a low standard deviation of 0.7 during this decade (half the volatility of growth in the 1980s). Growth has been led by industry and services sectors, while agriculture - as in other South Asian countries - has performed less well with an average annual growth rate of only 3 percent.

8. ***Sources of growth.*** Remittances and exports have been twin drivers of the Bangladeshi economy as well as the balance of payments. On the demand side, domestic consumption, fed by strong growth in remittances, has contributed to 70-80 percent of the growth in the past decade. Remittances, combined with growth of ready-made garment exports, which now account for over two-thirds of export earnings, have been the major contributors to current account inflows, leading to a positive current account balance in recent years. In FY10, while the global slowdown dampened the growth of exports, remittances continued to be robust, keeping the current account in surplus. Direct investment inflows have remained small but stable. The overall balance of payments remained in surplus equal to 2.3 percent of GDP in FY09, enabling the country to continue accumulating international reserves. By November 2009, gross reserves had crossed US\$ 10 billion. While high reserves are good as an insurance mechanism up to a point, continued high accumulation of reserves indicates that there is pressure on the exchange rate to appreciate; the resultant need for sterilization by the central bank also reduces the flexibility of monetary policy.

9. ***Factor accumulation but limited growth of total factor productivity.*** GDP growth accelerated in recent years largely due to factor accumulation, both capital and labor. Capital accumulation was led by the private sector and financed mainly by gross domestic savings. Meanwhile, accumulation of quality-adjusted labor was largely driven by a surge in the number of entrants into the labor force (because of the demographic transition and greater participation of women) and to a lesser extent by better access to education. Total factor productivity - or the efficiency with which labor and capital are combined to produce output - made a small contribution.<sup>2</sup> In future, faster economic growth will require a greater contribution from rising total factor productivity. Factor accumulation and the smaller improvements in total factor productivity that helped accelerate growth in the past decade received a boost from macro-stabilization measures and market-oriented reforms.

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<sup>2</sup> See World Bank (2007). "Bangladesh: A Strategy for Sustained Growth."

**Table 1: Bangladesh Key Macroeconomic Indicators**

	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<b>Output and Prices</b>								
	<i>annual percent change</i>							
Real GDP Growth	4.4	5.3	6.3	6.0	6.6	6.4	6.2	5.9
Investment (% of GDP)	23.1	23.4	24.0	24.5	24.7	24.5	24.2	24.2
CPI Inflation (average)	2.8	4.4	5.8	6.5	7.2	7.2	9.9	6.7
<b>External Performance</b>								
Exports (f.o.b.) (US\$ billion)	5.9	6.5	7.5	8.6	10.4	12.1	14.2	15.6
Annual % change	-7.6	9.5	15.9	14.0	21.6	15.8	17.4	10.1
Imports (c.i.f.) (US\$ billion)	7.7	8.7	9.8	11.9	14.7	15.5	19.5	20.3
Annual % change	-8.7	13.1	13.0	20.6	12.2	16.3	25.6	4.2
Remittances (US\$ billion)	2.5	3.1	3.4	3.8	4.8	6.0	7.9	9.7
Annual % change	32.9	22.4	10.0	14.2	24.8	24.5	32.4	22.4
Current account balance (% of GDP)	0.3	0.3	0.3	-0.9	1.3	1.4	0.9	2.8
Foreign Direct Investment (US\$ million)	391	376	276	800	743	793	748	941
Gross official reserves (US\$ billion)	1.6	2.5	2.7	2.9	3.5	5.1	6.2	7.5
In months of GNFS imports	2.1	2.9	2.8	2.5	2.7	3.3	3.4	3.6
<b>Public Finance</b>								
	<i>percent of GDP</i>							
Total Revenue	10.1	10.3	10.2	10.5	10.7	10.4	11.4	11.2
Total Expenditures	14.8	13.7	13.3	13.8	14.1	13.5	15.0	14.8
Overall budget deficit (excl. grants)	4.7	3.4	3.1	3.3	3.4	3.1	3.6	3.6
Domestic financing	2.5	1.2	1.8	1.7	2.2	1.9	1.4	1.8
Public debt	52.7	51.1	51.0	50.1	48.3	46.8	46.8	45.3
<b>Money and Credit</b>								
	<i>end of year; percent change</i>							
Private sector credit	14.4	24.4	14.1	16.8	18.1	15.0	24.9	14.6
Broad money (M2)	13.1	15.6	13.8	16.7	19.3	17.1	17.6	19.2

Source: Government of Bangladesh and IMF-World Bank Joint Debt Sustainability Analysis

10. **Stable macroeconomic management.** Sustained macroeconomic stabilization measures have underpinned GDP growth, and resulted in lower inflation and smaller internal/external balances in the 1990s and the past decade (see Table 1). Responsible fiscal and monetary policies have kept inflation in single digits. Fiscal prudence has also kept public borrowing in check, preventing the crowding out of private investment. Meanwhile, fiscal and monetary discipline along with periodic adjustments in the exchange rate, have helped keep the external sector in balance. On the structural side, wide-ranging reforms have increased the market orientation of the economy. These include easing of trade and exchange restrictions, relaxation of restrictions on private investment, reform of state-owned banks, and deepening of agriculture reforms.

11. **Resilience to global crisis.** The Bangladesh economy has shown remarkable resilience to the effects of the global economic crisis. The impact of the crisis on the domestic economy has been relatively limited thus far, although the country remains vulnerable due to insufficient export diversification and high dependency on migrant workers' remittances. The country has a relatively low risk of debt distress. Continued prudent foreign borrowing amid robust economic growth and recent real appreciation of the taka has put the external debt to GDP ratio on a declining path. However, if domestic public debt is also taken into account, the risk of debt distress is somewhat more elevated, with the ratio of total public debt to GDP projected to remain at around 44 percent of GDP over the medium term. In terms of crisis effects, Bangladesh's direct exposure to toxic assets was almost zero. However, it is still vulnerable to the economic downturn that has followed the financial crisis, since it is highly dependent on garment exports to developed country markets (especially the US and EU). The dollar value of exports has fallen by 7 percent in the first seven months of FY10 (versus the same period of FY09), after growing 10 percent in FY09. Similarly, high dependence on the Middle-East for overseas employment of Bangladesh's surplus labor is another major source of vulnerability, although remittances continued to display robust growth in FY10.

12. ***Vulnerabilities at the micro-level.*** With a large share of per capita expenditures clustering around the poverty line, vulnerabilities are more exposed at the micro-level. Shocks such as the 2007 natural disasters or the early 2008 food/fuel price increases can lead to significant increases in poverty. It is estimated that a 5 percent decrease in consumption, spread equally through the population, would increase the poverty head count ratio by 11 percentage points (simulations based on 2005 HIES data). Similarly, the spike in rice prices from 21 taka per kg. in April 2007 to 35 taka per kg. in April 2008, would have led to a significant decline in consumption and increase in poverty. The magnitude is evident, for example, in spot surveys of nutritional status in 2008 that found acute malnutrition levels (wasting) in children of as much as 25 percent—nearly double the trend rate—in the hardest-hit areas of Bangladesh. In addition, weak coordination and targeting in the social protection system reduces the effectiveness of targeted programs to dampen the poverty impact of such shocks.

13. ***Growth outstrips infrastructure supply.*** Sustained growth in recent years has rapidly increased the demand for energy, transport and telecommunications services. Insufficient planning and investment for future growth have now resulted in severe infrastructure deficits. Electricity supply falls more than 2000 megawatts (MW) short during peak times, fulfilling less than 75 percent of peak demand. Even so, per capita electricity consumption, at 160Kwh, is about one-fourth of India's and one of the lowest in the world. Less than half of all households have access to electricity. In transport, the country is overly-dependent on a network of poorly-managed and maintained roads, which satisfy 88 percent of total transport needs. Only 40 percent of main roads are in good condition, and easy access of the rural population to an all-season road is only 37 percent for Bangladesh versus 69 percent for India. Bangladesh's abundant waterways are underdeveloped as cost-effective transport, particularly for the poor.

14. ***Urban congestion constrains future growth.*** At around 15 million inhabitants, Dhaka is now the eighth-largest city in the world, projected to become the third-largest by 2020. It is also among the ten most-polluted cities in the world. Extreme urban congestion is discouraging investment and economic activity, while pollution levels are undermining the health and well-being of the population. Urbanization, which includes about 25 percent of total population, has been an important catalyst for recent growth. It continues unabated as rural populations compete for scarce land and seek better employment opportunities in cities or abroad. Rising congestion in major urban areas and poor urban services and management raise concerns about the quality and sustainability of growth in Bangladesh.

#### **D. Progress in Human Development**

15. In the past two decades, Bangladesh has experienced significant poverty reduction and a profound social transformation with the widespread entry of girls into the education system and women into the labor force to support rapid expansion of the garment industry. On the whole, Bangladesh has made laudable progress on many aspects of human development which has been a foundation for improvements in growth, empowerment and social mobility. Some notable exceptions—particularly malnutrition and maternal mortality—underscore that much still remains to be done to improve health and education outcomes, strengthen social services and address continued gender inequality in many areas, whether it is access to productive assets, voice in community decision-making or widespread spousal violence. Fertility rates were halved in the 1990s, but then stagnated for nearly a decade. Fertility is once again declining, but requires continued attention. At its current growth rate, Bangladesh's population is expected to reach 220 million inhabitants by 2040, posing a daunting development challenge, particularly given the country's vulnerability to the effects of climate change and natural disasters.

16. ***Significant poverty reduction.*** Per capita GDP grew by 4.3 percent per annum in the past decade, contributing to a decline in headcount poverty from 57 percent at the beginning of the 1990s to 49 percent by 2000 and 40 percent by 2005. Despite this progress, Bangladesh still had an estimated 56 million people in poverty in 2005—equivalent to the population of the UK or France. Direct evidence on poverty

trends since 2005 is not yet available. However, based on the association between economic growth and poverty reduction, it is expected that the poverty head count has declined further to around 30 percent by 2009 even after taking into account the setbacks caused by the cumulative impact of natural disasters in 2007 (twin floods and a cyclone), the food-price shock during 2007-08, and the impact of the global recession on exports. On the basis of this expected trend, Bangladesh is on track to meet the MDG poverty targets by 2015. For more on Bangladesh's poverty profile, see Annex 1.

17. **Poverty, growth and inequality.** Poverty reduction in Bangladesh has been driven by growth, and linked particularly to transformations in the labor market and rapid increases in workers' remittances. Economic growth has led to expanded wage employment, wage growth and enhanced labor productivity. Workers moved away from low productivity jobs in agriculture to more productive jobs in the nonfarm private sector, particularly in urban areas and overseas. Increasing flows of workers' remittances, which grew by 20 percent per annum in 2000-2005, were a key factor in poverty reduction. Based on 2005 data, poverty incidence among households receiving remittances from abroad was only 17 percent compared to 42 percent among the population at large. Inequality, as measured by the Gini coefficient of consumption, remained unchanged from 2000 to 2005 at around 0.31.

18. **Better child survival.** Bangladesh has made considerable progress on some health-related MDGs. Over the past two decades, infant and child mortality have declined by around half—46 and 57 percent respectively—outstripping progress in other South Asian countries and setting Bangladesh on track to meet the relevant MDGs (see Table 2). This progress was accompanied by substantial narrowing of the gender gap in neonatal, infant and child mortality. Despite progress, children and adults still face a high burden of communicable diseases. Bangladesh ranks among the top-five countries for incidence of tuberculosis, and diarrheal diseases and acute respiratory infections remain widespread in the absence of clean water and sanitation and in the face of deteriorating air quality.

19. **Persistent maternal mortality and malnutrition.** Maternal mortality rates are high, and even under the most optimistic scenario, the MDG target will not be reached. Prenatal care remains inadequate, with most births in rural areas unattended by qualified health personnel. Chronic and acute malnutrition remain high even as per capita income rises among the poor. Child underweight rates (chronic malnutrition) have fallen just 5 percent to 46 percent between 2000 and 2007. Chronic malnutrition is pervasive across all socioeconomic strata, at 56 percent of all children among the poorest and 32 percent among the wealthiest quintiles. Child wasting (acute malnutrition) fluctuates, but reached 16 percent in 2007, above the 15 percent threshold used to identify emergency feeding situations by the World Health Organization.

20. **Increased access to education.** The gross enrollment rate for primary school increased from 76 percent in 1991 to 98 percent in 2008 (with net enrollment at 91 percent). At the secondary level, gross enrollment was 57 percent in 2008, representing a three-fold increase since 1980. Much of the gain at the secondary level was due to a seven-fold increase in girls' enrolments since 1980. Demand-side interventions since the early 1990s, including a gender-targeted secondary stipend program, have been met with expanded supply, particularly through private channels. The share of girls in total enrollments is now 52 percent in primary and 55 percent in secondary education, compared to fewer than 40 percent in the early 1990s.

**Table 2: Bangladesh's Human Development Performance in a Regional Context**

	Bangladesh			South Asia	East Asia & Pacific
	1990	2000	2008*	2008*	2008*
GDP (current US\$ billion)	30.1	47.1	79.0	1531	5658
GNI per capita, Atlas method (current US\$)	250	350	520	986	2631
Fertility rate, total (births per woman)	4.3	3	2.4	2.8	1.9
Life expectancy at birth, total (years)	54.4	61.6	66.3	64.7	72
Mortality rate, under-5 (per 1,000)	146.0	90.9	65.0	78.2	27.4
Mortality rate, infant (per 1,000 live births)	92.0	66.4	52.0	58.9	22.3
Maternal mortality ratio (per 100,000 live births)	574	320	...	...	...
Malnutrition prevalence, height for age (% of children under 5)	...	57.2	47.8	47.1	25.6
Malnutrition prevalence, weight for age (% of children under 5)	66.0	48.2	46.3	40.9	12.6
Low-birth weight babies (% of births)	...	...	21.6	26.5	6.1
School enrollment, primary (% net)	60.5	...	91.1	...	93.1
School enrollment, secondary (% net)	...	43.1	40.7	44.7	...
Ratio of girls to boys in primary education	0.83	...	1.08	...	...
Ratio of girls to boys in secondary education	0.52	...	1.08	...	...
Population, total (million)	116	141	160	1543	1931

Note: \* Data is for latest available year (2006/2007/2008)

Source: World Development Indicators, and UNDP MDG Monitoring at <http://www.undp.org.bd/mdgs.php>

21. **Weak educational quality and outcomes.** The primary school completion rate is only 52 percent, and only 20 percent at the secondary level. Transition rates are also low, at 44 percent for primary to lower secondary, 27 percent from lower to upper secondary and only 6 percent to tertiary. Learning outcomes are generally poor, especially among low income and disadvantaged groups. Many poor children are still out of school or lack a quality schooling environment. Government recognizes that increased enrolment at the primary and secondary levels is putting additional pressure on the tertiary system, and has acknowledged the importance of developing a quality tertiary and vocational education system to accelerate economic growth, enhance competitiveness in the global economy and provide abundant labor to external markets.

22. **Increasing vulnerability to disasters.** By virtue of its geography, Bangladesh has long been vulnerable to natural disasters, such as cyclones and floods. Anywhere from 30 to 50 percent of the country is affected by floods every year. Of about 250,000 deaths worldwide arising from cyclones during 1980-2000, 60 percent occurred in Bangladesh. In the past decade, the country has become better prepared to deal with weather uncertainty and emergency responses, making recent events less deadly than earlier disasters. However, climate change effects are exacerbating Bangladesh's vulnerability by increasing the frequency and severity of weather events. The long-run impact of climate change is uncertain, but it is estimated that a four degree rise in global temperature would raise the sea level by 100cm by 2100, inundating 15 percent of the country's land area and displacing 20 million people. Adapting to climate change and enhancing preparedness to deal with climate-change-related disasters are policy priorities for Bangladesh.

## E. The Governance Context

23. Bangladesh is no exception within South Asia in finding itself at the low end of most global rankings on governance and anti-corruption. In contrast to some countries in the region, however, Bangladesh has managed to maintain peace and political stability, make slow but steady progress in

improving corruption perceptions, and strengthen public financial management in recent years. Economic performance has been relatively strong within this challenging governance environment. Nonetheless, governance shortcomings have led to an inefficient public sector which has insufficiently provided key public goods needed to sustain economic growth. Bangladesh has a low revenue-to-GDP ratio that is less than regional comparators, including Nepal's (at around 12 percent). Revenue use is also inefficient. Only two-thirds to three-quarters of the Annual Development Plan (ADP) is implemented each year. A recent assessment of large value procurements approved by the Cabinet Committee for Government Purchase found that only 18% of contracts for the Roads and Highways Division and 33% of contracts for the Local Government Engineering Division (the major public works entity) were awarded within the initial bid validity period of 90-120 days. An efficient procurement system would expect to award 90% of contracts within the bid validity period. This kind of inefficiency has contributed to a lack of investment, most notably in the power sector. The situation has grown so severe that consumers face load-shedding for as much as sixteen hours a day, and power to key export industries and agriculture is being rationed. Bangladesh will require actions on multiple fronts to improve the governance environment in order to meet its goal of reaching middle income countries status (see Box 1).

### **Box 1: Growth in a Challenging Governance Context**

A weak governance and transparency environment has been an impediment to business investments. Notwithstanding, Bangladesh has managed to achieve relatively good economic outcomes. Some have called this the "Bangladesh Paradox", but it is more understandable when the overall governance environment is unbundled. Such an unbundling reveals at least six areas where Bangladesh has demonstrated capacity for good governance.

- The state created space (at the macro-economic level) for the emergence of a vibrant domestic private sector by maintaining macroeconomic discipline, as evident from low inflation rates, fiscal deficits and external indebtedness, thus preventing the crowding out of private sector investment.
- The state has significantly improved its capacity to manage natural disasters, thus reducing considerably their macroeconomic impact.
- Successive governments have been relatively good at making wise public expenditure choices within a limited fiscal envelope. They have financed rural infrastructure and ensured a sustained injection of public funds for health and education.
- Recognizing its limitations in meeting the strong demand for services, successive governments have created space and forged partnerships with NGOs and the private sector to deliver services.
- Unleashing the development potential of half its population, successive governments have supported family planning, girls' participation in schooling and female entry into the labor force.
- Successive governments have also encouraged the migration of Bangladeshi workers and created a domestic environment and mechanisms to encourage these workers to remit large sums of money.

However, like some of the South East Asian countries in the early 1990s, Bangladesh may discover that it is outgrowing its current governance environment. While the country's relatively weak governance environment may have been adequate to cope with an economy breaking out of stagnation and widespread poverty, it could increasingly prove a barrier to more rapid, inclusive and sustainable growth. For example, accelerated growth will require much more public investment and therefore revenue generation, which will mean overcoming Bangladesh's long-standing obstacles to better tax administration and fiscal policies. It will also require improving the quality of public investments and overall expenditures.

Similarly, mitigating the potential impact of climate change on agricultural output and GDP growth will place a premium on better governance of the adjustment process. In addition, accelerated GDP growth also requires better governance of cities in order that diseconomies of urbanization not dominate over the benefits of agglomeration. Surmounting the energy deficit, perhaps one of the most critical and immediate challenges to accelerating and even sustaining current rates of growth, will require comprehensive reforms in the governance of the energy sector including the energy pricing structure of energy utilities, and an improved regulatory framework for private participation in infrastructure.

24. ***Institutional checks and balances.*** Although Bangladesh has witnessed several largely peaceful transfers of power between its two major parties, political competition has not yielded strong mechanisms for accountability of Government. Political competition has rather created a ‘winner-takes-all’ system which has consistently prompted the ruling party to subordinate state institutions to its own interests rather than building effective institutions with appropriate checks and balances. Public institutions offer little de facto opportunity for opposition to hold Government accountable. Neither Parliament nor the Judiciary provides significant institutional restraint on executive power. Notwithstanding these enduring shortcomings, there has been progress in recent years. The country has adopted a legal and institutional framework for countering corruption although there have been recent developments to dilute institutional independence. It has progressed from the bottom to the 25th percentile in global rankings of corruption perception, despite concerns about the current Government’s commitment. Bangladesh has adopted a RTI Act and is promoting e-governance as a tool for reducing opportunities for corruption. The country has a vibrant—albeit partisan—press and many strong, world-class non-governmental organizations (NGOs), though the NGO community has tended to focus more on service provision than demanding better performance by Government. Uncertainty remains regarding the outlook for better governance, as the Government’s commitment to strengthening governance and anti-corruption has yet to be translated into demonstrable actions. In some cases, as with recent amendments to the framework for the Anti-Corruption Commission (ACC), actions are not encouraging. Many external partners have adopted a ‘wait-and-see’ attitude, while encouraging pro-activity among local stakeholders. A more detailed assessment of the governance context in Bangladesh is provided in Annex 2.

25. ***Public sector management and service delivery.*** Government is among the most centralized in the world, with the central administration responsible for most public service delivery. Local levels of government lack both resources and clear responsibilities. Public administration is undermined by weak policy coordination, a poor incentive structure, inadequate revenues, weak accountability and limited implementation capacity that inevitably lead to underperformance in the delivery of public services. The current government has emphasized the need to improve public sector performance in order to bring services to the doorsteps of the people. Government has continued positive measures to strengthen public financial management, including adopting a Public Money and Budget Management Act, establishing a medium-term budget framework and implementing a sound public procurement law—although recent amendments undermined the transparency of processes for low-value purchases. Government has committed to a comprehensive program to build more effective public financial management, and has outlined priorities to strengthen governance in the Second National Strategy for Accelerated Poverty Reduction (NSAPR-II).

## **F. National Vision and Strategy**

26. The Government has placed elimination of poverty and inequity at the forefront of its development strategy. Government’s long-run vision was first outlined in the Awami League Manifesto, and is now being reflected in a long-term perspective plan for 2010-2021 that is being finalized. This plan sets ambitious goals to reduce poverty from 40 percent to 15 percent and achieve middle-income country status by 2021. Government adopted the NSAPR-II for FY09-11 as the first phase in implementation of the Vision 2021. The NSAPR-II will serve as a transitional poverty reduction strategy until the launch of the Sixth Five-Year Plan for FY11-15. The Five-Year Plan is expected to be a closely-aligned continuation of the NSAPR-II in order to maintain momentum toward longer-term goals.

27. ***NSAPR-II priorities.*** The national strategy calls for “putting Bangladesh into a trajectory of high-performing growth, stabilizing commodity prices, minimizing income inequality and human poverty, creation of employment opportunities, securing health and education for all, enhancing creativity and human capacity, establishing social justice, reducing social disparity, achieving capacity to tackle the

adverse effects of climate change, and firmly rooting democracy in the political arena.”<sup>3</sup>. The strategy also anticipates the use of information technology to help achieve the above goals, as part of a broad Digital Bangladesh initiative. The NSAPR-II consists of five strategic blocks aimed at maintaining macroeconomic stability for pro-poor growth; bringing vibrancy to lagging rural areas; building essential infrastructure; ensuring social protection for the vulnerable; and consolidating gains in human development. These blocks will be supported by strategies to (i) ensure participation, social inclusion, and empowerment; (ii) promote good governance; (iii) ensure efficient delivery of public services; (iv) care for the environment and tackle climate change; and (v) enhance productivity and efficiency through science and technology.

28. The Bank/Fund Joint Staff Assessment of the NSAPR-II concludes that the national strategy provides a sensible basis for Bangladesh to move forward in tackling its key challenges to growth and poverty reduction. The strategy is comprehensive and addresses the major constraints to accelerated, sustainable and inclusive development. It would benefit from greater prioritization of policy measures and sequencing of investments in light of the array of policy measures identified and the large (US\$ 12.5 billion) resource gap for planned investments. Nonetheless, it accurately assesses the key development challenges facing Bangladesh in coming years, and these are the basis for articulating the Bank Group’s country assistance strategy for FY11-14. Governance remains a central challenge. Among the key challenges highlighted:

29. ***Accelerating growth.*** To move toward eight percent real growth per annum, Bangladesh will need to take advantage of its low-cost labor for faster expansion of labor-intensive manufacturing activities, including continued growth and value-addition in the garment industry. In terms of factors of production, a sustained higher rate of growth will likely require faster increases in investment and (skilled) labor, as well as greater improvements in total factor productivity. To increase foreign and domestic investment, attention must be paid to investment climate reforms to spur private investors and to domestic revenue generation to expand public investment. From the demand side, encouraging growth of workers’ remittances will be critical in sustaining the growth of domestic consumption.

30. ***Closing infrastructure gaps.*** Short-term emergency measures must be combined with long-term planning and investment for least-cost energy solutions for Bangladesh. This will require massive investments in sources of energy and in electricity generation and transmission, along with structural and policy changes. In transport, the country needs a more integrated, multi-modal strategy aimed at supporting export-led growth and enhancing rural access. In energy, roads and multi-modal transport, enhanced cooperation will be essential to build regional infrastructure networks.

31. ***Alleviating urban congestion.*** Urbanization can stimulate growth, but can become a mixed blessing if it is not well-planned, as has occurred in Bangladesh. There is no quick fix for the problems that have emerged. Bangladesh will need to support the building of financial and managerial capacities in all municipalities to enable a better approach. In addition, in congested cities like Dhaka and also Chittagong, special support by the central government will be needed for large investments in sectors such as transport and water. A holistic National urbanization policy would also help to provide a guiding framework for policies, investments and interventions by different agencies.

32. ***Reducing vulnerability to disaster.*** With natural disasters exacerbated by climate change effects, Bangladesh’s food security is increasingly at risk. The agriculture sector is facing rising threats from overpopulation, erratic weather and saline water intrusion in coastal areas. Improving the productivity of

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<sup>3</sup> Steps Towards Change, the National Strategy for Accelerated Poverty Reduction FY2009-11, Planning Commission, December, 2009, p. xiii.

rice and other crops will be essential, and will require development and dissemination of higher yielding technologies, as well as better price signals for farmers. Food security would also be enhanced by diversification to other crops and to non-farm activities, and by enhanced food storage capacity. Continuing Bangladesh's recent progress in disaster preparedness will be critical, along with greater cooperation among all riparian countries for regional water resource management.

33. ***Absorbing the labor force.*** Nearly two million workers are joining the labor force in Bangladesh every year. Generating employment opportunities will depend on creating an environment conducive to private sector investment, particularly for labor-intensive manufacturing and services. Workers will need to be better trained and educated, to allow improved productivity and higher-skilled jobs, permit increased earnings and remittances per migrant, and enable productivity growth to play a greater part in overall GDP growth. A focus on the quality of tertiary and vocational education will be needed, as well as policies and programs to facilitate labor migration and remittances. Finally, social protection programs that create temporary, labor-intensive employment opportunities can be an effective poverty-reducing intervention.

34. ***Improving health, population and nutrition outcomes.*** Priority must be given to scaling up and enhancing the effectiveness of health services which deliver proven results, such as training skilled birth attendants in order to strengthen prenatal care and reduce maternal mortality. Population growth must also be addressed through reinvigoration of family planning and reproductive health services, including information, education and communications activities. Persistent malnutrition should be addressed through well-known health interventions, but also through analysis and implementation of a multi-sectoral approach addressing pollution control, safe water and sanitation, agricultural practices, intra-household dynamics, etc.

35. ***Strengthening governance.*** Better governance will underpin progress in all sectors and areas. Strengthening governance of the business environment will unleash the potential of the private sector to lead investment and growth. It will also enhance the effectiveness of public resource use and improve public service delivery. Government gives priority to improving governance as an underlying strategy to achieve better development outcomes. The Awami League Manifesto emphasized the need to change State performance in order to bring services to the doorsteps of the people. The national strategy lists ten major areas for governance reform, including parliamentary processes, local government, civil service, judicial system, e-governance, combating corruption, human rights, accessing information, project implementation and sectoral governance. Implementing this wide-ranging set of priorities will be extremely challenging. In many of these areas, governments of the past two decades have not been able to expend the resources and political capital needed to make substantive change. More promising may be a selective and sequenced approach to supporting reform in areas with demonstrated political will and broad consensus on the direction and pace of reform, such as in the area of local governance and domestic accountability.

## **G. Macroeconomic Prospects and Risks**

36. ***Sources of growth.*** Bangladesh has enjoyed robust growth in the past decade, mainly due to expansion of the manufacturing sector and domestic services such as wholesale and retail trade, transport and communications. Given its inherent strengths--especially a vibrant private sector and a large pool of inexpensive labor--the prospects for continuation of such growth are relatively good. Unit labor costs in the dominant garment industry are 50 percent below the nearest competitor and only about one-third of those in China. Not surprisingly, foreign investors are showing interest in large-scale relocation of labor-intensive industries, particularly garments and related textile manufacturing. In addition, sectors such as pharmaceuticals, ceramics, and processed and frozen foods have shown dynamism in recent years. Demand for jute goods grew significantly in FY10. An interesting recent development is private

investment in construction and export of small ships, a segment where Bangladesh appears to enjoy a competitive edge. Based on these potential sources of growth, the CAS is cautiously optimistic that Bangladesh can maintain the growth rates of the recent past—above six percent per annum—going forward. Growth could be accelerated through significantly increased investment and deepening of structural reforms.

37. **Constraints to growth.** Bangladesh faces several challenges in maintaining and accelerating growth, and realizing the full potential of some of the promising sectors highlighted above. The greatest constraint today lies in overcoming the energy deficit, which is affecting current production and could undermine prospects for private sector investment and growth. Improving the business environment is also required in order to encourage greater private investment, a necessary element in accelerating growth. The state owned banking sector remains weak despite ongoing corporatization efforts. Further reduction in the anti-export bias through tariff reforms and improved trade logistics (targeting, for example, the Dhaka-Chittagong corridor, and customs facilitation) will be needed in order to maintain the growth rate of exports. Finally, low tax collections are a major constraint since they affect the government’s capacity to increase public investment in energy and other infrastructure sectors.

38. **Debt Sustainability.** The recent IMF-WB joint Debt Sustainability Analysis shows a low risk of debt distress based on external debt indicators. In fact, all external debt indicators stay below the policy dependent debt burden thresholds in the baseline scenario. The net present value (NPV) of the debt-to-GDP ratio decreases from about 20 percent in 2009 to less than 10 percent during the projection period, while the NPV of the debt-to-exports ratio decreases from 99 percent in 2009 to 25 percent, and the debt service ratio from 6 percent in 2010 to 2.5 percent. External debt indicators do not breach the debt thresholds under various stress tests. However, debt indicators worsen once domestic debt is added. In the baseline scenario, the NPV of the public debt-to-GDP ratio remains steady at about 40 percent of GDP. The decline in the NPV of external public debt to GDP ratio is offset by a rising domestic debt-to-GDP ratio. Concerted and sustained efforts by the Government, supported by the Bank Group (Box 2), could result in tax collection increasing from 11.5 to 13 percent of GDP during the CAS period. Higher-than-expected revenue mobilization would be positive for debt dynamics, not only because of its direct fiscal impact, but also because of its potential effects on investment and growth.

	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>
Real GDP Growth (%)	5.5	5.8	6.3	6.4	6.4
Export (f.o.b) Growth (US\$ value) (%)	1.8	12.4	15.7	17.0	18.3
Current Account Balance (% of GDP)	2.4	2.1	1.7	1.3	0.9
Net Foreign Direct Investment (% of GDP)	0.5	0.9	1.0	1.0	1.0
Reserves (in months of GNFS import)	5.1	5.3	5.5	5.8	5.9
Revenue (% of GDP)	11.5	11.6	12.1	12.5	13.0
Public Debt (% of GDP)	43.8	44.0	43.7	43.3	43.1
External Debt (% of GDP)	22.3	21.7	20.8	19.8	19.0

Source: IMF-World Bank Joint Debt Sustainability Analysis and World Bank Staff Estimate

39. **Macroeconomic risks.** Total public debt indicators are sensitive to alternate assumptions and point to sizeable risks, especially given the low levels of revenue mobilization. Any event that raises public debt (such as a rise in world market prices resulting in contingent liabilities for state-owned enterprises that sell underpriced electricity, diesel and imported fertilizer) can increase the debt-service-to-revenue ratio significantly, which can crowd out the private sector and reduce growth. Also, if current constraints to growth remain binding, this can affect the debt dynamics and revenue mobilization. On the external front, a high dependence on garments and remittances renders the current account vulnerable to events that affect

these sectors, such as shocks in Kuwait or Saudi Arabia--which absorb over half of the migrant Bangladeshi population--and/or derailed recovery in the US and Europe--which account for around 65 percent of Bangladesh's exports. Price shocks such as those of 2007/2008 have significant distributional consequences in a country where the poverty ratio is high and where an even larger share of the labor force is engaged in informal activities. Mitigating such shocks, through improved safety nets, will help government manage social risks.

### **Box 2: BICF Tax Administration Reform Project**

The need for tax administration reform is well recognized. According to the Doing Business Report 2010, for instance, it takes a company 302 hours per year to pay required tax in Bangladesh, which ranked 127<sup>th</sup> out of 174 countries. It has been challenging to build dialogue and support reforms of tax administration.

As part of its Phase II Business Regulatory Reform program, BICF successfully reached an agreement with the new National Bureau of Revenue (NBR) leadership on a tax administration modernization project in September 2009. As the central objective, the project aims to increase tax revenue as a percentage of GDP by 1.5 percent from the current level by improving tax collection, taxpayer service, and institutional capacity. It will help modernize the technology, reform the laws, and improve processes, including lower compliance cost and easy access for taxpayers.

An IDA-funded tax administration strengthening operation is also planned during the CAS period to complement and deepen support for domestic revenue mobilization in Bangladesh.

## **II. BANK GROUP ASSISTANCE STRATEGY FOR BANGLADESH**

### **A. Lessons Learned from Implementing the Previous CAS**

40. The Bank Group's new assistance strategy for Bangladesh is informed by the lessons drawn from implementation of the previous strategy. These lessons derive from the Completion Report prepared at the end of the earlier CAS period as well as a Country Assistance Evaluation done by the Bank's Independent Evaluation Group (IEG). Direct feedback from stakeholders also shapes the new strategy, and was captured through an FY10 client survey and stakeholder consultations conducted as part of the CAS preparation process.

#### **1. Lessons from the CAS Completion Report**

41. *CAS results framework.* The Completion Report concluded that the FY06-09 CAS was strategically relevant and produced moderately satisfactory outcomes. It was well aligned with Bangladesh's first National Strategy for Accelerated Poverty Reduction. Pro-poor growth, human development and governance were at the heart of the strategic agenda. However, it was found difficult to assess the Bank group's contribution to the achievement of positive outcomes across the pillars, because indicators and targets were too numerous and too loosely-linked to expected outcomes. This provides an important lesson about defining a manageable set of outcomes to which the CAS will contribute, with fewer and more clearly-linked indicators which can be adequately monitored to assess progress towards results. For this reason, the Country Team has now articulated a set of 16 outcomes, linked closely to only 20 core indicators that will serve as the basis for CAS monitoring.

42. *Monitoring CAS progress.* The monitoring and evaluation system for the overall country program was insufficient to make adjustments during implementation in order to better achieve results. Learning from this, the Country Team has created multi-sectoral results teams during CAS preparation which will

continue during implementation to carry out regular monitoring of progress towards results. The CMU is being strengthened in Dhaka to include staff with specialized skill in managing for results, in order to coordinate and catalyze CAS monitoring across the Country Team, and in collaboration with IFC which is implementing results based management activities through BICF<sup>4</sup>.

43. ***Appropriate skill mix.*** The previous CAS focused dominantly on enhancing governance, but the staff skills needed to manage this complex agenda were not immediately available. On the ground presence of staff with diversified skills and global knowledge was limited in key sectors like energy and local governance, limiting the Bank’s ability to engage in dialogue and support necessary reforms. Ensuring adequate and appropriate staffing and skills mix on the ground—particularly for expected areas of greater emphasis such as infrastructure and climate change--will be critical for the successful implementation of the upcoming CAS. This raises questions about staffing incentives in relatively unfavorable environments.

44. ***Sustained engagement.*** Governance and institutional reforms take significant time to achieve desired outcomes. Change is incremental, and it is important to stay engaged in key sectors, even if performance is weak and progress slow. In these instances, the Bank should use its analytical work to support implementation of reforms in promising sectors and to maintain engagement and foster dialogue on reform in more difficult sectors. During this CAS, for example, an IGR will provide analysis of policy options for local government and local service delivery. At the same time, innovative tools will be used to remain engaged in high-risk sectors such as roads and highways, where corruption has undermined the effectiveness of traditional Bank lending instruments. Technical support is now being provided in the roads sector to strengthen expenditure tracking and pilot performance-based road maintenance work. If successful, these could be scaled up to provide a framework to resume larger-scale investment lending in roads.

45. ***Tackling governance challenges.*** The previous CAS was considered an early “governance CAS” which sought to tackle governance challenges in a comprehensive and high-profile fashion. The relevance of tackling weak governance as a barrier to development was appropriate, but experience has provided lessons on how we might be more effective in addressing this seemingly intractable and pervasive problem in Bangladesh and other countries of South Asia. See Annex 3 for the detailed Completion Report.

## **2. Lessons on Governance and Anti-corruption**

46. Recognizing the systemic nature of governance problems in Bangladesh, the previous CAS established governance as its unifying theme, with modest results. While the governance focus was appropriate, there was need for more selectivity during implementation. Some positive outcomes were achieved with support from the Bank. In particular, public financial management was measurably strengthened, including substantial improvement to the procurement regime, which remains well above the norm for South Asia despite some recent backsliding on rules for low value procurement. The Bank also contributed successfully to greater independence and accountability for local government—an historic breakthrough in Bangladesh’s highly centralized administration.

47. ***Changing the culture of corruption.*** The Bank provided support to the caretaker government’s attempts to break the culture of corruption through powerful signaling from the top, in the form of high-

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<sup>4</sup> BICF is pursuing the monitoring on three tracks: (a) contracting out results monitoring and evaluation to an independent firm, which periodically reports to the donors and IFC management on implementation progress in relation to a well-defined action plan; (b) developing investment climate related M&E capacity in government and some private sector chambers; and (c) pioneering new survey tools, such as quarterly business confidence surveys, and government agency score cards capturing client feedback on Government to Business (G2B) services.

profile investigations, prosecutions, and sanctions. In addition, the Bank supported reforms of the civil service and the judiciary. Outcomes in these areas were negligible due to unrealistic expectations for change within a short timeframe coupled with strong political interests that ran counter to reforms. The challenge in implementing these reforms was underestimated, especially in a politically unstable environment with frequent changes of government. High-profile prosecutions meant to signal zero tolerance for corruption served instead to create a perception that those in power will pursue those who are not for politically-motivated reasons, within a persistently corrupt environment. Moreover, the caretaker government's will to carry through with prosecutions subsided during the latter part of its tenure. While different signaling from the top would have been desirable, it was perhaps not realistic within a relatively short timeframe. Even in areas of success, governance improvements have been slow and incremental. To be effective, the Bank must take a long-term perspective to cultivating a culture of accountability by building demand for good governance from the grassroots up. Governance must remain a cross-cutting theme of the new CAS, with efforts mainstreamed across sectors. Governance focus at the center, local and sector levels will be maintained. However, a more selective approach will be needed to take advantage of entry points in which sufficient political will exists and champion for reforms can be supported.

48. ***Adopting a long-term, systemic approach.*** The country team will make a deliberate shift to a longer-term and more systemic approach to strengthening governance and anti-corruption by building domestic accountability mechanisms. This is based on a realistic assessment of the environment for anticorruption reforms, recognizing that external players have limited ability to counter systemic facilitators of corruption in areas with limited government commitment to reforms. The new CAS will focus on areas with adequate government commitment and/or champions with whom to work, and where concrete results are considered feasible. In addition to a continued focus on core governance (particularly public financial management), this CAS seeks to build on the current political commitment to strengthen local government and local service delivery. A four-pronged approach will be adopted:

- a) ***Increasing operational selectivity.*** In making strategic choices about the Bank's own operations, the country team will strive for increased selectivity based on greater understanding and sensitivity to specific corruption risks in sectors. This will be based on more systematic diagnostics of political economy and operational risk assessments in order to inform project preparation and design and define the extent and nature of risks across different sectors. Cross-sector support to task teams will be enhanced to identify governance and corruption risks through the new ORAF, which builds on the ORMAPP currently in use in the Bangladesh program. The Bank will invest more in using lessons learned from sector governance risk analyses. In sectors where government commitment to addressing corruption is deemed insufficient--and hence risks are too high--the Bank will disengage. Projects which proceed to approval will require rigorous assessments of fraud and corruption risks and corresponding mitigation measures. These assessments and mitigation measures will be monitored closely and updated regularly during project implementation as per the ORAF. The Bank will be decisive in addressing cases of corruption as they may arise in any of its operations, and if problems cannot be properly addressed, the Bank will disengage.
- b) ***Building on sufficient political will.*** The World Bank Group will promote systemic prevention of corruption through long-term governance improvements in areas where the Bank Group can align with Government priorities and political will. This includes continuing our work to increase regulatory transparency and strengthen public financial management, including the oversight functions of Parliament and the Comptroller and Auditor General, implementation of the RTI Act, increased use of e-governance tools as part of the Digital Bangladesh agenda to improve government-citizen or government-business interface and reduce opportunities for corruption. Bank support to build domestic accountability mechanisms will include ramping up support for

local government and decentralized service delivery. A strong push will also continue, particularly through support from IFC's BICF support and engaging with private sector stakeholders, for reforms to streamline regulation of business and trade as well as strengthening tax collection, both of which will decrease opportunities for corrupt behavior.

- c) ***Cultivating entry points on governance and anti-corruption.*** Increased emphasis will be placed on policy dialogue and engagement with a wide range of stakeholders in order to cultivate additional entry points for strengthening governance and countering corruption. In a democratic environment, policy priorities may change, and the Bank will be ready to respond accordingly if new entry points for substantial reforms emerge. To this end, the Bank will maintain a high-level policy dialogue on governance, particularly through implementation of an IGR. The IGR will be a flexible and participatory process to provide timely assessment of policy options and policy advice that is responsive to Government's emerging priorities on governance. The IGR and other analytical work will develop feasible actions that Government can undertake to improve transparency and accountability of the public sector. IFC will complement these efforts through public-private dialogue with the private sector and other stakeholders on governance and transparency issues.
- d) ***Fostering demand for good governance.*** The Bank Group will build on efforts under the previous CAS to promote greater demand for good governance and lower tolerance of corruption over the long term. This will occur through collaboration with civil society organizations on joint research and analysis on governance issues, as well as independent monitoring efforts. Corruption and governance analysis, independent third party monitoring, and demand for good governance in projects and sectors will be conducted to the extent feasible in partnership with Bangladeshi civil society organizations. The country program will also increasingly emphasize governance through strengthening of the lowest levels of government and through community empowerment so that citizens directly demand better services from the public sector. The IFC's advisory assistance through BICF will continue to engage government and other stakeholders in formulation of new business regulations. The Bank and IFC (through BICF) will also increase its outreach and actively engage the media for better understanding and coverage of governance issues. IFC will also strengthen corporate governance of investee companies of the private equity funds in which it has invested and raise awareness on corporate governance issues through various fora.

### **3. Lessons from the Country Assistance Evaluation**

49. The Bank's IEG prepared a country assistance evaluation for Bangladesh in June 2009, which rated the overall outcome of IDA assistance to Bangladesh as moderately satisfactory, and drew the following lessons from past experience:

- a) While macroeconomic governance improved to some extent, progress on public sector reform was disappointing. In particular, initiatives to reform the civil service suffered from insufficient political will. The evaluation concludes that the full range of Bank instruments--development policy operations, investment lending, technical assistance and analytical and advisory services--is required to support complex institutional reforms of this nature.
- b) Monitoring and evaluation of the CAS should be strengthened. The earlier CAS lacked adequate tools to monitor progress. Despite having a long list of milestones and intermediate indicators, the CAS lacked a clear system and capacities to ensure that they would be measured.

- c) Improved coordination and harmonization with DPs was effective in human development sectors. The Bank's coordination was strong in many sectors, but weaker in energy and water supply, contributing to unsatisfactory outcomes in these areas.
- d) Staying engaged over the long-run is deemed critical to getting results, even in sectors where dialogue has proven difficult, like energy and agriculture. Moving out of a sector has proven to be costly due to loss of knowledge and interruption in the Bank-client relationship. While the Bank must be selective about large-scale operations, other tools can be used (e.g. analytic and advisory services, small-scale piloting) to stay engaged.
- e) The design and implementation of analytical and advisory work should involve all the relevant stakeholders including the government, civil society and DPs. Extensive dialogue is needed up front to gain strong political support for future reforms. Better dissemination of analytical works is needed to raise awareness and improve ownership.

#### **4. Client Survey and Stakeholder Consultations**

50. The World Bank client survey in Bangladesh, and World Bank Group consultations with various stakeholders throughout the country, have provided important feedback into preparation of the new CAS<sup>5</sup>. Annex 4 provides more details on the findings of both the survey and the consultations.

51. ***Client survey results.*** The FY10 Client Survey was conducted in Bangladesh in August 2009 with a total of 334 respondents. It suggests a perception of the Bank and its work that is far more positive now than when last surveyed in FY04. Governance, power generation, basic infrastructure and employment creation were identified by respondents as the key development priorities in Bangladesh. Respondents valued the Bank most strongly for its investment lending relative to other instruments like development policy lending and technical assistance. Support was particularly high for the Bank's role in the proposed Padma Multipurpose Bridge project, which will be a centerpiece of the Bank's infrastructure engagement under the new CAS.

52. ***Consultation feedback.*** Initial launch consultations were held with government, civil society and DPs in June 2009 to begin the CAS preparation process. More extensive consultations were held in March 2010 to discuss the emerging storyline and results framework for the FY11-14 CAS. The Dhaka-based Bank team divided into cross-cutting, multisectoral teams to lead consultations in four locations (Dhaka, Chittagong, Jessore and Rangpur). Consultation involved a range of stakeholders including top government officials, leaders from civil society organizations, think tanks and academicians, the media, the private sector and other DPs, both bilateral and multilateral agencies. The key messages of the consultations are summarized in Box 3.

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<sup>5</sup> BICF has frequent dialogue with private sector and other stakeholders on the business climate. This includes: quarterly regional dialogue in four different cities of Bangladesh, BICF's Technical Advisory Committee consisting of several private sector members, and quarterly dissemination of BICF's Business Confidence Survey.

### Box 3: Multi-Stakeholder Consultations

Participants highlighted a range of development priority areas for the World Bank Group's engagement in Bangladesh. They also identified issues the Bank Group should avoid. There was widespread recognition of **poor governance** as a key constraint hindering public service delivery and rule of law. The key messages are presented below:

**Suggestions for Bank Group involvement:** Stakeholders recommended the following priority areas: (i) development of the energy sector, particularly gas and power; (ii) climate change adaptation programs with active involvement of wider community; (iii) strengthening local governance through local governments; (iv) good governance on the basis of equity, inclusion, participation with transparency and accountability; (v) programs to increase productivity in agriculture to ensure food security; (vi) promoting and implementing regulatory framework in key sectors like energy; (vii) regional integration within Bangladesh to reduce regional disparities; (viii) management of water resources, including capital dredging; (ix) scaling up investment in transport and communication sectors, particularly in railways and inland water resources; and (x) programs for population planning.

**Issues that the Bank Group should avoid:** Stakeholders wanted the World Bank to avoid: (i) engaging in activities not aligned with country priorities; (ii) political partisanship; (iii) making the CAS complicated with unrealistic performance monitoring indicators; (iv) imposing its development priorities; and (v) imposing stringent conditions.

**Divergent views on Bank Group involvement:** Participants had difference of opinion on: (i) investment in infrastructure projects; (ii) use of coal as a source of energy; (iii) issues with labor migration; and (iv) support for the agriculture sector.

## B. Proposed Assistance Strategy

### 1. Strategic Overview

53. Building on Bangladesh's strong track record on growth and development in recent years, the Bank Group will continue to support government's objective of achieving annual growth rates of six percent or higher. Annual growth of around eight percent per annum will be needed for the country to achieve its ambitious aspirations of reaching middle-income status and reducing poverty from 40 percent to 15 percent of the population by 2021. This will require accelerated, sustainable and inclusive growth, underpinned by stronger governance at central and local levels. Past performance has been positive, but a significantly higher growth rate in future will require the country to address persistent governance challenges that undermine the effectiveness of the public sector and create disincentives for private sector initiatives.

54. **Accelerated growth.** Massive infrastructure investment is needed--along with a more conducive business environment--even to sustain recent levels of private sector growth. Power deficits remain the binding constraint to growth, with current power generation shortages of approximately 2000 MWs at peak periods. As one of the country's largest DPs, the Bank will increasingly invest in transport and power infrastructure that can transform lagging areas of the country, create agglomeration economies in urban areas and foster broader regional networks. In the power sector, this will include support for new generation, rehabilitation, expansion of transmission capacity and enhancing the natural gas supply for power and other applications. Complementing the Bank, IFC will explore investment opportunities in transport (logistics and ports), power (including renewable energy) and Information and Communication Technology (ICT) infrastructure that are identified with strong partners and transparent process. The Bank Group will also continue to provide strong support for investment climate reform, building on recent progress in this area.

55. ***Sustainable growth.*** Bangladesh's geography offers a unique opportunity to accelerate growth through regional collaboration, but requires dynamic adaptation to climate change effects at the same time. Bangladesh is one of the most densely-populated countries in the world, already vulnerable to natural disasters and now becoming highly-affected by climate change. Not surprisingly, the country is at the global forefront on climate change policy and interventions, and needs cutting edge technical and financial support from the Bank Group to adapt and respond to climate change and natural disasters. Annex 5 provides more details on Bangladesh's vulnerability to climate change and natural disasters.

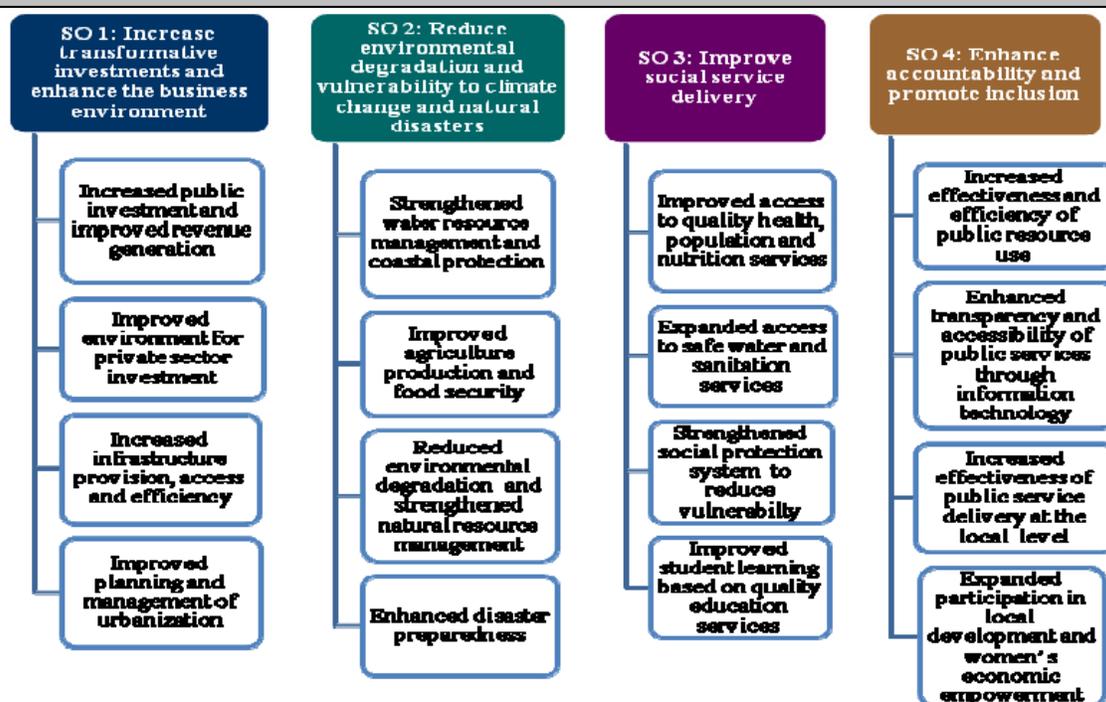
56. ***Inclusive growth.*** Dramatic social transformation has occurred with female entry into the education system and labor force in the past twenty years. Long-run progress on human development has been encouraging, with some notable exceptions. Improved delivery of social services at the local level is needed to address these shortcomings, bring marginalized groups and rural communities more firmly into the development process, and allow Bangladesh to compete in regional and global markets with a healthy and skilled labor force. Complementing IDA's support, IFC will seek to support inclusive growth especially focusing on the base of the economic pyramid, supporting projects with potentially high socio-economic impact such as microfinance, mobile banking, health care and education sector.

57. ***Stronger governance.*** The Bangladeshi economy has performed reasonably well within a challenging governance environment. With the peaceful restoration of democracy in 2008 following a two-year interim Government, the country has avoided major conflict. This was a triumph for political governance, but—as in much of South Asia—governance remains weak by global standards. Bangladesh has made slow but steady upward progress in most areas of economic governance in the past five to ten years. To grow faster and more inclusively, government will need to be more responsive and effective, building on a renewed commitment to private sector-led growth and decentralized service delivery. The Bank Group will support this commitment to improving both the business environment and service delivery, coupled with strengthening of domestic accountability at central and local levels.

58. Within this overall World Bank Group Strategy, as well as IFC's regional strategy in South Asia, IFC's Bangladesh strategy centers on three cross-cutting areas: (i) promoting inclusive growth which focuses on the base of the economic pyramid, rural areas, infrastructure development and improved access to finance for micro, small and medium enterprises (MSMEs); (ii) addressing climate change, especially adaptation and mitigation (including renewable energy, cleaner production and energy efficiency financing); and (iii) supporting global and regional integration via South-South investments, investment climate reforms, trade financing, logistics and financial infrastructure development. On the investments side, IFC will seek opportunities that are likely to have stronger development impact, especially in banking, non-bank financial institutions (including micro-finance, housing finance, Small and Medium Enterprise (SME) finance, agro-finance, and sustainable energy finance), private equity funds, transport (logistics and ports), ICT, power (including renewable energy), agribusiness, manufacturing, health and education. On the advisory side, IFC will contribute to these three strategic areas by assisting government with regulatory reforms to improve the business environment, building financing institutions' capacity to expand access to finance, accelerating PPP projects, raising the corporate governance standards, and supporting SMEs.

59. ***Results Framework and Core CAS Indicators.*** The Bank Group strategy outlined above gives rise to a results framework based on four strategic objectives (See Box 4). To achieve these four objectives, the Bank Group will seek to contribute to sixteen development outcomes discussed briefly below. The core indicators for assessing progress towards CAS outcomes are presented in Box 5 on Page 20. Annex 6 summarizes the results framework matrix, including mid-term milestones, outcome indicators and targets. Annex 7 presents the existing and indicative program, trust funds (TFs) and analytical/advisory work that supports the strategic objectives and development outcomes.

## Box 4: CAS Results Framework



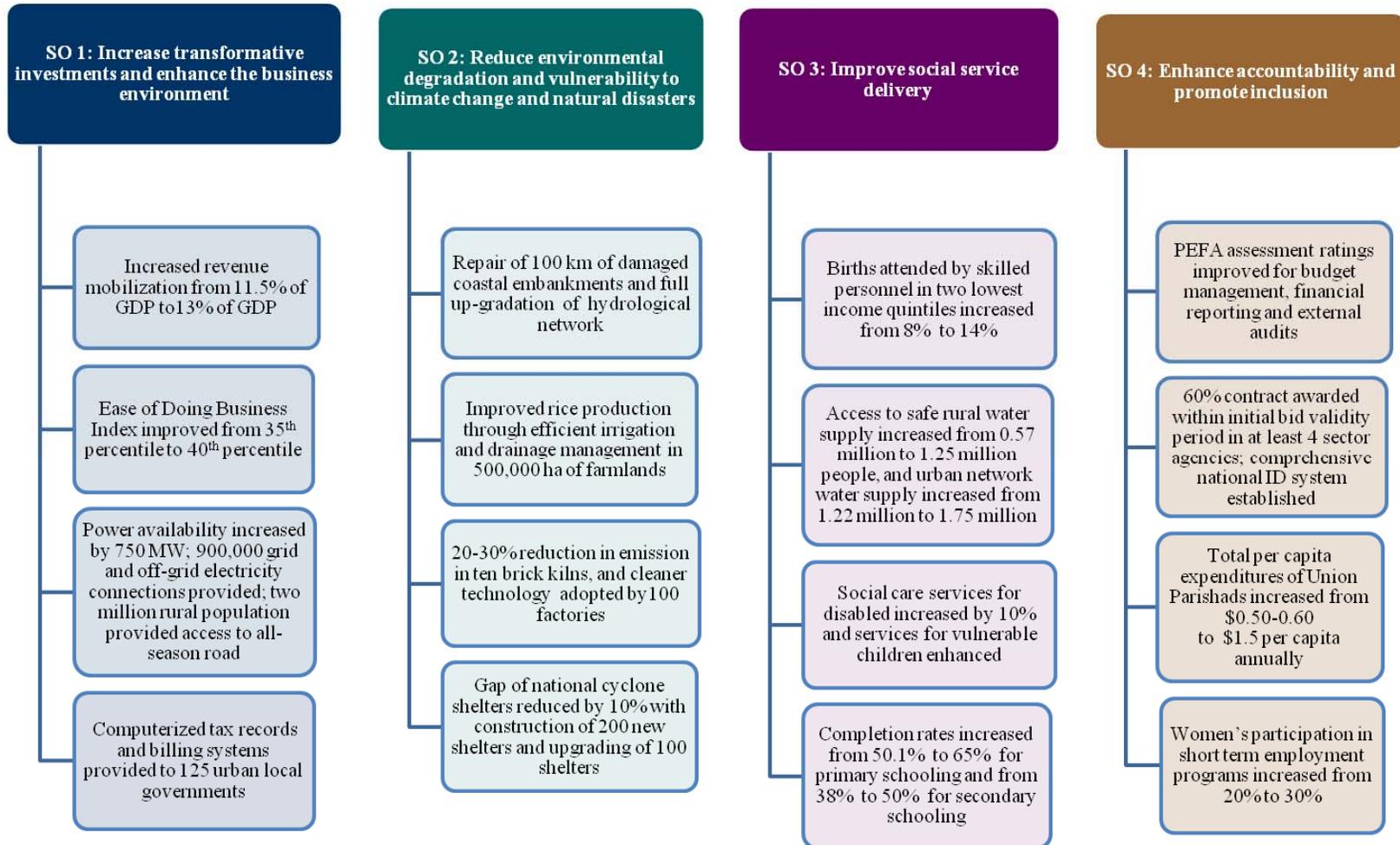
## 2. Summary Results Framework

### *Strategic Objective 1: Increase Transformative Investments and Enhance the Business Environment*

60. **Accelerated growth.** Growth of the Bangladesh economy has been laudable over the past decade at 5.8 percent per annum in real terms, despite political turmoil and frequent natural disasters. Maintaining such growth will be challenging, and yet the country will need to grow significantly faster—by an average of eight percent per annum—if it is to achieve its goals to reduce poverty to 15 percent and reach middle-income status by 2021, as outlined in Government’s Vision 2021 and the NSAPR II. Economies that have grown at this pace or better have typically been accompanied by significantly higher public and private investment fueled by domestic savings and robust tax generation. At 10-11 percent, Bangladesh has one of the lowest tax collection rates in the world, and this is not conducive to a sustainable increase in public investment.

61. Increasing revenue generation needs to be accompanied by improvements in the quality and execution of public investment. Massive investment by both the public and private sectors is needed in economic infrastructure, even to sustain Bangladesh’s current growth rate. The power deficit, currently estimated at 2000 megawatts during peak season, is cited as the biggest constraint to doing business in Bangladesh. It is too large to be amenable to quick fixes, and will need a sustained, broad-based investment program that includes conventional new capacity, rehabilitation of older capacity and additional natural gas supply. This will require approximately US\$1.2 billion proposed Bank financing with US\$600 million phased in during the early years of CAS. Transport is overly-dependent on a weakly-managed and highly-congested road network, with under-developed water and rail links. The CAS proposes over US\$2 billion in infrastructure investments with the proposed Padma Bridge at US\$1.2 billion planned in the early CAS period. Unplanned growth of major urban areas has choked the capacity of urban infrastructure, negating much of the growth benefits of agglomeration. Providing more infrastructure through increased public investment will likely crowd in private investment and promote public-private partnerships. Private investment, however, is also constrained by regulatory obstacles and land shortages, as well as inadequate access to long-term finance, especially for SMEs and long term agriculture projects.

## Box 5: CAS Results Framework - Core CAS Indicators



62. **Country strategy.** Through the NSAPR II, Government outlines an ambitious plan to tackle these issues. It aims for an increase in total investment from 24 percent of GDP in recent years to nearly 30 percent over the next few years, facilitated by a decline in the cost of borrowing and an improvement in productivity. It recognizes the challenge of increasing revenue generation, articulates the need for an improved business and investment climate, seeks planned urban development, outlines policies to ensure optimal use of land, lays out a vision to supply quality and reliable power to all by 2021 and seeks to develop all modes of transport, including roads, rail, ports and waterways. The Bank Group will seek to contribute to selected results under this scenario, building on its on-going analytical work, advisory services and portfolio in the following areas:

<p><b>Strategic Objective 1:</b>  <b>Accelerated Growth: Increase Transformative Investment and Enhance the Business Environment</b></p>
<p><b>CAS Outcomes:</b>  Outcome 1.1: Increased public investment and improved revenue generation  Outcome 1.2: Improved environment for private sector investment  Outcome 1.3: Increased infrastructure provision, access and efficiency  Outcome 1.4: Improved planning and management of urbanization</p>

63. **Outcome 1.1: Increased public investment and improved revenue generation.** Bangladesh will need increased fiscal space for priority development spending, while maintaining the sound macro-economic management that has benefitted growth in the past decade. The Bank will continue to work with the IMF providing analytical support on macroeconomic and fiscal issues. In particular, the Bank will support participatory analytical work aimed at deepening the understanding of future sources of growth, especially through trade diversification and regional integration. To achieve desired growth rates in Bangladesh, it is projected that public investment would need to rise from less than 5 percent of GDP today to 7-8 percent in future, sustained by improved revenue generation. The Bank Group will encourage initial tax policy reforms and seek to accelerate improvements in tax administration. IFC advisory services to improve business environment will be complemented by IDA investment in tax administration systems and potential policy lending, if dialogue on fiscal reform and decentralization deepens. On the public expenditure side, the Bank will focus on improving the quality of public investment and accelerating implementation of the Government’s ADP. One instrument for this will be the Strengthening Public Expenditure Management Program (SPEMP) supported by a Bank-administered multi-donor trust fund (MDTF). Government’s continued commitment to sound macroeconomic management and improved public sector governance will also be a determining factor in future development policy lending for Bangladesh. Thus far, macro-management appears solid, but signals have been more mixed on public sector governance in the past year. Through a participatory IGR, the Bank is working with Government to identify and build consensus around priority areas for public sector reform that could form the basis for renewed development policy lending in the FY12-14 period.

64. **Outcome 1.2: Improved environment for private sector investment.** Private investment in Bangladesh, at less than 20 percent of GDP, is significantly lower than high-growth countries such as India or those in East Asia. Much can be done to make the business environment more conducive to private investment, as reflected in the country’s ranking (119th out of 183 countries) on the international Doing Business index. The Bank Group will support regulatory reform, promotion of public-private partnerships and vibrant economic zones, expanded access to finance and land as well as skills development for a more competitive labor force. Regular investment climate assessments coupled with support from the IFC’s BICF will identify and build support for regulatory reform aimed at streamlining and making more transparent the government-business interface, and building capacity in the field of competition policy. A scaled-up, IDA-funded Investment Promotion and Financing Facility (IPFF) will build on demonstrated results in introducing a public-private partnership model for power generation. Together with IFC’s technical services, IPFF will support the establishment of adequate capacity and a sound policy, legal and

institutional framework to expand and implement public-private partnerships for infrastructure. The IFC and the Bank are also working together to support further development of a modern Economic Zone regime in order to accelerate and diversify export-led growth.

65. The Bank Group will continue its engagement in the financial sector, supporting further enhancement of regulatory standards and the independence of the Central Bank, enhancing corporate governance of banks and listed companies, enacting a movable collateral law, and strengthening risk assessment in banks. To promote private sector investment, the Bank Group will continue to help improve the financial sector for all sizes of companies. IFC support will also be offered to other banks to raise their corporate governance standard or risk assessment capability. To promote access to finance, especially for MSMEs, the Bank Group will assist the Central Bank to modernize the Credit Information Bureau, including setting up a privately-owned Credit Information System. The IFC's SEDF will help develop banks' capacity for MSME finance and trade finance, complementing its value chain analysis and other programs for SMES. IFC's technical assistance to the financial institutions and the Central Bank in the area of SME banking will complement the World Bank's activities. IFC will explore new opportunities to support non-bank financial institutions in a variety of areas including: housing finance, microfinance, sustainable energy finance, agro-finance and insurance sector. IFC's ongoing dialogue with the Central Bank on development of its local currency instruments is expected to enhance IFC's investment opportunities.

66. Inadequate access to land is also cited as a major constraint to private investment in this densely-populated country. Building on IFC's work in this area, the Bank Group will support development, testing and implementation of a modernized deeds registration system and land records modernization program. Lack of a policy for resettlement of displaced people is another land-related issue affecting investment decisions, particularly for infrastructure. The Bank will assist the Government of Bangladesh in the formulation and implementation of a National Resettlement Policy and in simplifying process to acquire land for infrastructure developments. Finally, the Bank Group will focus on skills training for a more competitive labor force. Continued support for higher education will be coupled with a new focus on vocational and technical education to build skills appropriate for both domestic and external labor markets.

67. **Outcome 1.3: Increased infrastructure provision, access and efficiency.** Bangladesh's people and economy suffer from severe shortages of reliable electricity and natural gas. Peak system deficit (during warmer months) is more than 2,000 MW, arising partly from a gas deficit of at least 200 million cubic feet per day (mmcf/d). In the absence of investment, these deficits are expected to more than double in the next ten years. Only 45 percent of households are electrified and perhaps 5 percent have access to gas. An estimated US\$1.5 billion per annum in investment is needed to close these gaps and keep pace with rising demand. As a strategic priority for Government, transformative investments in the energy sector will be a prime focus for the Bank during the CAS period. Working with other partners in the sector, like the Asian Development Bank (ADB), the World Bank's support will be three-pronged. First, the Bank will adopt a programmatic approach to domestic generation and transmission that will combine support for sector reforms with large-scale investments in generation capacity and transmission systems. Sector reforms will enhance financial sustainability, strengthen regulation, build institutional capacity and encourage private investment. From a corporate governance perspective, a key focus will be on improving cash management at the distribution end of the business for example with the South Zone Power Distribution Project, and bolstering procurement transparency and efficiency in large investments such as the Bibiyana power station. Second, the Bank will encourage integration with regional electricity networks and with the global gas market through strategic infrastructure investments. Third, the Bank will scale up the positive results of the IDA-funded Rural Electrification and Renewable Energy Development Program which has successfully connected 600,000 households to the national grid and another 320,000 households to solar systems, bringing affordable and reliable energy to rural populations. IFC will

complement Bank's efforts and will seek to support power and gas sectors, including public-private partnerships (PPP) and investments where there are strong partners and transparent processes.

68. Maintaining and extending transport networks is vital, but difficult in such a densely-populated country with weak governance structures and vulnerability to natural disasters. Bank strategy will focus on investments with expected transformative effects and/or demonstrated past results. Most notably, just as completion of the Jamuna Bridge in 1998 transformed economic and social development in the Northwest Region (with faster growth and greater poverty reduction among communities linked to the bridge), the Bank will now invest in the Padma Multipurpose Bridge Project to unlock the economic potential of the Southwest Region. This assistance will be provided in partnership with ADB, JICA and the Islamic Development Bank. Large-scale investment in the bridge, planned in the early years of the CAS period, will be coupled with analytical work on sequencing future investment for optimal development of the Southwest, including road, rail, port and energy linkages to neighboring countries. Rehabilitation and maintenance of rural roads is another area where the Bank has contributed to demonstrable results, and will scale up through a follow-on Rural Transport Improvement Project during the CAS period. Additional investments in major roads, railways, ports and waterways will depend on momentum to implement sector reforms and strengthen accountability. Road and railway reforms have been slow to materialize, and the Bank has stopped supporting major road construction due to governance risks to the portfolio. Technical support is now being provided to improve governance in roads and highways institutions as a pre-requisite to re-engagement in the sector. Such re-engagement could pave the way for multi-modal transport investments under the North-East Regional Program (including India, Nepal and Bhutan) as regional cooperation moves forward. IFC would consider investment opportunities in the transport sector (logistics and ports), a potential area for IDA-IFC collaboration.

69. **Outcome 1.4: Improved planning and management of urbanization.** Bangladesh's recent urbanization has been fueled by, and is a key contributor to, the strong growth of industries and services. Agglomeration economies of its cities have helped firms achieve efficient scale and become internationally competitive, providing jobs for migrants from the countryside. Economic and demographic growth is highly concentrated in the Dhaka and Chittagong metropolitan areas, overwhelming the capacity of existing urban infrastructure and institutions. This has resulted in a rapid deterioration in services and the environment, which has increased the cost of living and doing business, thereby offsetting the benefits of urbanization. Indeed, urban congestion and pollution now threaten future economic growth, and call for a holistic, long-range approach to urban planning and management. The Bank has been supporting urban infrastructure and building financial and managerial capacity in over 100 municipalities, and intends to scale up this support through a follow-on Municipal Services Project. The Bank will also begin extending its focus on urban water supply services from Dhaka to secondary cities. To deepen the urban engagement, the Bank is providing analytical and advisory support to enhance understanding of urbanization processes and options, and formulate effective national policies and programs to guide future urban growth. Building on this analytical work and IFC's work on economic zones and industry clusters, the Bank would support a Major Cities Improvement Project within the CAS period.

***Strategic Objective 2: Reduce Environmental Degradation and Vulnerability to Climate Change and Natural Disasters***

70. ***Sustainable growth.*** Bangladesh is ranked as the most climate-vulnerable country in the world, and is among the most densely-populated as well. Climate change is a central development challenge for the country. The Bank Group will significantly increase investments in this area, with a proposed Bank lending program of US\$1.2 billion. Frequent natural disasters - cyclones, storm surges and floods - adversely impact on the country's growth and development targets. In most years, between 30 to 50 percent of the country is affected by floods. Tropical storms originating from the Bay of Bengal recur with daunting and damaging frequency. Investments in water management infrastructure made over the past 30

years-- worth more than US\$10 billion--are vulnerable due to frequent and extreme weather events. The regional dimension of water resource management is also critical for the future transformation of Bangladesh. As the lowest riparian country, occupying only 7% of the Ganges-Brahmaputra-Meghna river basin, but receiving water from 57 international rivers, Bangladesh faces numerous challenges associated with the greater watershed beyond its borders. Achieving sustainable water resources management in Bangladesh requires moving beyond historic obstacles toward enhanced regional cooperation with all riparian countries.

71. It is projected that climate change effects will raise temperatures, leading to rapid snow melt in the Himalayas with a high risk of sea level rise covering a significant portion of the country’s land mass. The agriculture sector is increasingly threatened by overpopulation, natural disasters and climate change effects leading to erratic weather patterns, frequent drought, exhaustion of natural resources and saline intrusion along the coast. Adaptation in agriculture will be a key element in strengthening food security in future. The country’s climate vulnerability is made more severe by the multiple inter-related environmental challenges, accounting for economic losses equivalent to 4 percent of GDP according to the Bank’s Country Environmental Assessment. High population density, rapid urbanization and strong economic growth have exacerbated air, land and water pollution to dangerous levels. Forest cover is the second lowest and protected areas coverage is the smallest share of any country in South Asia, creating pressure on biodiversity. The Sundarbans (or ‘beautiful forest’) are one of the world’s great mangrove forests, shared between India and Bangladesh and home to the endangered Bengal tiger.

72. **Country strategy:** Bangladesh is at the forefront of global climate change advocacy and action. “Caring for the Environment and Tackling Climate Change” is a focus area of the NSAPR II, which aims to achieve poverty-free environmental sustainability in Bangladesh. The NSAPR II presents “food for all” as a national goal, promoting food security through agriculture growth and sustainable management of water resources. Government is already active in addressing the climate challenge by investing heavily in adaptation measures and adopting policies to address climate change impacts. The national Climate Change Strategy and Action Plan adopted prior to the Copenhagen Summit is recognized as global ‘best practice’. It outlines the country’s strategy to scale up its resiliency to climate change. Government has already committed about US\$100 million in budgetary resources to establishment of a climate change fund to address the priority adaptation needs of the most vulnerable sectors. Government has also recently reached agreement with DPs to establish a Bangladesh Climate Change Resilience Fund. The Bank will support Government’s strategies on environmental protection and climate change resiliency through a stronger focus on the following expected outcomes:

<b>Strategic Objective 2:</b>
<b>Reduce Environmental Degradation and Vulnerability to Climate Change and Natural Disasters</b>
<b>CAS Outcomes:</b>
Outcome 2.1: Strengthened water resource management and coastal protection
Outcome 2.2: Improved agriculture production and food security
Outcome 2.3: Reduced environmental degradation
Outcome 2.4: Enhanced disaster preparedness

73. **Outcome 2.1: Strengthened water resource management and coastal protection.** Bangladesh’s 310 rivers are the lifeblood of this densely-populated landmass (1,200 inhabitants per square kilometer). In the face of high vulnerability to water-related events, Bangladesh must increase information, infrastructure and institutions related to water management. The water challenge is most complex and acute along the coastline due to the multiplicity of hazards (sea level rise, cyclones, rain storms, water logging, and surges) requiring both rapid and strategic responses. The diffused and overlapping institutional mandates for coastal development add to the challenge. While the existing coastal embankment network is large with more than 6,000 km of embankments and over 130 polders,

effectiveness has been impaired by poor maintenance, weak management, and repeated storms. The Bank will support a two-pronged strategy: (i) reinforcing coastal embankments and river conservation; and (ii) strengthening capacity of water-related institutions. Already the Bank is active in these areas under various emergency operations for restoration of embankments and livelihoods recovery. During the first two years of the CAS, this support will be enhanced through the Bangladesh Rivers Information and Conservation Project in collaboration with DPs like the Netherlands, which will include a regional component to upgrade and harmonize hydrological networks in cooperation with India. The Bank will make major investment in strengthening and developing coastal embankments during the same period. The Bank's support will complement DPs' ongoing assistance in water resource management. IFC will explore opportunities to engage with the private sector in the climate change area, complementing the Bank's assistance through the public sector.

74. In this regard, the Bank will also continue to support the South Asia Water Initiative (on-going regional Abu Dhabi Dialogue) on water cooperation. Learning lessons from the previous CAS period about disaster preparedness, the Bank Group will seek to enhance Bangladesh's capacity to protect coastal embankments, upgrade and modernize the water information system, expand water infrastructure for more reliable and productive water uses, strengthen and scale up early warning system for floods and tidal surges, and support institutional reforms and capacity building in key water resources areas. As part of its climate change mitigation strategy, IFC would support private sector-managed projects in these areas.

75. **Outcome 2.2: Improved agriculture production and food security.** The agricultural sector is a major driver of economic growth and poverty reduction, employing about 62 percent of the labor force and providing the main sources of livelihood for more than 70 percent of the rural population. The Bank Group strategy will support increased production and protection of the agriculture sector: increasing production and productivity of rice and others crops, and concurrently protecting against disasters and extreme weather events. On-going operations support rural water management and agricultural research and extension aimed at enhancing crop resiliency. During the CAS period, these operations will be complemented by support to increase food storage capacity and enhance rural livelihoods, particularly in the fisheries and dairy sectors. Analytical work, in collaboration with DPs, will further examine climate change impacts on agriculture and possible mitigation measures, including in the highly-affected Southwest Region as part of broader analytical work to unlock the potential of this lagging area of the country. Complementing the Bank's efforts, IFC's support will include ongoing advisory assistance for a small enterprise that has innovated weather stress tolerant seeds and flood, drought and saline resistant seeds, and other possible investments and advisory services in agribusiness companies.

76. **Outcome 2.3: Reduced environmental degradation and strengthened natural resource management.** The concentration of key air pollutants in Dhaka and other major cities in Bangladesh has been steadily increasing, with annual averages far higher than World Health Organization safety guidelines. Environmental factors account for as much as 22 percent of the national burden of disease, principally in the form of respiratory infections and diarrheal disease<sup>6</sup>. Environmental degradation in the Dhaka urban watershed is driven by the rapid growth of export-oriented industry, inappropriate technology, inadequate treatment processes, and unplanned, un-serviced urbanization. The river system in the watershed is being severely degraded by effluents flowing from domestic sources and industries. The Bank group is supporting the government's efforts to reduce environmental pollution and strengthen natural resource management through the recently-launched Clean Air and Sustainable Environment (CASE) Project, as well as analytical work in the field of indoor air pollution (on improved cook stoves) and outdoor air pollution (on introducing clean technologies for brick manufacturing). Additional financing for the CASE project will be considered during this CAS period in order to implement a Bus Rapid Transit system and scale up clean technology in the brick sector to reduce transport based CO<sub>2</sub> and

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<sup>6</sup> Bangladesh Country Environmental Analysis (2006).

air pollution emissions. The Bank Group will also continue to develop its operations in carbon finance in Bangladesh. IFC's SEDF will continue its Sustainable Energy Finance Program which aims to enhance the Energy Efficiency/Renewable Energy finance portfolio of financial institutions and encourages the financial sector to proactively consider environmental risk in its lending. As part of the Bank's intensified focus on urban management in the next CAS period, support will be provided to tackle industrial pollution and strengthen institutional capacity for improving the quality of the Dhaka watershed. On the rural side, technical analysis and advice is being provided on conservation challenges of the Sundarbans reserve forest while increasing the quality of life of the nearby populations. Work on the Sundarbans offers an opportunity for regional cooperation with India, with Bank analytical and financial support, including through the Global Tiger Initiative aimed at protecting Bengal tigers and doubling their population over the next 12 years.

77. **Outcome 2.4: Enhanced disaster preparedness.** The country's ability to manage disaster risks, in particular floods and cyclones, has improved as a result of a gradual shift from a reactive, response-based approach to a pro-active strategy that incorporates elements of greater emergency preparedness and risk mitigation. Significant gaps remain in the implementation of the national disaster risk management policies and local risk reduction action plans, as was evidenced in the 2009 SIDR cyclone response. Learning the lessons from the past CAS, the Bank will try to avoid ad hoc responses in favor of investing in disaster preparedness aimed at (a) further strengthening and institutionalizing preparedness, especially at the sub-national level; (b) mobilizing resources for improved local preparedness and response management; (c) mainstreaming disaster risk reduction and mitigation across sectors and down to lower levels of government, and (d) extending key risk mitigation infrastructure such as shelters and coastal and river embankments. Ongoing projects and initiative such as the Emergency Cyclone Rehabilitation and Restoration Project and the South Asia Water Initiative are strengthening the country's capacity in disaster management. Technical advice will be provided through the Global Facility for Disaster Reduction and Recovery (GFDRR) and the recently initiated Social Dimensions of Climate Change in the Ganges Basin initiatives, which will assess local adaptation responses in highly flood-prone areas of the Ganges Basin in Bangladesh. Technical and analytical work will be coupled with investments in coastal and river bank protection, cyclone shelters and food storage facilities in order to enhance disaster preparedness.

### ***Strategic objective 3: Improving social services delivery***

78. **Inclusive growth.** Bangladesh has made impressive progress on many human development indicators at an accelerating pace in recent years. Progress in Bangladesh has out-stripped progress in many other South Asian countries, setting Bangladesh on track to meet MDGs related to infant and child mortality and gender equality in education. The country has also experienced profound social transformation with the education of girls and rapid entry of women into the labor force, particularly into the dominant garment export industry. Despite these gains, areas of persistent weakness remain, particularly with respect to maternal mortality and childhood malnutrition. An important part of the solution lies in improved access to clean water and sanitation. Educational enrolment is quite high, but educational quality and learning outcomes must be improved if the country is to remain competitive in future. With 40 percent of the population still in poverty, fragile food security and a tendency toward natural disasters, the country needs effective social safety net policies and programs. Addressing these concerns will require a systemic approach to increasing the efficiency of social services delivery. In particular, it will be necessary to strengthen planning capacity, decentralize decision-making, improve the regulatory framework and enhance voice and accountability to accelerate progress on human development. Strengthening of supply-side service delivery combined with demand-side approaches will be required to increase use of essential services. Systemic governance issues will need to be addressed in order to raise the quality and cost-effectiveness of service delivery, and improve equity of access to services.

79. **Country strategy:** The NSAPR II summarizes Government’s commitment to improving human development and improving access and quality of health, education, and water services. It sets out highly ambitious targets, including attaining full literacy by 2014, ensuring the supply of pure drinking water to the entire population by 2011, reducing maternal mortality to 1.5 % and child mortality to 15 per 1000 live births by 2021. Social protection is also a core element of the poverty reduction strategy, by expanding social safety nets to protect the poor and vulnerable, especially women, from natural disasters, economic shocks and poverty. The Bank Group will build on its long-standing engagement in the social sectors in Bangladesh, where important contributions have been made to progress in health and education. The Bank will continue to work in the social sectors through harmonized approaches with other DPs, while also linking to Bank analytical work and possible development policy lending to promote decentralization, empower local government and enhance local service delivery. Specifically, Bank support will contribute to four main outcomes:

<p><b>Strategic Objective 3:</b>  <b>Improve Social Services Delivery</b></p>
<p><b>CAS Outcomes:</b>  Outcome 3.1: Improved access to quality health, population and nutrition services  Outcome 3.2: Expanded access to safe water and sanitation services  Outcome 3.3: Enhanced and more systematic social protection  Outcome 3.4: Improved student learning based on quality education services</p>

80. **Outcome 3.1: Improved access to quality health, population and nutrition services.** Despite positive progress on many aspects of health status, maternal mortality and childhood nutrition remain alarmingly poor. Fragmentation, inefficiency and weak sector governance remain constraints to provision of effective health, population and nutrition services. The Bank has had a long and productive engagement in the health sector in Bangladesh. Today, the Bank, in collaboration with DPs, is supporting Government’s Health, Nutrition and Population Sector Program (HNPSPP) through a sector-wide approach. The Bank is supporting analytical work for a Health Sector Review which will inform the next phase of the HNPSPP. The Bank is engaged with other DPs in preparing the next phase, capitalizing on the achievements of HNPSPP, with a stronger focus on results and greater attention to service delivery at the district and local levels. In particular, the Bank will support Government efforts to expand access, ensure availability and improve the quality of maternal and child health services. Joining the Bank’s efforts, IFC will explore opportunities to support private sector effort to expand access to quality healthcare services. With respect to population growth, the total fertility rate has been halved since 1990, but progress has slowed in recent years. Population growth remains a serious development challenge, and the fertility rate will need to decline further to avoid a doubling of the population within the next 40 to 50 years. This requires reinvigorated attention to reproductive health and family planning services, and their integration into health service provision at all levels of the system. In light of persistent and widespread malnutrition, the effectiveness of nutrition interventions will also be assessed, and program design will be adjusted for greater impact on the nutritional status of mothers and children. However, addressing the problem of malnutrition effectively requires more than strengthening targeted health services interventions. A broader multi-sectoral approach is also needed. Analytical work will be carried out to better understand the key constraints to achieving better nutritional outcomes through multi-sectoral approaches, and to identify high-impact interventions across all sectors that would benefit from Bank support.

81. **Outcome 3.2: Expanded access to safe water and sanitation services.** The Bank program seeks to support the government target of supplying safe drinking water to the entire population by 2011 and bringing each household under hygienic sanitation by 2013.<sup>7</sup> In rural areas, an ongoing Bank supported

<sup>7</sup> According to the 2008 Joint Monitoring Program (JMP) of WHO and UNICEF, 80% of the population is using improved water sources and 53% of the population is using improved sanitary facilities.

operation is seeking to increase sustainable access to safe services through an increased number of piped rural water supply systems, including an arsenic mitigation option, with local Public-Private Partnerships in financing and operations. In urban areas, the Bank Group, in collaboration with DPs, is supporting Government to improve the delivery of safe water, sanitation and drainage services through extension of network water, sanitation and wastewater facilities in municipalities. This includes the extension of water networks (including to urban slums), drainage improvements to reduce flooding in Dhaka, and improvements in the commercial performance and service accountability of urban utilities in Dhaka. This will be extended first to Chittagong, and then to Khulna during the CAS period. Trust funds will support water utility performance benchmarking networks and peer-to-peer learning of local government institutions that seek to identify, validate and replicate best practices in improving access to safe water and sanitation services. IFC will also explore options of supporting private sector engagement in provision of infrastructure for drinking water.

82. **Outcome 3.3: Strengthened social protection system to reduce vulnerability.** A sizeable number of Bangladesh's population remains in extreme poverty and clustered around the poverty line. This implies that even a small shock can cause large movements in poverty rates. Historically, Bangladesh has implemented an array of social safety net programs to reach the ultra poor. At present, the country has 31 social protection programs in operation. This includes 13 cash transfer programs, 7 food transfer programs and 11 social protection funds. Nonetheless, coverage is low, targeting is weak and government's planning and delivery capacity needs significant strengthening. The programs have a food support bias, adding to administrative costs and increasing leakage possibilities. Overall, social protection and social empowerment programs accounted for 15 percent of the national budget and about 2.5 percent of GDP in FY10. The World Bank will support the Government to improve the social protection system through a combination of analytical work and IDA credits. The proposed analytical and advisory activities (AAAs) will build on existing work to improve targeting, strengthen program governance, strengthen institutions, promote micro-insurance for the extreme poor, and develop capacity to scale up safety nets effectively during shocks including natural disasters. The on-going lending program supports services for the most vulnerable population groups: disabled and street children. In the first year of the CAS period, the Bank will also support Government's Employment Generation for the Poorest Program to address seasonal poverty in rural areas, with a special focus on vulnerable women. If policy dialogue advances sufficiently, the Bank will also support streamlining of diverse safety net programs through a more efficient and effective model to deepen and broaden coverage of the most vulnerable. Additional grant financing will be used to pilot innovative approaches to address vulnerability in partnership with local governments.

83. **Outcome 3.4: Improved student learning based on quality education services.** While Bangladesh has attained the gender parity MDGs in primary and secondary education, considerable challenges remain in the sector. These include high drop-out rates, low completion rates, poor learning outcomes, lack of accountability and poor governance in schools. Government strategy in the sector has moved from an initial focus on primary education to a more holistic approach including non-formal, secondary, higher and technical education. The NSAPR II reinforces this, and sets out specific goals and targets to meet the lagging MDGs and improve quality across the education system, thereby producing a more skilled and market-relevant labor force. The Bank's on-going operations reflect this holistic approach, with support for primary (under a multi donor supported program), secondary, and higher education, as well as a targeted operation for reaching out-of-school children. During the CAS period, the Bank will support an education sector review as well as an impact evaluation of the long-running secondary stipend program. Continued support will be given to a second phase of the sector-wide approach for primary education development. The Bank will also scale up results achieved in the reaching-out-of-school-children program. A programmatic series will continue to support reforms and the successful stipend program at the secondary level, while a new technical and vocational education operation will be implemented, drawing on the recommendations of earlier analytical work. IFC will also

explore investment opportunities to support centers of excellence or chain networks that can branch into rural and under-served regional areas.

***Strategic Objective 4: Enhance Accountability and Promote Inclusion***

84. ***Strengthened governance.*** Avoiding prolonged conflict and restoring democracy in Bangladesh in the 2006-2008 period was an important step forward for political governance in an otherwise challenging environment. Strengthening political and economic governance remains an uphill struggle for the country as also demonstrated by recent moves to weaken the independence of accountability and regulatory institutions, such as the ACC and the Telecom Regulatory Commission. Long-term efforts are needed to eliminate a culture of corruption in favor of performance and accountability in both the public and private sectors. Global indicators of corruption perception have improved significantly in recent years, although this has moved Bangladesh up to only the 25th percentile in worldwide rankings in 2009. Entrepreneurs consider corruption and political instability second only to power shortages as obstacles to doing business in Bangladesh. IFC investment opportunities have also been constrained by this weak governance environment. Addressing these governance shortcomings will be important to ensure a public sector better able to promote economic and human development at the pace needed to reach the country's poverty reduction and middle-income status goals. Under the NSAPR II, Government intends to address governance through, inter alia, strengthening local government, reforming the civil service, and increasing transparency and accountability through enhanced access to information and e-governance.

85. The World Bank Group's strategy to strengthen governance will be informed by the modestly encouraging reform record to date, targeting support to areas where Government has shown commitment and where the potential for positive outcomes is high. Our strategy will focus on supply side reforms as well as building demand for good governance through greater inclusion. We will seek to broaden the base for governance by promoting mechanisms to include all segments of society, with a particular focus on empowering women. Sustained improvements in governance depend on creating an environment where the public sector faces scrutiny from a broad spectrum of society to perform more effectively. In addition to assistance to public entities to improve governance practices and interface with citizens, the Bank will continue to foster demand for better governance through collaboration with civil society organizations, media and academia on research, analysis, policy discussion and constructive engagement with the Government. (See Box 6).

**Box 6: Stimulating Demand for Good Governance (DFGG)**

The World Bank Group will promote demand for good governance through its analytical work and operations. It will support initiatives to increase the provision of information about the public sector, and assist in developing tools for instituting feedback, participatory, and monitoring mechanisms which empower citizens.

The Bank will support improvement of information flows from the Government through capacity building of civil society and public officials in the use of the Right to Information Act and monitoring of its implementation. Feedback mechanisms will also be strengthened through the promotion of community driven development and the establishment of stakeholders' groups that allow civil society groups to engage with Government on public sector performance, such as through the recently formed Public-Private Procurement Stakeholders' Group.

Through Trust Funds and technical assistance, the Bank Group will foster mechanisms that allow for citizen monitoring of government performance, including public procurement. The Bank will build on the pilot review of DFGG under its operations and will conduct a comprehensive DFGG review of its entire portfolio in FY 11 to promote good practices for citizen engagement in all of its projects. Based on this review, operations will be selected under each pillar of the CAS to pilot more extensive third-party monitoring arrangements.

86. Since the political transition in early 2009, the Bank has been gauging the extent of the new Government's commitment to deepening governance reforms. Worrisome amendments to the public

procurement law led the Bank to scale back its policy-based lending until greater clarity was reached on the nature of future reforms. To move the dialogue forward, Government has agreed to prepare jointly with the Bank, an Institutional and Governance Review aimed at identifying and building broader consensus around priority governance reforms. With sufficient country ownership, such reforms could pave the way for a resumption of development policy lending by the Bank during this CAS period. Such lending would likely continue Bank support for core governance in areas like public financial management, as well as extending support for decentralized institution-building and accountability at local levels. A focus on strengthening governance will be integrated across all strategic objectives of this CAS to underpin the achievement of development results. Support will also be targeted under this pillar specifically to strengthen public sector accountability and promote inclusion in the development process, as summarized by the outcomes below:

<p><b>Strategic Objective 4:</b>  <b>Enhance Accountability and Promote Inclusion</b></p>
<p><b>CAS Outcomes:</b>  Outcome 4.1: Increased effectiveness and efficiency of public resource use  Outcome 4.2: Enhanced transparency and accessibility of public services through information technology  Outcome 4.3: Increased effectiveness of public service delivery at the local level  Outcome 4.4: Expanded participation in local development and women’s economic empowerment</p>

87. **Outcome 4.1: Increased effectiveness and efficiency of public resource use.** Support for strengthening of public financial management (PFM) will build on progress which occurred during the last CAS period, notably the adoption of a medium term budgetary framework approach, the passage of the Public Money and Budget Act 2009, the initial computerization of accounts, and strengthening of the audit process. It will address areas where substantial challenges for satisfactory performance of the public financial management system persist: the weak framework for accountability and internal control environment including the powers and culture of formal public accountability entities, inadequate capacity for strategic budget and debt management, and limited access to financial information. The primary vehicle for support will be the Strengthening Public Expenditure Management Program financed by an MDTF administered by the Bank. In addition to continued support for the Ministry of Finance, the SPEMP would strengthen system and human capacity for line ministries, the Comptroller and Auditor General and Parliamentary committees (the Public Accounts, Public Undertaking, and Estimate Committees).

88. Through the on-going second Public Procurement Reform Project, the Bank will continue to support strengthening of the public procurement system. Bangladesh’s 2006 Public Procurement Act and 2008 Public Procurement Rules were an important step forward, establishing a procurement regime with most features of international good practice, including introducing a procurement management capacity development program and piloting a procurement performance monitoring system. The 2009 amendments to the law were unhelpful, undermining the transparency of some provisions, but still leaving Bangladesh far ahead of most South Asian countries. Going forward, the Bank will focus support on implementation and monitoring of the procurement law in key sector ministries, electronic bidding (e-procurement), and social accountability mechanisms, including operation of a recently-established Public-Private Stakeholders Committee. Both public financial management and public procurement processes could be further supported by development policy lending if reform commitment is strong.

89. **Outcome 4.2: Enhanced transparency and accessibility of public services through information technology.** Lack of transparency and inefficient procedures tend to insulate public officials from their obligations in delivering services, hinder responsiveness, and provide opportunities for abuse and corruption. The interface between Government and citizens in Bangladesh could benefit from reforms to promote greater transparency and efficiency. Government has recently undertaken two important

initiatives to address this, passing the RTI Act in 2009 and promoting the use of ICT under the so-called Digital Bangladesh agenda. The Bank Group will support implementation of both initiatives during the CAS period. The joint IGR will assess how best to facilitate implementation of the RTI Act. On this basis, the Bank will support capacity building for public institutions to proactively and reactively provide information, formulate policy, and handle appeals. Already, the Bank is supporting pilots on the use of ICT in 500 village councils under the Local Government Support Project, and this would be scaled up during the CAS period. The Bank will also incorporate transparency requirements mandated by the RTI Act and the Bank's new Access to Information Policy in its operations in Bangladesh. The Bank and IFC will further the Digital Bangladesh agenda by promoting e-governance applications. This will include developing a coherent framework for the use of ICT in the public sector, including provision for interoperability of information systems among different agencies and standards to secure and ensure reliability of data. IFC will continue to assist in the automation of various government-business interfaces. Building on its work for establishing an electronic registry of business rules and regulations, IFC will provide further support to government for enhancing the supply of regulatory information and engaging stakeholders when formulating new regulations. It will also mainstream the recently piloted client satisfaction score-card for private sector related government agencies. The Bank will also support the upgrading of the country's national identification system to provide an electronic platform for better service delivery by multiple public entities.

90. **Outcome 4.3: Increased effectiveness of public service delivery at the local level.** Bangladesh is among the most centralized countries in the world, with line agencies undertaking most public service delivery functions and accounting for the bulk of public expenditures. Despite poor service delivery outcomes, resistance to decentralization and local service delivery remains significant. The election platform of the current Government called for a new paradigm to 'bring services to the doorsteps of the people', and steps have already been taken to decentralize some powers and strengthen local government. The World Bank will build on this renewed Government commitment to local service delivery and on the experience gained through the ongoing Local Government Support Project (LGSP), which has shown that efficiency and responsiveness of local services can significantly improve through provision of adequate resources and strengthened accountability at the local level. The Bank will continue to provide support through a combination of lending operations and analytical support to enhance local government capacity and accountability. Through the IGR and other advisory support, the Bank will foster a policy dialogue with Government on strengthening the institutional framework for government and public service delivery at the local level. A multi-sectoral approach will be adopted in order to link efforts on local government to core interventions for social services delivery. Implementation of the on-going LGSP, and a follow-on operation, would be the main vehicles to support this agenda, which build capacity at the village council level by enhancing the fiscal transfer system, institutionalizing accountability mechanisms, improving financial management and establishing effective monitoring systems. The LGSP model will also be supported for city corporations and urban municipalities under the next phase of the Municipal Support Project. Analytical work will be conducted in parallel with these proposed operations to assess local governments' financing, financial management and service delivery capacity for scaling up. Development policy lending may also provide a vehicle for supporting multi-sectoral reforms aimed at strengthening local government and decentralizing service delivery. IFC will expand and deepen its program of regional dialogue between local governments (including city corporations and district administration) and the private sector. Currently being piloted in four district towns, these dialogues have proven useful in identifying business issues at the local level and catalyzing actions to resolve them.

91. **Outcome 4.4: expanded participation in local development and women's economic empowerment.** Bangladesh's poorer, rural populations have not shared sufficiently in the benefits of the country's recent growth. Lack of voice and participation in decision making, especially allocation of public funds by local governments, underlies this exclusion, leading to unequal opportunities and limited ability to negotiate better terms and services and to access assets that would reduce poverty. Addressing this is

critical for more inclusive growth and poverty reduction. Recognizing the need to enhance voice and participation in development, the Government introduced a community driven development (CDD) approach in 2003 and continues to advocate this approach under the NSAPR II. The Bank's engagement in CDD in Bangladesh began with the Social Investment Program Project (SIPP), which was piloted in the two poorest districts of Jamalpur and Gaibandha. The project has demonstrated that a CDD approach is an effective mechanism to enhance poor people's voice and improve local governance. The Bank will continue to support SIPP during the CAS period, and expand its scope through a SIPP-II Empowerment and Livelihoods Program in a larger number of districts. As one element of the planned IGR, an assessment will be made of other avenues for increasing voice and participation, as well as creating social accountability mechanisms at the local level.

92. Bangladesh has made strong progress on certain aspects of gender equality, especially in childhood health and education. At the same time, women's empowerment remains weak in terms of access to paid employment and assets, as well as voice in the household and in the public sphere, in spite of a growing women's movement. The NSAPR II emphasizes the inclusion of women in all dimensions as an important strategy for accelerating growth and ensuring long-term sustainability of the development process. For its part, a significant portion of the Bank-funded portfolio and analytical work in Bangladesh has supported mainstreaming gender, particularly in human development, microfinance and community-driven development. The Bank-sponsored analysis "Whispers to Voices" is regarded as a milestone for empirical work on gender, while the Bangladesh portfolio was recognized by the Bank's IEG as 'best practice' in gender mainstreaming. The CAS will build on this track record of gender mainstreaming while going a step further by including women's economic empowerment as an expected CAS outcome. To contribute to this outcome, the Bank will pilot training and transitional support for women living in lagging areas to work in burgeoning export industries, including the dominant garment industry. The planned EGPP will also encourage women's empowerment by targeting 30 percent of the jobs created. IFC's Economic Zones program will continue to support government in improving the working conditions of women employed in the zones, with a view to replicating the results outside the zones.

### **C. Cross-Cutting Dimensions**

93. Several areas with specific CAS outcomes outlined above also have cross-cutting dimensions. Governance and gender, most notably, cut across all pillars and will be mainstreamed throughout the Bank's program. On governance, this will involve greater attention to strengthening sector institutions, implementing key sector reforms and enhancing sector-specific accountability mechanisms. On gender, this will involve gender-disaggregated analysis and gender-sensitive design and monitoring to ensure that both sexes are equally participating in, and benefitting from, the development process. In addition to governance and gender, the CAS will have two other cross-cutting dimensions, regional integration and aid effectiveness, discussed below.

94. ***Strengthening gender mainstreaming.*** Bangladesh has made impressive gains in gender equality against great odds. Perhaps its most spectacular achievement has been in education where girls' secondary enrollment rates are higher than those of boys. Education seems to have brought a virtual revolution in the Bangladeshi countryside. In health too, the achievements have been impressive. Bangladesh halved its fertility rates between 1971 and 2004, the gender gap in infant mortality has been closed and overall child mortality rates have rapidly come down. Despite these significant achievements, women continue to have very poor access to reproductive health services, and maternal mortality remains unacceptably high. Only a little over 10 percent of pregnant women give birth in medical institutions and a large proportion are malnourished during pregnancy and lactation. In the economic sphere, the micro-credit revolution continues to boost women's earning potential and economic empowerment. The thriving garment industry employs mostly young women and vast numbers of young women leave their villages to work in factories where, in earlier generations, young women were rarely seen outside their homes. However, overall

female labor force participation rates are low and women's access to wage work is limited. Women also face high levels of violence in the home and outside, and threats to their security could jeopardize their gains. In the arena of political participation, Bangladesh, like other South Asian countries, has elected female heads of government. The current cabinet has women members heading ministries traditionally regarded as men's domain. It also has quotas for women in national parliament and local government.

95. The Bank has been a longstanding partner in supporting Bangladesh's gender achievements. In operations, the Bank has integrated gender both within the traditional human development sectors and others sectors such as rural development and livelihoods. The Bank has supported the highly successful female secondary stipend program, primary education programs, health SWAps and community livelihood projects that have all contributed to gender gains. The Bank's analytical work mainstreams gender effectively. The Bank report "Whispers to Voices" is regarded as a milestone on empirical work on new and emerging gender issues. A portfolio review of gender mainstreaming in projects in Bangladesh found good integration of gender in the Bank's operations. During the CAS period, the Bank will strengthen gender mainstreaming with an increased focus on women's economic empowerment. Among the instruments, will be employment generation targeted at low-income women and an innovative pilot program to support low-income women in transitioning into labor-intensive manufacturing.

96. **Promoting regional integration.** The political transition in Bangladesh brought with it a new impetus to strengthen cooperation with India in particular, allowing more optimism about broader regional efforts to improve economic integration. The economic benefits of enhanced integration are clear and considerable for Bangladesh, with some estimates of annual growth rates increasing by as much as two percentage points. For this reason, the CAS will support opportunities for regional integration across all four strategic objectives. This includes, inter alia, support for regional transport networks and power pools (objective 1); management of common natural resources, especially rivers, coastlines and forests (objective 2), facilitation of labor mobility and enhanced regional response to malnutrition (objective 3); and regional knowledge-sharing on decentralization and empowering local government (objective 4). It is recognized that the extent of Bank support in many areas will depend on the evolution of the political dialogue and the opportunities that emerge for enhanced regional cooperation. The country program will build in sufficient flexibility to respond to emerging regional opportunities, and will seek to leverage additional resources from the regional IDA envelope as appropriate. As emphasized in its third strategic component, IFC will continue its support via South-South opportunities, trade finance, transport infrastructure projects (as materialized), and through BICF's advisory services to improve business regulations and processes.

97. **Enhancing aid effectiveness.** The effective use of aid resources is rooted in the broader issue of public resource management, which will continue to be a core focus of the Bank's support on governance (objective 4). Aid effectiveness also has specific determinants related to Government leadership on aid management and the behavior of development agencies. In Bangladesh, the Economic Relations Division of the Ministry of Finance has responsibility for coordinating aid management on behalf of Government. The formal mechanism for macro-level coordination is the Local Consultative Group (LCG), with multiple sector and thematic working groups. As a prominent development partner, the Bank is a standing member of the LCG Executive Committee, and takes the rotating lead on several sector/thematic working groups (e.g. public financial management). The Bank has worked with other DPs to support Government preparation of the NSAPR II in 2009 and hosting of a BDF in early 2010 after a hiatus of five years.

98. The Bank was also a core member in the drafting of a Joint Cooperation Strategy to serve as an action plan aimed at strengthening adherence to aid effectiveness principles summarized in the Paris Declaration and the Accra Agenda for Action. The JCS was endorsed at the BDF, and was signed by Government and eighteen DPss in June 2010. Among the actions agreed in the JCS will be adoption of a harmonized development results framework based on the NSAPR II, which can serve as a basis for

common performance assessment by development agencies. The DPs will support the NSAPR II and the results framework under their respective assistance strategies, and through operational partnerships as deemed necessary. The Bank will play a leading role in working with Government to define this results framework, which would pave the way for more harmonized, programmatic approaches among DPs. The Bank itself will make greater efforts to adhere to aid effectiveness principles, by simplifying instruments and processes under the on-going sector-wide approaches in health and education, identifying other opportunities for sector-wide and/or pooled approaches, supporting joint analytical work and joint operations with other partners, administering MDTFs in support of Government-led programs, and using the Bank's portfolio to strengthen country systems and capacity to monitor progress and manage for results.

99. **Partnerships.** The Bank Group works closely with other DPs across a range of sectors, and has been instrumental in developing sector wide approaches in health and education. In the health and nutrition program, the Bank is the coordinating agency to manage the program among the eight DPs that pool their funds. They include the EU, Canada, Germany, Sweden, Netherlands, UK and UNFPA. In the primary education development program, ADB manages the program on behalf of eleven partners which includes the Bank, Australia, Canada, EU, Japan, Netherlands, Norway, Sweden, UK, and UNICEF. The Bank is also engaged in parallel and co-financing operations in energy, infrastructure, water resources management, environment protection and local government, among others. During the CAS period, the Bank, as the coordinating donor, will finance the Padma Bridge in partnership with ADB, Japan and the Islamic Development Bank. In addition to project and program-based financing, the collaboration with DPs extends to analytical work and technical assistance. The Bank collaborates with the IMF on macroeconomic assessments. MDTFs such as SPEMP, financed by UK(DFID), European Union (EU), Denmark and Netherlands, have emerged as good practice of donor collaboration and have strengthened the partnership between the Bank and DPs. Several non-lending technical assistance (NLTA) programs are under implementation including the Swiss financed NLTA that aims to strengthen local governance. In private sector development, IFC has taken a leading role through its two facilities, SEDF and BICF, which are largely donor-financed by the EU, Norway and UK(DFID). In the area of governance, UK(DFID) is financing a TF which has provided analytical support for a range of sectors. The Bangladesh Climate Change Resilience Fund is an upcoming partnership currently supported by UK(DFID), Denmark, Sweden and EU. Besides partnerships on operations and analytical work, the Bank Group is also engaged in regular dialogue with all DPs through the LCG mechanism and through bilateral contacts. The Bank Group is committed to building on these arrangements under the proposed lending and analytical program during the CAS period. See Annex 8 for more details on aid effectiveness and existing partnerships.

### III. IMPLEMENTING THE STRATEGY

100. The Bangladesh CAS for FY11-14 builds on a strong on-going portfolio which is well-aligned with the strategic objectives of the new CAS. Relative to the previous CAS period, the new CAS will place greater emphasis on investments to accelerate growth and reduce vulnerability to climate change. In terms of CAS implementation, efforts will be made to improve programming for greater impact, through larger, more strategic operations, more operationally-relevant analytical work, better integrated TF resources and a stronger focus on managing for results.

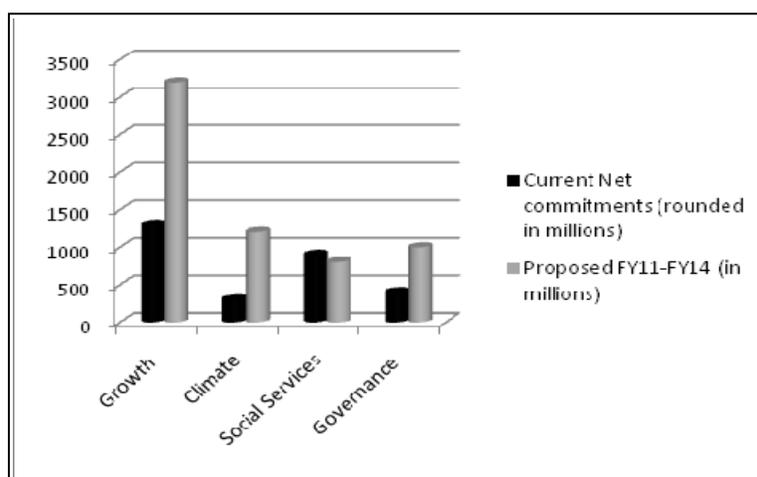
#### A. Building on the Portfolio

101. **The volume of annual commitments increased during the last CAS period.** In 2006 and 2007 annual new commitments averaged US\$420 million, rising to US\$753 million in 2008 and US\$1.1 billion in 2009, the highest ever for Bangladesh. At the end of the CAS period in July 2009, the portfolio consisted of 26 active operations with a total loan commitment of US\$2.9 billion. Out of this, US\$1.7

billion was undisbursed. Twenty nine operations (including ten DPLs) totaling US\$2.7 billion (with DPLs' share at 46%) were approved during the last CAS period.

102. **The ongoing portfolio is well positioned to support CAS outcomes.** It covers operations across the four pillars, with a larger share supporting operations falling under strategic objectives 1 and 3. This CAS builds on the portfolio while significantly ramping up assistance for infrastructure and climate change (see Table 4), and scaling up in sectors showing results. There have been visible results in bringing poor children to schools, increasing livelihoods for the vulnerable, creating access through rural road networks and expanding provision of renewable and solar energy to rural households. These successes will be consolidated through larger interventions.

**Table 4: Portfolio and Proposed Commitments by Pillar**



103. **Portfolio performance improved during the previous CAS.** Disbursements were better than the regional average, and a significant reduction occurred in portfolio at risk and problem projects. The proactivity index showed visible improvement towards the end of the CAS period. Twenty one projects exited from the portfolio during FY06-FY09. Out of these, two projects received unsatisfactory and four received marginally unsatisfactory ratings from IEG. In terms of portfolio risk flags, an average 20% of the portfolio faced two risk flags – fiduciary and project management - demonstrating the inherent institutional, governance and capacity weaknesses in public sector ministries and weak financial management and internal controls. Due to these and related constraints, implementation delays occur, also affecting faster disbursements of investment projects. In future, use of fast disbursing instruments (such as programmatic performance based investment lending) and more active monitoring have the potential to improve disbursements.

104. **Analytical work has been a central part of the country program.** It has informed future operations, and carried forward the dialogue with government and civil society. Major Economic and Sector Work (ESW) has included a Country Environment Assessment, the Bangladesh Strategy for Sustained Growth, a Country Gender Assessment, and a Poverty Assessment. Key AAA was made widely available through a new Bangladesh Development Series. Reports on emerging issues like climate change and disaster management were also prepared. Policy notes were intended to provide just in time advice to policy makers and were demand responsive. The FY11-FY14 CAS will build on this experience and further strengthen AAA work using a range of analytical and advisory instruments for core ESW, demand-based policy notes and reports.

105. ***Bangladesh is a recipient of large Trust Funds (TFs).*** Trust Funds are well integrated in the country program through AAA, co-financed operations and capacity building activities. The current TF portfolio consists of a total commitment amount of over US\$450 million and is well aligned with the CAS pillars. Major TFs are the multi-donor financed SPEMP, the UK (DFID) funded Joint Technical Assistance Program (JOTAP) on Governance, and the multi-donor financed Health SWAp. SPEMP is a comprehensive program which supports the Government in implementing financial management and budget execution reforms. JOTAP delivers an enhanced level of analytical work and policy dialogue on governance across key reform areas and sectors. The Health SWAp is the largest TF which provides co-financing to the Government's health, nutrition and population program. In addition, other TFs, such as for decentralized governance and rural water supply, have significantly contributed to enhancing policy dialogue in operations like LGSP and improving local level peer to peer learning through the Water and Sanitation Program.

106. ***During the last CAS period IFC delivered a strong program.*** Since early 2006, IFC delivered investment commitments amounting to US\$334 million (for IFC's own account), with over three quarters supporting the financial sector. All the financial market projects, except two, provided guarantees for trade transactions of SMEs. As of April 2010, IFC's portfolio had 14 projects amounting to US\$124.1 million, including US\$8.9 million for syndications. On the advisory side, IFC made significant strides since SEDF was established in 2002 and BICF was established in 2007 in partnership with UK (DFID) and the European Union. IFC's advisory services focus on: (i) investment climate, and identifying and addressing key private sector investment constraints in the country; (ii) access to finance; and (iii) SMEs' and financial institutions' capacity building. In this context, BICF promotes better business regulation; enhanced economic zones and capacity building; more business friendly policies, laws, and regulations; and strengthening of implementing institutions. BICF focuses on priorities identified through extensive consultations with various stakeholders including the private sector, government and other DPs. As IFC's largest investment climate facility devoted to a single country, BICF complements other advisory teams in Bangladesh including SEDF, Access to Finance (A2F), and Infrastructure Advisory which provides advice on PPPs.

107. ***MIGA's strategy is informed by the strategic directions of the World Bank Group.*** The Agency's current portfolio consists of one project, financed by Egyptian investors, in support of the country's telecommunications sector. The project involves the acquisition, operation and maintenance of a national mobile telephone network based on GSM technology, and aims to address the acute shortage of reliable telephone services in the country. The Agency is also providing cover for a joint venture banking facility in Afghanistan, operated by a UK investment company, ShoreCap, and a large Bangladeshi microfinance business, the Bangladesh Rural Advancement Committee (BRAC). MIGA's strategy will continue to be guided by the overall direction of the World Bank Group to support new openings anticipated during the CAS period.

## **B. Improving Programming**

108. The IDA resource envelope for the FY11-FY14 CAS, estimated at over US\$6 billion, covers the last year of IDA 15 and the full IDA 16 cycle. The indicative allocation for the IDA 16 period is assumed to be SDR 2560 million, the same as for IDA 15. Actual allocations during the CAS period will be determined on a yearly basis and will depend on: (i) total IDA resources available at the time; (ii) the country's performance rating; (iii) the performance and assistances terms of other IDA borrowers; (iv) the terms of IDA's assistance to Bangladesh (whether credit or grants); and (v) the number of IDA-eligible countries.

109. ***The lending program will be prepared and monitored around the sixteen outcomes.*** The strategic link between proposed operations and CAS outcomes will be strengthened to ensure that Bank financing is well aligned, and the new operations and on-going portfolio lead to accomplishment of desired results. With this in view, all proposed operations and AAA link directly to the anticipated outcomes. This will be further backed by sector specific frameworks developed by government ministries in collaboration with DPs. A series of SWAPs and programmatic investment lending will support these frameworks, for example in health, education and water supply, jointly with other DPs.

110. ***The Bank will diversify instrument choices.*** The indicative program includes Standard Investment Loans, additional financing for well-performing projects, programmatic performance-based Specific Investment Loans, and the flexibility to use Development Policy Lending if credible reform measures by government warrant policy lending. A clear shift already initiated is towards performance-based investment lending, currently proposed in social protection, education and rural roads. These instruments can reduce risks as disbursements will be linked to actual performance. The Bank will also deliver increased volume by leveraging sector reforms through large-scale infrastructure operations (e.g. the Padma Bridge) and significantly scaled up operations to reduce vulnerability to climate change.

111. ***Learning lessons from experience, this CAS will seek to consolidate and innovate for results.*** All new operations and AAA entering the work program will be guided by the following principles:

- a) *Sequencing* of analytical work to guide policy dialogue on reforms and influence operational design;
- b) Use of the *full range of instruments*, including a possible resumption of development policy lending in selected areas with sufficient country ownership and capacity to carry forward reforms;
- c) *Realism* to maintain a manageable portfolio aligned with the client's capacity to implement and the Bank's capacity to supervise;
- d) Increased engagement where opportunities exist for *larger, more strategic intervention*;
- e) *Scaling up* of interventions with demonstrable results and high country ownership;
- f) Within an overall context of consolidation, retaining *flexibility to innovate* and pilot through selected, smaller interventions.

112. ***Sustaining a record level of IDA resources.*** The program for FY 11 is fairly well advanced and is expected to commit the highest-ever level of annual IDA to the country, assuming continued strong performance. The FY11 commitments, reflecting significant back-loading of IDA 15, are expected to exceed the US\$2 billion mark, including US\$1.2 billion for the proposed Padma Multipurpose Bridge Project. From FY12-FY14, indicative annual allocations under IDA 16 are maintained at approximately US\$1.3 billion, on par with the IDA 15 annual allocation. The total allocation during the four-year CAS period is estimated at over US\$6 billion, contingent on country performance and progress in sector policies. The annex on Proposed IDA Lending lists the range of possible operations. A mid-cycle CAS Progress Report will provide an assessment of implementation and proposed shifts based on actual delivery.

113. ***More strategic interventions and increased average size.*** This will leverage Bank resources to meet government priorities and support reforms for transformative investments leading to better development impact. It will also enable better portfolio monitoring by the Bank while reducing the capacity strain on the client for managing scattered small projects. The average size of operations is expected to continue to rise from the US\$70 million in the earlier part of the previous decade to US\$120 million in the last year of the FY06-09 CAS to US\$150 or more million during the upcoming CAS. While

pursuing these larger interventions, the Bank will selectively include a few small operations to test innovative approaches for potential scale up. Increased use of large scale projects (such as the Padma Multipurpose Bridge Project) coupled with greater use of performance based lending is also expected to reduce risks.

114. Delivering on this increased level of financing will require strong performance on the part of the Government and the Bank. Actual financing amounts will depend on the extent to which sectoral policies and governance arrangements are conducive to effective IDA investments. In a number of areas, particularly related to infrastructure investment (such as energy and transport), key policy and institutional actions are required before expanded investment can take place. Government reform momentum and priorities may evolve, opening up new opportunities or requiring the Bank to scale back where commitment and ownership is weakened. Recognizing this, the CAS reflects engagement across the four pillars while retaining the flexibility to allocate resources based on sector and country developments.

115. ***AAA work will be sequenced to support key sector and cross-sector priorities.*** The Bank's key value added pertains to the quality of its analytical work to inform policy development and operations. AAA work will be linked to policy needs of the lending program and will also assist in enhancing the research and knowledge base in the country. Analytical work will be used flexibly to resolve issues that arise during the planning and implementation of sector reforms and large-scale investment programs, such as in infrastructure. In addition to ESW and high visibility studies, non-lending technical assistance and TFs will support policy notes on a demand basis, as well as diagnostic and operational reviews to improve operational effectiveness. Internal scrutiny of AAA tasks will mirror that for operations, with the CMU and SMUs implementing a well-coordinated mechanism for supporting demand driven analytical work. The Bangladesh Development Series will continue with a more comprehensive dissemination and outreach strategy making greater use of print and electronic media, and extending dissemination activities to different geographic locations. The Bank's new Access to Information Policy will enable easier dissemination of analytical work. WBI will provide support as a global facilitator of capacity development. It will facilitate global offerings and flagship courses linked to the CAS pillars including on governance, climate change, urban development, health, and growth.

116. ***Trust Funds will support AAA work, advance policy dialogue and pilot innovations for potential replication.*** The current robust TF portfolio will be augmented according to sector and cross sector priorities. The TFs will continue to be subjected to similar internal quality and management approval processes to those employed for standard Bank operations. The large TFs, such as SPEMP, have similar supervision processes as used for IDA credits. This focus on quality at entry and during implementation will be maintained for all upcoming TFs. TF monitoring will continue to be included in country portfolio monitoring to ensure that Task Teams are kept abreast of required actions. The CMU, through its enhanced operational capacity, will maintain quarterly monitoring updates for all TFs.

### **C. Reducing Corruption in Operations**

117. Learning lessons from the last CAS and recognizing the governance, corruption and low capacity risks, Bank operations will be strengthened through the following measures which will be systematically employed across the portfolio and at all stages of the project cycle. Annex 9 provides further details.

118. ***Corruption and governance risks will continue to be assessed for all lending operations.*** During project preparation, teams agree on safeguards with governments including institutional reform, fiduciary controls, and procurement risk mitigation plans. This practice will further be strengthened and more rigorously monitored.

119. ***New lending development will have increased sensitivity to specific corruption risks in sectors.*** In sectors where government commitment to addressing corruption is deemed insufficient and hence risks are too high, the Bank will reduce engagement. The Bank will invest more in conducting diagnostics of corruption through political economy and operational risk assessments in key sectors to inform project preparation and design and to define the extent and nature of risks across different sectors. So far three such analyses have been conducted which have contributed to sector teams' enhanced understanding of the drivers of corruption in their sectors.

120. ***The ORMAP team will operate under a modified methodology.*** The ORMAP will shift from its earlier focus on lending to overseeing risk assessments and risk monitoring for both pipeline and portfolio. This will ensure that sufficient attention is given during implementation when the need is greatest. The ORMAP work will dovetail and be integrated with the roll out of the ORAF beginning FY 11. Cross-sectoral technical support and managerial oversight will be provided to task teams in identifying governance and corruption risks under the new ORAF. The in-country team will work in close collaboration with corporate level Investment Lending Risk Team (ILRT). There will be capacity challenges in handling risk assessment and risk monitoring based on the upcoming ORAF and the specific requirements of the Bangladesh portfolio. To address this, CMU and sector teams' capacity is being strengthened, including through appropriate training, to effectively implement these changes.

121. ***Monitoring and review processes.*** More specialized monitoring of high risk projects will be led by CMU in coordination with sector units. Quarterly portfolio reviews will focus on high risk operations, and annual high level Country Portfolio Performance Reviews (CPPR) will specifically include review of progress on governance and anti corruption plans.

122. ***Engagement with government on governance and corruption risks will be maintained during both project preparation and implementation.*** The risk assessment and mitigation measures will be monitored closely and updated annually during project implementation as per the ORAF, and progress against the agreed actions plans will be reflected in the Implementation Status Reports (ISRs). The Bank management will be quick and decisive in addressing cases of corruption as they may arise in any of its projects and develop systems to reduce opportunities for the subsequent re-emergence of the problem, and, if deemed necessary disengage from projects.

123. ***Projects in the Bangladesh portfolio have been the subject of INT investigations.*** So far four INT investigations have been completed with follow up action plans agreed with the client. In sectors, where the Bank is no more providing operational support, extensive technical engagement is ongoing to improve business processes, as currently underway in the roads sector. The Country Team will also proactively engage with INT during project preparation to benefit from INT's technical guidance on high risk operations. Earlier experience of such upfront engagement with INT led to much more robust institutional risk assessment and mitigating measures for projects with high corruption risks.

124. ***Decentralized service delivery and CDD operations will be scaled up to generate greater local level accountability.*** The experience with CDD operations in Bangladesh demonstrates the high development impact of participatory planning and monitoring that has also helped to reduce corruption at the local level. The good experience of the Local Governance Support Project in improving service delivery will be expanded under a second phase. The IGR will assist in defining decentralization policy options, especially for enhanced local level accountability.

125. ***The Bank will make use of the new Access to Information policy.*** Information on Bank operations will be made more accessible and will be in public domain. Information on contracts, with grievance mechanisms - established through the Procurement Act - will be more actively posted on

websites. Information on performance of projects and results of third party monitoring will also be made available.

126. ***Trust funds will support core governance and sector governance activities.*** This will include improving the planning, budgeting and executing capacity of ministries. Other TF supported activities will include operational risk assessment for sectors; operational review of demand for good governance; third party monitoring; impact evaluations; and surveys of public perception of the overall governance environment.

127. WBI will maintain its support for the implementation of the RTI Act, and its assistance in establishing a South Asian Network for Social Accountability anchored by the Institute of Governance Studies (IGS) at BRAC University. WBI's Parliamentary program will continue with ongoing capacity building support to key oversight committees.

#### **D. Managing for Results**

128. A lesson from the previous CAS which was highlighted in the independent Country Assistance Evaluation was the need to maintain momentum on results during CAS implementation, so that the CAS becomes a tool to manage for results, rather than a static document. This requires something of a shift in mindset among Bank task teams, Government counterparts and other stakeholders to focus not only on inputs and processes, but increasingly on progress towards expected outputs and outcomes.

129. ***Results monitoring during CAS implementation.*** The starting point for a continuous focus on results is in developing a shared vision around a well-articulated results framework with measurable mid-term milestones and outcome indicators. During CAS preparation, multi-sectoral "results teams" were established around the four strategic objectives to articulate CAS outcomes and lead multi-stakeholder consultations. These results teams will be maintained through the life of the CAS, with responsibility for monitoring progress towards expected outputs and outcomes and modifying strategy as needed to manage for better results.

130. ***Catalyzing and coordinating a focus on results.*** The CMU in Dhaka will be strengthened through recruitment of a Results Specialist Operations Officer responsible for catalyzing and coordinating regular CAS monitoring and reporting on results. The CMU will also build capacity and encourage results-oriented supervision among task teams as the building block for broader portfolio reviews and CAS monitoring. This will include promoting the use of core sector indicators in portfolio monitoring. Equally important will be planned efforts by the CMU to raise awareness and strengthen capacity among implementing agencies to manage for results.

131. ***Reinvigorating Country Portfolio Performance Reviews.*** The independent evaluation also recommended reinstating regular CPPRs with the client. The CMU has already initiated quarterly technical portfolio reviews with Government, and agreed on an annual high-level portfolio review involving other DPs and stakeholders. This annual review will be broadened into an annual forum for CAS monitoring, with a particular focus on progress towards results. Results-oriented supervision by task teams will underpin portfolio reviews and CAS monitoring, but will also encourage greater proactivity for poorly-performing operations, including options such as restructuring at any point (not only at mid-term review).

132. ***Enhancing domestic accountability mechanisms.*** Ultimately, strengthening domestic accountability mechanisms will create sustained incentives to achieve better results. It is therefore important that such strengthening be mainstreamed across all CAS objectives and activities. To this end,

the Demand for Good Governance (DFGG) within the Bank's portfolio will be systematically assessed, building on an assessment of a sample of operations already undertaken. Recommendations of the portfolio assessment will lead to mainstreaming of DFGG mechanisms in new operations, as well as retrofitting as appropriate in on-going operations. Third-party monitoring has also been successful in enhancing accountability for resources and results in some on-going operations in Bangladesh. A new TF proposal will support the introduction of third-party monitoring in signature projects across all strategic objectives of the CAS, to provide an independent perspective on progress towards results.

133. ***Strengthening country capacity to manage for results.*** The Bank's own efforts to manage for results across the country program are built on Bangladeshi systems and capabilities for measuring and monitoring progress. Strengthening the country's capacity to manage for results is paramount as a foundation for sustained development. Such efforts must be incorporated across the country program and portfolio, through diverse support for planning and budgeting, institutional strengthening, statistical capacity building, sector monitoring and evaluation systems and reform of incentives to achieve results. Beyond the portfolio, the Bangladesh program will rely on sizable on-going TFs for good governance and public financial management to strengthen country capacity to manage for results.

134. ***Improving communications and outreach.*** The Bank has an interest in both achieving results and better documenting them. On both counts, an increase in the quantity and quality of communications and outreach in Bangladesh is warranted. This will be accomplished by increasing specialized communications staff, as well as empowering the CAS results teams--and every task team--to engage more extensively with civil society, the media and research institutes and think tanks. Implementation of previous communications and outreach strategies has consistently fallen short of expectations due to inadequate staffing and resources devoted to this vital area.

#### IV. MANAGING RISKS

135. Risks to the achievement of results (and to the reputation of the Bank) under this CAS are substantial, as they have been in previous CAS periods. Strenuous efforts are underway to appropriately mitigate these risks. Mitigation efforts have been described throughout the CAS document, but it is worthwhile to reiterate the major risks, as follows:

- ***Faltering commitment to reforms.*** After a year in power, Government has reached a turning point at which a stated commitment to structural reforms and good governance will need to be translated more directly into actions on the ground. Performance to date is mixed. In the governance arena, efforts to promote e-governance, right to information, a public-private stakeholder committee for public procurement, and some local government strengthening have proceeded well, while the independence of the judiciary and the ACC were weakened, and the quality of the public procurement law was diluted. This mixed performance is unsurprising, but requires a more selective approach by the Bank to successfully support reforms. The Bank, and IFC (especially BICF) in providing advisory services, will engage in investments, reforms and advisory services in sectors and areas where political commitment is sufficient, while engaging in dialogue across multiple stakeholders to identify additional entry points for meaningful reform.
- ***Weak institutional capacity.*** The poor quality of public administration continues to be a significant obstacle to effective public sector performance as manifested in weak service delivery. Civil service weaknesses have contributed to insufficient policy co-ordination and implementation capacity, ineffective public financial management, and widespread corruption. This has led to underperformance in implementing ADPs, which undermines the achievement of development outcomes. The Bank Group recognizes that institutional capacity development is a long term

agenda, and will address these concerns through: (i) support to systemic improvements in cross-cutting areas such as financial management, internal government processes and monitoring systems; (ii) support for decentralization and local service delivery, including for local municipal governments; (iii) promotion of PPPs, especially in infrastructure and social services; and (iv) more systematic knowledge transfer and use of AAA and TFs for institutional support and capacity development. At the portfolio level, the Bank will adhere to strong institutional ‘readiness filters’ for new operations and consolidate the pipeline to reduce the burden of multiple transaction costs for a client with capacity limitations.

- ***Corruption and misuse of funds.*** Although reforms in recent years have led to improvements in corruption perception in Bangladesh, the country continues to suffer from pervasive corruption according to both domestic surveys and international indicators. Corruption is having a major impact on the efficiency and transparency of service delivery, particularly for the poor. It has been a key factor in the public sector’s insufficient provision of infrastructure to sustain economic growth. Corruption also has had a direct effect on Bank-financed projects, as highlighted in several investigations into allegations of corruption. At the systemic level, Government has committed to a comprehensive program to build a more effective public financial management system over the next five years with World Bank support, and other efforts are underway to strengthen core governance. At the same time, the Bank will strengthen existing measures to reduce corruption risks in Bank-supported operations. The Bank will integrate right to information and other transparency measures such as third party monitoring of procurement and execution of projects and instituting demand for good governance in projects. The Bank will also invest more in conducting diagnostics of corruption through political economy and operational risk assessments in key sectors in order to inform project preparation and design and to define the extent and nature of risks across different sectors. These assessments and mitigation measures will be monitored closely and updated regularly during project implementation and included in high level portfolio reviews with the client. The Bank will be decisive in addressing corruption as it arises, by developing systems to reduce opportunities for re-emergence of the problem, or--if problems cannot be properly addressed--disengaging from operations.
- ***Opposition to strengthening local government.*** Local governance and service delivery reforms could be threatened by political and bureaucratic opposition to changing power relationships. Bangladesh remains one of the most centralized countries in the world, with central bureaucracy responsible for most public service delivery at all levels of government. Although the intergovernmental legal framework was recently improved and the lowest tier has instituted mechanisms for accountability, local governments are constrained by lack of resources, unclear responsibilities, and insufficient staffing. Parliamentarians exercise significant power through influence over the centralized bureaucracy and budget, and they also exercise formal ‘advisory’ authority over some levels of local government. The Bank will support government efforts to empower and strengthen local governments, promote fiscal decentralization, and local accountability and community empowerment. Widely disseminated and discussed analytical work will identify options and best practices world-wide, helping to forge consensus and strengthen public opinion against entrenched interests. Investment lending will provide continued financial and technical support to local government to directly empower communities, while development policy lending may be a tool to leverage reform if sufficient consensus and commitment exists.
- ***Obstacles to regional cooperation.*** Significant progress has been made on regional cooperation with the recent signing of cooperation agreements with India. However, the opposition party raised concerns, and has the potential to tap into public fears of a dominant India. The historic rapprochement has the potential to create regional opportunities for water resource managements,

transport, trade and energy. The Government's dialogue with Bhutan and Nepal is an opening to improve cooperation on energy and multi-modal transport. Despite promising progress during this government's tenure, further progress on regional cooperation and implementation of existing agreements hinges on maintaining strong political will and support in Bangladesh as well as across the regional country governments. The Bank Group will work across the South Asia Region, leveraging its financial and technical resources to advocate for regional cooperation and support regional initiatives. The Bank Group will foster regional dialogue in key sectors, working through its sector and country departments, as well as the Regional Department. Programming under the CAS will remain sufficiently flexible to respond to regional opportunities as they emerge, including on-going consideration of India-Bangladesh cooperation in the power sector and a proposed cross-border water resource management operation.

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## ANNEX ONE: PROGRESS TOWARDS MDGs/POVERTY REDUCTION/ SOCIAL WELFARE

### Bangladesh's Progress in Meeting the Millennium Development Goals<sup>1</sup>

1. Bangladesh has witnessed significant poverty reduction and social transformation since the 1990s, with girls' education and women employment being standout achievements. Overall, while goals related to poverty, universal primary education, gender equality, reducing child mortality, and combating HIV/AIDS and other diseases will partially or fully be met, lowering maternal mortality and chronic malnutrition continues to be a challenge.

#### Goal 1: Eradicate extreme poverty and hunger

2. Bangladesh made significant progress in *reducing poverty*. The poverty head-count rate, using the upper-poverty line, declined at an annual rate of 1.8 percent between 2000 and 2005, to reach 40 percent in 2005. This compares with a rate of 56.6 percent in 1990/91. If this pace is maintained, Bangladesh can achieve the MDG target of 29 percent head-count rate ahead of 2015. Regional inequality presents a cause for concern. Between 2000 and 2005, the poverty rate declined rapidly in Dhaka and Chittagong divisions, while it remained stagnant in Rajshahi and Barisal divisions and increased in Khulna.

3. The growth of the *employment rate* was slow at the national level. In 2006, the adult employment rate was 58.5 percent. The average annual growth rate of adult employment for the last six years was only 1.1 percent. As a result, the national adult employment rate in 2015 is estimated to be 65 percent against the target of full employment. A low female employment rate – despite recent gains – is the main bottleneck.

4. The *prevalence of underweight children* was 46.3 percent at the national level in 2007. During the 1990s child underweight rates fell at an average rate of 3.7 percent per year. Since then progress has almost ground to a halt: a meager drop of 1.7 percentage points in 7 years since the turn of the century (the issue of chronic malnutrition is common to most South Asian countries). Nearly one out of two children under-five are underweight, and more than one in three is stunted (BDHS 2007). Meanwhile, the *share of the population suffering from calorie deficiency* (those who consume less than 1805 kcal per day) is declining. As of 2005, 19.5 percent of population suffered from calorie deficiency in comparison to 28 percent in 1991/92. If the present trend continues, Bangladesh may reach a calorie deficiency of 15 percent, very close to the 2015 target of 14 percent.

#### Goal 2: Achieve universal primary education

5. Bangladesh took several initiatives following the World Conference on Primary Education in 1990 and the Millennium Summit in 2000. These initiatives have led to progress in all the three areas in different degrees under Goal 2. Achievement in the area of gender parity has been particularly noteworthy, although geographical variations exist. Based on the Ministry of Primary and Mass Education's administrative data, the *net enrolment rate in primary education* is on track. The net enrolment ratio in 2007 was more than 91 percent,<sup>2</sup> with dominance of girls' enrolment. Growth

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<sup>1</sup> This Annex draws on the references listed at the end, especially the 2008 Progress Report on the MDGs. In an exercise of this kind, the data are drawn from various sources and are therefore often not comparable over time. In addition, when multiple data sources are available for a given indicator at a point in time, either (i) both sources have been cited, or (ii) the more robust indicator has been reported.

<sup>2</sup> The Household and Income Expenditure Survey (2005) data shows NER at 67%.

performance in the other two areas - completion rate and adult literacy rate - has been lagging, making it difficult to achieve the MDG targets. Progress in the *completion rate of primary education* has been slow. With the baseline rate in 1990 at only 40 percent, the completion rate of primary education for boys went up to 51 percent in 2008. In 2015, two-third of the school-going children will complete their primary education. The completion rate varies disproportionately across the country. It was very low in Rajshahi Division, with a higher dropout rate in the *monga (seasonal poverty)*-prone areas and in the Padma-Jamuna-Brahmaputra basin. The completion rate was comparatively better in Khulna and Barisal Divisions. A higher completion rate (more than 60 percent) was found in 15 districts in the southern areas of Bangladesh. The 15-plus year *literacy rate* – a proxy indicator of the youth literacy rate (15-24 years) – shows that 56 percent of the people were literate in 2007, with adult male literacy rate at 63 percent and adult female literacy rate at 54 percent.

### **Goal 3: Promote gender equality and empower women**

6. Bangladesh has already achieved *gender parity in primary and secondary education* at the national level, although geographical variations exist. The share of females in total enrolments is now close to 52 percent in primary education, and 55 percent in secondary education, compared to under 40 percent in early 1990s. *Gender parity at the tertiary level* has also improved. In 2006, the male-female ratio was 62:38 in the tertiary level enrolment in the public universities, colleges under the National University and the technical universities/colleges. The estimated trend shows that male-female ratio will be 55:45 in 2015. Low female enrolment in science education has resulted in a high gender disparity at the tertiary level.

7. The recent general elections in 2008 saw an increase in the number of elected *women parliamentarians*. Female parliamentarians account for 18.6 percent of total seats (Total number: 64 of which 19 are elected and 45 are selected by Parliamentarians). Of the current 44 member cabinet, 13.6 percent are women holding important portfolios such as the Ministry of Foreign Affairs, Ministry of Labor and Employment, Ministry of Expatriates Welfare and Overseas Employment, Ministry of Agriculture, Ministry of Home Affairs, and Ministry of Women and Children's Affairs under the leadership of a female Prime Minister. However, *wage employment for women* in Bangladesh is still very low despite a recent uptick in women's employment in the readymade garment sector. Only one woman out of every seven is engaged in wage employment in the non-agricultural sector. To cope with the gender challenges, NSAPR II envisages women's advancement to create a society where men and women will have equal opportunities in all spheres of life.

### **Goal 4: Reduce child mortality**

8. Bangladesh has made remarkable progress in reducing *under-five mortality* since 1991. Between 1991-2007, the under-five mortality rate dropped by more than 50 percent to 65 deaths per 1,000, outpacing progress in other countries in the region. A similar decline was seen in *infant mortality*. If this trend continues, Bangladesh will reach the Goal 4 targets by 2015. High *immunization coverage* is one of the factors responsible for the marked reduction in child mortality. There are, however, some lagging regions such as Sylhet, which have considerably higher mortality rates and require special attention if the country is to reach the target uniformly by 2015. Under the multi donor supported HNPS, there are comprehensive interventions for reducing child mortality in the country.

### **Goal 5: Improve maternal health<sup>3</sup>**

9. Most of the indicators for achieving the targets under Goal 5 are off track. While data for *maternal mortality rates* varies widely, even under the most optimistic scenario, Bangladesh will not reach the MDG goal of 143 deaths per 100,000 live births. This is due mostly to the slow *uptake of skilled delivery services* – which, despite doubling since 1993, remains low at 18 percent and far below the 50 percent target – as well as low utilization of institutional deliveries (less than 15 percent of deliveries took place in a health facility in 2007). High *fertility rates* in some regions, such as Sylhet and Chittagong, also contribute to the high maternal mortality rate. Other contributing factors include the early age of marriage and high *adolescent fertility rate*; by the age of 19, 65 percent of Bangladeshi women have given birth to their first child.

10. There are, however, some encouraging signs. The proportion of pregnant mothers who received at least one Ante Natal Care *intervention* from a medically trained provider (doctor/nurse, trained midwife) more than doubled from 28 to 60 percent during 1993-2007. Mothers who received two or more tetanus toxoid vaccines during pregnancy increased from 49 to 60 percent in the same period.

### **Goal 6: Combat HIV/AIDS, malaria and other diseases**

11. Bangladesh has performed well in halting communicable diseases (HIV/AIDS, malaria and tuberculosis), which are under Goal 6. HIV/AIDS data show that *the prevalence of HIV infections* among adults is now 0.32 per 100,000 people and it is estimated that it will be 1.3 per 100,000 people by 2015, which is low compared to other countries in the region. While the disease is concentrated among Injecting Drug Users in Dhaka, cases are increasingly being detected in other large cities. The *prevalence of malaria and tuberculosis* show that the country will be able to halt the two diseases by 2015. In 2008, the prevalence of malaria was 59 per 100,000 people in Bangladesh and the prevalence of tuberculosis was 225 per 100,000 people in 2007. There was a significant improvement in the *reduction of malarial deaths* in the country over the years. The *cure rate for tuberculosis* is ninety-two percent, which exceeds the target.

### **Goal 7: Ensure environmental sustainability**

12. Bangladesh is largely on track in relation to the Goal 7. It has taken significant steps to incorporate *sustainable environment into policy as well as programs*. It has achieved successes in increasing access to *drinking water* and *reforestation* in urban areas through the social forestry movement. Around half of the area of Bangladesh has basic tree coverage, while approximately 19.2 percent of the land has tree cover of 10 percent and above (defined as the forest coverage of the country). According to current estimates, the target of high-density tree coverage (20 percent) could be achieved by 2015. However, Bangladesh has less than 0.02 hectares of forest land per person, one of the lowest forest-people ratios in the world, and, in addition, forests are declining at a rate of nearly 70,000 hectares per year.

13. *Carbon dioxide and CFC (should perhaps be spelt out?) emissions* by Bangladesh are low. About 82 percent of urban and 72 percent of the rural population use *safe drinking water*. About 39 percent of the population has access to improved *sanitation*. *Slum settlements* have grown rapidly in recent years. The sanitary condition of urban slums is very poor. Most of the slum dwellers have no latrines, and only a few have pit or surface latrines. Access to safe water for all is a challenge, given the impact of arsenic and salinity on safe water availability.

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<sup>3</sup> The Bangladesh Demographic and Health Survey is the source of information for data not in the table.

## **Goal 8: Develop a global partnership for development**

14. Net *Official Development Assistance (ODA) inflow* into Bangladesh has declined from \$1.4 billion in FY92 to slightly over \$1 billion in FY09. On the other hand, the cost of *servicing this debt* has declined from 9.8 percent (FY92) to 2.9 percent (FY09) of total exports of goods and services.<sup>4</sup> The Local Consultative Group is a mechanism through which donors coordinate and align their aid in Bangladesh to improve its effectiveness. The number of *ICT* users is very low, as only three internet connections were available per 100 populations in 2008. The government aims to promote ICT in a comprehensive way, including in hard-to-reach areas, in order to fulfill the government vision of a “*Digital Bangladesh*” by 2021.

### **References:**

- i) Millennium Development Goals, Bangladesh Progress Report, 2008, General Economics Division, Planning Commission, Government of the People’s Republic of Bangladesh.
- ii) A Situation Analysis Report on Poverty and Hunger (MDG 1) - Bangladesh, General Economics Division, Planning Commission, Government of the People’s Republic of Bangladesh & UNDP Bangladesh.
- iii) A Situation Analysis Report on Education (MDG 2) - Bangladesh, General Economics Division, Planning Commission, Government of the People’s Republic of Bangladesh & UNDP Bangladesh.
- iv) A Situation Analysis Report on Gender (MDG 3) - Bangladesh, General Economics Division, Planning Commission, Government of the People’s Republic of Bangladesh & UNDP Bangladesh.
- v) A Situation Analysis Report on Health (MDG 4, 5, 6) - Bangladesh, General Economics Division, Planning Commission, Government of the People’s Republic of Bangladesh & UNDP Bangladesh.
- vi) A Situation Analysis Report on Environment (MDG 7) - Bangladesh, General Economics Division, Planning Commission, Government of the People’s Republic of Bangladesh & UNDP Bangladesh.
- vii) Household Income and Expenditure Survey, 2005
- viii) World Development Indicators, Various years, The World Bank.

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<sup>4</sup> Cost of external debt service expressed as a percentage of the sum of merchandize exports, service exports and workers’ remittances.

<b>Bangladesh Millennium Development Goals: Progress at a Glance</b>					
<b>Goals, Targets and Indicators (revised)</b>	<b>Base Year 1990/91</b>	<b>Mid-Term Report 2007</b>	<b>Current Status</b>	<b>Target by 2015</b>	<b>Status</b>
<b>Goal 1: Eradicate extreme poverty and hunger</b>	<b>Goal will partially be met</b>				
<b>Target 1.A: Halve by 2015 the proportion of people living below the poverty line</b>					
1.1 Proportion of population below national upper poverty line(2122 kcal), percent	56.6	40.0 (2005)	40.0 (2005)	29.0	On track
1.2 Poverty gap ratio	17.0	9.0 (2005)	9.0( 2005)	8.0	On track
1.3 Share of poorest quintile in national consumption, percent	6.5	5.3 (2005)	5.3 (2005)	na	...
<b>Target 1.B: Achieve full and productive employment and decent work for all, including women and young people</b>					
1.5 Employment to eligible population ratio	48.5	..	58.5(2006)	for all	Not achievable by 2015
<b>Target 1.C: Halve by 2015 the proportion of people who suffer from hunger</b>					
1.8 Prevalence of underweight children under-five years of age (6-59) percent	66.0	47.5 (2004)	46.3(2007)	33.0	Not achievable by 2015
1.9 Proportion of Population below minimum level of dietary energy consumption (percent)	28.0	19.5(2005)	19.5(2005)	14.0	May end up close to the mark
<b>Goal 2: Achieve universal primary education</b>	<b>Goal will partially be met</b>				
<b>Target 2.A: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling</b>					
2.1 Net enrollment ratio in primary education, percent	60.5	87.2 (2005)	91.1 (2007, MOPME) (67%, 2005 HIES)	100.0	On track based on MOPME admin. data
2.2 Proportion of pupils starting grade 1 who reach grade 5, percent	40.7	49.5 (2007)	52.0 (2007)	100.0	Not achievable by 2015
2.3 Adult literacy rate of 15+ years old population ( proxy), percent	37.2	54.0 (2006)	56.3(2007)	..	..
Adult literacy rate of 15-24 years of population (Female), percent	..	..	69.9 (2006)	..	..
<b>Goal 3: Promote gender equality and empower women</b>	<b>Goal will probably be met</b>				
<b>Target 3.A: Eliminate gender disparity in primary and secondary education preferably by 2005 and at all levels by 2015</b>					
3.1a Ratio of girls to boys in primary education (Gender Parity Index= Girls/Boys)	0.83	1.1(2005)	1.08 (2007)	1.0	On track, but with geographical variations

<b>Bangladesh Millennium Development Goals: Progress at a Glance</b>					
<b>Goals, Targets and Indicators (revised)</b>	<b>Base Year</b>	<b>Mid-Term</b>	<b>Current Status</b>	<b>Target by</b>	<b>Status</b>
3.1b Ratio of girls to boys in secondary education (Gender Parity Index= Girls/Boys)	0.52	1.0 (2005)	1.08(2006)	1.0	On track, but with geographical variations
3.1c Ratio of girls to boys in tertiary education (Gender Parity Index= Girls/Boys)	0.37	0.56(2005)	0.61 (2006)	1.0	Not achievable by 2015
3.2 Share of women employed in the nonagricultural sector (percent)	19.1	..	14.6 (2005)	50.0	Not achievable by 2015
3.3 Proportion of seats held by women in national parliament (percent)	12.7	..	18.6 (2009)	33.0	Difficult to judge
<b>Goal 4: Reduce child mortality</b>	<b>Goal will be met</b>				
<b>Target 4.A: Reduce by two thirds by 2015 the under 5 mortality rate</b>					
4.1 Under 5 mortality rate (per 1,000)	146	88 (2004)	65 (2007)	48	On track
4.2 Infant mortality rate (per 1,000 live births)	92	65 (2004)	52 (2007)	31	On track
4.3 Immunization, measles (percent of children under 12 months)	54.0	70.3 (2004)	77.2 (2007)	100.0	On track
<b>Goal 5: Improve maternal health</b>	<b>Goal will not be met</b>				
<b>Target 6: Reduce by three quarters, by 2015, the maternal mortality ratio</b>					
5.1 Maternal mortality ratio (per 100,000 live births)	574	320 (2001)		143	Not achievable by 2015
5.2 Births attended by skilled health staff (percent of total)	9.5	13.4 (2004)	18.0 (2007)	50.0 <sup>5</sup>	Not achievable by 2015
<b>Target 5.B: Achieve, by 2015, universal access to reproductive health.</b>					
5.3 Contraceptive prevalence rate , percent	39.9	58.1 (2004)	59.0 (2007)	..	..
5.4 Adolescent fertility rate, per 1000 women	140	135 (2004)	126 (2007)	..	..
5.5a Antenatal care coverage (at least one visit), percent	27.5 (1993)	55.9 (2004)	60.3 (2007)	100.00	will be close
5.5b Antenatal care coverage (at least four visits), percent	5.5 (1993)	15.9 (2004)	20.6 (2007)	100	Not achievable by 2015
5.6 Unmet need for family planning, %	19.4 (1993)	11.3 (2004)	17.1 (2007)	..	..

<sup>5</sup> Bangladesh Maternal Health Strategy 2001 by Govt. of Bangladesh.

Bangladesh Millennium Development Goals: Progress at a Glance					
Goals, Targets and Indicators (revised)	Base Year	Mid-Term	Current Status	Target by	Status
<b>Goal 6: Combat HIV/AIDS, malaria, and other diseases</b>	<b>Goal will largely be met</b>				
<b>Target 6.A: Have halted by 2015 and begin to reverse the spread of HIV/AIDS</b>					
6.1 HIV prevalence among population (per 100,000 population)	0.005	..	0.319 (2007)	Halting	On track
6.2 Condom use rate, percent	3.0	4.2 (2004)	4.5 (2007)	No target	Low Use
6.3 Proportion of population aged 15-24 years with comprehensive correct knowledge of HIV/AIDS, percent		..	22 (2006)	..	Low Knowledge
<b>Target 6.C: Have halted by 2015 and begin to reverse the incidence of malaria and other major diseases</b>					
6.6a Prevalence of Malaria per 100,000 population	43 (2000)	34 (2005)	59 (2008)	Halting	On track
6.6b Death rate associated with Malaria per 100,000 population	0.37 (2000)	0.35(2005)	0.11(2008)	Halting	On track
6.7 Proportion of Children under-5 sleeping under insecticide treated bed nets [13 Malaria prone districts] percent	..	..	89 (2008)	..	Insufficient evidence
6.9a Prevalence of TB per 100,000 population	264 (1990)	406 (2005)	225(2007)	Halting	On track
6.9b Death rate associated with TB per 100,000 population	76 (1990)	47 (2005)	45 (2007)	Halving	On track
6.10a Detection rate of TB under DOTS, percent	21 (1994)	46 (2004)	72 (2008)	Sustain	On track
6.10b Cure rate of TB under DOTS, percent	73 (1994)	85 (2004)	92 (2008)	Sustain	On track
<b>Goal 7: Ensure environmental sustainability</b>	<b>Insufficient data</b>				
<b>Target 7.A: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources</b>					
<b>Target 7.B: Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss</b>					
7.1 Proportion of land area covered by forest (percent) (tree coverage)	9.0	...	19.2 (2007) Tree density>10%	20 Tree Density >70%	On track
7.2 CO2 emissions, metric tons per capita	0.14	0.3 (2006)	0.30 (2007)	..	Insufficient data
7.3 Consumption of ozone-depleting CFCs in metric tons	195.0	196.2 (2006)	155 (2007)	0.0	On track

<b>Bangladesh Millennium Development Goals: Progress at a Glance</b>					
<b>Goals, Targets and Indicators (revised)</b>	<b>Base Year</b>	<b>Mid-Term</b>	<b>Current Status</b>	<b>Target by</b>	<b>Status</b>
7.4 Proportion of fish stocks within safe biological limits					Insufficient data
7.5 Proportion of total water resources used, percent		..	6.6 (2000)		Insufficient data
7.6 Proportion of terrestrial and marine areas protected, percent	1.64	..	1.68 (2007)	5.0	Not achievable by 2015
7.7 Proportion of species threatened with extinction					Insufficient data
<b>Target 7.C: Halve, by 2015, the proportion of people without sustainable access to safe drinking water and sanitation</b>					
7.8 Proportion of population using an improved drinking water sources, percent			85.2 (2008, MICS) 80.0 (2008, JMP)	89.0	On track
7.9 Proportion of population using an improved sanitation facility, percent		..	80 (2008, MICS) 53 (2008, JMP)	70.0	On track
<b>Target 7.D: By 2020 have achieved a significant improvement in the lives of at least 100 million slum dwellers</b>					
7.10 Proportion of urban population living in slums, percent	...	..	7.8 (2001)		Insufficient data
<b>Goal 8: Develop a global partnership for development</b>					
<b>Target 8.A: Developed further an open, rule-based, predictable, non discriminatory trading and financial system</b>					
<b>Target 8.B: Address the special needs of the least developed countries</b>					
<b>Target 8.C: Address the special needs of landlocked developing countries and small developing states</b>					
<b>Target 8.D: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term</b>					
8.1a Net ODA received by Bangladesh (million US\$ )	1240		1000 ( 2008-09)	..	..
8.1b Net ODA received by Bangladesh, as percentage of OECD/DAC donors' GNI	5.7	0.2 (2006)	0.2 (2006)	..	..
8.2 Proportion of total bilateral sector-allocable ODA to basic social services, percent		42 (2005)	42 (2005)	..	..
8.3 Proportion of bilateral ODA of OECD/DAC donors that is untied (received by Bangladesh) , percent		82(2005)	82(2005)	..	..
8.7 Average tariffs imposed by developed countries on agricultural products, textiles and clothing from developing country (Bangladesh),		12-16 (2006)	12-16 (2006)	..	..

Bangladesh Millennium Development Goals: Progress at a Glance					
Goals, Targets and Indicators (revised)	Base Year	Mid-Term	Current Status	Target by	Status
percent					
8.12 Debt service as a percentage of exports of goods and services	11.0	4.1 (2005-06)	2.9 (2008-09)	..	
<b>Target 8.F: In cooperation with the private sector, make available the benefits of new technologies, specially information and communication</b>					
8.14 Telephone lines per 100 population	0.2	13.6 (2006)	0.92 (2008)	...	Low Users
8.15 Cellular subscribers per 100 population			30.8 (2008)	..	
8.16 Internet users (per 100 people)	0.0	0.2 (2006)	3.4 (2008)	...	Low Users

Based on UNDP MDG monitoring at <http://www.undp.org.bd/mdgs.php>.

Source: Indicators 1.1, 1.2, 1.3 & 1.9 (HIES, 2005); Indicator 1.5 (LFS, 2006); Indicators 1.8 (BDHS, NIPORT); Indicator 2.1, Indicator 2.2 (DPE, 2007); Indicator 2.3 (SVRS, 2007); Indicator 2.3a (MICS, 2006); Indicators 3.1 (BANBEIS), Indicator 3.2, 3.3 (Year Book, BBS); Indicator 4.1, Indicator 4.2, Indicator 4.3 (BDHS, NIPORT); Indicator 5.1 (BMMS, NIPORT); Indicator 5.2, Indicator 5.3, Indicator 5.4, Indicator 5.5a, Indicator 5.5b, Indicator 5.6 (BDHS, NIPORT); Indicator 6.1, Indicator 6.6a, Indicator 6.6b (DG Health); Indicator 6.9a, Indicator 6.9b, Indicator 6.10a, Indicator 10b (NTP, DG Health); Indicator 6.2 (BDHS, NIPORT); Indicator 6.3 (NASP); Indicator 7.1, Indicator 7.6 (DoF); Indicator 7.2, Indicator 7.3 (DoE); Indicator 7.8, Indicator 7.9 (Multiple Indicators Cluster Survey; Joint Monitoring Program); Indicator 7.10 (Pop Census, BBS); Indicator 8.1, Indicator 8.2, Indicator 8.12 (ERD); Indicator 8.14 (BBS); Indicator 8.14, Indicator 8.15, Indicator 8.16 (BTRC).

## ANNEX TWO: STRENGTHENING GOVERNANCE

### A. The Governance Context: Issues and Approaches

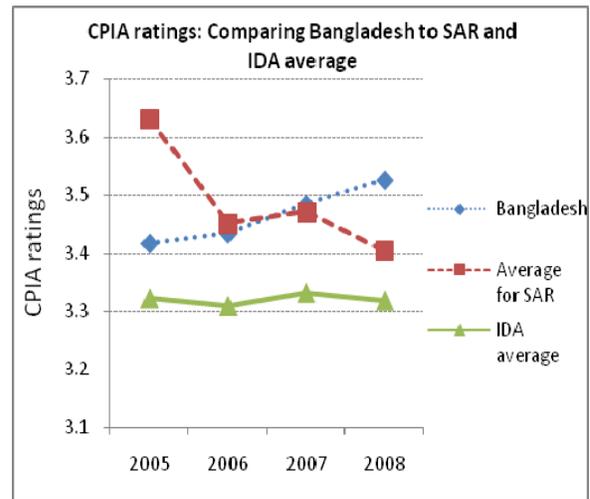
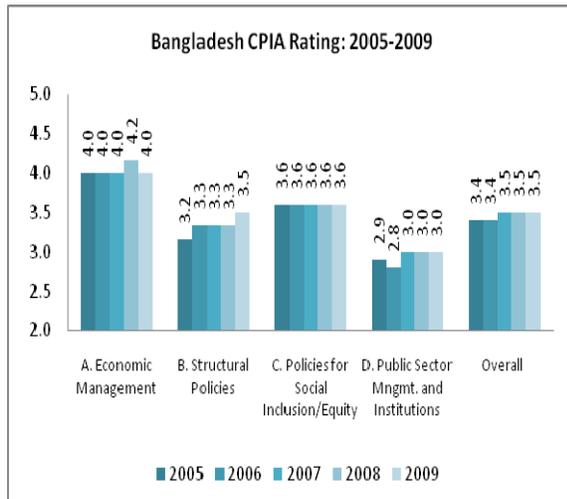
1. **Bangladesh has strong elements of democracy, but many diagnostics of the performance of public institutions point to significant weaknesses.** Power has alternated relatively peacefully between the two major parties through the electoral process for most of the period since 1991. The recent December 2008 elections were largely considered free and fair, with extraordinary effort undertaken to ensure franchise to citizens through the establishment of a reliable voter registry. Bangladesh also has one of the most extensive and vibrant non-governmental sectors in the world, with more focus on directly providing services to people and lesser on an advocacy role. However, these democratic elements have not led to measurable improvement in public sector performance. Bangladesh ranks in the bottom third in global governance indices such as the Doing Business rankings, the WBI indicators for government effectiveness and rule of law, as well as Transparency International's Corruption Perceptions Index (see Figure 1). Reviews of the country's governance, most notably by Bangladeshi experts such as BRAC University's State of Governance Reports, have noted entrenched problems in many key public institutions.

**Figure 1. State of Governance in Bangladesh and Regional and Per Capita Income Comparators**

	<b>Government Effectiveness, percentile, WBI 2008</b>	<b>Rule of Law, percentile, WBI 2008</b>	<b>Corruption Perception Index, ranking converted to percentile, Transparency International 2009</b>	<b>Doing Business, ranking converted to percentile, IFC 2010</b>	<b>GNI Per Capita, USD PPP method, World Bank 2008</b>
<b>Bangladesh</b>	<b>22.7</b>	<b>27.3</b>	<b>22.8</b>	<b>35.0</b>	<b>1440</b>
India	53.6	16.7	53.3	27.3	2960
Pakistan	25.6	19.1	22.8	53.6	2700
Nepal	24.2	24.9	20.6	32.8	1120
Indonesia	47.4	28.7	43.9	33.3	3830
Vietnam	45.5	41.6	33.3	49.2	2700
Nigeria	13.3	11.5	27.8	31.7	1940
Kenya	32.2	17.7	18.9	48.1	1570

2. **Bangladesh's performance in the Bank's Country Policy and Institutional Assessment (CPIA) ratings has remained above the average for IDA recipients.** The consistent performance on CPIA ratings underscores the stability and resilience of the country's policy and institutional framework throughout periods of political transition and natural and economic crises (Figure 2a). Figure 2b shows that Bangladesh has performed consistently better than the IDA average and, as a result of reforms under the Caretaker Government in 2007-8, surpassed the SAR average in 2008. Moreover, Bangladesh has consistently been rated higher on the CPIA criteria in the economic management cluster than the SAR and IDA average. At the same time, Bangladesh's scores for the specific cluster measuring public sector management and institutions are at par with the IDA average and slightly below the SAR average.

**Figures 2a and 2b: CPIA Ratings**



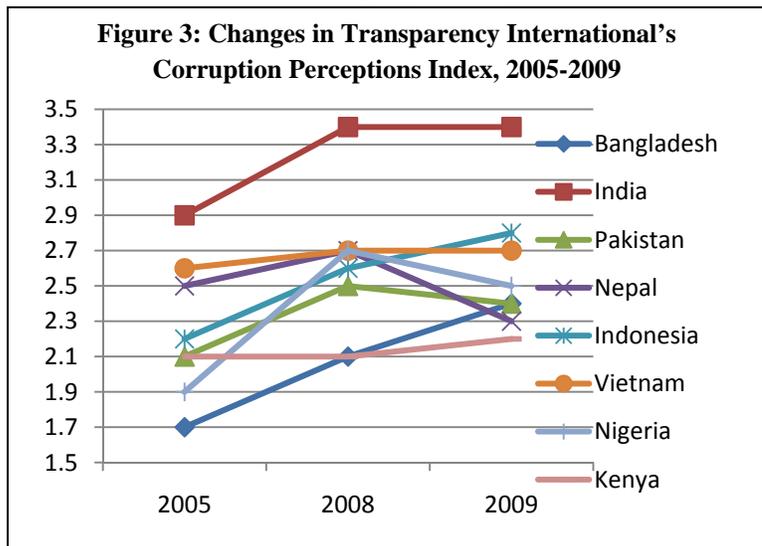
3. **Despite recent progress, Bangladesh’s system of political governance creates strong incentives that run counter to the interests of improving governance.** Internal and external commentators, including IGS, stress that Bangladesh’s political system continues to be marked by an extreme form of ‘winner-takes-all’ competition between the major parties and a culture of confrontation that excludes political opposition from its legitimate place in a democratic polity. This political system has encouraged the ruling party to subordinate state institutions to its own interests rather than seeking to build effective institutions with internal checks and balances. This partisanship has affected personnel policies in many State institutions, most notably in the senior civil service, the judiciary, and in law enforcement agencies, but also at other levels, including non-governmental professional associations. The problem has been compounded by the lack of internal democracy within the political parties where the chairpersons enjoy significant authority over all operations. Despite recent legislation which seeks to reform the internal workings of political parties, power has remained centralized in the hands of party leadership.

4. **Parliament provides few institutional restraints on executive power, though the current convocation is marginally better performing.** Although Bangladesh’s legislative framework contains checks and balances, in practice the leadership of whichever party takes office is pre-eminent over all institutions. Parliament does not enforce accountability from the executive in large part because the opposition has tended to be marginalized from oversight and the legislative process. There is a constitutional bar on Members of Parliament voting against his or her party (or even abstaining from a vote) which removes any restraint on a sitting Prime Minister arising from parliamentarians “crossing the floor”. The current, 9<sup>th</sup> Parliament has proven to be moderately more effective as a policy-making institution, with rapidly formed and more active standing committees and some level of opposition participation in committees and plenary sessions.

5. **The justice system is subject to executive interference.** Rather than being strengthened and consolidated, significant safeguards of judicial independence in the 1972 Constitution have been diluted over the years through constitutional amendments as political actors have sought to consolidate political and economic power. As in many low income countries, the executive retains substantial de facto control over the judiciary through the system of appointments to the High Court and administration of the court system. Judicial integrity and quality have been further degraded due to the drastic fall in the real and relative value of judicial salaries and benefits and the failure to preserve non-material incentives (such as status and prestige) for judicial service. Excessive delays seriously compromise the ability of the court system to enforce contracts and property rights: a civil case may on average take five years to resolve

between filing and the decision of a district court. The delays reflect the lack of modern case management; weak court administration; and deliberate delays on the part of litigants (and their lawyers) to avoid resolution when their cases are weak. Contract enforcement is rarely pursued in the courts, and often occurs through reliance on criminal elements. The ability of the Bangladeshi judicial system to enforce its own judgments is poor.

6. **Bangladesh has an institutional framework for countering corruption and has seen some improvement in global corruption perception indicators from a very low base.** Bangladesh has anti-corruption legislation in place, ratified the UN Convention Against Corruption, and established an ACC endowed with significant independence in investigating and prosecuting corruption. Under the previous military-backed CTG, the ACC played an active role in prosecuting cases against a large number of politicians and bureaucrats, including the leaders of the country's main political parties, though its effectiveness was eventually undercut as deals were made with the major political parties to ensure their participation in the December 2008 election. These earlier steps contributed to improving scores on international corruption perceptions indices in contrast to static or declining rankings among comparators by region and per capita GNI (see Figure 3).



7. **However, the current Government's actions have undercut progress on prosecution of corruption.** Although the current Government has stated commitment to having an independent ACC, it has moved to weaken the institution. In April 2010 the Government endorsed amendments to the ACC Act that will substantially limit the Commission's autonomy and ability to investigate corruption. If, as expected, Parliament adopts these amendments, the role of the Commission will be similar to that of the previous ineffective Anti-Corruption Bureau. Furthermore, over the course of the past year of elected Government, the ACC itself has launched far fewer corruption cases than it had during the CTG period. A Government commission has recommended the withdrawal of thousands of corruption-related cases, almost entirely involving Awami League members. Finally, the courts themselves have either delayed or dismissed numerous corruption cases in the past year. The current Government has emphasized that it seeks to fight corruption primarily through preventive measures, particularly through use of ICT to reduce opportunities for rent-seeking by officials.

8. **Bangladesh remains one of the most centralized countries in the world.** The central bureaucracy continues to be responsible for most public service delivery at all levels of government. Local government expenditures have never been more than 4% of overall public expenditures, less than the budget for core operations of the central Ministry for Local Government, Rural Development and Cooperatives. There are four tiers of sub-national administration, with locally elected councils or boards in the two lowest tiers and in municipalities and the country's six major cities. Although the inter-governmental legal framework was recently improved and the lowest tier – the Union *Parishads* – have instituted mechanisms for accountability, local governments are constrained in responding to citizens needs because they lack resources, major service responsibilities, and human resources. Members of Parliament exercise significant local power through their ability to influence centralized bureaucracy, direct special funds to specific projects, and in the case of the second lowest tier, the *upazilas*, formal

‘advisory’ authority over local government. Centralization of power and consequent weak local accountability has contributed to poor service delivery at the local level.

**9. The poor quality of public administration continues to be a significant obstacle to effective public sector performance.** Public administration is characterized by weak policy co-ordination and implementation capacity, a poor incentive structure, serious capacity deficits, ineffective public financial management, and widespread corruption. The bureaucratic culture emphasizes process over results or outcomes, with opacity often buttressing patron-client relationships. Weakness in the ability to implement policy has led to persistent inability to carry out ADPs. Most important, as IGS and other commentators note that there has been increasing politicization of the bureaucracy. This trend continued under the current Government, which transferred hundreds of senior civil servants soon after taking office. Politicization has led to a civil service where partisan affiliation rather than merit has become an important criterion for recruitment and career progression within the career service.

**10. Public Financial Management (PFM) has improved in recent years, but further work is needed.** Improvements have included the adoption of more strategic budgeting through a Medium Term Budget Framework, the passage of a Public Money and Budget Management Act in 2008 which consolidated a government budget policy framework, computerization of accounts, and some improvement in the conduct of audits. The government has a sound Public Procurement Act and Rules, though these were in part undercut with recent changes for low value purchases that waived qualification requirements and allowed for a lottery. At the same time there are ongoing shortcomings in terms of financial oversight with the Parliament and the Comptroller and Auditor General *de facto* not exerting significant control over the budget system. Perhaps the greatest problem is the continuing weakness in revenue administration which deprives the State of resources it needs for investment and provision of higher levels of public services. Recognizing these continuing weaknesses, the current Government has committed to a comprehensive program to build a more effective PFM system over the next five years.

## **B. The Government’s Approach to Addressing Governance Issues**

### **Diagnostics on the State of Governance in Bangladesh**

BRAC University’s IGS produces an annual report on the State of Governance that is a major diagnostic tool for review of State institutions. First produced in 2006, the State of Governance draws on expert analysis of the legal framework, performance of public institutions, and a perception survey concerning quality of service delivery, corruption, and institutional performance. Together with other development partners the World Bank has provided capacity building to IGS for this report and other initiatives as part of its continuing long-term strategy of promoting demand for good governance in civil society. In addition to the State of Governance Report, there are annual surveys conducted by Transparency International Bangladesh and development partners such as the Asia Foundation which capture public perceptions on a range of governance issues.

The World Bank also assesses governance through its own instruments including the annual Country Policy and Institutional Assessment (CPIA), Doing Business reports, and the World Bank Institute’s Governance Indicators which provide year-on-year comparisons. The IFC conducts a quarterly business confidence survey. The Bank has also conducted a Public Expenditure and Financial Accountability (PEFA) review in 2005 as well as a Public Expenditure and Institutional Review (PEIR) completed in 2009. The Bank previously published two comprehensive Institutional and Governance Reviews in 1996 and 2002, the conclusions of which remain broadly valid today.

**11. The Government gives priority to improving governance as an underlying strategy to achieve better development outcomes.** The Awami League's Election Manifesto emphasized the need to change the performance of the State in order to bring services to the people's doorsteps, including continuation of several governance reforms initiated by the preceding CTG. The Awami League Government has followed through on its commitments with some exceptions, most notably in the area of justice sector reforms. Bangladesh's NSAPR II for 2010-2012 further stresses that enhancing governance is a cross-cutting supporting strategy. The NSAPR II contains a comprehensive list of 10 areas where governance improvements are needed:

1. Improving the Parliamentary process to hold Government accountable, including on PFM;
2. Strengthening local government;
3. Reforming and strengthening public services through civil service reform;
4. Reforming the legal and judicial system, primarily through improved court administration, changes in the appointment system, transparency, increased access to women and the poor; and appointment of an Ombudsman;
5. Promoting e-governance;
6. Combating corruption through preventive and measures and sanctions;
7. Ensuring human rights;
8. Accessing information;
9. Improving project implementation capacity; and
10. Improving sectoral governance.

**12. The Government's governance agenda and corresponding policy matrix are broad and ambitious.** The NSAPR II's listing of areas for governance improvements reflects a comprehensive assessment of shortcomings and a broad commitment to better governance as a cross-cutting strategy for growth and poverty reduction. Given Bangladesh's record with governance reforms over the past two decades and the difficulties encountered worldwide for developing countries to carry out comprehensive governance reforms, implementing this wide-ranging agenda will be challenging. Despite extensive diagnosis of these governance shortcomings, including in the previous NSAPR, prior Governments have been unable to expend the resources and political capital needed to carry out substantive changes in many of the identified problem areas. It has proven difficult to design and implement comprehensive reform programs. The NSAPR II also leaves open questions of the specific steps that the Government will undertake in carrying out reforms. The Strategy's policy matrix in most cases identifies general performance goals, such as ensuring effective service delivery, without articulating specific institutional or procedural changes.

**13. There are a number of promising areas where Government has taken action to improve governance, most notably in use of ICT.** The current Government's signature initiative has been to promote Digital Bangladesh as a means of improving efficiency of public service delivery, reduce opportunities for corruption and other abuses, and increase transparency and ultimately public trust. It is rolling out local ICT centers at the grassroots level, implementing e-filing of tax returns, and expanded use of mobile phones as a means of delivering important public information to citizens. The issuance of national voter cards to 85 million citizens in the past Parliamentary elections was a popular step undertaken to enfranchise citizens. The Government plans to enhance the system to have a national ID database that will serve as a platform for designing, implementing, and tracking public service delivery. The Government has also passed policies on ICT and is working to develop common standards to underpin dozens of ongoing e-governance initiatives.

**14. The Government has implemented better public financial management practices and is taking steps to empower local government, though there remains much to be done.** The Government has adhered to sound budgeting as per the principles of the 2008 Public Money and Budget Management

Act, including much improved public reporting by the Ministry of Finance, strengthening of audit procedures, and more engaged Parliamentary oversight of budget execution. The Government has agreed to conduct a Public Expenditure and Financial Accountability review to measure progress and implement better practice. The Government has also modestly strengthened local government through more predictable and reliable intergovernmental transfers and some clarification of functional responsibilities. It has recognized that such strengthening is needed in order to ‘deliver services to the people’s doorsteps’. At the same time, there are powerful interests aligned against decentralization, making reforms in this area a case of incremental steps and not without reversals.

### **C. Relevance of the Bank’s Strategy to Addressing Governance**

**15. The country context prompts the Bank to be selective in choosing areas for engagement on strengthening governance based on Government commitment.** Alignment with priorities of decision-makers in Government is critical for achieving governance reforms. Although the Government’s wide-ranging governance agenda is laudable, the Bank assesses that the likelihood of achieving changes in the different areas will vary depending on Government’s interest in reforms and its willingness to take on resistance to changes from vested interests. A key factor that will determine the Government’s interest is the extent of demand for good governance that citizens are able to exert. In some areas the balance of Government interest and resistance favors reforms. For instance, there is demonstrably strong Government interest in using ICT for efficiency and anti-corruption purposes and little articulated resistance. On the other extreme, there appears to be little appetite for structural judicial reforms (the NSAPR II focuses on other aspects of the judiciary) and long-standing political imperatives to retain influence by the executive, limiting space for reform. On the basis of this selective approach, the Bank will focus on four areas of core governance: continued support for more effective and accountable public financial management; support for e-governance; support for implementation of the Right to Information Act; and support for improved local service delivery and enhanced local government. The Bank will maintain dialogue on other governance policy issues in order to investigate and promote possible additional areas of engagement during the CAS. The primary vehicle for this dialogue and the development of additional actions will be an Institutional and Governance Review.

**16. The emphasis on working in areas of Government commitment is also one of the lessons learned from prior work in Bangladesh.** The last CAS placed issues of governance ‘center stage’, targeting a large number of areas for assistance based on the importance of the issues. This approach proved overly ambitious as Government in several cases proved unready to carry out substantive changes proposed by the Bank and other stakeholders in the reform process. The current CAS seeks to reflect a more realistic approach in working towards more achievable results improving governance and performance of public institutions.

## ANNEX THREE: BANGLADESH CAS COMPLETION REPORT

### OVERVIEW

1. *The FY06 CAS period was marked by dramatic internal and external events and shocks for Bangladesh: three changes in government, severe flooding and cyclones in 2007, a global food crisis followed by a global recession.* Inter-political party rivalry took serious turn in 2006, potentially plunging the country into chaos. The caretaker government (CTG) assumed power, promising to hold a fair election. It initiated many reforms and delivered on its promise to hold a free and fair election in December 2008. The election produced a landslide win for the Awami League. It is a tribute to the country's resilience, and to the tradition of sound macro-economic management, that annual economic growth averaged over 6% through this turbulence. Aggregate fiscal and monetary discipline was maintained. Inflation declined and the balance of payments improved reflecting strong growth in garments and record inward remittances. The Completion Report assessed overall progress during the CAS period as moderately satisfactory.

### CAS Outcomes

2. Under the *Investment Climate* pillar, IDA Development Support Credits contributed to macro-economic stability. SOE losses declined, benefitting in part from falling petroleum and fertilizer prices and administered price adjustments reduction in workforce in some major loss makers, including Biman the national airlines. Trade protection was lowered; regulatory reforms reduced the cost of doing business, with particularly strong gains in the automation of customs at Chittagong port and the related sharp reduction in container dwell time and turnaround time for ships, and bonded warehouse licensing. A DFID-EU funded BICF, managed by IFC, has since its establishment in 2007, supported regulatory reform and the modernization of the economic zones regime, underpinned by a program of institutional capacity building, particularly within government. A planned privatization of Rupali Bank came to naught, but progress in corporatizing the remaining three state-owned commercial banks (SCBs) helped improve their performance. The Government is now planning to off-load part of the shares of SCBs through the local stock market. Reforms in the energy sector included establishing an Energy Regulatory Commission, corporatizing public utilities, and enhancing transparency in procurement and the selection of IPPs. Efforts to initiate governance reforms in roads and highways did not produce the anticipated results.

3. Under the *Empowering the Poor* pillar, vertical programs under a Bank-managed health SWAp made progress both in terms of efficiency and equity, but utilization of public health facilities remains poor reflecting a number of governance-related factors. In primary education, access indicators improved and a large backlog of teacher vacancies was filled with improved recruitment policy and procedures, but quality of education and learning levels remain low. Secondary education quality and access for the poor improved through linking government subventions to private school performance, registration and certification of teachers through national testing, textbook and curriculum reform. Bank efforts to help strengthen local governance are beginning to yield results after an initial slow start. A Social Investment Program is enhancing the voice of the very poor. The mandate of IFC's SEDF, the \$40 million, 6 year program (2002-08) was to promote growth and poverty reduction through SME development and employment generation.

4. Under *Core Governance*, while public financial management reforms made slow progress, an agenda for public financial management reforms has been adopted. Despite government efforts to boost public revenues, Bank support for reforms in tax policy and administration proved largely ineffective. A landmark Procurement Act has contributed to greater transparency in public procurement. However, the

Bank's partnership with IGS on institutions of accountability is helping to build a constituency for reform that needs nurturing. DFID and Bank (WBI) support for a civil society led initiative for a RTI law produced results supported by the new government, a major achievement. Overall progress during the CAS period is regarded as moderately satisfactory.

5. ***The Bank Group's contribution to these outcomes is not easy to measure.*** Credit for some of the gains must go to reforms initiated by the Government, vigorous civil society support for reforms, and the Bank's key DPs. But the Bank Group got many things right. The CAS rebranded Bangladesh as a country with surprisingly good development outcomes despite low governance and opened the way for reengaging in neglected sectors like agriculture, water and energy. The strong CAS focus on governance positioned the Bank to respond to the ensuing crisis in governance. The Bank reacted quickly and flexibly to rapid changes in the country context. Timely development policy loans contributed to sustaining growth and macro-economic stability. The BICF which has provided long-term as well as just-in-time support to the GoB to improve the investment climate and build institutional capacity, is emerging as a good practice case of donor collaboration, and engagement with government and other stake-holders.

6. ***How did the Bank Group's CAS play out in terms of mainstreaming the governance agenda across sectors and changing the way the Bank does its business?*** In the four priority areas for mainstreaming governance, complex institutional reforms in infrastructure were initiated for a more transparent and efficient development of the energy sector. These are still in a nascent stage and need continuing strong political commitment. In Roads and Highways the government has lacked appetite for longer term reforms recommended in the Bank's Operational Risk Assessment. Continued INT investigations discouraged the Bank from new project preparations with Roads and Highways. Continued risks in the sector discouraged the Bank from new project preparations with Roads and Highways. In local governance, the Bank's program may have overestimated implementation capabilities and needed adjustment before progress was made. In public financial management, success in procurement reform was clearly a high point in the Bank program, but progress could have been faster in other PFM areas given the CTG's support. In revenue mobilization, despite a strong push by the CTG, the problems at the National Bureau of Revenue (NBR) proved insurmountable, and in the end, the Bank drew a blank. In the areas where there has been progress, the Government will need to stay the course for reform continuity.

7. ***Beyond this strategic governance agenda, many task teams took the objective of mainstreaming governance seriously.*** The strong governance focus in the secondary education sector reforms and regulatory reforms led by IFC stand out. Sector teams also began to selectively use political economy analysis, although late in the CAS cycle, so results are not clear. There was progress on strengthening demand for better governance, in the local governance project, in the Social Investment Program, and in the Bank's partnership with IGS on institutions of accountability. The enactment of a RTI Act represents a huge potential opportunity to advance the agenda on strengthening demand for good governance. Overall, beneficiary involvement in project design remained limited to a few interventions.

8. ***Changing the way the Bank does its business called for strategic staffing, strengthening institutional processes and cultural change within the Country Team.*** This is a work in progress. Two governance advisors were added to the team and enabled the broader approach to governance. But human resource planning needed a long term strategic vision, and there were large gaps between staff reassignment and location of replacements, and a failure to position international staff in the field in sectors such as energy and local governance resulting in high costs to the policy dialogue. Lack of appropriate staff and adequate resources were particularly costly in the context of a transformative CAS that was raising the bar across the board, mainstreaming governance across sectors, and reforming Bank processes. The important innovation of an Operational Risk Mitigation group to facilitate mainstreaming the governance agenda had a limited mandate of assessing risks of pipeline operations, and performed

below its potential. Going forward, it will need to be more structured in its approach, and ensure that governance risks are addressed at all stages of the project cycle.

## **Lessons Learned**

9. ***Key lessons for the upcoming CAS include the following:*** Governance and institutional reforms are highly complex and long term in nature. Reforms take time, are subject to frequent setbacks and require a long term commitment on the Bank's part. Helping build coalitions in support of reforms is essential to ensuring their sustainability. This is both staff and resource intensive, and will require a regular outreach to a wide range of stakeholders. Budgetary support through development policy credits can be used effectively in ensuring government commitment to macro-economic stability and policy reforms. It will also require strong engagement with the Government, and will need long term TA to ensure steadier progress in national systems including public financial management reforms.

10. Managing corruption and fiduciary risk requires careful planning and management. It is important to retain a strong focus on results rather than on inputs, to go for simpler project design, more robust risk assessments and greater upfront investment in implementation arrangements. Risk mitigation needs to precede rather than be part of project preparation so as to keep open the option of staying away if there is lack of commitment to reforms, and to better design operations to reduce risk. Long delays in completing investigations on corruption and putting the burden of reducing corruption on the supervision process risks jeopardizing Bank country relations. Strengthening beneficiary involvement in project preparation and implementation and ensuring project design enhances accountability to local institutions rather than the Bank will be critical to avoid these risks.

11. Country assistance strategies that are transformative in the sense of a significant change in directions and scaling up of effort need to be adequately resourced and staffed. In the Bangladesh context, this in particular calls for strategic and sufficiently long term planning of replacements and new appointments for field-based international staff and providing the resources to help build local reform coalitions that can then sustain a reform process. Monitoring and evaluation systems, including regular progress reports, are essential to a results oriented CAS and to better manage fiduciary risk.

## BANGLADESH CAS COMPLETION REPORT

**Date of CAS:** April 12, 2006  
**Period covered:** FY06-FY09  
**Prepared by:** Thomas Buckley and K. Sarwar Lateef  
**Date of Report:** February 1, 2010

### A. COUNTRY CONTEXT

1. ***The period covered by the CAS under review for Bangladesh (World Bank, 2006) was marked by dramatic internal and external events and shocks.*** There were three changes of government, major floods in the July-September 2007 period that affected 13 million people in 44 of the country's 64 districts, and a Category IV tropical cyclone (named *Sidr*) that struck Bangladesh in November 2007, affecting some 9 million people in 30 districts. World Bank estimates put the cost of the floods at around \$1 billion while that of the cyclone at just under \$0.5 billion. External shocks, including the sharp rise in global food and commodity prices in 2008, contributed to a severe food crisis. And towards the end of the period, the global economic crisis began to affect Bangladesh's principal sources of foreign exchange: garments and remittances.
2. ***The major political crises and changes had their origins in the unhealthy state of political competition in Bangladesh.*** As noted in the CAS, the concentration of political power in two major political parties dominated by rival families discourages the emergence of intra-party democracy. A first-past-the-post system of elections contributes to large stable majorities, reducing the importance of Parliament in the absence of a sizable opposition. Bangladesh's highly centralized state leaves little stake in the system for losing political parties. Opposition thus takes the form of street power, political agitation and *hartals* (strikes).
3. ***Lack of trust between the two political parties led to an unusual Constitutional innovation in 1996: a neutral election umpire.*** When parliament's term came to an end, a "Non-Party caretaker government" took over to conduct the election within 90 days. The Caretaker system worked well for the 1996 and 2001 elections. But in 2006 it broke down over controversies relating to the appointment of the Chief Advisor, opposition objections to the Election Commissioner, and a flawed voter list. This led to wide-scale protests and a political impasse. As the crisis deepened, the President declared a state of emergency, and appointed a new CTG with a former Governor of Bangladesh Bank as Chief Advisor. The new CTG postponed elections pending reform of the electoral system.
4. ***The caretaker government delivered on its principal mandate by conducting on December 29, 2008 what was widely judged as Bangladesh's most free and fair election.*** A digitized electoral roll and voter photo identity cards contributed to a record turnout. The Awami League won by a landslide. The caretaker government also instituted a number of reforms, passing some 122 ordinances, focussing particularly on governance and anti-corruption, which were subject to ratification by a newly elected parliament. It ran an aggressive anti-corruption program through a strengthened ACC, arresting large numbers of people, including leaders of both major political parties. And on completion of its term, it handed over to the newly-elected government a relatively stable macro-economic situation with relatively strong growth, declining inflation, as global commodity prices eased, and a strong balance of payments.
5. ***The caretaker government's term in office was not without controversy.*** Early in its term in office, it gave the impression that it was interested in changing the political rules of the game as well as bringing reforms. The arrest of the two main political leaders, accompanied in the second half of 2007 by

rising food prices due to floods, the cyclone, and rising international commodity prices, began to erode the CTG's initial high popularity. By early 2008 the CTG began to shift gear and focus on its principal role of ensuring a free and fair election.

6. ***The Awami League has come to power with a vast majority of seats in the parliament.*** Its manifesto has promised a range of reforms and development initiatives. While the sustainability of the many reforms instituted during the CTG's term in office was being tested, the parliament has so far passed as law 65 ordinances of the 122 ordinances promulgated by the CTG, including the RTI Act.

7. ***It is due to the remarkable resilience of Bangladesh's economy and its people that despite severe internal and external shocks its economy continued to show strong and broad-based growth.*** However, the pace of poverty reduction may have slowed due to the rise in food prices and the impact of global recession. Moreover, Bangladesh continues to make progress towards meeting key MDGs.

## **B. LONGER TERM STRATEGIC GOALS**

8. ***The World Bank Group CAS drew on Bangladesh's 2005 NSAPR.*** The NSAPR was prepared in 2005 following extensive consultations with civil society, academia, members of Parliament, and DPs. The Government took the process seriously, managing preparation with due attention (World Bank, 2005). The principal long term goal of the NSAPR was to substantially reduce poverty and improve the quality of life for the average citizen. The strategy laid out an agenda around the policy triangle of pro-poor growth, human development and governance.

9. ***The Bank Group's assistance strategy put governance at center stage.*** Governance was to be the core focus for the two pillars of the strategy: improving the investment climate and empowering the poor, while the CAS program also aimed at helping strengthen core governance.

### **Progress in Improving the Investment Climate**

10. ***Despite severe domestic and external shocks, the CAS period under review saw Bangladesh's economy grow at an average rate of 6.3 per cent (See Annex A).*** Growth was broad based, cutting across all major sectors and benefiting from robust domestic and external demand. Inflation rose from 6.5 percent in FY05 to almost 10 percent in FY08 reflecting mainly a rise in food inflation, before slowing to an estimated 6.7 percent in FY09. Surging garment exports and the rapid growth of remittances from \$3.8 billion in FY05 to \$9.7 billion in FY09, enabled foreign exchange reserves to more than double to \$7.5 billion at end-June, 2009. External debt as a percentage of GDP fell by over six percentage points to 23.4%. Dependence on aid continued to lessen with aid flows in FY09, a modest 1.8% of GDP. However, the development budget is still predominantly aid dependent. Moreover, the global downturn poses a threat to garments exports and remittances, the two crown jewels of the Bangladesh economy.

11. ***Ratios of investment to GDP declined modestly over the CAS period to 24.2 percent while domestic savings levels were stagnant at around 20 percent.*** The failure to raise investment levels to fuel faster growth reflects a continuing weak investment climate. Gross national savings (27 percent of GDP), boosted by remittances, exceeded investment by 2.8 percentage points in FY09. The excess of savings over investment represents the potential to raise investment levels without pressure on the balance of payments. Foreign direct investment still averages less than one percent of GDP. This reflects the low scores Bangladesh receives on the perception-based global competitiveness index, ranking 111 of 134 countries in the 2008-09 index. The five most important problems listed by respondents to this survey are corruption, inefficient bureaucracy, policy instability, inadequate supply of infrastructure and access to financing. Similar concerns surface in surveys of domestic investors<sup>1</sup>. Electricity shortages were the

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<sup>1</sup> World Economic Forum, *The Global Competitiveness Report 2008-2009*.

most serious problem cited by businesses in the 2007 Investment Climate Assessment. Firms reported a sharp jump in the value lost to electrical outages from 2.9% of sales in 2002 to 12.3% of sales in 2007<sup>2</sup>. Political instability ranked second, while governance was a significant factor for more than half the firms. Access to land and finance remained serious concerns. Supply of skilled labor is emerging as an important constraint. Bangladesh ranked 110 (out of 181 countries) in the 2009 *Doing Business* rankings, down from 106 the previous year.

### **Progress in Empowering the Poor**

12. ***Growth in consumption fuelled by rapid economic growth and remittance inflows enabled Bangladesh to accelerate the pace of poverty reduction in the first half of the current decade.*** The poverty headcount fell faster than in the 1990s, from 49% in 2000 to 40% in 2005. While there is no data on poverty trends over the CAS period, the World Bank's recent poverty assessment (World Bank, 2008b) suggests that the strong GDP growth would have been expected to reduce poverty by around 5 percentage points between 2005 and 2008, but the impact of the food price shock and the two natural disasters may have negated some, though not all, of this likely reduction in poverty. Bangladesh remains on track to meet the poverty MDG, and continues to see gains in education and health outcomes including infant and child mortality. The target for gender parity in primary and secondary schooling was met before the CAS period.

13. ***Nevertheless Bangladesh remains a poor country with some 56 million people in poverty in 2005 (40% of the population).*** There are large disparities across income and occupational groups, gender and regions. A large concentration of population within a relatively narrow band of consumption above the poverty line remains highly vulnerable to shocks such as the rise in food prices experienced in 2008. Safety nets are inadequate, with only 23 percent of poor households benefiting from at least one program. The poverty assessment reveals a growing divergence between the eastern region which has benefited from integration with the country's two growth poles (Dhaka and Chittagong), and the western region where the two large rivers crisscrossing the country act as natural barriers to connectivity. This is compounded by region specific factors such as inadequate infrastructure, lack of growth poles and remittance income.

14. ***There is evidence of increasing inequalities in access to health and education.*** Gains in childhood immunization coverage have accrued principally to better off households. An important exception has been Vitamin A coverage where coverage had increased and inequality has declined. Lack of adequate care during child delivery remains a serious problem, particularly for the poor. Malnutrition indicators are high and remain unchanged. Education outcomes appear to be peaking. Having reached a gross primary enrolment rate of 90 percent, enrolment is stagnating. Gross secondary enrolment is growing faster, but completion rates are declining. Boys from poor households appear to be left behind compared to girls of poor households. The quality of health and education services continues to be low, and this disproportionately hurts the poor.

### **Trends in Governance**

15. ***The 2009 Worldwide Governance Indicators suggest no clear discernible trends in perceptions of governance between 2005 and 2008.*** The Indicators suggest an absolute deterioration in political stability and control of corruption over the past decade. Bangladesh's scores are worse than the average for low income countries and for the South Asia region for political stability and control of corruption. Bangladesh's absolute score in Transparency International's *Corruption Perception Index* rose from 1.7 in 2005 to 2.1 in 2008, with its ranking improving from 158<sup>th</sup> to 147<sup>th</sup>. However, given the overlapping

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<sup>2</sup> Given the different samples between the two years, comparisons between 2002 and 2007 are for only industries and cities used in the 2002 ICA survey, i.e., Dhaka and Chittagong.

ranges within which these scores stand, trends in perceptions of corruption are unclear. Bangladesh's score on the Global Integrity index went up from 64 in 2007 to 68 in 2008, both "weak" ratings. The improvements reflected the tougher anti-corruption law and the more active anti-corruption agency in 2008.

### CPIA Ratings

16. *These overall development trends are mirrored in the World Bank's CPIA scores.* Bangladesh's overall CPIA ratings improved modestly between 2006 and 2008 from 3.4 to 3.5, with no change in the low ratings for structural policies or the above average ratings for social inclusion/equity. Bangladesh saw further improvement in its ratings for macro-economic management, and recognition of the modest improvement in governance.

**Table 1: Bangladesh CPIA Ratings 2006-2008**

Rating Clusters	2006	2007	2008
Economic Management	4.0	4.0	4.2
Structural Policies	3.3	3.3	3.3
Policies for Social Inclusion/Equity	3.6	3.6	3.6
Public Sector Management and Institutions	2.8	3.0	3.0
<b>Overall Rating</b>	<b>3.4</b>	<b>3.5</b>	<b>3.5</b>

### C. CAS OUTCOMES

17. *Four factors shaped outcomes during the FY06-09 CAS.* First, the political uncertainty and lack of continuity in interlocutors that marked this period due to several changes of government created difficulties in engaging policy makers in a dialogue on the complex CAS agenda. In the 39 months since CAS approval, only for 18 months was there a level of engagement that enabled the Bank to pursue its support to Bangladesh's development agenda. Even within that narrow 18 month slot, a food crisis, severe floods and a cyclone preoccupied the attention of both the Government and the Bank. The Bank needed to respond urgently – and it did - to these various crises to support the government's objectives of maintaining macro-economic stability and reducing the adverse social impact. But preoccupation with short term shocks distracted attention from longer term development goals, although it was essential to ensuring a climate for achieving those goals.

18. *Second, the CAS itself marked a departure for the Bank Group both in Bangladesh and more broadly, as its strategy anticipated the CGAC approach.* The CAS committed the Bank to making governance "a central focus of its work program, influencing decisions about sectoral priorities, the composition of Bank lending and AAA and the type of instruments deployed".

19. *Third, the CAS began a process of reengagement in key sectors that the Bank had ceased to be active, such as agriculture and power.* This implied filling large knowledge gaps that had emerged after disengagement, but also more systematically addressing the governance issues that had contributed to the disengagement. These decisions increased the complexity of the agenda and required both raising the bar and adequate managerial attention, staff, and financial resources.

20. *Finally the FY06 Bangladesh CAS was one of the early results-based strategies.* The CAS committed the Bank Group to ensuring that a results' focus was reflected in everything the Bank Group did "from lending and AAA to the way it manages fiduciary risks". This was easier said than done. In the early years of the CAS, outcomes were principally affected by activities funded under previous CAS programs rather than from the new directions the Bank was initiating. Thus, the Bangladesh CAS may have overstated outcomes from the new interventions, which took time to make an impact in a difficult

governance context. Moreover, the performance indicators in the CAS matrix were mostly not quantitative and lacked precision. A monitoring and evaluation mechanism to measure outcomes was not established.<sup>3</sup> A mid-term progress report was not considered, given management preoccupation with responding to the complex political and economic situation. The judgments on outcomes in this section rely on discussions with the country team and selective consultations with government officials and civil society.

## **IMPROVING THE INVESTMENT CLIMATE**

21. ***Improving the investment climate was seen as critical to raising the country's growth potential.*** The CAS addressed four key issues that were identified in investment climate assessments of Bangladesh to be central to investor confidence: maintaining macro-economic stability, removing trade restrictions and reducing administrative barriers facing investors, improving governance and efficiency in infrastructure services, particularly power and ports, and ensuring private sector friendly finance, land and labor markets. Outcomes under each of these are discussed below.

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### **Outcome: Maintain Macroeconomic Stability**

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22. ***Macro-economic management was prudent throughout the CAS period.*** Inflation was mostly kept under control despite domestic and external shocks, through fiscal and monetary discipline. Fiscal deficits did not exceed 4% of GDP throughout this period, while domestic financing of the deficit was kept at a conservative 2% of GDP. Development policy credits supported the reduction in subsidies on petroleum products and the sell off or closure of State-owned Enterprises (SOEs). SOE losses were reduced significantly during FY06 and FY07 to 0.86% of GDP and 0.48% of GDP respectively. These gains came in part from the closure of large state-owned enterprises such as Adamjee Jute Mill, one of the world's largest jute mills employing 25,000 workers, as part of a reduction in the number of state enterprises in manufacturing, which declined from 121 in FY01 to 82 by FY09. SOEs were encouraged to shed surplus staff using a Voluntary Retirement Scheme. In FY08, some 16,237 workers took advantage of the offer. There has been no further privatization, but the CTG corporatized the State airline (Biman) and Bangladesh Telecom. SOE contingent liabilities are now largely accounted in the national budget and there is greater transparency relating to SOE finances. However, when crude oil prices rose from an average of \$65 a barrel in 2006 to \$98 a barrel in 2008, the government made only a modest price adjustment (in July 2008) for fear of social unrest. SOE losses rose sharply in FY08 to 1.83% of GDP. With the sharp fall in crude oil prices in FY09, SOE losses are estimated at a mere 0.03% of GDP.

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### **Outcome: Remove Trade Restrictions and Reduce Administrative Barriers**

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23. ***The trade liberalization agenda supported by the Bank's Development Support Credits continued to make progress during the CAS period.*** Quantitative restrictions were eliminated in FY06 and a long standing ban on a wide range of textile imports was removed. Average nominal protection was reduced from 29.4 per cent in FY02 to 20.1 per cent by FY09. A free float of the Taka helped in further liberalizing the regime. The resultant strong growth in the ratio of trade to GDP was a response to this opening up process. However while CAS outcomes were broadly met, average nominal protection is still the highest in the region and among the highest in the world. The FY10 budget of the new government has further raised the average nominal protection to 23.9% by lowering import duties on raw materials, capital goods and intermediates while levying a regulatory duty of 5% on top of a customs duty rate of 25%. High nominal protection rates combined with cumbersome trade facilitation procedures, an

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<sup>3</sup> An exception was the new IFC facility, the BCIF, which established a rigorous M&E framework based on a logical framework agreed with the donor partners, DFID and EU, and contracted an independent firm to collect and analyze data. SEDF, IFC's other advisory facility, also has a strong M&E system and in-house M&E team in place.

inefficient duty drawback scheme and severe infrastructure bottlenecks at the port result in a high anti-export bias. This explains Bangladesh's failure to diversify its exports beyond garments which account for 75% of exports, a sector in which the anti export bias from the high nominal protection is cushioned by access to duty free raw materials.

24. ***There has been progress in lowering administrative barriers.*** The CTG established a Regulatory Reform Commission on November 1, 2007 with a mandate for one year, and subsequently extended to October 2010. Twenty of the Commission's 58 recommendations have been implemented. These include

#### **Box 1: Impact of regulatory reforms**

Regulatory reform work supported by IFC includes:

- The bonded warehouse licensing reform, implemented in May 2008, has yielded impressive results. A survey of 58 companies which obtained licenses during July-December 2008 indicate an 81% reduction in time taken (from 226 to 43 days) and a 44% reduction in mostly unofficial costs.
- Chittagong Customs which deals with the bulk of the country's trade has introduced automation Clearance processes have been reduced from 42 to 6 steps most imports are now cleared within 3 days (versus 32 in 2008) and 90% of exports are cleared within 1 day (as against 32 in 2008).
- The automated business registration system introduced in March 2009 coupled with process improvements has led to a significant reduction in the time taken to register a business from about 30 days in 2008 to less than 7 days, with a fast track system allowing one day registration.
- The Government has taken a decision to substantially reduce the property registration fees (by about 50%). This reform is expected to result in more realistic reporting of property values and thus higher revenues. A program to digitize land records and transactions is being developed.

streamlining approval of location clearance and environmental clearance certificates, simplification of duty drawback and exemption systems and capital machinery import clearances, streamlining of bonded warehouse licensing system, prepublication of laws, rules and regulation on the government website for public consultation, legalizing courier services and streamlining the registration of joint stock companies and firms. The Commission has also begun work on an E-Registry of all 174 laws and 9000 plus gazette notifications. A draft Competition Act is awaiting Cabinet discussion. Implementation of these reforms has been slow. IFC's BICF is playing a useful role in providing technical advice and financial support to regulatory reform. A key test of sustainability will be whether regulatory reform process is pursued with or without the new Commission.

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#### **Outcome: Improve Governance and Efficiency in Infrastructure Services**

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25. ***The Bank Group engaged broadly across the power sector to help address serious electricity shortages.*** An FY08 Power Sector Development Credit and an ongoing TA credit supported reforms in sector financial restructuring, private investment in generation, regulatory reforms and institutional strengthening, distribution company corporatization and commercial reform, and a new rural electrification strategy. The Bank also supported a 300 MW public sector plant at Siddhirganj. IFC provided technical assistance for transparent contracting of an IPP at Bibiyana. Progress has been slow, little additional power capacity was added (other than temporary rental capacity and 8 small power plants) against an annual incremental requirement of 400MW of installed capacity a year, but some of the groundwork for addressing key sector issues is being addressed, including:

- The operationalization of the Bangladesh Energy Regulatory Commission (BERC) established in 2003. A full complement of commissioners is in place, and an organizational chart, table of equipment and service rules were approved. BERC is beginning to play a key role in setting tariffs,

issuing licenses and providing regulatory oversight, although it lacks a strong mandate to function as an independent entity and it is unclear how freely it can operate under a popularly elected government.

- Corporatization of the Bangladesh Power Development Board (BPDB) is continuing, albeit at a slow pace. However, the successor corporatized entities still lack independence because of reluctance by the Ministry and BPDB to devolve power.
- Recognizing heavy financial losses from the failure to adjust tariffs, the CTG initiated a monthly transfer of Taka 500 million to BPDB to partially cover these losses. The government also initiated financial restructuring of BPDB which focused on balance sheet reconciliation, asset revaluation and debt restructuring and a collection drive to reduce revenue losses. Price adjustments were also undertaken twice during the CTG period to help BPDB pay gas suppliers and IPPs, but these were not sufficient to reduce financial losses or align domestic and international energy prices and reflect higher cost in prices of electricity to consumers. Consumer meters in the South Zone service territory are to be replaced with automated secure meter reading systems once a metering tender process is complete.
- Efforts to attract IPPs through transparent bidding processes proved abortive, with an unsuccessful bidding process for a gas based Bibiyana power project.
- Through an ongoing IPPF project the Bank financed eight small power plants, adding 178MW to total capacity.
- A new strategy for rural electrification has been prepared that addresses the governance issues that emerged in this area in recent years.

26. ***The CAS emphasized the need to support improvements at Chittagong Port.*** As part of the reforms pushed by the CTG, Chittagong Port Authority introduced in May 2007 a Berth Operator System which combined merchant, dock and stevedoring staff under one group. In March 2007 a private operator was appointed as a single point operator for integrated operation of the container terminal. Along with other rationalization, container handling capacity at the port doubled since December 2006 to 32,000 20-foot equivalent units (TEU). Container dwell time was reduced from 26 days in December 2006 to 18 days, and ship turnaround time is now less than 3 days. Container traffic handled rose from 0.83 million TEU to 1.03 million TEU in 2007-08. Cargo handled at the port has risen from 29 million metric tons in 2005-06 to 32 million metric tons. Sustainability of these trends will depend on whether these reforms are allowed to continue, but this was clearly an area of improvement.

27. ***Bank group support to the road sector through a New Road Sector Reform project was delayed pending an Operational Risk Assessment reflecting concerns about poor governance and high levels of corruption in the sector.*** This followed an INT investigation of a 2004 Flood Rehabilitation Project which found collusive activities in the Roads and Highways Department (RHD). Mis-procurement was declared and \$40 million was cancelled from the project. The assessment which was completed in March 2007 found that while administrative control risks were high in Bangladesh, they were comparable to other countries in the region. The highest overall risks came from political control risks because of the “tolerance of continuing and escalating failures of administrative control”. The assessment developed an action plan to be implemented by RHD and the Ministry of Communications. Due to lack of confidence in the ability and willingness of RHD to implement the plan, particularly in light of ongoing INT investigations, the Bank has postponed project preparation with RHD. The ongoing Rural Transport Improvement Project has contributed to improving rural roads. Rural roads are managed by the Local Government Engineering Department (LGED), for which the Bank is carrying out a similar operational risk assessment, since it is responsible for 40% of the Annual Development Programme for transport. LGED has traditionally had a better governance reputation but it has also experienced deterioration in its performance.

28. ***The World Bank is supporting a reform and investment program in Bangladesh Railway.*** This is part of a multi-year multi-donor partnership with ADB and JBIC involvement. The Bank provided \$40 million in a first development policy credit for railways in FY07 in support of a comprehensive reform program which includes restructuring the railways by line of business, transforming it into a corporate entity, instituting a transparent cost accounting and financial reporting system by line of business and strengthening management. Although the railways have improved services carrying larger volumes of freight and number of passengers between 2005 and 2008 (6% and 34%) respectively, their share in overall transport keeps declining. While there has been modest progress in implementing reforms, there is reluctance to let go of close government control, and the Government is yet to fully implement the reform program.

29. During the CAS period, IFC invested in Grameen Phone, Bangladesh's largest mobile service provider. It also explored several opportunities in transport/ports/toll roads and aviation, tracking the Chittagong NM Container terminal, inland container depot/port, following up on PPP opportunities in existing as well as upcoming Export Zones; tracking progress of the Dhaka Chittagong Expressway, the privatization of Biman and investment opportunities in new private airlines. However, not many projects were implemented because of slow progress on policy and regulatory reform, and lack of transparency in infrastructure concessioning. IFC completed an advisory mandate for the Bibiyana IPP tender to set up a 450MW gas-based power plant. This project was a good example of IFC/World Bank cooperation on many levels. However, the Bibiyana IPP project could not be implemented during the CTG's tenure. The GoB is now moving forward on this important IPP project.

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**Outcome: Deepen and make more efficient financial intermediation**

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30. ***The FY06 CAS focused on strengthening governance in the banking sector.*** Key outcomes included amendments to the Bangladesh Bank Order 1972 and Bank Companies Act 1991 which gave the central bank autonomy over exchange rate and monetary policy and bank supervision and put the state-owned commercial banks (previously known as the Nationalized Commercial Banks) under the direct oversight of Bangladesh Bank. The World Bank's technical assistance project for Bangladesh Bank has had a delayed start due to problems with an initial procurement. The Bank has also supported reform of state owned banks through the Enterprise Growth and Bank Modernization Project and its DPCs. Rupali Bank, the smallest of the four state owned banks did not get privatized as originally planned as the successful bidder failed to meet his commitment. The other three banks Sonali, Agrani and Janata Banks have been corporatized rather than privatized. Three CEOs and four General Managers were selected through a competitive process and appear to be already making an impact. The SCBs are publishing their accounts, ensuring timely audits, improving their HR management and establishing internal control systems. Information technology investments will also help improve performance. They have also reached agreements with their unions. Gross non-performing loans fell from 14% in June 2007 to 10.36% September 2009. Net NPLs (after provisioning) fell from 145.41% in June, 2007 to 5.12.34% in September, 2009. The improvements reflect better corporate governance and strong support from the CTG. However, reshuffling of the Bank Boards along with pressures for directed lending and moratorium on loans could quickly reverse the progress on corporatization and NPLs.

31. ***Through its Access to Finance program, IFC's SEDF has helped introduce new financial products in the Bangladesh market*** including SME-tailored products, factoring, and operating lease. The 18 partner financial institutions (PFIs) of SEDF provided finance to over 150,000 SMEs triggering sector-wide interest in financial services for small and medium enterprises and even specific sectors such as Light Engineering. SEDF also helped improve core risk management capability in the Bangladesh financial sector (trained 6,660 bankers across 34 private and commercial banks in Bangladesh). IFC also supported the consolidation of the banking sector through investments in 4 banks, one microfinance institution; and provided trade finance support to 4 participating banks under its Global Trade Finance

Program. This support became particularly significant, when the global financial crisis set in, and trade financing became difficult. The first Partial Credit Guarantee Project was approved for the BRAC NGO by Bangladesh Bank in 2007 for which Citibank was the lead financier. There is limited scope for IFC in the microfinance sector, as MFIs are not allowed to borrow in foreign currency.

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**Outcome: Strengthen Policies for Rural Growth**

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32. *The FY06 CAS reengaged in the rural sector after several years.* Reengagement has required reinvesting in sector knowledge and attempting to restore the Bank's credibility with agencies in the sector. The Bank has focused in three areas: water management, agricultural research and extension, and high value crops. Three investment operations have been approved: an avian flu preparedness project for the livestock sector (FY07), a water management improvement project (FY08) co-financed with the Netherlands with a chequered preparation history (9 years between PCD and approval) reflecting high fiduciary risks in the sector, and a national agricultural technology project (FY08), an APL co-financed with IFAD. The first phase of the agricultural technology project addresses governance issues through an innovative competitive grants program with an autonomous government foundation that selects grantees and identifies research themes to be funded based on a demand led process involving farmers. Similarly the project establishes a decentralized demand led extension system based on organizing small and marginal farmers into Common Interest Groups with the help of NGOs, and encouraging them to use scorecards to evaluate the extension system. Implementation has begun: 30 competitive grants have been awarded and some 15,000 Common Interest Groups have been identified.

33. *IFC engaged in the rural sector through the activities of SEDF.* SEDF promoted contract farm-based hybrid vegetable seed production, enhancing employment opportunities for women (75% of workers employed in seed production). In the Bogra area seed production generated 165,000 person days of employment for women. SEDF also facilitated a \$62m fund allocation for storage facilities, research & development establishing a certification agency for the seed sub-sector through Public Private Partnership. SEDF support for higher production and use of organic fertilizers increased crop yields by 3-19%, and resulted in a 10-13% increase in income for the farmers adopting organic fertilizers. Upgraded private laboratory testing services helped 10,000 small commercial farms reduce the risk of bird disease and mortality. The establishment of a new extension service with SEDF-support helped 300 poultry SMEs achieve a 15-20% cost reduction.

**EMPOWERING THE POOR**

34. *To help empower the poor the FY06 CAS supports improved service delivery to the poor,* strengthening local governance and enhancing the voice of the very poor.

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**Outcome: Improve the Quality of Health Services for the Poor**

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35. *Bangladesh continues to deliver vertical programs effectively and equitably.* Eighty two percent of children under 2 are fully immunized, with the gap between the rich and the poor being less than 10 percent. Forty eight percent of women use modern contraceptive methods, with a rich-poor gap of less than 3 percentage points. However, utilization of essential health services remains the principal health challenge. Women receiving antenatal care from medically trained providers increased by 25% among the poorest between 2004 and 2007, deliveries at facilities increased by 67%, and medically trained assistance at delivery rose by 38%. But there remain large gaps in the rate of utilization of such services between the rich and the poor, and only a tiny proportion of poor women (under 5%) delivered their babies in health facilities or received skilled assistance at delivery. Similarly, only 31% of poor women received antenatal care from medically trained providers (compared to 84% for the rich). Also, only 17% of poor children with acute respiratory infections received care from skilled providers as against 60% of

children in the upper quintile. A major area where there has been limited or no progress has been nutrition where effective delivery of services remains a challenge.

36. ***A number of factors drive the poor utilization of public health services.*** While total expenditures on health are far too low (3.2 percent of GDP or US\$ 13 per capita), inefficiencies in public spending remain the sector's most immediate challenge. Widespread system inefficiencies, weak planning capacity and overly centralized approval processes lead to under spending of available funds. The practice of allocating funds on an infrastructure basis does not translate into financing for the population most in need. Salaries and staff allowances absorb a large share of the budget. The publicly-financed system is plagued with high vacancies, absenteeism, lack of qualified staff and an imbalanced skill mix. Service quality is poor. Drug shortages are frequent and patients make substantial out of pocket payments to pharmacies. Over three fifths of total health spending represents out of pocket spending by households. Health insurance is practically nonexistent. A highly centralized system managed out of Dhaka undermines accountability to service users.

37. ***The World Bank currently leads a multi-year \$4.2 billion SWAp.*** It also administers a \$460 million multi-donor trust fund<sup>4</sup> supported by DFID, EC, Sida, the Netherlands, UNFPA, CIDA and KfW and channelled through government systems. This arrangement has enabled the Bank to field a strong staff in the field office for policy dialogue, monitoring sector outcomes and providing periodic operational and analytical reviews. Analytical work has included a public expenditure review, three rounds of performance reviews of NGOs as service providers, and information on hospital services. The HNPSF has tried to address governance challenges by (i) strengthening country systems, especially planning, financial management, procurement and MIS, (ii) helping establish an arms' length mechanism for contracting out service provision to private and NGO providers, and (iii) strengthening demand side mechanisms.

38. ***Progress has been mixed in the absence of reform champions, frequent changes in government with the related disruptions in continuity, and frequent changes in personnel.*** Weak ownership, an over centralized and ineffective health administration, resistance from professional agencies to reform contribute to slow progress. Contracting out arrangements were severely delayed (by three years) due to delays in recruiting agencies for this process. Donor concerns about corruption have also contributed to lack of trust and ownership on the part of counterparts and the diverting the time of health sector specialists to addressing corruption issues in which they lack comparative advantage. Donors must perforce walk a thin line between being pushed into ring-fencing activities they fund which undercuts institution building, and staying the course on what are inherently long term systemic changes, while avoiding the appearance of seeming to be tolerating corruption. The SWAp offers many advantages but it is a huge challenge to coordinate with 16 donors and arrive at a manageable set of priorities.

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**Outcome: Enhanced access to and quality and relevance of education**

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39. ***Bangladesh has made significant progress in improving access to education.*** However, the sector is plagued by low internal efficiency associated with high dropout and low completion rates, poor quality of teaching, inadequate accountability in government aided secondary schools, low institutional capacity despite past capacity building efforts and weak monitoring and evaluation. High dropout rates reflect the low quality of schooling and the high opportunity cost to parents of children attending schools and huge national loss in creating effective human resources. Only 52% of primary school children complete the primary education cycle, and of these only 44% go on to lower secondary school. Of these, less than 50% complete their secondary education (with higher dropout rates for girls). Only 6% of the

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<sup>4</sup> In addition to a \$300 million ongoing IDA credit.

eligible age cohorts are enrolled in higher education reflecting the poor value of the higher education qualification.

40. ***The World Bank has been involved in the primary education sector through the Primary Education Development Program II, a SWAp led by ADB and supported by 10 other DPs.*** Progress has been mixed. The SWAp has led to a significant reduction in transactions costs and facilitated a more collaborative approach between the Government and DPs. Progress on access indicators has been positive and a large backlog of teacher vacancies has been filled with improved teacher recruitment policy and procedures. While quality of education and learning levels remains low, Government is cognizant of the importance of monitoring learning outcomes. A second round of the national assessment of student learning has been completed. Increasing accountability in school management through school management committees, and strengthening teacher education and classroom support systems should help to improve the quality of education and learning levels if properly implemented. However, institutional reforms and staffing levels have been discussed extensively with government but there has been limited progress, and collusive practices relating to procurement of paper for textbooks have been a serious issue.

41. ***The Bank has also supported secondary education through three Education Sector Development Support Credits.*** These programs supported key governance reforms: First, Government subventions to private schools were tied to school performance. Strict enforcement of the criteria for eligibility to subventions led to some 60% of schools following the criteria in 2007 versus 30 per cent prior to reforms. A majority of audit objections were resolved. Second, registration and certification of non-government teachers through a system of testing were introduced with private schools only able to recruit certified teachers. Only 19% of teacher candidates passed the certification examination in 2007. Student pass rates in school leaving exams almost doubled since 2003 to three fifths of all students. Third party evaluations of the system have been undertaken. Third, textbook and curriculum reform has included a transparent process for approval of manuscripts through a review by independent experts.

42. ***The share of poor children in secondary schools has risen from 24% in 2003 to 33% in 2007.*** The success in gender parity is showing up in completion rates. Grade 10 completion rates for girls (18%) exceed that of boys (15%) from the same age group. An IDA project to improve secondary education quality and access is supporting boys and girls from poor households in 121 upazilas. While improved enrolment rates for girls have not significantly delayed age at marriage, there is a modest improvement in labor market participation of women. A Reaching Out-of-School Project has substantially achieved its development objective with student enrolment exceeding the original target of 500,000, with gender parity in these new enrolments.

43. ***The Bank initiated its first engagement on the higher education sector during this CAS period.*** It is supporting the sector under a project that became effective in May 2009. The project would encourage innovations in teaching, learning and research, and provide Bangladeshi universities with state of the art connectivity with the global knowledge community.

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## **Strengthen Local Governance**

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44. ***The FY06 CAS focused on helping strengthen accountability of the lowest tiers of government to citizens.*** The principal instrument was the LGSP in partnership with other donors (the UNCDF/UNDP, EC and DANIDA). The project provides Union Parishads (UPs) an Expanded Block Grant (EBG), and greater discretion in deciding spending priorities through a participatory process, while enhancing accountability. Accession to and continuation in the program is conditional on clearing a thorough audit. Nearly 7000 such audits have been undertaken over three years under a public-private partnership. Three-fourth of the 4498 UPs are now receiving EBGs, and this coverage will extend to all eligible UPs in the

country the coming one year. Overall, block grant financing has increased by over 50%. The UPs also benefit from a core institutional development program that strengthens their capabilities in planning, budgeting, and public financial management. Some 33,000 public officials have been trained under the project. At the central level, the project is putting in place a transparent and predictable inter-governmental fiscal transfer system and strengthening the abilities of the central government to support and monitor local governments. LGSP has received strong local level support. UP officials see new opportunities in enhanced autonomy and increased resources, while citizens welcome greater openness in UPs and the new participatory planning and budgeting systems. Civil society groups are facilitating social audits to enhance UP accountability.

45. ***The project initially faced significant implementation problems*** due to (i) bureaucratic and political unease at the central and intermediate levels at relinquishing controls and bestowing local bodies with greater discretion; (ii) weak capacities at all levels of government to manage and monitor a project of such scope, reaching all 4498 UPs in the country; and (iii) political transitions and uncertainties at the national level. The project has been restructured to simplify and streamline implementation, while not compromising core principles. Although its performance has improved over the last year one year, some implementation challenges are expected to continue given the nature and scope of the project.

46. ***Since 2007, the Bank has also implemented a Swiss Agency funded NTLA Program for Local Governance Reform*** which has supported policy advocacy initiatives, sector and policy studies, policy pilots, workshops, exchange visits and study tours, and capacity building initiatives. In particular, the NLTA contributed to elevating the policy discourse on local governance at the national level and in facilitating local government reforms. It has also helped mobilize other DPs around the theme of decentralization and local governance.

47. ***There is a growing consensus in Bangladesh on the need to strengthen local governance institutions and practice*** to improve service delivery, accountability and political competition. The 2005 PRSP highlighted local governance as one of the eight medium-term strategic priorities for the country. Between 2007 and 2009, a number of ordinances related to local governance were passed under the CTG. The CTG also established a Local Government Commission and set in motion the process for Upazila elections. The Awami League government held elections to Upazilas in January 2009. While the new government has stated its commitment to a strong local government system, some of earlier reforms have been rolled back or revised. In particular, the formal role accorded to the Members of Parliament in Upazila affairs has vexed local government advocates. The momentum provided by LGSP and the increasing political focus on local Governance are nevertheless expected to provide greater impetus to the decentralization agenda in the country.

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### **Enhance Voice and Participation through Community Driven Development**

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48. ***To enhance voice among the poorest of the poor an ongoing FY03 SIPP was expanded during the CAS period*** through three supplementary financing credits aimed at enhancing support through the Social Development Foundation to community driven development, local infrastructure and livelihoods, and broadening coverage to districts affected by “Monga” (famine). Additional SIPP financing of \$50 million was provided in June 2008 to meet the needs of rural communities devastated by the floods and cyclone of 2007.

49. ***Initial results are promising.*** SIPP is demonstrating that hard core poor villagers, particularly women, have the capacity to prioritize needs, manage resources, and implement subprojects. Some 2 million people in nearly 1,000 village communities have benefited from SIPP. About 1,300 community managed subprojects have been implemented, (rural roads, schools, tube wells) with better quality and at

low costs. Nearly 20,000 of the poorest individuals strengthen community level planning for infrastructure provision and livelihood and undertake pilots to promote private funding of community driven programs aimed at livelihood. Nearly 15,000 Livelihoods Savings (*Jibikayan*) Groups (JGs) have been formed, with over 80% female membership, to mobilize savings, gain financial literacy, and demonstrate creditworthiness. The relative success of this program is owed to a number of factors: the strong performance of the Bank's key partner, the Social Development Foundation, the strength of existing social capital in NGOs and local communities, and the willingness of communities to work together. The Bank has drawn on its considerable experience in community development programs in South Asia and elsewhere and developed a model that appears to be working. The project supports improved governance, giving the very poor choices and an opportunity to participate.

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**Outcome: Improve the Effectiveness of Safety Nets**

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50. *Successive governments have become increasingly committed to developing a national strategy for social protection.* A Bank AAA assessed social safety nets<sup>5</sup> and suggested approaches that might be usefully deployed in such a strategy. The existing 30 programs spread over 13 agencies need to be rationalized and strengthened to protect the extreme poor, including in times of natural disasters, and to provide cost effective social welfare and support to marginalized groups (the disabled and vulnerable), the need to integrate urban areas and introduce means testing to avoid capture of the programs by the not so poor. The Bank and other donors have actively supported the development of such a strategy. Although a formal social protection policy has not been developed or approved, as was targeted in the CAS, the government has strengthened support for such a policy. It has raised the total allocation for safety nets from 1% of GDP to 2.2% of GDP. The CTG also announced a new 100 day employment guarantee scheme and some 2 million people were targeted in FY2009. If the employment guarantee is effectively implemented it could help reduce vulnerability. The CAS also targeted the implementation of a proxy means test. The employment guarantee scheme is a form of means testing since the wage is set at a level designed to attract only the poor. The government has also introduced a proxy means test aimed at eliminating the richest three quintiles from its secondary school scholarship program. This is not the same as targeting the poorest but it suggests a gradual acceptance of such testing.

**GOVERNANCE AT THE CENTER**

51. *The governance program focused on public financial management reforms including revenue mobilization and procurement.* It intended to support public administration reform but given lack of political will for such reforms by successive governments, the only contribution in this area were policy notes. But the Bank cautiously entered new territory: institutions of public accountability, legal and judicial reforms, and strengthening demand for reform.

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**Outcome: Improve Public Financial Management**

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52. *Revenues rose modestly over the CAS period, peaking in FY08 at 11.4 per cent of GDP but falling back to 11.2 per cent in FY09.* The malaise in tax administration is deep rooted and is seen in poor taxpayers' services, corruption associated with tax collection, inadequate audit and enforcement and protracted disputes with taxpayers. The Bank has been engaged for over a decade in the reform of NBR together with DFID and the IMF. A Strategic Development Plan laid out a roadmap for reforms (institutional reform, change management and investment in information systems) and a Large Taxpayer Unit was set up. Development policy credits, accompanied by a TA grant, supported the reforms. An IDA funded customs and tax reform investment operation was dropped from the lending program. The improvement in revenues during the CTG period, when NBR officials came under pressure to perform

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<sup>5</sup> World Bank, 2006, "Social Safety Nets in Bangladesh: An Assessment", South Asia Region, World Bank, January 2006.

and reduce corruption, illustrates the potential. The CTG launched a tax-payer education campaign, and a Citizens' charter. On-line registration of VAT and computerization of income tax were initiated, while Customs automation at Chittagong was completed. Progress slowed over the past year. The NBR is still seen as a weak institution and prospects for sustained reform without political commitment appear uncertain. The Bank's contribution was modest in this area.

53. ***Bangladesh's Public Financial Management scored low in a PEFA assessment prepared at the time of the CAS<sup>6</sup>.*** Typical ratings were C and D. Key issues of concern were the lack of a strategic planning process, reflected in over-programming of the Annual Development Plan, which facilitated discretionary behavior and created opportunities for rent seeking. Budget planning focused on inputs rather than outputs and outcomes. Weaknesses in budget execution related to accounting, reconciliation between expenditures and bank balances, and delays in reporting which created opportunities for corruption. Internal and external controls were weak, reflecting lack of accounting information in line ministries, delays in the publication of audited reports, unsatisfactory quality of audits, and weak parliamentary oversight.

54. ***There has been modest progress over the CAS period.*** A medium-term budgetary framework has been introduced in 20 line ministries (compared to 4 at the beginning of the CAS period), covering 70 per cent of the total budget. Computerization and strengthening of the budgeting and accounting systems has been initiated in 60 district offices and 49 chief accounts offices. The quality and timeliness of fiscal reports has improved although these still do not fully cover lower levels of government and SOEs because of delays in reporting from these entities. Overall expenditure management became more transparent with budget information now displayed on the Finance Department website. Differences between the treasury and bank accounts have narrowed. SOEs' fiscal accounts and contingent liabilities have been included in the budget since FY09. Internal Control Manuals and Expenditure Management manuals have been prepared to assist the internal audit function, but these are yet to be implemented. Government plans to invite external audits have not been carried out except in the Ministry of Health where an audit has been conducted with donor support. Separation of audit and accounting functions is incomplete. There has been little progress in the external audit function although audit delays were reduced under the CTG to 10-12 months. The absence of an elected Parliament for over half the CAS period has not helped, although Parliaments have in the past not been particularly active in exercising oversight functions, reflecting the large parliamentary majorities enjoyed by ruling coalition.

55. ***Although public financial management reforms remain a work in progress, the government has taken some ownership of the program during the CAS period.*** In 2008 the government passed a Public Resources and Budget Management Ordinance which aims to tighten fiscal discipline and enhance transparency, accountability and quality of public expenditures. A new Public Financial Management reform program, SPEMP has been adopted to build a performance oriented budget management process that strengthens financial accountability across ministries. This is now being funded by a World Bank administered \$100 million MDTF supported by DFID, the European Commission, Denmark, Netherlands and Canada. The MDTF will support reform across the various components of public financial management -that includes strengthening the office of the C&AG, and strengthening legislative oversight of public expenditure management.

56. ***Perhaps the one area where there has been greatest progress is in public procurement.*** Under the policy framework set out in the Development Support Credit series, a landmark procurement law was passed in July 2006 and became effective from January 31, 2008 when government issued detailed rules to guide implementation. All implementing agencies and public procurement entities started observing the

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<sup>6</sup> See Attachment 4 to the CAS which is based on the Review of Institutional Arrangements for Public Expenditure, Financial Management and Procurement.

law including the use of independent review panels for complaint redressal. Transparency of the procurement system has improved with the publication of bid notices and contract award information on the website of the Central Procurement Technical Unit (CPTU). The reforms have resulted in improved competitiveness in a few key agencies. Four leading government agencies, the Rural Electrification Board, the Local Government Engineering Department, the Bangladesh Water Development Board and the Roads and Highways Department started publishing their procurement performance data on a pilot basis through CPTU's website. A second IDA financed Public Procurement Reform project financed is helping with implementation and monitoring of the law. The project supports institutionalization of procurement capacity development, helps strengthen implementation and monitoring of procurement at the sector level, pilots e-procurement in the four pilot agencies to increase transparency and competition, and engages business bodies and civil society in the monitoring of the contracting process and procurement outcomes. The government recently made few changes in the procurement law certain provisions of which may impact upon good procurement practices. The Bank will need to continue its dialogue in helping build an understanding in the government on the rationale for this important reform that contributed to strengthening the overall public procurement system.

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**Outcome: Strengthen Institutions of Accountability**

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57. *The CAS recognized the importance of strengthening key institutions that are intended to contribute to a constitutional role of checks and balances as a means of putting restraints on the executive.* The Bank's program has supported the Bangladesh Bank through the ongoing Central Bank Strengthening project, the Supreme Court through the recently closed Legal and Judicial Capacity Building project, and to the Comptroller and Auditor General's office through the ongoing policy dialogue on public financial management. These interventions have had a very limited impact due to project design problems and the lack of a sustained dialogue on these issues, although the Bangladesh Bank project is now finally gaining some momentum.

58. *The only area where there was brief policy interest and momentum was the work of the Anti-Corruption Commission during the CTG period.* The Commission had been appointed by the political government on 21 November 2004. Lacking ownership, the government appointed Commissioners proved ineffective and the Commission remained largely dysfunctional until the CTG came to power. The CTG forced the resignation of Commissioners, appointed a new head of the Commission and staff. The CTG amended the ACC act to strengthen the powers of the Commission, developed a new organogram for 1,281 staff, and established rules for prosecution. The Commission pursued cases against politicians of both parties, including party leaders, as well as a number of businessmen. The zeal of the new Commission initially inspired initially strong civil society support. However, it later had a negative impact on the business climate and frightened bureaucrats into inactivity. But the Commission dramatically reduced impunity, successfully prosecuting a number of officials and former politicians. While the Commission's excess zeal during the CTG period may have damaged the long term cause of anti-corruption in Bangladesh, the brief success of the Commission makes it difficult for elected governments to abandon the anti-corruption agenda.

59. *Bangladesh also began to access international support in the fight against corruption.* It acceded in February 2007 to the United Nations Convention Against Corruption (UNCAC) and began a process of reviewing its legal and regulatory framework to ensure compliance with the Convention. Parliament has yet to ratify the Convention. The Bank helped the government access the Stolen Asset Recovery Initiative (STaR) through workshops and training in accessing mutual legal assistance (MLA). A new MLA unit was established in the AGO, with assistance from USAID. Seven MLA requests were being pursued with the UK in December 2008. Momentum has slackened during the past year. The task forces created by Bangladesh Bank appear to have dispersed and people are no longer assigned to these

tasks. Consistent with the intentions of the CAS, the Bank played a relatively modest role in this area, providing informal advice and responding to requests for support.

60. ***Recognizing the lack of political commitment to strengthen accountability institutions the Bank chose to focus on demand side initiatives.*** It supported an initiative by the BRAC University's new IGS to conduct workshops aimed at bringing reformers together both within and outside government as part of a coalition-building exercise to engage in an evidence-based discussion of the issues that faced key institutions of accountability. Five workshops were held covering the ACC, the Election Commission, the Public Services Commission, the Comptroller and Auditor General and the Judiciary. Although the quality of the policy notes from the workshops varies, the process followed ensured strong local ownership of the agenda and sensitization of reform issues in the concerned institutions.

61. ***Another important development was the establishment in November 2007 of the Bangladesh Better Business Forum (BBBF),*** a public-private dialogue platform chaired by the Chief Adviser. IFC has helped GoB in the design and subsequent operation of the Forum. The BBBF does most of its technical work through five working groups, which are co-chaired by and composed of senior Government and private sector representatives, and is supported by a Secretariat based in the Board of Investment (BoI). The BBBF Working Groups met several times during the CAS period, submitted a total of 290 recommendations, of which 247 have been approved for implementation. The private sector has recognized this as an effective means of results-oriented dialogue on private sector issues through a transparent and open process.

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## **Support Legal and Judicial Reform**

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62. ***Bangladesh adopted a legal reform strategy in 2000.*** This was prepared with World Bank assistance, and implementation of the strategy was supported by an FY01 Legal and Judicial Capacity Building Project which closed in FY09. The project focussed on a range of issues including amendments to the Civil Procedure Code which addressed delays in case processing and introduced a computer management system in pilot courts. The project aimed at improving the investment climate by improving predictability in the enforcement of contracts. The project was largely unsuccessful in meeting its objectives and did not address broader issues such as the role of the judiciary as an institution of accountability. The FY06 CAS recognized the need to broaden this agenda but given the lack of public demand for legal and judicial reform it stressed the need to strengthen demand for reform and proposed encouraging a broader debate in the country. This proposal was folded into the Bank's partnership with IGS on institutions of accountability. At the same time the Bank fielded an extensive survey of citizen's experience of civil wrongs and crimes and their use of the dispute resolution mechanism. The survey results are just beginning to flow and will be analyzed to improve understanding of how citizens relate to the justice sector.

63. ***The caretaker government saw legal and judicial reform as a high priority and began by implementing a Supreme Court decision to separate the judiciary from the executive.*** This reform was supported by the Transition Support Credit and the Ordinance passed to bring about this change has been accepted by the elected Awami League led government and legislated into Law. In a similar vein, the CTG also initiated the establishment of a Supreme Judicial Commission which was intended to depoliticize the appointment of judges and to reverse the apparent deterioration in the quality of the higher level judiciary by removing such appointments from the current almost exclusive discretionary power of the government. The ordinance pertaining to this reform, also supported in the Transition Support Credit has not yet been taken up by the Government, and has therefore lapsed until the government chooses to bring forward a second legislation. Another casualty is the CTG ordinance

creating an independent prosecution service which also has not been ratified. In sum, there has been only modest progress in this area.

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### **Strengthen Demand for Reform and Enhance Right to Information**

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64. *The FY06 CAS recognized that governance reforms cannot be imposed from outside and that the Bank needed to work with civil society to help build consensus around governance reforms.* The CAS supported the PRSP's emphasis on enhancing access to information and the need for a Freedom of Information Law, though the PRSP was cautious in describing the law as a longer term objective. Strong civil society support and advocacy influenced the CTG into issuing an ordinance on the RTI in October 2008. The Bank supported this work through the Transition Support Credit where a prior action was "the preparation of a draft ordinance on the Right to Information through a transparent and consultative process that includes discussion with civil society and other stakeholders". Given the popular support for the law, the newly elected Awami League government passed the RTI Act in March 2009. Following the enactment of the law the country team partnered with WBI to sponsor an international conference organized by a national NGO on lessons from international experience in implementing RTI legislation. While largely unexpected, the RTI law represents a major achievement of this CAS period.

65. *Access to information on business regulations is improving, in particular through an e-registry of rules and regulations, expected to be launched in October 2009 supported by IFC's BICF* which has a substantial program of engagement with various stakeholders including private sector chambers and associations, think-tanks, media and universities.

### **LONG TERM STRATEGIC ISSUES**

66. *Bangladesh faces major long term development risks from climate change and the frequency of disasters that accompany it.* While this was not a major focus of the FY06 CAS, a number of the flood and cyclone of 2007 raised the profile of these issues and resulted in the Bank approving a \$109 million Emergency 2007 Cyclone Recovery and Restoration project. While the project is too new to result in any outcome, it is designed to implement a medium to long term framework developed in an April 2008 GoB-donor joint Damage Loss and Need Assessment prepared in the aftermath of Cyclone Sidr for disaster risk mitigation and management.

67. *Recognizing its vulnerability to climate change, Bangladesh played a highly active role at the Bali Conference in December 2007.* Bangladesh has prepared a Climate Change Strategy and Action Plan emphasizing food security, disaster management, building resilient infrastructure, increasing the country's understanding of the climate change risks it faces, policies for mitigation and low carbon development and capacity building and institutional strengthening. In September 2008, during a High Level Meeting organized by DFID in London, DPs agreed to establish an MDTF for Climate Change in Bangladesh to be administered by the World Bank. Some \$100 million has been committed to the Trust Fund. Three major studies are being prepared by the Bank to initiate work on the implications of climate change on fresh groundwater resources in central aquifers, the implications of climate risks on food security in Bangladesh and on the economics of climate change for Bangladesh. These studies are nearing completion and will assist in developing Bank programs in the next CAS period.

## **D. WORLD BANK GROUP PERFORMANCE**

### **COUNTRY DIALOGUE AND AID COORDINATION**

68. *The country dialogue with Bangladesh has been frequently interrupted by changes in government.* But the Bank remains well respected in Bangladesh. It has maintained good relations and

contacts with the two major political parties, and the Bank Group remained a trusted partner during this period. A strong lending program was maintained, backed by AAA products.

69. ***The Bank's country office has played an important role in the policy dialogue.*** The national staff has played an important role in facilitating dialogue, and helping HQ-based staff better understand the political and cultural context in which the Bank's operates. IFC now has a substantial on-the ground capacity to carry out dialogue with the government through the BICF. The Bank was not able to bring in a stronger on the ground presence of interested staff. This reduces the Group's ability to effectively leverage its national staff.

70. ***Donor coordination has been a central issue for the country assistance strategy.*** Relations between many DPs and the BNP-led government were difficult and unproductive at the time the CAS was under preparation. The four largest donors in Bangladesh, the ADB, Japan, UK (DFID) and the World Bank formed a partnership to prepare a joint framework that would guide their programs. This framework included a statement of Partnership principles together with an understanding on the areas of engagement in different sectors and terms of reference for coordinating and support roles. In the water sector, a partnership framework was signed among DPs for work on Dhaka and Chittagong Water and Sanitation programs.

71. ***The joint framework was prepared following a large initial exercise that covered the key staff of the four institutions.*** The initiative was led by the four Country Directors who saw the need for closer coordination during a difficult period for Bangladesh and high governance risks. A common strategic framework informed the country strategies of all four partners. Coordination and dispute resolution took place at periodic meetings among the four Country Directors. The commitment to close collaboration did not extend to a common country strategy or a joint implementation strategy except in co-financed activities such as the health and primary education SWAs which embraced several donors, or the support to reforms in the railways. The emphasis on governance in the common strategic framework was not fully reflected in all of the partners' work programs.

72. ***The Government and 15 DPs, including the World Bank have signed a Statement of Intent in 2008 to develop, a Joint Cooperation Strategy (JCS).*** The JCS is an aid effectiveness plan for Bangladesh based on the principles agreed in the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008). The Bangladesh JCS intends to outline a joint vision for improving aid effectiveness at country level by establishing an institutionalized mutual accountability mechanism. The latter will be based on the LCG dialogue structure and a JCS Action Plan. Consultations and drafting of the JCS started in the second half of 2008, and the strategy is planned to be finalized and signed by Government and participating DPs in 2010. *Although not envisaged during the design of this CAS*, the BICF and SPEMP have emerged as good practice cases of donor collaboration. BICF is funded by DFID and the EU, and managed by the IFC. The MDTF for SPEMP is mainly funded by DFID, the EU and DANIDA, while CIDA and the Embassy of Netherlands are potential donors.

## LENDING AND AAA

73. ***Lending volume during the CAS was robust but differed significantly in content from the original CAS program.*** The program was highly responsive to the client's changing policy priorities and a range of emergency needs, including floods, a cyclone and the food crisis. The CTG's strong policy reform orientation enabled the Bank to provide a series of development support credits, covering macro-economic and structural policy reforms, governance, education railway and power sector reforms. With Bangladesh's improved policy performance during the CTG period, the improved CPIA ratings enabled the performance based IDA allocation to rise. In FY09, the last year of the CAS and the first year of IDA 15, the allocation for Bangladesh went up substantially to reflect the larger IDA, and for the first time ever, the Bank provided over \$1 billion in new commitments.

74. ***Some 27 projects were approved during the CAS period (8 DPCs and 19 investment operations), with total commitments of \$2.6 billion, compared with a CAS lending program of \$2.9 billion.*** Fourteen of the 25 projects identified in the CAS were delivered during the CAS period, nearly all during the first two years of the CAS (see table 2). A total of \$534 million was committed in response to natural disasters and the food crisis. Development support credits accounted for 46% of actual commitments compared to 30% of the CAS proposed lending program, again reflecting both policy and crisis response, with \$305 million of budget support related to disaster response. Lending slowed during FY07 as a result of political and policy uncertainty in the pre-election period, accounting for much of the shortfall in relation to planned total lending.

75. ***The average project completion cost during the CAS was US\$ 321,000, in line with the regional average of US\$319,000.*** Average project preparation time at 15 months (concept review to Board approval) masks wide variations. Major infrastructure projects (e.g., Dhaka Water and Siddhirganj power) were prepared in 3-4 years and one project took nine years. However, most operations were prepared in less than one year reflecting the high share of DPCs, emergency operations, and additional financing in the program. However, investment operation took place at least two years to prepare.

76. ***Much of the core Economic and Sector Work has been relevant and of high quality.*** The non-lending program included 17 ESW reports and 15 policy notes. The analytical work informed future operations, as well as the dialogue with government and civil society. Core ESW included a Country Environment Assessment, the Bangladesh Strategy for Sustained Growth, a Country Gender Assessment, a Poverty Assessment and a Public Expenditure Review. Key AAA was made widely available through a new Bangladesh Development Series. Toward the end of the CAS period, reflecting an increasing focus in this area, three major reports on climate change and disaster management were delivered. Policy notes were intended to provide just in time advice to policy makers and be highly demand responsive.

77. ***Technical assistance assumed a much higher profile in the country AAA program with a total of 22 completed activities, compared with four during the previous CAS.*** This is consistent with Bank-wide trends and reflects an increasing emphasis on providing more rapid response policy advice and capacity building. Substantial technical support has also been provided in governance related areas including public financial management, procurement, and public sector reform, much of this supported by the Bangladesh specific DFID Governance Trust Fund. Overall, \$5.6 million was spent on non-lending TA, of which trust funds accounted for just over \$3 million. These were seen as being highly relevant by the country teams. However, more periodic peer reviews would help provide better ex-post quality control.

## **PORTFOLIO PERFORMANCE**

78. ***Some 23 projects exited the portfolio during the CAS period.*** As of June 2009, there were 27 projects in the portfolio, with net commitments of \$2.9 billion, and an undisbursed balance of \$1.685 billion, the 15<sup>th</sup> highest in the Bank and the 5<sup>th</sup> highest for IDA recipients.

79. ***The Completion Report for the FY01 CAS identified a number of issues in project design and supervision*** including unrealistic expectations regarding objectives, completion schedules, and expected results and insufficient attention to institutions and political economy. Bank supervision was characterized by poor quality and realism of reporting and insufficient focus on development effectiveness. These issues manifested themselves in disappointing project outcomes during the most recent CAS as the stock of projects approved in the late 1990s and early 2000s exited the portfolio. Of the 23 projects that closed during the FY06 CAS period, 13 were reviewed by IEG. Four projects (31%) had a rating of MU or U, significantly worse than in the previous CAS Completion report. The lagged

nature of project outcome ratings suggests that these results will improve as more recently approved projects – when attention to quality and implementation significantly increased – are completed and evaluated. The IEG review ratings also reflect a worrisome disconnect—5 out of 13 projects (38%) had lower IEG ratings than in the ICR— indicating the need for continued attention to monitoring project ratings and the quality of ICRs.

80. ***The CAS recognized the challenge of improving portfolio performance.*** The CAS identified a range of issues – predominantly tied to inadequate government ownership and commitment – that contributed to long implementation periods and large undisbursed balances. Efforts to address these issues (for example, through intensified portfolio monitoring and together with DPs, to help GoB streamline implementation) resulted in some improvement in the disbursement ratio, which averaged 19% from FY01 to FY05 and increased to an average of 21% during the CAS period, reaching 24.7% in FY09, above the regional average of 11.8% and IDA average of 22.9%. However, the median age of projects at 4.1 years remains higher than at the beginning of the CAS period (compared to the regional and IDA average of 3.6 years); 8 projects are older than five years. One third of the projects in the portfolio have had their closing dates extended. Average annual supervision costs over the CAS period were \$103,000 somewhat below the regional average of \$118,000.

81. ***Portfolio risk declined, with the share of projects and commitments at risk falling throughout the CAS period.*** At the end of the CAS period, three projects, (11% of the portfolio, 4% of commitments) were classified as problem projects, compared with South Asia and IDA averages of 15% and 14%, respectively. Portfolio management indicators deteriorated during the FY2006 and FY2007 but then recovered with realism and proactivity rising from 57% and 33% in FY06 respectively, to 100% by end FY09.

#### **FIDUCIARY AND IMPLEMENTATION RISK MANAGEMENT**

82. ***The CAS committed the Bank to a strong focus on managing fiduciary and operational risk.*** Tracking studies, post procurement reviews, and an independent procurement review of selected operations and INT investigations all pointed to irregularities such as collusion in bidding, delays in tender evaluation, lack of transparency and poor record keeping including inadequate documentation to support variation in contracts. As a part of systematic pursuit of remedies, withholding of disbursement for unresolved pending serious audit objections resulted in enhanced follow up on audit objections within the government agencies. A number of corruption cases mentioned in audit reports followed special scrutiny by independent private auditor and INT investigation. An ORMAPP envisaged a systematic analysis of corruption risk through AAA and in project preparation, advise on smart project design, stronger supervision, more systematic follow up on remedies, and enhanced information disclosure. A cross- sectoral Operations Risk Mitigation Team under the Chairmanship of the Operations Adviser in Dhaka was established early during CAS implementation to advise teams on risk identification and mitigation at project preparation stage.

83. ***As originally conceived ORMAPP was principally about information sharing and peer review of the lending program.*** It was intended as an upstream engagement to influence the design of projects, and not to duplicate the role of fiduciary teams. The team reviewed a number of key operations, focusing on “hot” sectors such as roads, water, power and health. Since FY08, following the India DIR, the country team added a downstream phase of trouble shooting advice to task teams facing corruption issues during implementation. This resulted in a more systematic follow up of remedies, in part because of some of the policy improvements relating to procurement. The overall process however, had mixed results. While some sector teams found the exercise useful, benefiting project design, there was confusion in the Country Team about ORMAPP’s role. ORMAPP elicited little interest from HQ-based staff and became an exclusively Dhaka office activity. It lacked a specific budget or a formal secretariat, resulting in capacity

and resource constraints to monitor implementation of risk mitigation plans, carry out follow up and oversight functions and more efficiently manage meetings and issue minutes.

#### **E- ASSESSING A GOVERNANCE-FOCUSSED CAS**

84. ***This highly tumultuous CAS period tested both the Bank's client and the Bank.*** While it may be early to make a definitive judgment, Bangladesh's economy withstood the severe political and exogenous shocks and emerged relatively unscathed. Growth exceeded 6 per cent throughout the CAS period, national savings rates were bolstered by remittances, domestic financing of the budget was contained, inflation is under control, and the current account deficit is moderate and external reserves comfortable. Downside risks have eased in recent months and near-term economic prospects remain broadly favorable. Social indicators, particularly those linked to per capita income growth, continue to improve, and Bangladesh remains on track to meet its MDG targets. These are significantly good results given the overall difficult policy and governance environment.

85. ***CAS outcomes were mixed but generally modest.*** Macro-economic stability saw relatively good progress and automation of customs at Chittagong Port offered significant relief to exporters and importers. There were gains in regulatory reforms, in corporatization of state owned banks, energy regulatory capacity and corporatization of power utilities, and in enhancing accountability and quality of private school providers in the secondary education system. The newly enacted Right to Information Act could, if well implemented make a major contribution to strengthening demand for reform. But in general, progress was mixed, and reforms moved at a relatively slow pace despite two years of an energetic CTG. Outcomes were modest in relation to an ambitious and possibly over-reaching CAS. They were adversely impacted by the difficulty of sustaining a dialogue with frequent changes of government and large political uncertainties. While things went better than might have been expected given the difficult context there remain questions about whether the Bank's overall effort was commensurate with the task at hand.

86. ***While the Bank's contribution to the positive outcomes is not easy to measure, the Bank did a number of things right.*** Apart from the obvious attribution problems in a country whose dependence on aid has fallen sharply, a number of players contributed to these outcomes, including a relatively dynamic CTG, a vigorous civil society, and the Bank's principal DPs. Nevertheless, there were a number of things the Bank did well:

- The CAS helped rebrand Bangladesh as a country that despite poor governance managed to get a lot of things right. This enabled the Bank to support Bangladesh on things it did well while helping it to address the things it did not.
- The strong emphasis on governance on the eve of one of the country's many severe governance crises positioned the Bank to better respond, and the effort to address the over centralization of the state through local governance reforms was also right given the high costs to political stability from the concentration of power in Dhaka.
- Reengagement in important sectors like rural and power, while costly in terms of the Bank having to learn afresh the issues in the sector and win back lost confidence, enabled it to attempt once again to address neglected development issues in the Bangladesh economy.
- Close collaboration between major donors through a joint strategic framework for partnership ensured a unified approach and good collaboration on most substantive issues.
- The Bank also reacted flexibly and quickly to the rapid changes in the country context. For instance, the Bank Group did not waste much time dwelling on whether or not to work with a non-elected, self-appointed CTG. The advice from civil society and elsewhere was that the engagement was necessary to continue to support the country's development agenda. Just-in-time policy notes, policy-based lending and quick support following the flood and cyclone of 2007 reflect this proactive approach.

- IFC's BICF was coincidentally established at the beginning of 2007 and became an important vehicle to support the CTG in its efforts to improve the investment climate. In particular, it helped the CTG counter the drop in business confidence resulting from some of its early actions. IFC exploited the window of opportunity by emphasizing a number of strategic initiatives, such as the RRC and BBBF, which stood a chance of being sustained beyond the CTG's tenure.
- Development Policy Credits provided timely budget support for policies and programs that the government was committed to undertake rather than pushing policies that the Bank wanted to see done. While there are legitimate questions about the sustainability of some of the CTG led reforms, those risks also exist whichever government was in power. DPCs also provided important balance of payments support and helped avoid excessive domestic borrowing by the government that would have crowded out the private sector. They also helped Bangladesh cope with severe and repeated exogenous shocks. The Bank's support probably contributed positively to the continuing macro-economic stability during this period.

87. *A more interesting question is how one of the Bank Group's early governance focused CAS played out.* The FY06 CAS recognized that the governance agenda was ambitious, and outlined two strategies to address this. The first was to recognize that mainstreaming governance was a broad agenda and that the Bank would focus on four key strategic areas:<sup>7</sup> improving governance and efficiency in infrastructure, particularly power; supporting local governance and community driven development initiatives; improving public financial management, and strengthening the government's revenue efforts. Second, a governance-oriented CAS required "new ways of doing business". The CAS called for shifts in staffing, institutional processes and culture.<sup>8</sup> This in turn required new skill sets in the Dhaka office, new processes relating to mainstreaming of governance in all sector interventions, and in fiduciary risk management, a more aggressive outreach to civil society and academia, more effective cross-sectoral work and a shared country team understanding of expectations and risk tolerance in governance work.

#### PURSuing STRATEGIC GOVERNANCE PRIORITIES

88. *As seen from the foregoing discussion on CAS outcomes, results in terms of the strategic governance agenda were mixed.* In three of the four areas, progress has been slower than anticipated but there has been progress, much of it on account of the actions taken during the CTG period. In the fourth area, reform of the country's revenue efforts, despite the CTG's efforts, progress has been limited:

- *Improving governance and efficiency in infrastructure.* In the energy sector, complex institutional reforms were initiated and supported by a power development policy credit. These new institutions are still finding their feet and it will require considerable political will to allow these institutions to evolve and take shape and ensure that the process is allowed to continue without undue political or bureaucratic interference. But key elements of the foundations for reform have been laid, albeit somewhat tenuously, for a more rapid development of the sector should the new government choose to build on these.
- *In roads and highways,* the Bank carried out an elaborate Operational Risk Assessment that set out a reform path for the Roads and Highways Department to reduce fiduciary risks. But continuing INT investigations have discouraged the Bank from pursuing further financing in this area.
- *Strengthening local governance:* The Bank's LGSP is path breaking in many respects and its initial implementation was strongly supported by the outgoing BNP government and the CTG. Nevertheless implementation was slow because of an overestimation of implementation capabilities at both the central and local levels in designing the intervention. This has now been

<sup>7</sup> World Bank, 2006, main text para 33.

<sup>8</sup> World Bank, 2006, main text paras. 136-140.

remedied and the project has begun to move. However, key challenges remain, including developing clarity between roles and functions of Ministers and elected local Government.

- *Community driven development:* The Bank's Social Investment Project is showing the way on strengthening community empowerment. It is still limited in scope and it is only now that a larger intervention is being planned. Organizing beneficiaries is being attempted in other projects (e.g., the National Agriculture Technology project) but is not yet seen as a key element in all Bank interventions.
- *Public Financial Management:* With one exception, progress in this area has been slow. The Bank's report on the reform agenda came late in the CAS cycle, awaiting political economy work. Nevertheless the enactment into law of the IDA supported Public Resources and Budget Management Ordinance and the adoption of a Public Financial Management Improvement program have created the basis for more rapid PFM reforms. A forward looking approach towards the much awaited separation of accounts and audit cadre and Bank assisted policy note on Restructuring Public Financial Management and Institutional Arrangements and a government led action plan is another major stride towards improving PFM. The enactment and implementation of the 2006 Procurement Act has also been a major achievement, although recent revisions in some of its provisions have been as being contrary to international best practices.
- *An enhanced revenue effort:* Despite a strong revenue effort under the CTG, there has been little or no progress in this area. Frequent changes in personnel and a weak revenue agency have delayed reforms. The CTG did not succeed in addressing this issue and the Bank's considerable work over the years appears so far to have come to naught.

89. ***Although the CAS focus was on these key areas, many task teams took the mainstreaming of governance agenda seriously.*** In secondary education, the programs supported ensuring a transparent process for teacher recruitment, greater transparency in the production and distribution of textbooks, linking financing of private schools to performance, all major governance reforms. In the health sector, while governance was an afterthought in a program designed before the CAS, the team attempted contracting out activities at an arm's length, strengthening voice of service users, and strengthening procurement issues. There was insufficient traction from counterparts and this was a time consuming and difficult process. Similarly, regulatory reforms supported by IFC have a strong governance element. Sector teams also benefited from an increasing use of political economy work facilitated by the governance advisors. This work came late in the CAS work cycle, as in public financial management and in the energy sector. In general key task teams are more sensitive to political economy issues but it is not yet clear how this will influence the design of Bank strategies.

90. ***The demand side programs supported by the governance team have started a process that needs to be sustained.*** The partnership with IGS on accountability institutions has shown the potential for creating local ownership and analytical capacity around key reform areas. The Bank also provided strategic support to civil society on the right to information issue. The networks that have been created from this work need to be sustained. This is a time consuming and onerous task for which the Bank is currently not well organized. IFC's BICF, has put in place a robust and multi-track program of stakeholder engagement and communications. This is a social capital whose usefulness may extend to the whole WBG.

91. ***There is nevertheless no denying that the outcomes fell short of expectations and of the country's critical needs, particular in the energy sector and in public revenues.*** Much of this can be blamed on the underlying political context, and it could even be argued that the achievements were satisfactory given this difficult context. The CAS may also have been too ambitious and the Bank's effort may have fallen somewhat short. Where there has been some success it has been more on account of the efforts of strongly committed and professional individuals and teams supported strategically by management, rather than because of well established processes and clear incentives.

## CHANGING THE WAY THE BANK DOES ITS BUSINESS

### Staffing

92. *The Bank made some progress in changing the way it does its business within the context of a strong governance focus to its country strategy.* The Bank appointed two governance advisors to initiate work on the large governance agenda and to help mainstream the governance agenda. It fielded a strong team of senior staff in Dhaka during the early period of the CTG including a lead economist with a strong public sector background. However, the presence of HQ staff in the field in crucial areas where sustained dialogue is critical such as energy and local governance remained limited if non-existent. Personnel planning lacked strategic vision, and long term planning, and did not take adequately into account the difficulties in posting high quality staff to Dhaka. This resulted in lengthy and costly interregnums between the departure of high level staff and the arrival of their replacements, including country directors, lead economists, sector specialists and governance advisors.

93. *Weak personnel management and inadequate resources were particularly costly in the context of a transformative CAS* that was raising the bar across the board, mainstreaming governance across sectors, reengaging in sectors the Bank had retreated from, developing new programs in the core governance area, introducing new processes to mitigate potential risks, developing key donor partnerships through the Joint Strategy Partnership with ADB, DFID and Japan, by leading or participating in two SWApS and reaching out systematically to civil society and academia with a view to help build coalitions for reform. While the Bank benefitted from the DFID Governance Fund and other TFs, it was probably too significant a scaling up of effort to manage effectively without additional high quality staff in the field, without additional budgetary resources, and without a sustained effort to keep a country team - divided as it often is, by the Bank's network silos - on the same page through regular annual retreats, progress reviews and team building efforts, and without addressing the incentives the staff face to respond adequately to the challenges the Bank was addressing. The absence of a monitoring and evaluation system for the country program as a whole was a significant gap in the CAS itself. Progress reports would have enabled early decisions on areas promised in the CAS like public administration reform and legal and judicial reform which looked increasingly unrealistic during implementation.

### Institutional Processes

94. *The CAS committed the Bank to ensuring a knowledge sharing and peer review process as a means to mainstreaming governance in the CAS.* The Operational Risk Mitigation group was established and has met regularly. But the process lacked sufficient involvement from headquarter staff, was under resourced and under managed. To complicate matters, its terms of reference were broadened following the India DIR to include advice to staff facing issues of corruption in their operations. ORMAPP is currently being redesigned to address some of these issues. Three issues will need to be addressed going forward. First, the exercise needs to be focused on providing guidance to teams on both project design and implementation, and requires the necessary technical skills to do so. Second, the ad hoc interaction between the Senior Governance Advisor and the task teams needs to be replaced with a more structured interaction that allows for comments on initiating briefs and project appraisal documents and a more systematic mapping of the efforts to mainstream the governance agenda so that some of the common policy issues that emerge can be raised with government and addressed. Third, governance issues need to be addressed early in the project preparation cycle to more systematically reduce the risk of corruption and to shift the onus for monitoring corruption risks to beneficiaries and to government institutions rather than the Bank. An excessive focus on preventing corruption, in the absence of concomitant focus on processes that enhance accountability to beneficiaries and to local institutions, destroys the trust essential to a good partnership relationship.

95. *Country team members interviewed express concerns about the way corruption was being addressed in the program.* INT's prolonged investigations put Bank-borrower relations in the project and institutions being investigated on hold and created a climate of distrust. Some members feel that a focus on corruption often takes attention away from a focus on results. Highly qualified and specialized Bank staff end by spending valuable time on fiduciary risk mitigation issues that they do not feel competent to address, rather than addressing the institutional factors causing those risks to increase in the first place. Some Task Team Leaders worry that staff entrusted with rating procurement and FM risks may have perverse incentives to mark all risks as high if only to protect themselves against future problems. Procurement staff note that the symptoms of potential procurement problems that INT's prevention department has made available to staff are difficult to follow up since procurement staff are not trained investigators and reluctant to encroach on functions that belong to government.

96. *While some of these concerns may reflect a reluctance to address governance issues in projects, for the most part staff understands the importance of reducing fiduciary risk to better project outcomes.* But they are not convinced about current approaches to solving the problem. There are no easy solutions, but the current environment is one in which staff may be becoming risk averse and from a borrower perspective, the cost of dealing with the Bank may be rising. Corruption is a symptom of a larger governance problem. The Bank needs to focus on helping address that larger governance problem, and to recognize that while it is being addressed through long term institution building, there will remain considerable risk of projects being subject to corruption, and to manage those risks through greater beneficiary involvement and improved oversight by government agencies and independent entities. *Reaching out to civil society and academia.*

97. *The Bank has made progress in selected areas in reaching out to civil society and academia.* Extensive consultations with civil society and academia preceded and followed preparation of flagship reports such as the ones on NGOs, the poverty assessment, the gender report and the growth study. The Bank also pioneered a new approach to AAA by partnering with a local institution, the IGS, which staged workshops that pulled together the key stakeholders in different institutions of accountability. The Bank and the IFC jointly worked with another local institution, the Bangladesh Enterprise Institute in the preparation and dissemination of the Investment Climate Assessment. Additionally, the Social Development team established a unique Post-Graduate Certificate Course on Management of Land Acquisition and Resettlement (MLARR) at BRAC University's **BRAC Development Institute (BDI) which can train professionals** to assist the country and all DPs in better overcoming the infrastructure gap. While these are commendable efforts, the underlying objective of strengthening demand for good governance by building coalitions around reform areas is highly time consuming and staff intensive. In Bangladesh, where decision making is highly centralized, the incentives are geared towards persuading key decision makers rather than the more time consuming task of helping build coalitions for reform. The latter is highly resource intensive with uncertain results. The civil society network developed by the governance team would not have been possible without DFID TFs. Bank budgets currently do not allow for funding activities which managers view as not necessarily leading anywhere. By contrast, IFC, in particular its BICF program, has substantial resources dedicated to stake-holder engagement and communications which has enabled it to carry out a variety of innovative activities involving a wide range of stake-holders. A distinguishing feature of this is the exploitation of synergies between the various activities – this has been possible because stake-holder engagement and communication has been viewed within IFC as a holistic exercise carried out by a tightly integrated team while in the Bank this has been a series of isolated exercises carried out by different program teams working in silos. Farming out AAA to policy think tanks and academia would also enable the Bank to help build local analytical capacity and understanding of reform issues and create local reform networks.

**ANNEX A: BANGLADESH: SUMMARY MACROECONOMIC INDICATORS**

	FY05	FY06	FY07	FY08	FY09 (Est)
<b>Output and Prices</b>					
Real GDP growth (annual % change)	6.0	6.6	6.4	6.2	5.9
Investment (% of GDP)	24.5	24.7	24.5	24.2	24.2
Gross domestic savings (% of GDP)	20	20.2	20.4	20.3	20
Gross national savings (% of GDP)	23.9	25.8	25.8	25.5	27
CPI Inflation (annual % change)	6.5	7.2	7.2	9.9	6.7
<b>External Sector</b>					
Exports (f.o.b) (\$ billion )	8.6	10.4	12.1	13.9	15.6
Imports (c.i.f) (\$ billion )	11.9	13.3	15.5	19.5	21.1
Remittances (\$ billion)	3.8	4.8	6	7.9	9.6
<b>Current account balance (% of GDP)</b>	<b>-0.9</b>	<b>0.9</b>	<b>1.4</b>	<b>0.9</b>	<b>2.8</b>
Gross official reserves (\$ billion)	2.9	3.5	5.1	6.2	7.4
In months of GNFS imports	2.5	2.7	3.3	3.4	3.6
Gross Aid Flows (\$ billion)	1.5	1.6	1.6	2.1	2.2
Gross Aid Flow (% of GDP)	2.5	2.5	2.4	2.6	2.5
External Debt (% of GDP)	29.6	28.9	28.7	25.9	23.4
External Debt Service Ratio (% of foreign exchange earnings)	4.6	4.1	3.7	3.2	3
External Debt Service Ratio (% of export earnings)	6.3	5.8	5.3	4.9	4.6
<b>Public Finance</b>					
<i>In Percent of GDP</i>					
Total Revenue	10.5	10.7	10.3	11.4	11.2
Total Expenditures including support to SOEs	13.8	13.9	13.6	15.1	15.3
<b>Overall budget deficit (excl. grants)</b>	<b>3.3</b>	<b>3.2</b>	<b>3.2</b>	<b>2</b>	<b>2.9</b>
Budget support to SOEs	..	..	..	1.7	0.7
Budget deficit including support to SOEs	..	..	..	3.7	3.6
Domestic financing	1.7	2.1	2	1.5	1.8
Public debt	47.5	46.9	46.5	44.4	44.8
<i>End of year; Percent Change</i>					
Net Domestic assets	17.1	19.5	12.6	18.1	17.8
Private sector	16.8	18.1	15	24.9	14.6
Broad money (M2)	16.7	19.3	17.1	17.6	19.2

## ANNEX B: IFC PROGRAM AND ACTIVITIES IN BANGLADESH (2006-09)

98. IFC's program in Bangladesh during the CAS period under review, combined its investment activities in a range of sectors, as well as its advisory work through two donor funded facilities SEDF and BICF (established in 2007).

### IFC STRATEGY

- IFC strategy in Bangladesh in the CAS period under review focused on: (i) private infrastructure; (ii) energy, including investments in gas production and related infrastructure; (iii) manufacturing and service sector companies; and (iv) innovative, private sector sponsored projects in health and education. IFC also supported the development of local capital markets and a competitive banking sector through direct investments and institution building. IFC's investment as well as advisory program in Bangladesh reflects the above strategic priorities. IFC has a committed portfolio of \$107 million in 12 projects at the end of June 2009, in a range of sectors including telecommunications, cement, agri-processing, education and financial markets. Financial Markets account for 48%, general manufacturing and services for 31%, Agribusiness 13% and Telecomm for 8% of the portfolio.
- However, IFC's ability to execute this strategy was constrained by slow progress on policy and regulatory reform, delays in receiving regulatory approvals for investments, and lack of transparency in infrastructure concessioning. IFC developed a strong pipeline of potential investments in agribusiness, financial markets, infrastructure, and the pharmaceutical sector, funding for which is required in both local currency and foreign currency. The Bangladesh authorities have indicated that they would prefer to limit the use of IFC's existing local currency product (the partial credit guarantee instrument PCG) to infrastructure projects.
- There has been a concerted effort to integrate IFC's investment and advisory operations in Bangladesh, where the support provided by SEDF in sectors such as poultry, agribusiness laid the ground for potential IFC investments. IFC also built strong relationships with partner banks under the SEDF's Access to Finance program and IFC could also have a strong investment role with these banks.

### IFC PROGRAM IN BANGLADESH

- **Infrastructure:** IFC's existing portfolio in the infrastructure sector includes investments in power, telecom and ICT (mobile operators, internet broadband business). During the CAS period, IFC explored opportunities in transport/ports/toll roads and aviation (tracking the Chittagong NM Container terminal, inland container depot/port, following up on PPP opportunities in existing as well as upcoming Export Zones; tracking progress of the Dhaka Chittagong Expressway, the privatization of Biman and investment opportunities in new private airlines. IFC completed an advisory mandate for the Bibiyana IPP tender to set up a 450MW gas-based power plant. This project was an excellent example of IFC /World Bank cooperation on many levels.
- **In the General Manufacturing and Services sector.** IFC provided investment and advisory support in the manufacturing and services sector through support of SMEs with a positive impact on improving inclusion through employment generation. The target for investment in this group was export-oriented companies as foreign exchange earnings provide a natural hedge for borrowings in foreign exchange (IFC does not have a local currency product to offer). Agribusiness (food processing /seed /poultry and dairy) was another focus area for IFC because of its ability to enhance food security and inclusion. In the education sector, IFC explored opportunities to support mainstream education and vocational training.
- **Financial Markets:** In the financial sector, IFC supported the consolidation of the banking sector through investments in 4 banks, one microfinance institution; and provided trade finance support to 4

participating banks under its Global Trade Finance Program. This support became particularly significant, after the global financial crisis started in 2007, and trade financing became difficult. The first partial credit guarantee (PCG) project was approved for the BRAC NGO by Bangladesh Bank in 2007 for which Citibank was the lead financier. There is limited scope for IFC in the microfinance sector is not allowed to borrow in foreign currency.

## **IFC'S ADVISORY PROGRAM**

### **SEDF**

99. **IFC's SEDF** was initially conceived as a 5-year \$28m program in 2002, which evolved into a \$40m SME development program (term extended by 1 year) by IFC in partnership with the European Union (EU), UK (DFID), CIDA, ADB Bank, the Government of Norway and the Government of Netherlands. The belief was that effective access to finance, business advisory services and an enabling regulatory environment are key to increasing the number, performance and competitiveness of SMEs - which lead to growth and poverty reduction. IFC's SEDF operates in Bangladesh, Nepal, Bhutan and North East India. The first phase of the program ended in December 2008 and IFC management approved an extension of six years for IFC's SEDF, titled *SEDF2 (2008-14)*, and other donors, namely DFID, EC and the Government of Norway, have pledged financial support to IFC's SEDF2.

100. By combining IFC expertise with the capacity and partnerships in the region, IFC's SEDF1 facilitated counterparts and service providers to achieve considerable successes during 2002-08. Some key highlights include:

- Through its Access to Finance program, IFC's SEDF has helped introduce new financial products in Bangladesh market (e.g. SME-tailored products, factoring, and operating lease).
- 18 partner financial institutions (PFIs) of SEDF provided finance to over 150,000 SMEs triggering sector-wide interest in financial services for small and medium enterprises and even specific sectors such as Light Engineering.
- SEDF also helped improve core risk management capability in the Bangladesh financial sector (trained 6,660 bankers across 34 private and commercial banks in Bangladesh); sector now better positioned to comply with Basel II commitments.
- Demonstrated 45% energy efficiency (natural gas savings) in steel production, bringing local industry closer to international benchmarks; as well as efficient use of gas and raw material (scrap metal), generating savings of \$2.5m per year in 21 re-rolling mills.
- Facilitated a \$62m fund allocation for storage facilities, research & development and establishing a certification agency for the seed sub-sector through Public Private Partnership.
- SEDF promoted contract farm-based hybrid vegetable seed production enhancing employment opportunities for women (75% workers employed in seed production are women. In the Bogra area seed production generated 164,749 person days of employment for women).
- SEDF support for higher production and use of organic fertilizers increased crop yields by 3-19%, and resulted in a 10-13% increase in income for the farmers adopting organic fertilizers.
- Upgraded private laboratory testing services helped 10,000 small commercial farms reduce the risk of bird disease and mortality.
- The establishment of a new extension service with SEDF support helped 300 poultry SMEs to achieve 15-20% cost reduction in farm management.
- Demonstrated significant productivity improvements in garment enterprises (16% increase in pieces per worker per hour; 21% reduction in rejection rates); industry now accessing productivity services without IFC's SEDF assistance.

- Assisted the garment industry association in implementing a system of industry-wide monitoring to enable social compliance.
- Supported the first ever trade fair on waste water management in Bangladesh, which attracted 36 effluent treatment solutions providers and generated contracts worth \$2.3m.
- Supported government efforts to simplify business registration in Bangladesh and Bhutan; facilitated automation of the Registrar of Joint Stock of Companies, Bangladesh.
- Supported the Canada Trade Fair that generated \$6.5m in additional business for garment enterprises.
- SEDF undertook a portfolio of over thirty projects jointly with FIAS and the WB between 2003-2007 that enabled the creation of the IFC Bangladesh Investment Climate Fund

## **BICF**

101. A major development in the WBG's support to Bangladesh during the CAS period was the establishment in January 2007, of the BICF, a technical assistance and advisory facility dedicated to investment climate reforms. This eight-year, \$55 million facility is funded by DFID and EC and managed by IFC. The BICF focused on two core program areas: regulatory reforms and modernization of the economic zones regime, underpinned by a program on institutional capacity building, particularly in government. With support from BICF, the government drafted an Economic Zones Act (approved by the cabinet in May 2008) and likely to be passed by parliament soon. The Act intends to facilitate the move towards a private sector dominated economic zones regime in the country through PPPs. BICF also assisted the Bangladesh Export Processing Zones Authority (BEPZA) in developing an environmental and social management system, and in streamlining and automating its administrative processes.

102. In its two years of operation BICF has made marked progress in various program areas including providing technical and advisory support for the establishment of the Regulatory Reforms Commission (RRC) to streamline regulations and the BBBF, which provides systematic, regular and results-oriented dialogue between the private sector and government functionaries at the highest level. BICF and WB cooperated on the private sector development support project (PSDSP), reform recommendation on land administration, special economic zones etc.

103. IFC's BICF is helping build capacity through a two-track approach: a) institutional strengthening of key individual agencies working on PSD issues, e.g., the BoI; and b) across-the-board training of civil servants. BICF reached agreement with the Ministry of Establishment to work jointly on the design and delivery of a comprehensive training program focused on private sector development issues for all levels of civil servants. Over the life of the program, more than 2000 civil servants are expected to be trained. It also initiated a "Core Group" program which engages groups of civil servants over a 6 -8 month period to expose them to good practice thinking on PSD issues, and build a community of reform-minded civil servants.

### **Bangladesh Better Business Forum**

104. IFC's BICF assisted the government in the design and establishment of the BBBF, a public-private dialogue platform chaired by the Chief Adviser (Head of the Government). The BBBF does most of its technical work through five working groups, which are co-chaired by and composed of senior Government and private sector representatives. The Working Groups focus on 5 broad thematic areas - Business Finance, Infrastructure, Macroeconomic Policy, Business Entry and Operations and Skills Development. These Working Groups prepare and submit detailed recommendations for policy, regulatory, institutional or infrastructural reforms to the plenary session, which prioritizes them for implementation. The BBBF is supported by a Secretariat based in the BoI.

105. The BBBF Working Groups have met several times during the CAS period, submitted a total of 290 recommendations, of which 247 have been approved for implementation. Out of these, 94 recommendations have already been implemented. Among the BBBF's major achievements include the reconstitution of the National Skills Development Council, an apex body to oversee skills development work across all sectors in Bangladesh. The BBBF has also resulted on the establishment of SME Service Centers in banks to ease the access of SMEs to loans, the continuation of tax benefits to the growing IT sector, and a reduction in the cost of internet bandwidth in Bangladesh, among other reforms. IFC's BICF provided the BBBF with assistance in communications support and capacity building.

### **Impact of Regulatory reforms**

Examples of significant results of Regulatory reform supported by IFC include:

- The bonded warehouse licensing reform, implemented in May 2008, has yielded impressive results. A survey of 58 companies which obtained licenses during July-December 2008 indicate an 81% reduction in time taken (from 226 to 43 days) and a 44% reduction in mostly unofficial costs.
- Chittagong Customs which deals with the bulk of the country's trade has introduced automation Clearance processes have been reduced from 42 to 6 steps; most imports are now cleared within 3 days (versus 32 in 2008) and 90% of exports are cleared within 1 day (as against 32 in 2008).
- The automated business registration system introduced in March 2009 coupled with process improvements has led to a significant reduction in the time taken to register a business from about 30 days in 2008 to less than 7 days, with a fast track system allowing one day registration (for 20% of the cases). Early estimates suggest that this reform has doubled company registrations.
- The Government has taken a decision to substantially reduce the property registration fees (by about 50%). This reform is expected to result in more realistic reporting of property values and thus higher revenues. A program to digitize land records and transactions is being developed.

### **Regulatory Reform Commission**

106. IFC's BICF assisted the government in conceiving, designing, and establishing a 17-member Regulatory Reform Commission to oversee a systematic regulatory reform program (rather than the earlier tradition of ad hoc reforms) in Bangladesh. Established in late October 2007 with a mandate for one year, the RRC's term has been extended till the end of October 2010. BICF supported the government's reform initiatives by providing assistance to RRC and other agencies in two broad areas: reduction in the costs and risks of regulatory compliance; and strengthening the institutional framework for regulatory governance. BICF has also been at the forefront in supporting the government's work on competition policy (through the Ministry of Commerce) - a Competition Act has been drafted and is awaiting Cabinet approval. The RRC met 11 times and made over 50 reform recommendations, many of which have been accepted by the government and are being implemented.

**TABLE A: BANGLADESH FY06 CAS COMPLETION REPORT SUMMARY RESULTS MATRIX**

<b>A. COUNTRY DEVELOPMENT GOALS AND RESULTS</b>	<b>FY06 CAS</b>	<b>STATUS AT FY06 CAS COMPLETION REPORT</b>	<b>CHALLENGES AND LESSONS LEARNED</b>
<b>Economic Growth</b>	GDP growth averaged 5.4% between FY-01-05, with investment rising from 16% of GDP to 18.5%, while public investment fell from 7% to 6% of GDP. Medium-term macro-economic framework underpinning CAS projected growth accelerating to 6% in FY06 and 6.5% in FY08, predicated on higher investment levels, increased efficiency of investment, and structural reforms.	Growth averaged 6.3% during the CAS period, broad based, cutting across all sectors. Growth rose to 6.6% in FY06 but fell slightly each year to 5.9% in FY09. Investment levels ranged between 24.2% and 24.7%.	While growth has been impressive, Bangladesh continues to under perform in relation to its potential. Investment levels are 8% points below national savings rates, reflecting the lost opportunity to raise investment without straining the balance of payments. FDI levels are still less than 1% of GDP
<b>Poverty Reduction</b>	Percentage of poor fell gradually to 50% in 2000 from 59% in 1990. Additional 5% point reduction projected for 2004.	Growth in consumption fuelled by rapid growth and large remittance inflows contributed to a faster rate of poverty reduction to 40% by 2005. Poverty could have fallen by a further 5 percentage points through 2008, given rapid growth, but natural disasters and a food price shock may have slowed the pace of poverty reduction.	Bangladesh still remains a very poor country with 56 million people in poverty, and large numbers just above the poverty line who are vulnerable to shocks and ill served by safety nets. Poverty data also reveals large regional variations with the western region lagging behind.
<b>Human Development</b>	<p>Bangladesh had taken large strides towards meeting the Millennium Development Goals</p> <ul style="list-style-type: none"> <li>• Primary Completion Rate was 73.3 as reported in the CAS</li> <li>• Ratio of girls to boys in primary and secondary schools rose from 72.5% in 1990 to 102.8% in 2001</li> <li>• Under 5 mortality fell below 77 in 2003 from 144 in 1990.</li> <li>• Percentage of children underweight projected to fall below 50% in 2004 from 67% in 1990.</li> <li>• Maternal mortality rates estimated at 380 per 100,000 live births.</li> <li>• Contraceptive prevalence for women between 15 and 49 was 54%</li> </ul>	<p>Bangladesh continued to make progress towards the Millennium Development Goals;</p> <ul style="list-style-type: none"> <li>• Primary Completion Rate is currently reported at 72, suggesting no improvement over the period</li> <li>• Ratio of girls to boys remained at 103 for most recent data reported; thus continuing to meet the MDG target which had already been exceeded prior to the CAS</li> <li>• Under 5 mortality fell further to 61, on course to meet MDG</li> <li>• Percentage of children underweight fell modestly to 46%</li> <li>• Maternal mortality rate declined to 320 per 100,000 live births but will not reach MDG target. (143)</li> <li>• Contraceptive prevalence improved modestly to 56% in the most recent reported data.</li> <li>• HIV prevalence remains low and TB case detection at 72% is above WHO global targets. Deaths from malaria fell sharply from 588 in 2002 to 158 in 2008 in 13 malaria endemic districts.</li> </ul>	<p>Educational outcomes appear to be peaking and boys from poor households appear to be being left behind girls of poor households. Child mortality continues to decline rapidly. Malnutrition and high levels of maternal mortality remain serious problems The quality of health and educational services remains low and disproportionately hurts the poor. National averages conceal large differences in access, although there have been gains in equitable coverage of vertical programs.</p>

B. CAS STRATEGIC OBJECTIVES AND OUTCOMES	FY06 CAS	STATUS AT FY06 CAS COMPLETION REPORT	CHALLENGES AND LESSONS LEARNED															
<b>Pillar 1: Improve Investment Climate</b>																		
<b>1-A. Maintain Macroeconomic Stability</b>	<ul style="list-style-type: none"> <li>Consistency of fiscal deficits and their financing patterns with requirements of macro stability and sustainability maintained.</li> <li>Contingent liabilities accounted for and all new public borrowing restricted to above the line</li> <li>SOE losses and public utilities' arrears reduced</li> </ul>	<table border="0"> <tr> <td>SOE losses</td> <td>FY06</td> <td>FY07</td> <td>FY08</td> <td>FY09</td> </tr> <tr> <td>(in billion Tk.)</td> <td>35.7</td> <td>22.8</td> <td>99.9</td> <td>1.5</td> </tr> <tr> <td>(% of GDP)</td> <td>0.86</td> <td>0.48</td> <td>1.83</td> <td>0.03</td> </tr> </table> <p>SOE losses were reduced significantly in FY06 and FY07 but increased sharply in FY08 due to the lack of adjustment in administered prices in response to the international commodity price increases. Particularly oil and fertilizer.</p> <p>However in FY09, the operating costs and losses of a number of state-owned enterprises declined significantly due to the slump in international commodity prices which in turn reduced the burden of subsidies.</p>	SOE losses	FY06	FY07	FY08	FY09	(in billion Tk.)	35.7	22.8	99.9	1.5	(% of GDP)	0.86	0.48	1.83	0.03	<p><i>A key lesson is the need to maintain flexibility in the design and implementation of reforms to take account of unforeseen external and domestic developments. The automatic pass-through to domestic consumers of the substantial increase in global energy prices, while economically desirable, proved difficult in practice, given difficult political. Similarly, closure of large state-owned enterprises, such as Adamjee Jute Mill, concerns had emerged about inadequate growth in employment and the paucity of good and willing investors, causing a more cautious implementation of privatization and closures of sick industries.</i></p>
SOE losses	FY06	FY07	FY08	FY09														
(in billion Tk.)	35.7	22.8	99.9	1.5														
(% of GDP)	0.86	0.48	1.83	0.03														
<b>1-B. Remove Trade Restrictions and Reduce Administrative Barriers</b>	<p>Trade structure rationalized and an integrated trade strategy formulated across GOB</p> <ul style="list-style-type: none"> <li>Average nominal trade protection rate reduced and para-tariffs on non-luxury items phased out*</li> </ul>	<table border="0"> <tr> <td>Average nominal protection rate (%)</td> <td>FY06</td> <td>FY07</td> <td>FY08</td> <td>FY09</td> <td>FY10</td> </tr> <tr> <td></td> <td>26.5</td> <td>24.3</td> <td>21.9</td> <td>20.1</td> <td>22.9</td> </tr> </table> <p>Trade reforms during FY06-09 were opportunistic and gradual focusing mostly on import duty reduction and simplification.</p> <p>Trade Policy cell established in the government.</p>	Average nominal protection rate (%)	FY06	FY07	FY08	FY09	FY10		26.5	24.3	21.9	20.1	22.9	<p>Bangladesh continues to have one of the most restrictive trade regimes in the world. The remaining trade liberalization agenda is quite substantial. High nominal protection rate, together with cumbersome trade facilitation procedures, an inefficient duty drawback system, and severe infrastructure bottlenecks at the port, has resulted in the anti-export bias leveling off at relatively high levels. Bangladesh's immediate challenge is to reduce this bias further while ensuring that favorable trade agreements are reached so that dependence on garments exports is reduced.</p>			
Average nominal protection rate (%)	FY06	FY07	FY08	FY09	FY10													
	26.5	24.3	21.9	20.1	22.9													

B. CAS STRATEGIC OBJECTIVES AND OUTCOMES	FY06 CAS	STATUS AT FY06 CAS COMPLETION REPORT	CHALLENGES AND LESSONS LEARNED
<b>Pillar 1: Improve Investment Climate (Cont'd)</b>			
	<ul style="list-style-type: none"> <li>• The approval process in BOI, BEPZA, and Register of JSCs, streamlined and made transparent</li> <li>• Reliable and up-to-date business information made available</li> <li>• Efficiency of customs &amp; ports admin. increased by streamlining procedures</li> <li>• Enforcement of contracts &amp; property rights improved and commercial justice mechanism streamlined</li> </ul>	<ul style="list-style-type: none"> <li>• Automation of business registration processes at the Office of the Registrar of Joint Stock Companies has led to a significant reduction in the time taken to register a company; the majority of the companies are now obtaining registration in less than 3 days compared to more than 30 days before.</li> <li>• Institutional basis for regulatory reforms laid through the establishment of the Regulatory Reforms Commissions Draft Competition Act prepared. Time taken to clear customs reduced through automation of processes at the Chittagong Customs House (no involvement of BICF here but BICF is assisting a similar project at the Dhaka Customs House .</li> </ul>	
<b>1-C. Improve access to and quality of infrastructure services, by strengthening sector governance and encouraging greater private sector participation</b>	<ul style="list-style-type: none"> <li>• A regulatory and pricing framework more conducive to greater private sector participation established</li> <li>• Progress towards the corporatization and commercialization of public utility agencies, and publicized service delivery standards and performance targets</li> <li>• Private sector participation in infrastructure provision increased</li> <li>• Progressive alignment of domestic energy prices with international prices and power prices adjusted to reflect changes in underlying costs*</li> <li>• Bangladesh Power Development Board restructured and successors corporatized</li> <li>• Conclude at least two deals for new privately financed base-load power plants following competitive and transparent procurement and applying the generation financing strategy*</li> </ul>	<ul style="list-style-type: none"> <li>• During the CAS period there were adjustments in various categories of petroleum product (and CNG) prices, but there was no implementation of any indexation to international prices. Certain customer segments have experienced power price adjustments but for all customers, price increases have not kept pace with increases in the costs to serve them. BERC did develop somewhat as a regulatory agency, but it is not yet functioning with a strong mandate or full independence.</li> <li>• Under the Dhaka Water Supply and Sanitation Project, The corporate governance and commercialization structure of Dhaka Water and Sewerage Authority (DWASA) strengthened through the establishment of a Performance Agreement between DWASA and the GOB and the publication of the rules and regulations governing the operations of DWASA. A DWASA customer charter has been published.</li> <li>• Corporatization of BPDB has continued but at a slow pace, and the independence of corporatized successor entities has been significantly constrained. This is due to strong instincts for centralization in BPDB and in the Ministry of Power, Energy and Mineral Resources...</li> </ul>	<p>Key Lessons: Sector institutional and governance strengthening require sustained efforts over the long term. The Bank is taking a long term phased approach in sector support – using a series of simplified but focused interventions. Progress on common sector and policy issues can be enhanced through coordinated development partner actions. In water and sanitation a Joint Partnership Framework between the GOB and key DPs helped leverage achievements.</p>

B. CAS STRATEGIC OBJECTIVES AND OUTCOMES	FY06 CAS	STATUS AT FY06 CAS COMPLETION REPORT	CHALLENGES AND LESSONS LEARNED
<b>Pillar 1: Improve Investment Climate (Cont'd)</b>			
		<p>No baseload power plants were financed in the private sector, due primarily to the lack of GOB commitment to transparency in procurement processes. Other factors, especially the weak mandate of the CTG on these issues, also affected the IPP program, as did difficult external market conditions.</p> <ul style="list-style-type: none"> <li>• IFC's invested in the mobile telecomm provider Grameen phone but projects in other infrastructure areas did not materialize on account of slow progress on policy and regulatory reform, and lack of transparency in infra-structure concessioning.</li> </ul>	
	<ul style="list-style-type: none"> <li>• Dhaka-Chittagong Transport Corridor improved</li> <li>• New Mooring Container Terminal in Chittagong Port completed and concessioned to the private sector</li> </ul>	<ul style="list-style-type: none"> <li>• Dhaka-Daudkani portion of Dhaka-Chittagong corridor is four lane highway. Widening of the remaining portion of corridor to four lane has been initiated. A project to build an expressway with ADB financing is under consideration.</li> <li>• In March 2007, a private operator was appointed for integrated operation of the Container Terminal.</li> <li>• An Economic Zones Act, which will facilitate private participation in the development of economic zones has been prepared. Several potential PPP projects in the economic zones are being analyzed.</li> </ul>	
<b>1-D. Deepen and make more efficient financial intermediation</b>	<ul style="list-style-type: none"> <li>• Supervision of banking sector strengthened. BB prudential norms brought in line with international best practice*</li> <li>• Progress towards divestment of remaining NCBs and improved debt recovery: privatization of Rupali Bank completed</li> <li>• Enforcement of bankruptcy and default legislation made stricter</li> <li>• Regulation for improved governance of MFIs enacted: adopt corporate governance standards for MFIs.</li> </ul>	<ul style="list-style-type: none"> <li>• Bangladesh Bank Order 1972 and Bank Companies Act 1971 amended to give Bangladesh Bank autonomy over exchange rate and monetary policy and bank supervision and placed the state-owned commercial banks and specialized development Bank under direct oversight of Bangladesh Bank</li> <li>• Development Policy Credits supported the proposed privatization of Rupali Bank, but this was not realized when the bidder failed to meet his commitment.</li> <li>• The climate for further privatization worsened, and the Bank pursued an agenda of corporatizing the three remaining state-owned commercial banks. This program of management and financial reforms has resulted in a decline in gross non-performing loans</li> </ul>	<p>The Bank pragmatically shifted its emphasis from support for privatization of state owned commercial banks to improving their performance. However, this strategy may be threatened by the return to populist policies on bank lending falling the return of an elected government, including politically motivated appointments to the boards of state owned banks and a return to directed lending for agriculture and a moratorium on loans to certain groups.</p>

B. CAS STRATEGIC OBJECTIVES AND OUTCOMES	FY06 CAS	STATUS AT FY06 CAS COMPLETION REPORT	CHALLENGES AND LESSONS LEARNED
<b>Pillar 1: Improve Investment Climate (Cont'd)</b>			
	Regulatory & supervisory frameworks for capital & insurance markets (SEC, Insurance Commission strengthened: (i) Increase market placement of securitized issues. (ii) Develop secondary markets for govt. securities and establish reliable yield benchmarks	from 14% in June, 2007 to 10.36% in September 2009.	
<b>1-E. Increase productivity and income growth; improve living conditions for the rural poor</b>	<ul style="list-style-type: none"> <li>• Agricultural extension and research progressively more responsive to market needs</li> <li>• Functioning of agricultural input and output markets improved</li> <li>• Reduce, rationalize, and selectively eliminate agricultural input subsidies*</li> <li>• Rural business climate improved:</li> <li>• Regulatory environment for agro-business improved</li> <li>• Initial steps taken to improve the system of land administration and land use planning:</li> </ul>	<ul style="list-style-type: none"> <li>• CAS outcomes relating to agricultural extension and research were not achieved during the CAS period, but are likely to be achieved only in the next CAS period and beyond under the ongoing FY08 National Agriculture Technology Project (NATP), which is designed as first 5 year phase of a 15 year long program (APL).</li> <li>• Strategy to modernize land administrations procedures and records developed. RRC, with support from the BICF, made a comprehensive set of recommendations to modernize land administration procedures and records. BICF has been providing support to the line ministries responsible for implementation. BICF was also instrumental in catalyzing reduction in property registration fees , announced in the FY10 budget. SEDF's technical assistance in agribusiness sectors (poultry, seeds) including value chain analysis helped increase productivity and incomes in rural areas. SEDF work in farm based hybrid seed production enhanced employment opportunities for women. While the improvements in regulatory environment were not achieved an Agribusiness Opportunities and Constraints Study, completed in FY 08 recommends several reforms but these have not been implemented by the Government. Also the NATP, in the long run, would lay foundation for improving regulatory environment for improved agro-business.</li> </ul>	<p>CAS should not have committed to outcomes unless there were robust instruments designed to achieve some of these outcomes. Political economy issues ruled out cuts in agricultural subsidies.</p> <p>While AAA work completed (Agribusiness Opportunities and Constraints Study completed in FY 08) recommended policy and strategic interventions toward this outcome, the dialogue with the government did not continue as follow up due to political changes and uncertainty.</p>

B. CAS STRATEGIC OBJECTIVES AND OUTCOMES	FY06 CAS	STATUS AT FY06 CAS COMPLETION REPORT	CHALLENGES AND LESSONS LEARNED
<b>Pillar 1: Improve Investment Climate (Cont'd)</b>			
<b>1-G. Strengthen adherence to international social &amp; environmental standards</b>	Adherence to social & environmental regulations increased <ul style="list-style-type: none"> <li>• Improve private sector compliance with workplace safety, security and environmental regulations</li> </ul>	<p>1) A system to compensate very poor and destitute informal settlers residing on canals of Dhaka city has been implemented in the context of the Dhaka WASA project. This was the first time for Dhaka WASA and it set the standards for similar future interventions.</p> <p>2) An NLTA on Pro-poor resettlement has been established with support from AusAID and DFID trust funds. A series of activities including policy dialogues, training for GOB officials, exposure visits to best practice projects and capacity building programs for newly established resettlement cells in Dhaka WASA, PGCB and GTCL is being implemented.</p> <p>3) A policy dialogue on issues of land acquisition and resettlement has been initiated with the participation of multiple implementing agencies of the GOB.). A report catalyzing demand for reform from the standpoint of implementing agencies within GOB has been produced and endorsed by all participating agencies.</p> <p>4) A Post-Graduate Certificate Course in <i>Management of Land Acquisition and Resettlement (MLAR)</i> has been established in BRAC University, Dhaka..</p> <p>5) BICF, through its Economic Zones program helped set up an environment and social management system in the Bangladesh Export Processing Zones Authority. IFC's SEDF work with SMEs in the RMG, Light Engineering improved environmental compliance and standards.</p>	

B. CAS STRATEGIC OBJECTIVES AND OUTCOMES	FY06 CAS	STATUS AT FY06 CAS COMPLETION REPORT	CHALLENGES AND LESSONS LEARNED
<b>Pillar 2: Empowering the Poor</b>			
<b>2-A. Improve Access to Quality Services Through Better Accountability</b>	<u>Health</u> <ul style="list-style-type: none"> <li>• Access and quality of the poor to health services improved</li> <li>• Shorter and more direct accountability links established between the health service providers and beneficiaries</li> <li>• Utilization rate for essential service delivery package of the two lowest quintiles arises from 55% to 65%</li> <li>• Further diversification of service delivery through contracting arrangements with NGOs in partnership with UPs.</li> <li>• TB detection and treatment improved according to HNPSP action plan</li> </ul>	<ul style="list-style-type: none"> <li>• Between 2004 and 2007, impressive gains in equitable coverage of vertical programs: 82% of children under 2 receive all basic vaccinations: gap between top and bottom quintiles dropped to 8.5 % points; 88% of children 9-59 months given vitamin A supplements ( rich-poor gap only 1.2 % points), and, 48% of women use modern contraceptive methods (rich-poor gap 2.5 % points).</li> <li>• Utilization of health services still poor. Only 4.4 % of poor women deliver in health facilities (compared to 43% among the rich), 4.4% have skilled assistance at delivery (compared to 51%), and 31 % receive antenatal care from medically trained providers (compared to 84%). Just 17% of poor children with acute respiratory infections received care from skilled providers (60% in upper quintile). While utilization of essential services by the poor remains low, trends are positive. Between 2004 and 2007,for the poorest women, total fertility rate dropped by 20% ante-natal care from medically trained provider increased by 25%; deliveries at the facility increased by 67% and medically trained assistance at delivery also increased by 38%. HNPSP sought to strengthen the government’s stewardship role, country systems and community voice, and to empower consumers. A key component, diversifying service provision through contracting out services was subject to significant delays in recruiting agencies to carry out contracting process. A significant part of anticipated delegated responsibilities to ensure arms length contracting for accountability was not realized. Modest progress was made on country systems and building capacity A major step forward a demand side financing pilot to empower poor pregnant women-the program now covers 33 upazillas and reaches out to over 100,000 pregnant women annually.</li> </ul>	<ul style="list-style-type: none"> <li>• The remaining challenge is to increase utilization of essential health services.</li> <li>• Progress on strengthening governance has been mixed due to the absence of reform champions, the changing political economy and key institutional constraints including poor capacity and lack of ownership. Underlying issues such as frequent staff transfers, lack of technical assistance and the slow pace of change limited advancement in strengthening country systems.</li> <li>• Donor support is through a sector-wide approach (SWAp). In addition to the US\$ 300 million IDA credit, the World Bank administers a US \$460 million MDTF that pools resources from seven DPs (DFID, EC, Sida, Netherlands, UNFPA, CIDA and KfW). This arrangement has meant increased staff resources and engagement in the sector, a coordinated policy dialogue with government, close monitoring of sector outcomes, and periodic operational and analytical reviews to identify constraints and agree on joint actions. However, efforts constrained by weak client capacity in and changing political economy. Further, harmonization and joint working make it more challenging to arrive at a manageable set of priorities.</li> </ul>

B. CAS STRATEGIC OBJECTIVES AND OUTCOMES	FY06 CAS	STATUS AT FY06 CAS COMPLETION REPORT	CHALLENGES AND LESSONS LEARNED
<b>Pillar 2: Empowering the Poor (Cont'd)</b>			
	<u>Education</u> <ul style="list-style-type: none"> <li>• Access enhanced and quality &amp; relevance of pre-primary, primary and secondary education especially for girls improved</li> <li>• Quality assurance mechanisms for monitoring student learning and carrying out impact assessments established</li> <li>• Teachers selected through merit based transparent process*</li> <li>• Public subsidies to schools linked to learning outcomes*</li> <li>• Increase competition in Textbook procurement at the secondary level</li> <li>• Continue incentives for girls to attend and stay in schools</li> </ul>	<ul style="list-style-type: none"> <li>• National Assessment of student learning outcome was carried by Directorate of Primary Education (2006 &amp; 2008).</li> <li>• 24,000 primary teachers appointed based on merit and through transparent process.</li> <li>• MOE now grants monthly pay order to private education institutions based on performance</li> <li>• Major part of textbook development in secondary is now privatized.</li> <li>• Newly approved Secondary Education Quality and Access Enhancement Project (SEQAEP, approved by the Board in July 2008) provides special incentives for both poor girls and boys.</li> <li>• Under the Reaching out-of School Children Project (ROSC), 500,000 students are enrolled in Learning Center.</li> </ul>	<ul style="list-style-type: none"> <li>• Interventions to expand access to education should be accompanied by improvements in education quality.</li> <li>• In order to meet the EFA/MDG goals, the government should now place greater emphasis on all school age population, including disadvantaged groups, children in remote areas, etc.</li> <li>• It is critical to foster public private partnership in order to achieve the desired educational development goals.</li> </ul>
	<u>Water and Sanitation</u> <ul style="list-style-type: none"> <li>• Water resource management improved</li> <li>• Coverage of solid waste collection and adequate disposal in selected towns increased</li> <li>• Surface water quality in and around Dhaka improved</li> <li>• 300 rural communities switching from shallow tube-well water to community run piped water schemes.</li> <li>• Coverage of solid waste collection and adequate disposal in selected towns increased.</li> </ul>	<ul style="list-style-type: none"> <li>• 14% of the 20% of communities affected by arsenic have received some arsenic mitigation intervention. As per DGHS, only 25000 of the 20 million population exposed to arsenic contamination (i.e. 0.01%) are displaying symptoms of arsenecosis.</li> <li>• 9 UPs have ensured 100% drinking water sources tested and colored for arsenic, 2 UPs have ensured 100% drinking water sources are protected and 1 UP has ensured 100% drinking water sources are registered (i.e. poor have been ensured access).</li> <li>• 'Open defecation' reduced from 77% (Oct. 03) to 12% (Jun. 08) i.e. 90 million people have gained access and are using latrines (but as per JMP only half of those latrines are sanitary).</li> </ul>	

B. CAS STRATEGIC OBJECTIVES AND OUTCOMES	FY06 CAS	STATUS AT FY06 CAS COMPLETION REPORT	CHALLENGES AND LESSONS LEARNED
<b>Pillar 2: Empowering the Poor (Cont'd)</b>			
		<ul style="list-style-type: none"> <li>• 20% of the urban local governments (55 pourashavas) &amp; 30% of the rural local governments (1325 Union Parishads) have ensured 'open defecation free' status (i.e. poor have been ensured access).</li> <li>• Own source revenues in rural local governments (128 UPs) has increased. For 11 water utilities, the average population served increased by 30% and average revenue collection period reduced by 35% over the period 2004/08.</li> <li>• As per GoB Horizontal Learning data, linking 'open budget' planning processes to the raising of holding tax in 44 UPs has resulted in &gt;4 fold increases in own source revenues. A water utility network has been established amongst 11 urban water utilities for sharing benchmarking performance. About 21 community-private sector partnership run piped water schemes are in construction, scaled down from the initial 300 villages targeted, after a partial cancellation and restructuring of the Bangladesh Water Supply Program Project (BWSPP). The rehabilitation of existing sewerage system in Dhaka and the preparation of a sewerage master plan in Dhaka, both meant to help improve the surface water quality in and around Dhaka is commencing in FY09.</li> </ul>	<ul style="list-style-type: none"> <li>• Rural piped water schemes are relatively untested new service delivery arrangements in Bangladesh. The target for 300 schemes was too ambitious. The Bank has scaled down the project to focus on pilot/demonstration of the working arrangements for these schemes (before considering scaling up in the future).</li> </ul>

B. CAS STRATEGIC OBJECTIVES AND OUTCOMES	FY06 CAS	STATUS AT FY06 CAS COMPLETION REPORT	CHALLENGES AND LESSONS LEARNED
<b>Pillar 2: Empowering the Poor (Cont'd)</b>			
<b>2- B. Strengthen Local Governance</b>	<p>Improved capacity of local government bodies to successfully implement efficient service delivery schemes on behalf of their constituents</p> <ul style="list-style-type: none"> <li>• Sustained increase in discretionary resources (own revenue and transfers) available to elected local governments.</li> <li>• Increased capacity for effective, accountable and transparent generation and use of public resources*</li> <li>• Powers and responsibilities of elected women members of local governments increased through allocation of specific subjects to them.</li> </ul>	<ul style="list-style-type: none"> <li>• More than three-fourth of the 4498 UPs in the country are currently receiving discretionary block grants under LGSP. Over the next one year, most of the UPs in the country will be covered under the project. Yet, the central government has not been able to ensure timely and predictable release of block grants, and this affects local budgeting and PEM.</li> <li>• Nearly 7000 independent local government audits have been undertaken through an innovative public private partnership. Over 1000 of these were comprehensive assurance audits monitoring inputs and results on the ground.</li> <li>• More than 33,000 public officials at the UP and Upazila level have been trained under LGSP. Further, a decentralized and comprehensive UP institutional development strategy is being operationalized.</li> <li>• No additional powers granted to women members through legislation. However, LGSP mandates that various UP level committees for public expenditure prioritization and oversight have adequate representation of women.</li> <li>• At the central level, monitoring capacity has remained weak and this poses short term fiduciary risks and limits the ability to undertake evidence-based decisions.</li> </ul>	<ul style="list-style-type: none"> <li>• The process of decentralization and local government reform in Bangladesh has been an incremental process, and success will come from sustained efforts by integrating analytical work, capacity building, institutional development, and evidence based advocacy.</li> <li>• Policy reform and project implementation, while connected, do not always move in sync. Tying these two together in a common implementation framework will increase risks of delay and failure for both. Nevertheless, policy advocacy and technical assistance would be successful only when it is part of a larger engagement package that includes investment projects and country level dialog.</li> <li>• The still-evolving nature of the decentralization debate, and weak institutional capacity highlight the need for simpler project designs, more robust risk assessments and greater investment in implementation arrangements.</li> </ul>
<b>2. C. Rationalize Social Protection Systems</b>	<p>Safety net policy rationalized and better targeted</p> <ul style="list-style-type: none"> <li>• A national social protection strategy developed</li> <li>• Proxy means test based targeting and event linked benefits that ensure more effective protection to the poor and vulnerable introduced</li> </ul>	<p>The Bank and other donors actively supported development of a national social protection strategy. Based on analytical work and intensive policy dialogue, GoB decided to start implementing some reform areas identified: the need to establish safety nets in urban areas, to develop a transparent national targeting mechanism. The Bank supported both through the preparation of a National Social Protection Project which is awaiting GOB approval.</p>	<p>Aggravated by the food, financial and economic crisis, many poor remain unprotected, programs continue to exist in parallel and with low coverage. However, the recent initiation of a new employment guarantee program could help improve the situation for some vulnerable groups (rural), but still needs to improve implementation, monitoring and evaluation.</p>

B. CAS STRATEGIC OBJECTIVES AND OUTCOMES	FY06 CAS	STATUS AT FY06 CAS COMPLETION REPORT	CHALLENGES AND LESSONS LEARNED										
<b>3. Governance at Center Stage</b>													
<b>3. A. Improving Implementation Capacity</b>  <b>Improve Public Financial Management and Procurement Systems and Institutions</b>	<p>Enhanced revenue effort (targets agreed and achieved) and strengthened and more transparent tax administration:</p> <ul style="list-style-type: none"> <li>Increased tax revenue by 1.5 per cent of GDP, and rationalized exemptions*; expanded tax base</li> </ul>	<table border="0"> <tr> <td>Tax GDP ratio%</td> <td>FY06</td> <td>FY07</td> <td>FY08</td> <td>FY09</td> </tr> <tr> <td></td> <td>8.5</td> <td>8.3</td> <td>9.1</td> <td>9.0</td> </tr> </table> <ul style="list-style-type: none"> <li>The CTG made some efforts to address the structural problems of tax administration resulting in some positive developments. Measures to reduce tax leakage and increase tax collection had some impact. The Government initiated an extensive tax education campaign. To enhance awareness among tax-payers and make payment procedures simpler, it introduced the Citizen's Charter, published guide-books on the provisions and procedures for paying taxes, and ran TV advertisements. This met with an unprecedented response in the form of allocation of the Tax Identification Numbers, submission of tax returns and payment of value added tax. Computerization of Income Tax is under way. Comprehensive automation of Customs processing at the Chittagong Customs House is completed. Online registration of the VAT is being introduced. These measures are expected to simplify the procedures of payment, hence increase the efficiency, dynamism and transparency of revenue administration. Previously introduced PSI, which was supposed to come to an end by August 31, 2008, will continue. This reform momentum ended when the CTG left office.</li> </ul> <p>There is a broad agreement that a major institutional change is needed to enable NBR to mobilize revenues effectively and efficiently and improve the business climate. The Strategic Development Plan for NBR, a multi-year program already endorsed by the government is not being implemented.</p>	Tax GDP ratio%	FY06	FY07	FY08	FY09		8.5	8.3	9.1	9.0	<p>The malaise in tax administration is deep-rooted as reflected in poor taxpayer services; lack of transparency in collection; inadequate audit and enforcement, and protracted taxpayer disputes, all of which have hampered revenue collection.</p> <ul style="list-style-type: none"> <li>Fundamental reforms, like those envisaged at the NBR require local ownership and leadership at the top of the administration. Efforts to improve certain elements of the system were made possible because of the parallel efforts of the CTG to fight corruption overall.</li> <li>While some elements of the system can be improved pragmatically as opportunities arise, they need to take place within a well thought out plan/strategy</li> <li>There is a need to build support at the lower levels of the tax administration (its local offices and branches) who are the ones that will eventually carry out reforms. At present there seems to be resistance at that level while there is extensive state capture at senior levels.</li> </ul>
Tax GDP ratio%	FY06	FY07	FY08	FY09									
	8.5	8.3	9.1	9.0									

B. CAS STRATEGIC OBJECTIVES AND OUTCOMES	FY06 CAS	STATUS AT FY06 CAS COMPLETION REPORT	CHALLENGES AND LESSONS LEARNED
<b>3. Governance at Center Stage (Cont'd)</b>			
	<p>Progress towards attaining higher standards in Public Financial Management based on agreed PEFA-based benchmarks, including:</p> <ul style="list-style-type: none"> <li>• Improved expenditure management,</li> <li>• Budgets much more transparent and accessible to the public</li> <li>• Improved credibility and timelines of the Government financial statements</li> <li>• Strengthened auditing and enhanced audit impact</li> <li>• Improved quality of CAG's audit reports</li> </ul> <p><b>Performance indicators:</b> Improved ratings on Public Financial Management (PFM) performance indicators based on implementation of agreed action plan in key areas, focusing particularly on enhanced accountability, transparency, and reduced fiduciary risk, including: *</p> <ul style="list-style-type: none"> <li>• Strategic budget management for a closer alignment of the budget with PRSP priorities through the institutionalization of the MTBF.</li> <li>• Improved quality of financial statements for the central government</li> <li>• Improved quality of audits according to the international standards and systematic follow up by the Government on audit findings and recommendations of the Public Accounts Committee</li> </ul>	<p>Overall progress has been uneven. The status of achievements so far include:</p> <ul style="list-style-type: none"> <li>• Strengthened strategic budget planning by adopting and expanding the MTBF approach to 20 ministries (70% of spending) ;</li> <li>• Overall expenditure management became more transparent with budget information now displayed into a well established website of the Finance Division. Contingent liabilities were included for the first time in the budget estimates and documentation.</li> <li>• Computerization of accounts and strengthening of the CGA system with production of monthly accounts with a lag of five weeks compared to the six months, previously;</li> <li>• Improved reporting of fiscal data consistent with government Finance Statistics ( GFS); however conformance to international standards not yet achieved;</li> <li>• Annual audits completed with a time lag of 12 months after end of fiscal year compared to a lag of 2 years, previously The focus of audits is largely transactional and ensuring compliance with regulations rather than risk-based. The audit impact has improved, but audit reports take several years to be tabled in Parliament and reviewed by the Public Accounts Committee. In addition, the audit reports are not considered public documents .and there is little follow-up on audit findings through departmental committees;</li> <li>• Continued weaknesses in the legislative oversight function in the absence of parliament for some 2 years , coupled with the weak institutional capacity of key parliamentary bodies including the PAC.</li> </ul>	<p>The Ministry of Finance's commitment to this agenda resulted in the limited progress attained. Given the amount of budgetary support lending the Bank could have promoted this agenda more aggressively.</p>
	Transparent Procurement System (including concessions)	<ul style="list-style-type: none"> <li>• Landmark procurement law passed in July 2006.</li> <li>• Regulations issued January 31, 2008 making law effective.</li> </ul>	<p>Persistent low key dialogue by Bank paid rich dividends. However, new govern-ment recently made certain changes in the Act which could dilute its effectiveness.</p>

B. CAS STRATEGIC OBJECTIVES AND OUTCOMES	FY06 CAS	STATUS AT FY06 CAS COMPLETION REPORT	CHALLENGES AND LESSONS LEARNED
<b>3. Governance at Center Stage (Cont'd)</b>			
	<ul style="list-style-type: none"> <li>• New procurement law enacted and implemented and E-procurement introduced. Compliance with regulations monitored through independent annual procurement review and civil society</li> </ul>	<ul style="list-style-type: none"> <li>• All implementing agencies started implementing the law including the use of independent review panels</li> <li>• Bid notices and contract award information now published on the website of the Central Procurement Technical Unit.</li> <li>• Improved competitiveness evident from results in four pilot agencies.</li> <li>• A second IDA Public Procurement Reform Project is supporting implementation of the program.</li> </ul>	<p>Understanding the rationale behind those changes, there is a need to continue dialogue with the government to consolidate the reform efforts already undertaken and build on a strong country system.</p>
<b>Transformation of Public Administration</b>	<ul style="list-style-type: none"> <li>• Measurably improved service delivery and public perception of service delivery (based on service delivery surveys and using 2001 survey as benchmark and integrating sector program targets)</li> <li>• Progress in implementing plan to be agreed with GOB to develop a professional merit-based civil service which upholds principles of honesty and integrity and sees itself as accountable to the public <ul style="list-style-type: none"> <li>➤ New personnel management system, including extended merit based promotions, transfers within clusters, revised compensation and enhanced training. Agree on steps to reestablish Senior Service Pool.</li> <li>➤ Pay and employment policy consistent with macro economic stability introduced. Incentives linked to performance, including through decompressed pay scales. Skill mix issue addressed.</li> <li>➤ Greater decentralization of service delivery decisions, especially to UPS.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The Bank prepared a set of policy notes on these issues, but there was no government interest in pursuing reforms. A high level dialogue was pursued with the CTG on civil service reform and public administration reform but there was no interest in pursuing longer term reforms under which the civil servants would bide their time until a more pliable elected government came along.</li> <li>• More than three-fourths of the UPs in the country is covered under LGSP presently. These UPs are receiving enhanced resources and greater discretion in deciding their service delivery priorities.</li> </ul>	<ul style="list-style-type: none"> <li>• This was a case of the Bank's rhetoric in the CAS getting ahead of the reality on the ground and the Bank's own ability to deliver, given lack of instruments and sufficient dialogue and preparation. A mid-term CAS progress review would have enabled the Bank to lower expectations in this area. The issue could assume importance with the new government.</li> <li>• Decentralization remains a continuous topic and has to be addressed strategically.</li> </ul>

B. CAS STRATEGIC OBJECTIVES AND OUTCOMES	FY06 CAS	STATUS AT FY06 CAS COMPLETION REPORT	CHALLENGES AND LESSONS LEARNED
<b>3. Governance at Center Stage (Cont'd)</b>			
<p><b>3. B. Tackling Corruption</b></p> <p><b>Operationalize Anti-Corruption Commission (ACC)</b></p>	<ul style="list-style-type: none"> <li>• Greater public confidence in government's ability to curb corruption as measured in corruption surveys</li> <li>• Reduced opportunities for corruption through simplifying procedures/ clearances and where appropriate removing controls and restrictions with improved scores in Doing Business Surveys</li> <li>• Increased public awareness of the costs of corruption and of how to fight corruption as measured in surveys</li> </ul> <ul style="list-style-type: none"> <li>➢ ACC fully operational</li> <li>➢ Initiate dialogue between ACC and civil society on a strategy to fight corruption</li> <li>➢ ACC catalyzes development of a coherent and practical strategy to fight corruption including through strengthened prevention, enforcement and education</li> <li>➢ National Integrity Strategy developed and agreed with government</li> <li>➢ Civil society activated to raise voice against corruption and monitor public finances</li> <li>➢ Local government audits being institutionalized all over the country.</li> </ul>	<p>Considerable progress made during the CTG period, but many of the gains have proved to be unsustainable. ACC became operational, but former commissioners forced to resign by the CTG and former army chief with a reputation for integrity installed (Hassan Mashhud Chowdury as Chair). Problems of competence and integrity of a wholly unreformed workforce of former Bureau Against Corruption staff were "overcome" by seconding military officers to the ACC, who had the confidence of the new Chair. ACC pursued cases vigorously, but its reputation was affected by over-zealous pursuit of key members of political parties.</p> <p>ACC developed a strategy to fight corruption, including prevention, enforcement and public education and worked in co-operation with Transparency International on a number of initiatives. However, progress was very much dependent on personalized leadership/clout and the strong support at the political level (CTG and the military behind it). With the change in government, ACC Chief was forced to resign. He has been replaced, but the jury is still out on whether the new ACC will be effective. National Integrity Strategy produced under an ADB budgetary support trigger, but may lack country ownership. This Government nominally accepted the document.</p> <p>Civil society active against corruption but not always willing to take on governments.</p> <p>Bank support for anti-corruption including training and information on accessing the Stolen Asset Recovery Program and supporting Bangladesh's membership of UNCAC.</p> <p>Nearly 7000 independent local government audits undertaken over the last three years.</p>	<p>Until the CTG, the anti-corruption agenda was largely imposed on the country from donor pressure. Corruption is now a domestic issue. New government has a strong anti-corruption commitment on paper, but as in other countries it may see the anti-corruption agenda as a political weapon against its opponents. The ACC's overzealous push on corruption may have jeopardized the long term effectiveness of the Commission.</p> <p>The ADB was the principal player on anti-corruption. The Bank provided low key informal support to the ACC and providing training and support to Bangladesh's efforts to access international instruments such as the Stolen Assets Recovery Initiative and UNCAC.</p> <p>The Bank's credibility on anti-corruption may have been enhanced had it spoken up against apparent abuse of due process by an over-zealous ACC.</p>

B. CAS STRATEGIC OBJECTIVES AND OUTCOMES	FY06 CAS	STATUS AT FY06 CAS COMPLETION REPORT	CHALLENGES AND LESSONS LEARNED
<b>3. Governance at Center Stage (Cont'd)</b>			
<b>Strengthen the Guardians of Accountability</b>	<ul style="list-style-type: none"> <li>• Public perception of increased independence and effectiveness of key oversight agencies as measured in anti-corruption surveys</li> <li>• Increased effectiveness of Parliamentary Committees</li> <li>• Technical Support Unit of PAC established and fully operational and PAC proceedings opened to the media.</li> <li>• Government takes measures to ensure the independence and operational effectiveness of key agencies by: <ul style="list-style-type: none"> <li>➢ Creating a transparent, fair and independent process for the selection of the leadership and senior management of key agencies</li> <li>➢ Ensuring financial and administrative independence of these agencies</li> <li>➢ Ensuring adequate salaries and other compensation for the leadership and senior management commensurate with their responsibilities and special status.</li> </ul> </li> <li>• WB will focus on BB, C&amp;AG, PAC, SEC.</li> </ul>	<ul style="list-style-type: none"> <li>• There was no Parliament from October 2006 until January 2009 and hence no movement on the issue of strengthening parliamentary committees. The CTG attempted reform of the process of appointments to senior statutory and constitutional positions. A draft ordinance was discussed in Council of Ministers during 2007 but there was internal resistance and the initiative died. Only area of movement was in the establishment of a Supreme Judicial Commission, providing a process for appointments to the upper judiciary. The latter has been abandoned by the Awami League Government. Some gains were made during this period on the financial and administrative independence of the Election Commission and the ACC.</li> <li>• The Bank helped initiate a dialogue on these issues through its partnership with IGS and a series of workshops were held which have created a small network of people committed to reforms both within these agencies and outside.</li> </ul>	Dialogue initiated under IGS workshop series needs to be sustained, as do the networks that were in the process of being created. Continued Bank support for these activities will be important.
<b>3. C. Legal And Judicial Reform</b>  <b>Develop Consensus on reform priorities and initiate key reforms</b>	<ul style="list-style-type: none"> <li>• Court case backlog reduced and increasing resort to ADR.</li> <li>• Broad consensus on strategies for reform of key justice sector agencies, including the courts and the police and measurable improvements against agreed priorities.</li> <li>• Better understanding of the obstacles to reform in the sector, including political economy constraints.</li> <li>• Availability of commercial justice for corporate sector at least in Dhaka and in elected regions.</li> </ul>	<ul style="list-style-type: none"> <li>• No data exists on progress in reducing case backlog or increasing use of ADR. An ongoing Bank funded Legal and Judicial Reform project supported case management and court administration reforms through computerization at the Supreme Court and in lower courts in Dhaka and a few regions. The project has been completed and is currently being evaluated, but progress was uneven.</li> <li>• In the absence of an interested counterpart and emerging other priorities the Bank did not pursue the idea of developing consensus on reform priorities through a dialogue led by eminent jurists and lawyers, but this got folded into the workshops at IGS.</li> </ul>	Legal and judicial reforms are critical to both improving the investment climate and ensuring checks and balances on the executive. The Bank's agenda was aimed at helping create a consensus around reforms and progress towards that was modest. A mid-term evaluation in the context of a progress report may have enabled a clearer decision on whether or not to pursue this objective given the prevailing complex political situation.

B. CAS STRATEGIC OBJECTIVES AND OUTCOMES	FY06 CAS	STATUS AT FY06 CAS COMPLETION REPORT	CHALLENGES AND LESSONS LEARNED
<b>3. Governance at Center Stage (Cont'd)</b>			
	<ul style="list-style-type: none"> <li>Supreme Court and selected district courts implement Case Management and Court Administration Reforms.</li> <li>ADR systems introduced.</li> <li>Independent panel of eminent jurists and lawyers established in consultation with government which carries out broad consultations and initiates debate on priorities for justice sector reforms and recommends key actions and next steps.</li> <li>Detailed reform agenda and action plans for the key justice sector agencies developed including police.*</li> </ul>	<p>The Bank also initiated a survey on how the justice sector is perceived in the country and its results will be known shortly.</p> <p>The CTG however moved to implement a Supreme Court decision to separate the lower judiciary from the executive branch. The Awami League government has accepted this reform, but implementation is awaited. The government also initiated the establishment of a Supreme Judicial Commission which would reduce political interference in appointment of judges. This however has not been accepted by the successor civilian government.</p>	
<p><b>3. D. Strengthen Voice/ Empowerment/ Participation</b></p> <p><b>Freedom of information law and E-governance.</b></p>	<ul style="list-style-type: none"> <li>Greater flow of information from government via PRS monitoring and achievement of sector program commitments to information and accountability</li> <li>Measurably increased use of public information to hold government accountable</li> <li>Better informed media monitoring of government performance <ul style="list-style-type: none"> <li>Government develops and implements an Information Policy Strategy including potential enactment of a Freedom of Information Act and implementation of information dissemination strategies, while also addressing underlying financial and human resource requirements</li> <li>Key business processes redesigned and e-governance introduced to enhance information flows and reduce opportunities for corruption</li> <li>Key public institutional processes made open to the public including</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>CTG adopted RTI Ordinance late in its term (a trigger in the Bank's Transitional Support Credit). New Government passed RTI Act in March 2009. Dialogue now starting with Government about the details of implementation.</li> <li>DFID and WBI/Bank supported civil society efforts to persuade CTG on RTI ordinance.</li> <li>Bangladesh Better Business Forum, a high-powered public-private dialogue mechanism established.</li> <li>A number of business processes streamlined (such as bonded warehouse licensing and capital machinery imports) and some automated (e.g., company registration, customs automation). An e-registry containing all business related regulations is being prepared and will be launched by end of 2009. Government is subjecting an increasing number of proposed laws and regulations to stakeholder consultation prior to enactment.</li> <li>CTG made very modest improvements on the e-gov front. Discussion now underway with new AL Government about 'digital Bangladesh'.</li> </ul>	<ul style="list-style-type: none"> <li>This has been an area of progress and a high priority for future Bank engagement. Leadership for this came from the CTG. Strong civil society demand made it difficult for the new government to not support the RTI.</li> <li>Experience elsewhere suggests that enactment of a law is only half the battle. Implementation will be resisted by a bureaucracy used to lack of transparency. Strong implementation policies will need to be developed going forward.</li> </ul>

B. CAS STRATEGIC OBJECTIVES AND OUTCOMES	FY06 CAS	STATUS AT FY06 CAS COMPLETION REPORT	CHALLENGES AND LESSONS LEARNED
<b>3. Governance at Center Stage (Cont'd)</b>			
	Public Accounts Committee hearings, procurement process, disclosure on the web of periodic financial statements and audit reports.	<ul style="list-style-type: none"> <li>• Progress during CTG on asset disclosure of candidates for election, and for senior civil servants.</li> <li>• PAC not sitting until 2009 and its proceedings are not yet public</li> <li>• Procurement data are now to be found on the web</li> <li>• Audit reports still not on web</li> </ul>	
	<ul style="list-style-type: none"> <li>• Measurably more effective advocacy on governance reforms by civil society, media</li> <li>• More responsive service provision and improved customer satisfaction in priority sectors as measured in surveys. <ul style="list-style-type: none"> <li>➢ Review mechanisms in place and satisfaction surveys conducted, publicized, and incorporated into future planning</li> </ul> </li> <li>• Measurably increased participation by, and accountability to, beneficiaries in the design and implementation of government development programs <ul style="list-style-type: none"> <li>➢ Institutionalized participation in expenditure tracking and budget performance analysis</li> <li>➢ Government and donor funded projects systematically require participation by and accountability to targeted beneficiaries facilitated, by civil society</li> </ul> </li> <li>• Civil society becomes measurably more accountable. <ul style="list-style-type: none"> <li>➢ NGOs commission annual audits of their activities and budgets and publish them</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The period has seen improved civil society advocacy in terms of evidence-based dialogue. There has been a significant increase in locally generated empirical work of varying quality on issues of governance, eg. PPRC 2007, IGS 2007, IGS 2008 (forthcoming), BRAC 2008</li> <li>• CTG made some modest efforts to improve service provision (eg. Passport office, RAJUK, requiring charters of public service providers etc)</li> <li>• Other than the forthcoming Bank survey on the legal and judicial system, and the period surveys by Transparency International's Bangladesh chapter, there has been no systematic attempt to measure the effectiveness of service provision.</li> <li>• Expenditure tracking surveys were undertaken in the health and education sectors early in the CAS cycle.</li> <li>• The Bank is committed to more beneficiary participation but this has been limited to only a few projects. A high quality Bank example has been the Social Investment Program now extended over several districts which greatly enhances the voice of the poor.</li> <li>• An excellent Bank study on NGOs early in the CAS cycle pointed to the need for greater self accountability by civil society institutions. There has been little progress in this area. Transparency International published a draft law on NGOs, but this has not moved.</li> </ul>	Success in helping civil society become more effective in advocacy on governance and policy reforms and in forming effective reform coalitions will require considerable investment of staff time including regular national staff who ensure the dialogue with civil society is carried out at the relevant level (country management, sector staff and governance staff).

B. CAS STRATEGIC OBJECTIVES AND OUTCOMES	FY06 CAS	STATUS AT FY06 CAS COMPLETION REPORT	CHALLENGES AND LESSONS LEARNED
<b>3. E. Political Governance</b>	Code of conduct for elections monitored, adhered to, and sanctions imposed on code breakers	Expectations surpassed wildly by the CTG – the digitized voter list, id cards, a code of conduct and a near flawlessly conducted national election are its lasting achievements.	The CAS saw this issue as one to be monitored by its bilateral DPs.
<b>4. Long Term Strategic Issues</b>			
<b>Improve disaster management capacities</b>	<ul style="list-style-type: none"> <li>• Improved natural disaster response systems and preparedness at community level, backed by official support <ul style="list-style-type: none"> <li>➢ Disaster management mainstreamed throughout relevant GoB structures &amp; donor programmes</li> </ul> </li> <li>• Improved surveillance and disaster management in public health <ul style="list-style-type: none"> <li>➢ Establish a public health surveillance system to track diseases that affect the vulnerable, such as HIV/AIDS</li> </ul> </li> <li>• Increased information sharing and joint planning at regional level encouraged</li> </ul> <p>Increase emphasis on mitigating climate change effects mainstreamed in donor programmes to protect interests of the poor.</p>	<ul style="list-style-type: none"> <li>• This outcome was partially achieved in several ways and with several instruments. The Bank led the joint GOB-donor Damage, Loss and Need Assessment (JDLNA) in the aftermath of Cyclone Sidr. The JDLNA report published in April 2008 provides a medium- and long term framework or mainstreaming, planning and coordinating the implementation of both analytical, research and investment operations for disaster risk mitigation and management.</li> <li>• The Bank approved a US\$ 109 million for Emergency 2007 Cyclone Recovery and Restoration Project, which includes provisions for national capacity building for disaster risk mitigation and management. However, the project is still too young to contribute to the outcome.</li> <li>• The climate change agenda was furthered during the CTG following a London conference. A \$100 million Bank administered Multi-Donor Adaptation Fund was established under which the Bank is completing three analytical works ESW toward this outcome:  (1)"<i>Implications of Climate Change on Fresh Groundwater Resources in Coastal Aquifers in Bangladesh</i>". (2) "<i>Implications of Climate Risks on Food Security in Bangladesh</i>". (3) "<i>Economics of Climate Change in Bangladesh</i>"</li> </ul>	<ul style="list-style-type: none"> <li>• Progress in this area was principally the result of the simultaneous floods and cyclone and the CTG's response to the global climate change agenda. The Bank responded promptly and well to take advantage of this commitment.</li> <li>• The Multi-Donor Adaptation Fund has the potential to enable the Bank to mainstream adaptation and mitigation strategies in the upcoming CAS and to help the government integrate these issues into its development strategies.</li> </ul>
<b>Strengthen Environment and Water Resource Management</b>	<ul style="list-style-type: none"> <li>• Water resource management capacities including flood control improved</li> <li>• Strengthen Bangladesh Water Development Board</li> </ul>	This milestone was not achieved during the CAS period but is likely to be achieved through the interventions of the ongoing Water Management Improvement project (WMIP) due to the time it took to launch this project.	

C. BANK GROUP PERFORMANCE	FY06 CAS	STATUS AT FY06 CAS COMPLETION REPORT	CHALLENGES AND LESSONS LEARNED
<p><b>Country Dialogue and Aid Coordination</b></p>	<ul style="list-style-type: none"> <li>The Bank Group dialogue with the Government on the eve of the CAS was close despite a difficult governance environment. The CAS recognized the severe political risks facing the country, the lack of political appetite for much needed governance reforms and weak implementation capacity.</li> <li>The CAS was based on an intensive dialogue with all sections of Bangladesh society. The focus on governance and on local governance reform reflected a strong emphasis on these issues during the dialogue.</li> <li>The CAS was prepared jointly with the ADB, Japan and UK (DFID). Together with the Bank these partners accounted for 80% of all development assistance to Bangladesh. The objectives of the joint strategy were better coordination and greater complementarity across project pipelines, the need to give government consistent messages and reinforce the four partners' efforts in supporting reforms. The CAS anticipated the extension of sector wide approaches beyond health and education. Under the joint approach each institution maintained its own business plans and projects/AAAs but were informed by a joint results matrix. The joint strategy was not intended to rule out partnerships with other donors. All four partners supported harmonization around government systems. The Bank committed itself to supporting a transition to a government led aid coordination process consistent with the Paris principles.</li> </ul>	<ul style="list-style-type: none"> <li>The dialogue with Government was adversely affected by the frequent changes in government and the limited time over the CAS period (some 18 months) when there was a government in power (the CTG) that was willing to move forward on reforms. The dialogue with the CTG was close, but the CTG was unwilling to push longer term reforms, such as administrative reforms, which it felt would not be sustainable.</li> <li>The Bank's inability to persuade senior HQ staff in key sector areas to be posted in Bangladesh, and the long interregnum between staff reassignments from the field and the arrival of their replacements had an adverse effect on the dialogue with the country.</li> <li>The Bank's relations with civil society improved over the period but civil society retained a healthy skepticism about the Bank's role and remained a critical interlocutor.</li> <li>The joint strategy partnership of Bangladesh's four largest DPs generally did succeed in minimizing conflicting signals, ensuring common policy messages to government, and managing political risks. But the partnership lost momentum when the original set of Country Directors were reassigned, and it is not clear that the degree of collaboration other than in the areas noted above was much greater than it would have been had there been no strategic partnership.</li> <li>The intention to extend the SWAp concept to sectors other than health and education did not materialize, although governance was seen as a potential candidate.</li> </ul>	<ul style="list-style-type: none"> <li>That the Bank remains a trusted partner Bangladesh despite the rapid political changes speaks well of its ability to not appear too close to any one side. Nevertheless, the strong support to the CTG reforms may have had a more lasting impact if a dialogue had been maintained with the major political parties during the CTG period. Given the tensions and uncertainties prevailing at the time, this is easier said than done.</li> <li>The Bank needs to plan its staff assignments more strategically and on a more long term basis to avoid unnecessary gaps in the dialogue when staff are reassigned and to more effectively persuade or find senior staff willing to serve in Bangladesh in sectors crucial to the Bank's policy dialogue.</li> <li>Bangladesh donors are rightly moving from the present coordination arrangements to more systematically implementing the Paris principles and the Accra Action Agenda. This will call for effective support to the government in strengthening its ability to provide the leadership and coordination functions that are currently missing in the aid coordination mechanisms.</li> </ul>

C. BANK GROUP PERFORMANCE	FY06 CAS	STATUS AT FY06 CAS COMPLETION REPORT	CHALLENGES AND LESSONS LEARNED
<p><b>Focus on Development Effectiveness</b></p>	<ul style="list-style-type: none"> <li>• The results focus of the CAS will be reflected in everything the Bank Group does in Bangladesh</li> <li>• Governance will be a central focus</li> <li>• The Bank will systematically involve beneficiaries and affected communities in the design and implementation of its programs.</li> <li>• The Bank will seek to build partnerships with academia and civil society and the international donor community.</li> <li>• The Bank will become increasingly open and transparent in the way it does its business.</li> <li>• The Bank will step up efforts to strengthen fiduciary safeguards and improve implementation.</li> <li>• These goals were to be achieved through: <ul style="list-style-type: none"> <li>• Strategic staffing</li> <li>• Institutional processes including an Operational Risk Mitigation team</li> <li>• Strong partnerships</li> <li>• A cultural change that required more cross sectoral work and stronger country team alignment on acceptable risks and expectations relating to governance within projects.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• No Monitoring and Evaluation system focusing on CAS outcomes outside of project specific M&amp;E systems.</li> <li>• Governance focus not fully mainstreamed</li> <li>• The commitment to systematically involve beneficiaries in the design and implementation of projects was not consistently pursued.</li> <li>• Despite Bank efforts to be more open, civil society still tends to see the organization as highly secretive and lacking transparency.</li> <li>• The Bank took significant steps to strengthen fiduciary safeguards, and has more proactively managed fiduciary risk. But some important initiatives did not fulfill their promise.</li> </ul> <p>In terms of specific actions:</p> <ul style="list-style-type: none"> <li>• Two governance advisors were appointed, to help address the CAS governance agenda.</li> <li>• A strong team of senior HQ staff were fielded in Dhaka but there were significant gaps in the energy sector and in local governance, and costly interregnums when key positions remained vacant.</li> <li>• An Operational Risk Mitigation plan to mainstream governance was under-resourced and under-managed.</li> <li>• The concern with reducing corruption risk in Bank projects was not fully thought through and it may have resulted in shifting incentives towards monitoring inputs rather than focusing on outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>• Risk mitigation needs to precede rather than be part of project preparation so as to keep open the option of staying away if there is lack of commitment to reforms and to better design operations to reduce risk.</li> <li>• Long delays in completing investigations on corruption and requiring staff to breathe down the necks of their counterparts have a deleterious impact on Bank country relations.</li> <li>• Strengthening beneficiary involvement in project preparation and implementation and ensuring project design enhances accountability to local institutions rather than the Bank will be critical to avoid these risks.</li> <li>• Country assistance strategies that are transformative in the sense of a significant change in directions and scaling up of effort need to be adequately resourced and staffed.</li> <li>• Monitoring and evaluation systems, including regular progress reports, are essential to a results oriented CAS and to better manage fiduciary risk.</li> </ul>

C. BANK GROUP PERFORMANCE	FY06 CAS	STATUS AT FY06 CAS COMPLETION REPORT	CHALLENGES AND LESSONS LEARNED
<b>Quality of Products and Services</b>	<ul style="list-style-type: none"> <li>• Portfolio performance broadly in line with South Asia average. Disbursement ratio in FY05 at 23%, similar to IDA average. Share of projects at risk 11.5%, commitments at risk 14%. Realism and proactivity indices were 100%.</li> <li>• QAG assessment on eve of CAS showed quality of individual tasks to be consistently good, but AAA lacked client input on its scope and that preparation of reports lacked client participation, and AAA was faulted for poor dissemination.</li> </ul>	<ul style="list-style-type: none"> <li>• Disbursement ratio fell in FY06 and 07, but increased to 26% by FY09, well above regional and IDA averages. Riskiness also increased in first two years of the CAS, but recovered with the share of projects at risk of 11% and commitments at risk of 4% and commitments at risk of 1%. Realism and proactivity similarly dipped and then recovered to 100% by the end of the CAS period.</li> <li>• Most core AAA relevant and well received by client. Major AAA tasks (Poverty assessment, Gender assessment, Growth report) were all based on extensive consultation and involvement of Bangladeshi academia and civil society, and were extensively disseminated. The Bank's partnership with IGS on workshops on institutions of accountability demonstrated the value of farming out the Bank's analytical work.</li> <li>• Policy notes formed a significant share of AAA.</li> </ul>	<ul style="list-style-type: none"> <li>• Bangladesh think tanks and academic institutions are now fully capable of undertaking much of the AAA that the Bank produces, and there would be huge advantages for the Bank to prepare future AAA in partnership with local institutions helping build local analytical capacity and local reform champions</li> <li>• The quality and effectiveness of policy notes needs to be reviewed periodically through client surveys and peer reviews since these risk becoming supply driven and are not always subject to the same rigorous internal Bank review processes.</li> </ul>

**Table B: Bangladesh - Planned Lending Program and Actual Deliveries (FY06-09)**

FY06 CAS Plans			Status - FY09 CAS Completion Report			
FY	Projects	Type b/	IDA \$M	Status c/	Type	IDA \$M
2006	Development Support Credit (DSC) III	Inv	200.0	Actual		200.0
	Education Sector Dev. Support Credit II	Inv	100.0	Actual		100.0
	Local Governance Support	Adj	106.0	Actual		111.5
	Investment Promotion Financing Facility	Inv	50.0	Actual		50.0
	<b>Subtotal</b>		<b>456.0</b>	<b>Subtotal</b>		<b>461.5</b>
2007	Development Support Credit IV	Adj	200.0	Actual		200.0
	Siddhirganj Power Project	Inv	150.0	Forwarded to FY09		
	Dhaka Chittagong Sewerage & Drainage	Inv	100.0	Forwarded to FY09		
	Public Procurement Reform Project (II)	Inv	7.0	Forwarded to FY08		
	Private Sector Development	Inv	85.0	Dropped		
	National Agricultural Technology	Inv	75.0	Forwarded to FY08		
	Education Sector Development Support Credit (DSC) III	Adj	100.0	Actual		100.0
	Avian Flu Preparedness	Inv	30.0	Actual		16.0
				<i>Additional Actual Projects:</i>		
				BD Railway Reform Programmatic DevPolicy	Adj	40.0
			SIPP Additional Financing	Adj	8.0	
			Microfinance II Additional Financing	Inv	15.0	
<b>Subtotal</b>		<b>747.0</b>	<b>Subtotal</b>		<b>379.0</b>	
2008	Poverty Reduction Support Credit I	Inv	300.0	Dropped		
	Social Investment Program II (incl. Rural Livelihoods)	Inv	100.0	Dropped		
	Export Infrastructure Development	Inv	120.0	Dropped		
	Technical, Vocation, Higher Education	Inv	100.0	Renamed and forwarded to FY09		
	South Zone Power Distribution Company	Inv	150.0	Forwarded to FY10		
	Tax and Customs Administration	Inv	60.0	Dropped		
	Dhaka Environment & Water Resources	Inv	22.5	Forwarded to FY09		
				<i>Additional Actual Projects:</i>		
				Public Procurement Reform Project II (from FY06)	Inv	23.6
				National Agricultural Technology Project (from FY07)	Inv	62.6
			Water Management Improvement Project (non IDA)	Inv	102.3	
			Power Sector DPC	Adj	120.0	

<b>FY</b>	<b>Projects</b>	<b>Type b/</b>	<b>IDA \$M</b>	<b>Status c/</b>	<b>Type</b>	<b>IDA \$M</b>
				Bangladesh DSC IV- Supplemental Financing	Inv	75.0
				Bangladesh DSC IV- Supplemental Financing II	Inv	100.0
				BD Transitional Support Credit	Adj	200.0
				SIP Additional Financing for Floods 2007	Inv	25.0
				Rural Transport Improvement Additional Financing	Inv	20.0
				Municipal Services Additional Financing	Inv	25.0
	<b>Subtotal</b>		<b>852.5</b>	<b>Subtotal</b>		<b>753.5</b>
2009	Poverty Reduction Support Credit II	Inv	300.0	Dropped		
	Governance and Accountability	Inv	100.0	Dropped		
	Inland Water Transport	Inv	70.0	Dropped		
	Urban Development and Services	Inv	70.0	Dropped		
	Padma Bridge	Inv	300.0	Forwarded to FY11		
	Air Quality - renamed Clean Air and Sustainable Environment	Inv	70.0	Actual		62.2
				Additional Actual Projects: Siddhirganj Peaking Power Project (from FY07)	Inv	350.0
				Higher Education Quality Improvement (from FY08)	Inv	81.0
				Dhaka Water Supply and Sanitation Project	Inv	149.0
				Secondary Education Quality & Access Enhancement	Inv	130.7
				Disability and Children at Risk	Inv	35.0
				SIPP-Cyclone-07 Additional Financing III	Inv	50.0
				Emergency 2007 Cyclone Recovery & Rest Pr	Inv	109.0
				Bangladesh Food Crisis DSC	Adj	130.0
	<b>Subtotal</b>		<b>910.0</b>	<b>Subtotal</b>		<b>1096.9</b>
	<b>Planned Total FY06-09</b>		<b>2938.0</b>	<b>Actual Total FY06-09</b>		<b>2690.9</b>

## ANNEX FOUR: THE WORLD BANK FY10 CLIENT SURVEY AND CAS MULTI-STAKEHOLDER CONSULTATIONS

### A. World Bank FY 2010 Client Survey for Bangladesh

1. **Background:** A client survey was conducted in August 2009 to confirm the initial client perceptions obtained through a series of upstream CAS multi-stakeholder consultations held in June 2009. The survey was designed to assist the World Bank in gaining a better understanding of stakeholders' perception of the World Bank's role and development assistance in Bangladesh, obtain systematic feedback, and inform the CAS formulation process that the country team had started to embark on. The survey covered a range of questions on: issues facing Bangladesh; overall attitude towards the Bank; the importance of specific areas of the Bank's work and the Bank's effectiveness in those areas; the respondent's level of agreement with the way the World Bank does business, and the Bank's communication and outreach efforts in Bangladesh.

2. **Process:** Approximately 580 stakeholders of the World Bank in Bangladesh were invited, through mailed questionnaires, to provide their opinions on the Bank's assistance to the country. Participants in the survey were drawn from among the offices of the President, Prime Minister, Ministers, and Parliamentarians; employees of ministries, ministerial departments, or implementation agencies; local government official or staff; bilateral or multilateral agencies; private sector organizations; NGO or civil society; the media (including national media in Bangla and English and international media); independent government institutions; trade unions; religious groups; academia or research institutes; and the judiciary. A total of 334 stakeholders participated in the client survey, mostly from Government. The response rate was nearly exactly the same as in FY 04 and quite high at 58%. Other than local government, all stakeholder groups were fairly represented.

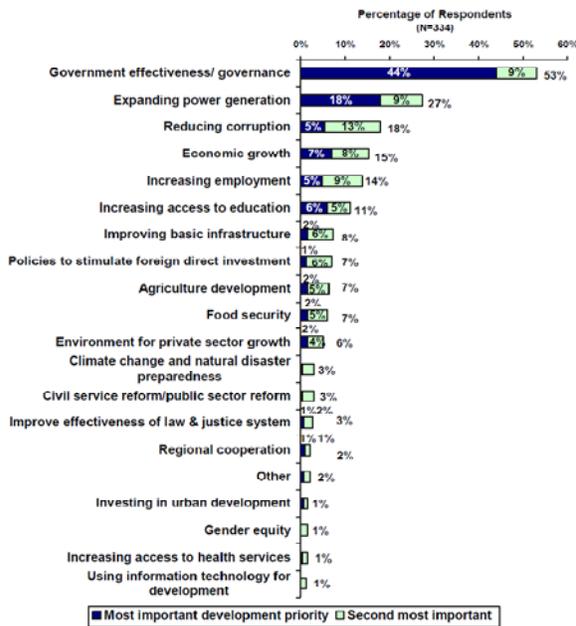
3. **Results:** The FY 10 country survey results in Bangladesh suggest an environment that is far more positive about the World Bank and its work now (and for the future) than when the last client survey was conducted in FY 04. The survey findings show that the Bank has improved significantly in a number of important areas and stakeholders can now define a very clear role for the Bank in Bangladesh. The Bank was very well regarded in most areas and its assistance was considered relevant and aligned to country priorities. Respondents also felt that Bank lending promotes effective development and demonstrates flexibility in adjusting to changing circumstances.

4. **Areas of Focus:** The client survey indicated that governance is considered the top development priority in order to alleviate poverty and foster economic growth. Stakeholders believe that Bangladesh would be best served by the Bank if it focused on power generation, basic infrastructure and employment creation. Power generation was particularly considered a key to growth -and worthy of high level of assistance from the World Bank. Other priority areas where a majority of stakeholders would like to see more Bank involvement include: health, anti-corruption, agriculture and climate change. Stakeholders also gave a very high level of support for the Bank's role in the construction of the Padma Bridge.

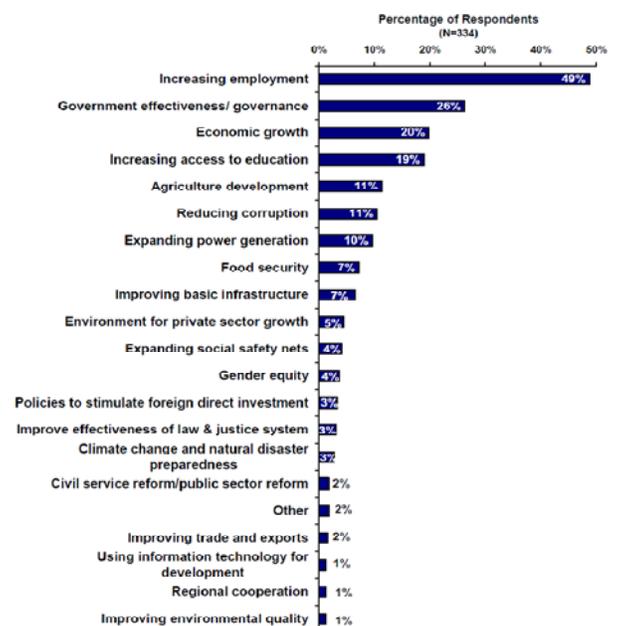
5. **Value to the Clients:** In terms of value of the World Bank to the clients, most stakeholders consider investment lending as effective instrument for reducing poverty in Bangladesh when compared to policy based lending or technical assistance. As such, investment lending and loans were seen in a more positive light than budget support, policy or economic advice and knowledge sharing.

## 6. Response to Key questions in the FY09 Client Survey:

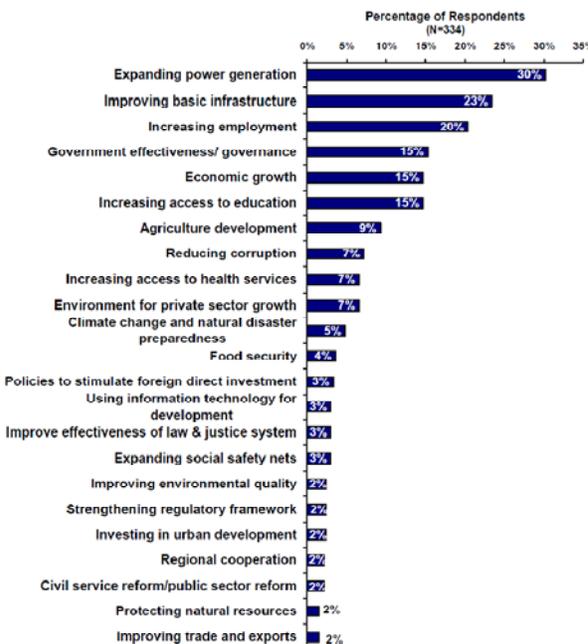
“What are the first and second most important development priorities for Bangladesh?”



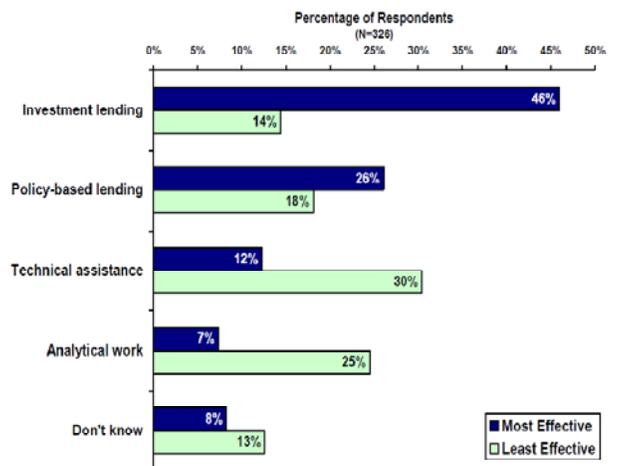
“Which TWO areas of development would contribute most to reducing poverty in Bangladesh?”



“Where would it be most productive for the Bank to focus most of its resources?”



“Which World Bank instrument is the most effective in reducing poverty in Bangladesh?”



## **B. CAS Multi-stakeholder Consultations**

7. **Background.** The Bank team held multi-stakeholder upstream consultations in June 2009 to identify the key challenges and results areas of the new CAS. The key messages from those early consultations fed into the CAS discussions with the Country Team, and provided a basis for the first draft of the CAS. After completion of the upstream review and development of the CAS Pillars, multi-stakeholder downstream consultations were held during March, 2010.

8. **Process.** Five upstream consultations were held in Dhaka in which the Bank team interacted with development practitioners from NGOs, members of academia and think tanks, media editors, the business community, and development partners. In addition, the Bank team held a number of bilateral meetings with retired Government counterparts. The consultation with members of academia and think tanks was organized by the Policy Research Institute (PRI) of Bangladesh and held at their premises. The meeting with the business community was organized by the Metropolitan Chamber of Commerce and Industry (MCCI) in Dhaka. The consultation with media editors was held at the Sonargaon Hotel. Practitioners from NGOs and development partners were invited to the World Bank Office.

9. During the upstream consultations, the Bank team presented the results of the previous CAS period to start a discussion on where the Bank should set its priorities for the new CAS period. Discussions were held in a plenary format. At PRI and the MCCI the consultations were facilitated by the respective hosts. The World Bank team facilitated the dialogue for the other consultations.

10. Six downstream consultations were held with a wide spectrum of stakeholders, including the government, development partners (DPs), civil society, private sector, academia and journalists. Out of the six consultations, three were held in Dhaka and others were held in three carefully selected cities: Chittagong, Jessore and Rangpur. Chittagong is the second largest city as well as the hub of country's trade and commerce. Jessore represents the South-West region which is economically deprived and stands to benefit from the construction of the Padma Bridge. It also presents opportunities for regional cooperation with India. Rangpur belongs to the poorest Northern region of Bangladesh. The consultations with the Government and DPs took place at ERD and the IFC Office. The consultation with civil society and private sector representatives was held at the Lake Shore Hotel in Dhaka. The consultations in Chittagong, Jessore and Rangpur were organized at Peninsula Hotel, BRAC TARC and Parjatan motel respectively. The consultations in the field were attended by local government representatives, local level elected officials, members of local chambers of commerce, civil society, members of academia and the media.

11. All downstream consultations began with a brief presentation by the Bank team explaining the aim of the consultations followed by an open discussion. In case of the field consultations, additional sessions were held with participants divided into break-out groups in order to have in-depth discussions on each CAS pillar.

12. **Results.** Governance surfaced as a cross-cutting theme throughout all consultations. Weaknesses in the service delivery system and establishment of the rule of law were identified as the two major governance issues in Bangladesh. The need for decentralization and capacity building received much attention during the discussion. Majority of the participants criticized the current Upazilla Parishad (Local Government) Bill which they believed would hinder grass root democracy and effectiveness of local government. In addition, unanimous opinions were expressed for urgent actions to resolve the energy crisis. Issues like corruption, climate change, poverty, SME development, regional disparity, increasing gap between rich and poor, agricultural productivity and food security were also discussed at length. A wide range of solutions were recommended, including transparency and accountability for good governance, strengthening of the local government system, an independent judicial system and anti-corruption unit, increased investment in human capital, scaling up of investment in agricultural

technology, use of alternative sources of energy including coal and nuclear power, and more focus on equity and poverty reduction. The Bank team was also urged to design a simple CAS with simple performance monitoring indicators. The main priority areas for the new CAS, as recommended by the participants, were as follows: power sector, climate change adaptation strategy, strengthening local government and good governance. Participants also recommended that the Bank maintain a neutral status in the politically polarized environment of the country and to be transparent about its decision making processes.

### **Proposed priority programs for the new World Bank CAS**

- Development of the energy sector, particularly gas and power.
- Robust climate change adaptation mechanism involving the wider community.
- Strengthening local governance through establishment of an independent local government body.
- Ensuring good governance through establishment of rule of law, proper service delivery system, transparency and accountability.
- Programs to increase productivity in agriculture to ensure food security.
- Promoting and implementing regulatory frameworks in key sectors such as energy and utilities.
- Scaling up investments in transport and communication sectors, particularly in railways and inland water resources.
- Focus on population control and planning.
- Global and regional integration to alleviate disparities across regions.
- Reflection of the lessons that have been learnt during the global financial crisis.
- Management of water resources with focused attention on capital dredging.

### **What the World Bank should avoid**

- Not engage in any kind of activities which are not aligned with the country's priority areas.
- Political intervention, whether it be engagement in partisan politics, giving in to political pressure or direct involvement in conflict resolution.
- Not dictate the terms of development, rather it should play a supportive role to implement government's development agenda.
- Not impose stringent conditions and avoid rigidity.
- Making the CAS unnecessarily complicated with complex performance monitoring indicators.

### **Issues where there were divergent views on World Bank involvement**

- **Government policy agenda:** Some participants suggested that the Bank should advise Government on critical policy issues. Other participants argued that the bank should not be involved in the countries' internal affairs and that it should only be involved in the projects and programs it is funding.
- **Investment in infrastructure projects:** Participants were divided with regard to the Bank's investment in infrastructure projects. A group of participants believed that more investments are required both in road and water transport. Others stressed that there was no need for further road development and suggested that the focus should shift toward railway and water transport, and maintenance of the existing roads.
- **Use of coal as source of energy:** Many felt that government should seriously consider coal for generating electricity. Conversely, it was argued that since open pit mining has raised serious concerns, the emphasis should now be put on the gas and nuclear power systems.
- **Labor migration:** Although Bangladesh is receiving large remittance inflows from the expatriate community, a group of participants believed that Bangladesh should stop sending unskilled people abroad, and that the Government should design a plan to address the issue in the next Five Year Plan.

The opposing view suggested that the Government should look for new labor migration destinations for its existing pool of labor, and have bilateral negotiations with concerned foreign countries.

- **Agriculture as a focus area:** Some participants strongly recommended scaling up efforts to improve agricultural productivity. Others cautioned that focusing on agriculture would be a short term solution without addressing the country's long term development challenges.
- **Evaluation of the World Bank's performance:** A majority of participants agreed that the public perception of the World Bank is negative with the Bank often considered as part of the problem rather than the solution. However, some participants commended the Bank for its good work, particularly with the procurement law and reforms in public institutions.

13. **Feedback:** All the consultation summary notes and presentation materials were uploaded on the World Bank's external website.

### C. CAS Formulation and Consultation Process

14. The CAS process was launched internally through a consultation with the Dhaka Country Office staff on June 7, 2009. The country team was asked to provide feedback on the results achieved during the period of the previous CAS. Following this initial consultation with Country Office staff, a two day CAS workshop was held in Dhaka in October 2009. This event was followed by a CAS workshop held in Washington, D.C. in November 2009. A summary of CAS formulation and consultation process are presented in the table:

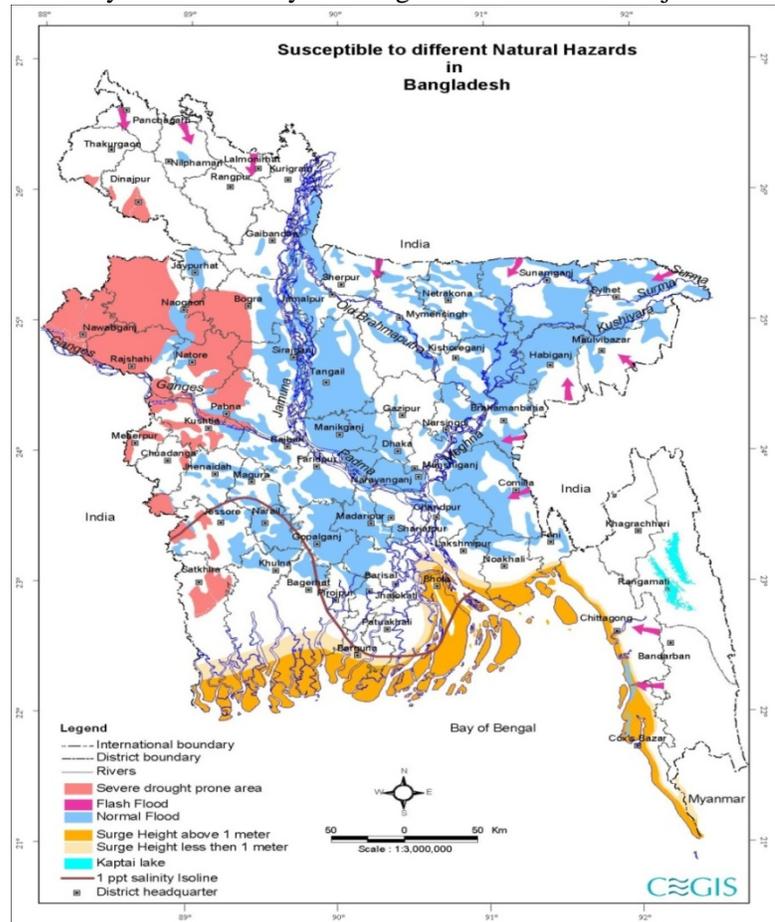
Main CAS Preparation Steps	Highlights
June 7, 2009- In-house consultation with Dhaka country office staff	Discussion to solicit feedback on the track record from the previous CAS and very preliminary view on priorities for future
CAS multi-stakeholder upstream consultation: June 8, 2009- Consultation with Development Practitioners/NGO and Media June 9, 2009- Consultation with Academia/Think tanks June 10, 2009- Consultation with Development Partners and Retired Counterparts June 14, 2009- Consultation with Private Sector	Discussion with multi-stakeholders to receive feedback on country's development priorities and Bank support under the CAS period, and how the Bank can support the development process in Bangladesh
October, 2009- CAS workshop in Dhaka office	Extensive discussion involving the World Bank Group, DPs, government representatives and consensus on the broad CAS pillars
November, 2009- CAS workshop in Washington D.C.	Initial Washington based Country Team meeting to discuss the proposed CAS framework and linkage with country's draft NSAPR-II
March 9, 2010- CAS upstream review meeting	Endorsement by management of CAS pillars and results framework; guidance to move forward
CAS multi-stakeholders downstream consultation and media visit: March 14, 2009- Consultation with the Government March 14, 2009- Consultation with Development Partners March 16, 2009- Consultation in Chittagong March 18, 2009- Journalist tour in Tangail March 21, 2009- Consultation with private sector and civil society March 23, 2009- Consultation in Jessore March 23, 2009- Journalist tour in Rangpur March 24, 2009- Consultation in Rangpur March 24, 2009- Journalist tour in Jessore	Discussion with multi-stakeholders to receive feedback on country's development priorities, and how the Bank can support the development process in Bangladesh

## ANNEX FIVE: VULNERABILITY TO CLIMATE CHANGE AND NATURAL DISASTERS

### A. Vulnerability to Climate Change

1. Bangladesh is one of the most vulnerable countries to climate risks and the most vulnerable to tropical cyclones<sup>6</sup>. Located between the Himalayas and the Bay of Bengal and with three major rivers converging on its territory, Bangladesh is prone to floods, torrential rains, erosion, and severe cyclonic storms. The central and western coastal regions, which have a low and flat topography, are particularly vulnerable to cyclones. The coastal area of Bangladesh and the Bay of Bengal are located at the tip of northern Indian Ocean, which has the shape of an inverted funnel. The area is frequently hit by severe cyclonic storms, generating long wave tidal surges which are aggravated because the Bay itself is quite shallow. The adjacent figure<sup>7</sup> shows the natural hazards that different regions in Bangladesh are susceptible to.

2. Climate variability and change are clearly critical development issues for Bangladesh. The combination of frequent natural disasters (e.g. cyclones, storm surges, floods, and droughts), high population density and growth, and low resilience against economic shocks, makes Bangladesh particularly vulnerable to these climatic risks. The high incidence of poverty and heavy reliance on agriculture and natural resources increase vulnerability to climate change impacts. In most years between 30-50% of the country is affected by floods. Global climate models predict that for Bangladesh mean temperatures will increase, with greater warming in winter. Along with this, changes in the pattern of rainfall are projected, notably higher precipitation during the monsoon months and drier conditions in winter. These trends could negatively impact the development prospects of the country.



<sup>6</sup> UNDP (2004), A Global Report: Reducing Disaster Risk: A Challenge for Development.

<sup>7</sup> Figure courtesy of CEGIS.

3. Climate change is expected to exacerbate many of the natural hazards and current problems that the country faces. These include:

**a. Increasing frequency and intensity of tropical cyclones.** Between 1980 and 2000, tropical cyclones caused 250,000 deaths worldwide; 60% of them were in Bangladesh<sup>10</sup>. Around 17% of all cyclonic storms in the Bay of Bengal make landfall in Bangladesh, where severe ones occur almost every three years and routinely claim thousands of lives<sup>11</sup>. Cyclones and storm surges are expected to occur more frequently and with higher intensity with climate change.

#### Impact of a cyclonic event in a changing climate

- Cyclone Sidr (a 10 year return period cyclone with an average speed of 223km/hr) hit Bangladesh in November 2007 and caused damage and losses estimated at US\$1.7 billion (around 2% of GDP)<sup>8</sup>.
- If a 10 year return period cyclone (similar to Cyclone Sidr) hit Bangladesh in 2050 additional damages and losses due to climate change have been estimated at \$4.2 billion<sup>9</sup>.

**b. Heavier and more erratic rainfall.** Bangladesh is geographically a delta of 3 largest rivers in the world and suffers the second highest water flow in the world during flood season. 30 to 50% of the country is affected by floods annually. Flood risks already pose a significant burden on the economy with over two-thirds of the country lying below 5 meters above sea level mark<sup>12</sup>. Vulnerability to floods and the potential for economic damage is considerable suggesting the need for a stronger emphasis on protecting high value assets. Climate change is expected to bring about heavier rainfall during the monsoon causing higher river flows leading to over-topping of embankments and widespread flooding. The resulting river bank erosion is expected to cause loss of homes and agricultural land to the rivers. Increased sedimentation in riverbeds is expected to lead to drainage congestion and water logging.

**c. Sea level rise.** Global sea level rose at an average of 1.8mm per year between 1961 and 2003. This rate increased to 3.1 mm per year between 1993 and 2003. Thermal expansions of the oceans and decreasing glaciers and ice caps have contributed to this increase. In the coastal area of Asia, the current rate of sea level rise is reported to be marginally greater than the global average<sup>13</sup>. The impact in terms of people affected and land submerged in Bangladesh varies between 15-17 million people affected and 12 to 16% of total land area<sup>14</sup>.

## B. Climate Change Impacts

4. **Water related impacts** of climate change will likely be the most critical concern for Bangladesh in terms of urgency, severity, and economic consequence. These include:

- Impact of sea level rise on coastal areas in terms of loss of vital assets and livelihoods resources. Parts of the coastal area are also of global environmental significance. The Sundarbans are a World Heritage Site and are the single largest productive mangrove forest in the world on which

<sup>8</sup> Government of Bangladesh (2008), Cyclone Sidr in Bangladesh; Damage, Loss and Needs Assessment for Disaster Recovery and Reconstruction.

<sup>9</sup> World Bank (2010) Vulnerability of Bangladesh to Cyclones in a Changing Climate: Potential Damages and Adaptation Costs, DEC Working Paper Series, *forthcoming*.

<sup>10</sup> Same as footnote 1.

<sup>11</sup> Government of Bangladesh (2009) Bangladesh Climate Change Strategy and Action Plan.

<sup>12</sup> Same as footnote 3.

<sup>13</sup> IPCC (2007) Fourth Assessment Report on Climate Change.

<sup>14</sup> UNEP/Grid (2000) Vital Climate Change Graphic, UNEP/GRID Arendal Publication.

millions of families depend. A 45 cm sea level rise is projected to inundate 75% of the Sundarbans.

- The effect of saline water intrusion in the estuaries and into the groundwater would be enhanced by low river flow, sea level rise and subsidence and will reduce relative availability of fresh water supply in future. The adverse effects of saline water intrusion will be significant on coastal agriculture and the availability of fresh water for public and industrial water supply will fall.
- The combined effect of higher sea water levels, subsidence, siltation of estuary branches, higher riverbed levels and reduced sedimentation in flood-protected areas will impede drainage and gradually increase water logging problems, with the effect being particularly strong in the coastal zone.
- The effects of increased flooding and droughts are likely to be substantial. Severe flooding potentially leads to losses in lives and livelihoods, agriculture sector and affects the transportation and communication networks resulting in significant economic losses. The impacts on human health from waterborne diseases and lack of safe drinking water are also noteworthy.

5. **Impact on Agriculture and Food Security** is also likely to be significant. Agriculture is the principal occupation in Bangladesh, employing over two-thirds of the labor force and contributing 22 percent of GDP. Changes in the water regime would affect crop agriculture, livestock production, aquaculture and coastal shrimp production. The effects of climate change on key agricultural crops remains uncertain. Most estimates suggest that elevated levels of carbon dioxide may lead to a modest increase in rice yields. This could be offset by higher crop losses from longer periods of flood inundation and increased salinity levels. In addition the areas suitable for agricultural production could decline due to increased erosion, water logging and salinity.

6. **Forestry and biodiversity** impacts could be substantial. The biodiversity (including both in the forested areas as well as elsewhere) is already under threat due to human interventions and fragmenting of habitats. Climate change impacts will add an extra dimension to these ongoing stresses. Increased rainfall during the monsoon season would cause increased runoff in forest floor resulting in enhanced soil erosion from the forest floor. Prolonged floods would severely affect growth of many timber species, while enhanced evapo-transpiration in winter would cause increased moisture stress, especially in the Barind and Madhupur Tract areas.

### **C. The Government has already invested in climate change adaptation**

7. Over time, the country's ability to manage disaster risks, in particular floods and cyclones, has evolved and improved - this has been the result of a gradual shift from a response-based approach to a strategy that incorporates elements of greater emergency preparedness and risk mitigation. Over the last 35 years, The Government has adopted various policies and invested over \$10 billion to make Bangladesh more resilient to climate change impacts<sup>15</sup>. Investment in disaster risks measures include the construction of 2,100 cyclone shelters in the coastal area; 200 flood shelters to house people threatened by cyclone or flood; about 6,000 km of coastal embankments to protect coastal land from inundation by tidal waves and storm surges and more than 4,770 km of drainage channels. The Government has also undertaken an important mangrove reforestation program along the coast to reduce the adverse impacts of cyclones and storm surges. It has also initiated a number of agricultural programs, such as the development of drought and salinity resistant rice varieties, to help manage climate related impacts.

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<sup>15</sup> Same as footnote 6.

## D. The Strategy forward

8. Building on the *National Adaptation Program of Action* prepared in 2005, the Government has prepared in 2009 its *Climate Change Strategy and Action Plan*. This is a comprehensive strategy that addresses different aspects of climate change over the next 20-25 years. The action plan is built on the six pillars and prioritizes 44 programs in key affected sectors.

9. More recently, Bangladesh's *National Strategy for Accelerated Poverty Reduction II* has mainstreamed the inter-linkages between poverty and climate change and created a focus area dedicated to environment and climate change.

10. The climate change challenge in Bangladesh is huge and cuts across a number of sectors and implementing agencies. The Government has already invested in disaster preparedness and designed a Strategy to tackle climate change. The challenge now is to scale up its effort to finance and implement the strategy in efficient and timely manner.

### Six Pillars of the Climate Change Strategy

1. Address the impacts on food security, social protection and health;
2. Strengthen further the country's comprehensive disaster management capacity
3. Climate proofing existing infrastructure and ensuring future infrastructure building is fit for purpose;
4. Improve research and knowledge management to predict the likely scale and timing of climate change on different sectors;
5. Incorporate mitigation and low carbon opportunities in future growth path;
6. Focus on capacity building and institutional capacity.

## ANNEX SIX: CAS RESULTS FRAMEWORK MATRIX

End-FY 14 CAS Results and Outcomes	Indicative Milestones	World Bank Group Program
<b><i>CAS Pillar 1: Increase Transformative Investments and Enhance the Business Environment</i></b>		
<p><b>NSAPR II Goals:</b> The NSAPR II seeks higher growth of 8 percent by 2013, through increased capital accumulation, promoting growth of sectors, improving the business and investment climate, promoting urban development, and providing essential infrastructure for pro-poor growth</p>		
<p><b>Issues:</b> Government investments and tax collections are too low to sustain accelerated growth with macroeconomic stability; exports are highly dependent on low-end garments; debt management systems are rudimentary.</p> <ul style="list-style-type: none"> <li>• Despite recent growth, private investment is much lower than desirable for accelerated growth, constrained by regulatory bottlenecks, inadequate access to land for business use, poor IT infrastructure and skills, weak competition in the domestic market, and a framework that is inadequate to handle a scaled-up PPP pipeline. Investment is also constrained by access to finance, which remains a problem for small and medium firms and agriculture, and the undeveloped nature of long-term finance.</li> <li>• Shortage of power is regularly cited as the single biggest constraint to doing business and private sector investment.</li> <li>• Transport is over-dependent on a weakly-managed roads sector, and has seen weak ownership for reforms in Chittagong port and Bangladesh Railways, resulting in high overall costs for transport, and inadequate incentives for transit trade.</li> <li>• Urban management and services have not kept up with the concentrated economic and demographic growth in the two large metropolitan areas of Bangladesh, thus reducing the growth and equity benefits of agglomeration.</li> </ul>		
<p><b>Outcome 1.1: Increased public investment and improved revenue generation</b></p> <p><i>Indicator 1:</i> Increase public investment Baseline: 4.6 percent of GDP (FY09) Target: 6 percent of GDP (FY14)</p> <p><i>Indicator 2:</i> Increase revenue mobilization Baseline: 11.5 percent of GDP (FY10) Target: 13 percent of GDP (FY14)</p>	<ul style="list-style-type: none"> <li>• A modern VAT law, rules and procedures put in place and implementation started, and online VAT registration system introduced</li> <li>• Improve quality of public investment management so that actual investment increases to at least 85% of planned investment.</li> <li>• Improve environment for export diversification including government investment in improved logistics, rationalization of customs duties, and increased regional and transit trade</li> </ul>	<p><b>Ongoing Financing:</b></p> <ul style="list-style-type: none"> <li>• MDTF on Strengthening Public Expenditure Management</li> </ul> <p><b>Indicative Financing:</b></p> <ul style="list-style-type: none"> <li>• Tax administration and modernization project</li> <li>• Statistical Capacity Building project</li> </ul> <p><b>Ongoing AAA/ Others:</b></p> <ul style="list-style-type: none"> <li>• Study on trade growth and diversification</li> </ul> <p><b>Indicative AAA/others:</b></p> <ul style="list-style-type: none"> <li>• CEM on pro-poor and sustainable growth strategy for attaining MIC status</li> <li>• Diagnostic Trade Integration Study</li> <li>• Poverty Assessment based on 2010 HIES</li> </ul>

End-FY 14 CAS Results and Outcomes	Indicative Milestones	World Bank Group Program
<p><b>Outcome 1.2: Improved environment for private sector investment</b></p> <p><i>Indicator 1:</i> Private investment to GDP ratio increases by at least 2 percentage points of GDP</p> <p>Target: Increase by 2 percentage points</p> <p><i>Indicator 2:</i> Overall improvement in ease of Doing Business Index Baseline: 119 of 183 economies (35<sup>th</sup> percentile) Target: 40<sup>th</sup> percentile</p>	<ul style="list-style-type: none"> <li>• PPP framework streamlined following good practice principles and capability (technical and financial) built to implement PPPs across key strategic investment areas, including economic zones, power generation, etc.</li> <li>• Elaboration and testing of a modernized deeds registration system as well as testing of a sound land records modernization program, completed, and national implementation program agreed</li> <li>• National Resettlement Policy adopted; institutional framework in place to handle social impacts of project implementation</li> <li>• Government-business regulatory interface streamlined and made more transparent</li> <li>• Policies for development and better regulation of market for long-term finance (including infrastructure, government debt market, and housing finance) developed and implementation begun</li> <li>• Access to financial services improved through preparation of a movable collateral law, introduction of a privately operated credit information sharing system, improved corporate governance, and continued strengthening of regulation and supervision</li> </ul>	<p><b>Ongoing Financing:</b></p> <ul style="list-style-type: none"> <li>• BICF Regulatory Reform initiatives (IFC)</li> <li>• BICF Economic Zones initiatives (IFC)</li> <li>• Central Bank Strengthening Project</li> <li>• Joint Bank-Fund FSAP completed in FY10</li> <li>• Enterprise Growth and Bank Modernization</li> <li>• IFC-SEDF engagement on access to finance for SMEs</li> <li>• IFC-SEDF's Sustainable Value Chains (SVC) interventions</li> </ul> <p><b>Indicative Financing:</b></p> <ul style="list-style-type: none"> <li>• Private Sector Development Support (Economic Zones) Project</li> <li>• Long-term finance including housing and capital market</li> <li>• Strengthening Microfinance Sector</li> <li>• ICT-enabled services sector project</li> </ul> <p><b>Ongoing AAA/Other:</b></p> <ul style="list-style-type: none"> <li>• NLTA on land acquisition and resettlement</li> <li>• IFC Quarterly Business Confidence Survey</li> </ul> <p><b>Indicative AAA/Other:</b></p> <ul style="list-style-type: none"> <li>• Continued work on regulatory reform in BICF</li> <li>• NLTA for Land Administration</li> <li>• NLTA on Digital Bangladesh related issues</li> <li>• Investment Climate Assessment</li> <li>• IFC support to PSD-related monitoring and evaluation</li> </ul>
<p><b>Outcome 1.3: Increased infrastructure provision, access and efficiency</b></p> <p><i>Indicator 1:</i> Increase in available power Baseline: 4120 MW Target: 4870 MW</p>	<ul style="list-style-type: none"> <li>• Sector revenue shortfall at no more than Tk 30 billion in FY2012 through better governance, financial restructuring, and tariff adjustments as necessary<sup>16</sup></li> <li>• Attract capital sufficient to increase power generation capacity by at least 750 MW and electricity grid and off-grid connections by at least 900,000</li> </ul>	<p><b>Ongoing Financing:</b></p> <ul style="list-style-type: none"> <li>• Siddhirganj Peaking Power</li> <li>• Haripur Power</li> <li>• Investment Promotion Financing Facility (IPFF)</li> <li>• Power Sector Dev't Technical Assistance (PSDTA)</li> <li>• Rural Electrification and Renewable Energy Development (RERED)</li> </ul>

<sup>16</sup> This level of revenue shortfall would represent significant progress since under the business as usual scenario, the shortfall will grow considerably from its current level of about Tk 35 billion. Moreover, this progress would suggest a path to zero shortfall over a 5 year period.

End-FY 14 CAS Results and Outcomes	Indicative Milestones	World Bank Group Program
<p><i>Indicator 2:</i> Increase in electricity grid and off-grid connections Baseline: 10 million connections Target: add 900,000 connections</p> <p><i>Indicator 3:</i> Increase share of population with access to all-season road Baseline: 43.6 % (FY10) Target: 45% (FY14) or approximately 2 million</p>	<ul style="list-style-type: none"> <li>• Provide basic transport infrastructure (improve union and upazila roads and river jetties) and connectivity between production centers and markets in 24 districts countrywide</li> <li>• Open opportunities for increased trade and improved transit with South Asian countries (India, Nepal and Bhutan) by streamlining border crossing particularly at Petrapole-Benapole, and develop modalities for off-dock clearance of containers and bonded movement of containers by road.</li> </ul>	<ul style="list-style-type: none"> <li>• RERED Additional Financing (FY10)</li> <li>• Rural Transport Improvement Project</li> <li>• Skills Training and Enhancement Project (FY10)</li> <li>• IPFF Additional Financing (FY10)</li> </ul> <p><b>Indicative Financing:</b></p> <ul style="list-style-type: none"> <li>• Bibiyana PRG</li> <li>• South Zone Power Distribution</li> <li>• Rural Electrification II</li> <li>• PSDTA Additional Financing</li> <li>• Power Generation Capacity Expansion and Transmission strengthening</li> <li>• Gas Debottlenecking and LNG Terminal</li> <li>• Padma Bridge Project</li> <li>• Bangladesh Railway Modernization Project including inland Container Depot</li> <li>• Inland Water Transport Project</li> <li>• Second Rural Transport Improvement Project</li> <li>• North-East Regional Program for multi-modal connectivity</li> </ul> <p><b>Ongoing AAA/ Others:</b> NLTA for designing performance indicators for energy utilities</p> <p><b>Indicative AAA / Others:</b></p> <ul style="list-style-type: none"> <li>• Port Master plan</li> <li>• Integrated Master plan for Natural gas and power generation and transmission</li> <li>• Just in time AAA</li> <li>• NLTA South West Program: transport infrastructure gaps and contribution of transport to economic growth through Mongla port</li> <li>• Governance in road sector NLTA</li> </ul>

End-FY 14 CAS Results and Outcomes	Indicative Milestones	World Bank Group Program
<p><b>Outcome 1.4: Improved planning and management of urbanization</b></p> <p><i>Indicator 1:</i> Tax records and billing systems computerized in two-thirds of urban local governments in the country. Baseline: 75 Target: 200</p> <p><i>Indicator 2:</i> Local tax collection effort (collections/total billing) increased in at least 12 towns. Baseline: 50 percent Target: 60 percent</p>	<ul style="list-style-type: none"> <li>Formal development and management plans established in at least 10 cities supported by the Bank group</li> <li>Improve urban policy framework to allow greater contribution by local governments and private sector in responding to demands of urban growth</li> <li>Improvement in own source revenue collection leading to better services to urban population</li> </ul>	<p><b>Ongoing Financing:</b></p> <ul style="list-style-type: none"> <li>Municipal Services Project (MSP)</li> <li>MSP Additional Financing (FY10)</li> </ul> <p><b>Indicative Financing:</b></p> <ul style="list-style-type: none"> <li>Urban Services and Local Governance project (MSP II)</li> <li>Major Cities Improvement Project</li> </ul> <p><b>Ongoing AAA/ others:</b></p> <ul style="list-style-type: none"> <li>Urban Strategy Study</li> </ul> <p><b>Indicative AAA/ Others:</b></p> <ul style="list-style-type: none"> <li>TA to help formulate development strategies for Dhaka and Chittagong</li> </ul>
<b><i>Pillar 2: Reduce Environmental Degradation and Vulnerability to Climate Change and Natural Disasters</i></b>		
NSAPR II Goals: Tackling climate change, disaster preparedness and ensuring environmental protection		
<p><b>Issues:</b></p> <ul style="list-style-type: none"> <li>Key climate change concern is water related impacts, the availability of safe water at appropriate times in appropriate quantities. Bangladesh lacks information, infrastructure and institutions to better cope with water resource management challenges.</li> <li>Bangladesh is highly vulnerable to disasters - and there is a need to further enhance disaster preparedness shifting from response to resilience to minimize the risks to lives and livelihoods.</li> <li>High vulnerability of coastal areas to impacts of sea level rise and adverse effects of saline water intrusion.</li> <li>Low agricultural productivity coupled with increasing population and climate change induced increased vulnerability of agricultural crops.</li> <li>Spiraling high industrial and air pollution and alarmingly low water quality of Dhaka watershed, dramatic and irreversible decline of ground water table, especially under Dhaka city.</li> </ul>		
<p><b>Outcome 2.1: Strengthened water resource management and coastal protection</b></p> <p><i>Indicator 1:</i> Upgrade hydrological network Baseline: Hydrological network in poor condition and inadequately maintained throughout the country</p>	<ul style="list-style-type: none"> <li>At least 2/3 of the hydrological network upgraded (2012)</li> <li>At least 50 km of coastal embankment is repaired (2012)</li> </ul>	<p><b>Ongoing Financing:</b></p> <ul style="list-style-type: none"> <li>Water Management Improvement Project 2007 Flood Restoration Program (Implemented through several ongoing projects)</li> </ul>

End-FY 14 CAS Results and Outcomes	Indicative Milestones	World Bank Group Program
<p>Target: Hydrological network fully upgraded and modernized nationwide (2014)</p> <p><i>Indicator 2:</i> Rehabilitation of coastal embankment Baseline: Coastal embankments damaged by 2007 Cyclone Sidr about 2,260km [360km (full) and 1,930km (partially)] Target: 100 km repaired (2014)</p>		<p><b>Indicative Financing:</b></p> <ul style="list-style-type: none"> <li>• Bangladesh Rivers Information and Conservation</li> <li>• Dhaka Integrated Environment and Water Resources (DEW)</li> <li>• River Bank Protection Project and Reconstruction of Brahmaputra Right Bank Embankment</li> <li>• National Coastal Embankment Improvement Project</li> </ul> <p><b>Ongoing AAA/ Others:</b></p> <ul style="list-style-type: none"> <li>• South Asia Water Initiative (incl. Abu Dhabi dialogue)</li> </ul> <p><b>Indicative AAA/ Others:</b></p> <ul style="list-style-type: none"> <li>• Institutional performance audit of the water sector</li> </ul>
<p><b>Outcome 2.2: Improved agriculture production and food security</b></p> <p><i>Indicator 1:</i> Rice production improved through efficient water and drainage management Baseline: The rice production in about 2 million hectares is sub-optimal due to 2007 flood and Cyclone damage to coastal embankments and polders and inefficient water and drainage management in most rice irrigation schemes Target: Efficient irrigation and drainage management for rice production in 500,000 ha of farmlands ensured by FY 2014.</p>	<ul style="list-style-type: none"> <li>• Efficient irrigation and drainage management for rice production in 150,000 ha of farmlands ensured (2012)</li> </ul>	<p><b>Ongoing Financing:</b></p> <ul style="list-style-type: none"> <li>• National Agriculture Technology Project</li> <li>• Avian Influenza Preparedness Project</li> </ul> <p><b>Indicative Financing:</b></p> <ul style="list-style-type: none"> <li>• Productivity Enhancement Project</li> <li>• Rural Livelihood Development Project</li> </ul> <p><b>Indicative AAA/ Others:</b></p> <ul style="list-style-type: none"> <li>• Improving Fertilizer production, distribution and use in Bangladesh</li> <li>• Sustainable use of tube-well/ground water irrigation in Bangladesh</li> </ul>
<p><b>Outcome 2.3: Reduced environmental degradation and strengthened natural resource management</b></p> <p><i>Indicator 1:</i> Reduction in emission per brick kiln adopting cleaner technologies by 20-30%</p>	<ul style="list-style-type: none"> <li>• 3 Brick kilns adopt cleaner technology (2012)</li> <li>• 30 textile factories adopt cleaner technology(2012)</li> </ul>	<p><b>Ongoing Financing:</b></p> <ul style="list-style-type: none"> <li>• Clean Air and Sustainable Environment Project (CASE)</li> <li>• Carbon Finance Hybrid Hoffman Kiln (HHK) Brick Project</li> </ul>

End-FY 14 CAS Results and Outcomes	Indicative Milestones	World Bank Group Program
<p>Baseline: Emissions above 1,000 mg/m<sup>3</sup> per brick kiln  Target (2014): 10 Brick kilns adopt cleaner technology with possibility for replication among 500 kilns.  <i>Indicator 2:</i> Reduce water pollution from selected textile factories by reducing wastewater volume generated in relation to production output by 20%  Baseline: More than 100 m<sup>3</sup> of wastewater / ton of textile  Target (2014): 100 factories adopt cleaner technology</p>		<p><b>Indicative Financing:</b></p> <ul style="list-style-type: none"> <li>• Pilot Program on Climate Resilience (PPCR)</li> <li>• CASE Project Additional Financing</li> <li>• Possible Trust Fund for Climate Change</li> </ul> <p><b>Ongoing AAA/ Others:</b></p> <ul style="list-style-type: none"> <li>• Implication of Climate Change on Flood Restoration and Recovery Program (FRRAP)</li> <li>• Economics of Adaptation to Climate Change Study</li> <li>• Social Dimensions of Climate Change in the Ganges Basin (NLTA)</li> <li>• Indoor Air Pollution: Improved Cook Stoves for Better Health in Bangladesh Study</li> </ul> <p><b>Indicative AAA/ Others:</b></p> <ul style="list-style-type: none"> <li>• Energy Efficiency and Cleaner Technology in the Brick Industry Study</li> <li>• Global Tiger Initiative</li> <li>• Biodiversity Conservation and Socio-economic Development in the Sundarbans (NLTA)</li> <li>• GFDRR financed technical assistance</li> <li>• TA on Climate Change</li> </ul>
<p><b>Outcome 2.4: Enhanced disaster preparedness</b></p> <p><i>Indicator 1:</i> Reduce gap of national cyclone shelter  Baseline: At least 1000 out of the 2133 existing shelters need upgrading and new 2000 shelters need to be constructed  Target (2014): The gap is reduced by 10%</p>	<p>The gap is reduced by 3% (2012)</p>	<p><b>Ongoing Financing:</b></p> <ul style="list-style-type: none"> <li>• Emergency Cyclone Recovery and Restoration Project (ECRRP)</li> </ul> <p><b>Indicative Financing:</b></p> <ul style="list-style-type: none"> <li>• Disaster Preparedness Project (Shelter and Grain Storage)</li> <li>• Indicative AAA/ Others:</li> <li>• Ship Recycling Industry in South Asia (Regional Knowledge Product)</li> <li>• Possible TA under the Climate Change Trust Fund</li> </ul>

End-FY 14 CAS Results and Outcomes	Indicative Milestones	World Bank Group Program
<i>CAS Pillar 3: Improve Social Services Delivery</i>		
<b>NSAPR II Goals:</b> Achieving the MDGs and improving quality of services in health, education and water supply, and providing social protection to the vulnerable, and promoting gender equity.		
<b>Issues:</b> <ul style="list-style-type: none"> <li>• Fragmented, inefficient, and poor quality of public services</li> <li>• Regional disparities, inequity in access and low demand and utilization of services</li> <li>• Weak institutional sector organizational and management structure</li> <li>• Fragile systems (human resources, supply chain, operations and maintenance and system intelligence)</li> </ul>		
<b>Outcome 3.1: Improved access to quality health, population and nutrition services</b>  <i>Indicator 1:</i> Births attended by skilled personnel in two lowest income quintiles Baseline: 8% (2007) Target: 14% (2014)  <i>Indicator 2:</i> Proportion of U5 children underweight Baseline: 46% (2007) Target: 42% (2014)	<ul style="list-style-type: none"> <li>• Number of trained community-based skilled birth attendants is increased to 9,000 by 2010</li> <li>• Vitamin A supplementation coverage among children 9-59 months old is increased from 88% (2007) to 90% by 2012</li> <li>• Proportion of children receiving all basic vaccinations by 12 months of age is increased from 76% (2007) to 80% by 2012</li> </ul>	<b>Ongoing Financing:</b> <ul style="list-style-type: none"> <li>• Health Nutrition Population Sector Program</li> </ul> <b>Indicative financing:</b> <ul style="list-style-type: none"> <li>• Health Nutrition and Population Sector Development Project</li> </ul> <b>Ongoing AAA/Others:</b> <ul style="list-style-type: none"> <li>• Bangladesh Health Sector Review</li> <li>• Nutrition: Operations Research</li> </ul> <b>Indicative AAA/Others:</b> <ul style="list-style-type: none"> <li>• Nutrition: Saving the Next Generation of Bangladesh</li> <li>• Improving Health Service Delivery in Bangladesh</li> <li>• Governance in the Health Sector</li> </ul>
<b>Outcome 3.2: Expanded access to safe water and sanitation services</b>  <i>Indicator 1:</i> Increased access to safe water supply free from arsenic and pathogens in rural areas Baseline: 0.57 million Target: 1.25 million (2014)  <i>Indicator 2:</i> Increased delivery of network water supply in Dhaka and Chittagong (including urban slums) Baseline: 1.22 million	<ul style="list-style-type: none"> <li>• Increased number of people accessing safe water from WSS schemes in rural areas</li> <li>• Increase production of safe water in Chittagong</li> <li>• Increased number of people accessing water and sanitation from distribution and collection network in Dhaka and Chittagong including slum dwellers</li> </ul>	<b>Ongoing Financing:</b> <ul style="list-style-type: none"> <li>• Bangladesh Water Supply Program Project</li> <li>• Dhaka Water Supply and Sanitation Project</li> <li>• Chittagong Water Supply and Sanitation Project (FY10)</li> </ul> <b>Indicative Financing:</b> <ul style="list-style-type: none"> <li>• Rural Piped Water Supply and Sanitation Project</li> </ul> <b>Ongoing and/or indicative AAA/Others:</b> <ul style="list-style-type: none"> <li>• Trust Fund (WSP) support to expand the network of water utilities</li> </ul>

End-FY 14 CAS Results and Outcomes	Indicative Milestones	World Bank Group Program
<p>Target: 1.75 million (2014)</p> <p><i>Indicator 3:</i> Increased access to improved sanitation (sewerage) in urban area including improved sanitation in urban slums</p> <p>Baseline: 0.05 million Target: 0.51 million (2014)</p>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Trust Fund (WSP): Union Parishad led Horizontal Learning replicating best practices in WSS services</li> </ul>
<p><b>Outcome 3.3 Strengthened social protection system to reduce vulnerability</b></p> <p><i>Indicator 1:</i> Increased coverage of safety nets (SSNs) and social insurance by poor households</p> <p>Baseline: 34% of the lowest expenditure quintile covered by targeted SSNs (2008) Target: 50% of the lowest expenditure quintile covered by targeted SSNs (2014)</p> <p><i>Indicator 2:</i> Improved social care services for disabled and vulnerable children</p> <p>Baseline: a) About 25,000 persons with disabilities b) Limited services for children in state orphanages</p> <p>Target: a) 10% increase in persons with disabilities receiving services b) Enhanced services for children in state orphanages</p>	<ul style="list-style-type: none"> <li>• Number of extreme poor participating in workfare program and new safety net project increases</li> <li>• Initiate policy dialogue aimed at introducing sustainable and integrated (also with health insurance) social protection system</li> <li>• Government develops minimum standards of care for vulnerable children</li> <li>• Jatiyo Pratibandhi Unnayan Foundation (JPUF) improves quality of social care services</li> </ul>	<p><b>Ongoing Financing:</b></p> <ul style="list-style-type: none"> <li>• Disability and Children at Risk Project</li> <li>• Trust Fund (GFDDR and TFESSD) support to improve local capacity to adapt safety net programs to climate change and improving response in the aftermath of disasters</li> </ul> <p><b>Indicative Financing:</b></p> <ul style="list-style-type: none"> <li>• Employment Generation Prog. for the Poorest Project</li> <li>• JSDF for migrant workers (submitted)</li> <li>• Social Safety Net Project</li> </ul> <p><b>Ongoing AAA/ Others:</b></p> <ul style="list-style-type: none"> <li>• Social protection programmatic TA</li> </ul> <p><b>Indicative AAA/Others:</b></p> <ul style="list-style-type: none"> <li>• Vulnerability of and employment opportunities for migrant/informal sector workers</li> <li>• Human Development Conditions of the Urban Extreme Poor</li> </ul>
<p><b>Outcome 3.4: Improved student learning based on quality education services<sup>17</sup></b></p> <p><i>Indicator 1:</i> Increased primary and secondary education completion rates</p> <p>Primary</p>	<ul style="list-style-type: none"> <li>• Increased education completion rates Primary Baseline: 50.1% (2008) Target: 55% (2012) Secondary Baseline: 38% (2006) Target: 46% (2012)</li> <li>• Increased Net Enrolment Rates Primary Education (age 6-10, MOPME)</li> </ul>	<p><b>Ongoing Financing:</b></p> <ul style="list-style-type: none"> <li>• Primary Education Development Program II</li> <li>• Reaching out-of-School Children Project (ROSC)</li> <li>• Secondary Education Quality and Access Enhancement Program</li> <li>• Higher Education Quality Enhancement Project</li> </ul>

<sup>17</sup> The indicator “increased primary and secondary student learning” is a core indicator but is not listed here since it is more long term. However, the student achievement is being monitored via national student assessment (primary education) and examination results (secondary education).

End-FY 14 CAS Results and Outcomes	Indicative Milestones	World Bank Group Program
Baseline 50.1 (2008) Target 65% (2014) Secondary Baseline 38% (2006) Target 50% (2014)	Baseline: Girls 94% (2008) Boys 87.9% (2008) Target: Girls 96% (2012) Boys 90% (2012) Secondary Education (age 11-15, HIES) Baseline: Girls 47% (2005) Boys 37% (2005) • Target Girls: 52% (2012) Boys 45% (2012)	<ul style="list-style-type: none"> <li>• ROSC Additional Financing (FY10)</li> </ul> <p><b>Indicative Financing:</b></p> <ul style="list-style-type: none"> <li>• Third Primary Education Program</li> <li>• Secondary Education Sector Development Program</li> </ul> <p><b>Ongoing AAA/Others:</b></p> <ul style="list-style-type: none"> <li>• Madrasa study - Secondary and Primary</li> <li>• ROSC Public Education Tracking Survey</li> <li>• Cross-sectoral study on School Health and Nutrition</li> </ul> <p><b>Indicative AAA/Others:</b></p> <ul style="list-style-type: none"> <li>• Bangladesh Education Sector Review</li> <li>• Stipends impact evaluation</li> </ul>
<b>CAS Pillar 4: Enhance Accountability and Promote Inclusion</b>		
<b>NSAPR II Goals:</b> Ensuring Participation, Social Inclusion, and Empowerment: Promoting Good Governance, and Ensuring Efficient Delivery of Public Services		
<p><b>Issues and Obstacles:</b></p> <ul style="list-style-type: none"> <li>• Weak institutions of public financial management accountability</li> <li>• Protracted bureaucratic procedures in procurement processing combined with inadequate transparency</li> <li>• Bureaucratic culture of secrecy and resistance to implementation of the Right to Information Act</li> <li>• Fragmented and under-resourced institutional framework for e-governance</li> <li>• Resistance to more empowered elected local governments.</li> <li>• Limited practice of CSOs engaging in advocacy or monitoring service delivery by field administrative entities and local governments</li> <li>• Lack of institutional mechanisms for poor to exercise voice in local communities and local government decision making in managing public funds and services</li> <li>• Limited access of women to employment and assets and by implication their limited voice in the community and the economy</li> </ul>		
<p><b>Outcome 4.1: Increased effectiveness and efficiency of public resource use</b></p> <p><i>Indicator 1:</i> Increase in (i) comprehensiveness of budget management, and (ii) quality and timeliness of financial reporting (accounting, recording and reporting)</p>	<ul style="list-style-type: none"> <li>• Budget Committees present in all 40 ministries</li> <li>• Improved legislative scrutiny of audit reports and audit backlog reduced by 50%</li> <li>• Percentage of audit recommendations followed by executive increases each year</li> </ul>	<p><b>Ongoing Financing:</b></p> <ul style="list-style-type: none"> <li>• Deepening the Medium Term Budget Framework and Strengthening Financial Accountability Project, continued through 2013, under the Strengthening Public Expenditure Management Program (SPEMP)</li> </ul>

End-FY 14 CAS Results and Outcomes	Indicative Milestones	World Bank Group Program
<p>Baseline: Utilizing the PEFA framework (i) budget management- all six scores are C or below; (ii) financial reporting-all four scores are C or below; and iii) external audit and legislative scrutiny: all three are C or below</p> <p>Target: Staff assessment utilizing PEFA framework (i) budget management- three out of six scores are C or below; (ii) two out of four scores are C or below; and iii) external audit and legislative scrutiny: Only one score is C or below</p> <p><i>Indicator 2:</i> Increase in transparency and efficiency of public procurement</p> <p>Baseline: Based on PPA framework efficiency- for key sectoral agencies (RHD, LGED, BWDB, REB) , 30% contract awards are made within initial bid validity period.</p> <p>Target: Based on PPA framework efficiency- for key sectoral agencies (RHD, LGED, BWDB, REB) , 60% contract awards are made within initial bid validity period.</p>	<ul style="list-style-type: none"> <li>• Reduced delays in making contract awards</li> <li>• Improved procurement performance monitoring including stakeholders engagement</li> </ul>	<ul style="list-style-type: none"> <li>• Public Procurement Reform Project II (PPRP II), continued through FY 13</li> </ul> <p><b>Ongoing AAA:</b></p> <ul style="list-style-type: none"> <li>• TF support for technical assistance to the Public Accounts Committee</li> </ul> <p><b>Indicative Financing:</b></p> <ul style="list-style-type: none"> <li>• Strengthening Parliamentary Oversight and the Office of the Comptroller and Auditor General under SPEMP</li> <li>• Strengthening electronic government procurement system</li> </ul> <p><b>Indicative AAA:</b></p> <ul style="list-style-type: none"> <li>• Capacity assessment of consulting industry in Bangladesh</li> <li>• PEFA update</li> </ul>
<p><b>Outcome 4.2 Enhanced transparency and accessibility of public services through Information Technology</b></p> <p><i>Indicator 1:</i> Number of applications for information received and processed on time as per the RTI Act and rules in 6 key ministries</p> <p>Baseline: 0</p>	<ul style="list-style-type: none"> <li>• Rules and regulations for implementing Right to Information Act are in effect</li> <li>• Annual Reports of Public Accounts, Estimate, and Public Undertaking Parliamentary Committees p and Comptroller and Auditor General prepared and released</li> <li>• Technical documentation for interoperability, standards and security, and infrastructure for deployment of ICT in Government agencies adopted</li> </ul>	<p><b>Ongoing financing:</b></p> <ul style="list-style-type: none"> <li>• Digitization of Land Records (IFC)</li> <li>• Local Governance Support Project</li> </ul> <p><b>Indicative Financing:</b></p> <ul style="list-style-type: none"> <li>• Identification System for enhancing access to services</li> <li>• Technical Foundations for eGovernment</li> <li>• Local Government Support Project II</li> </ul>

End-FY 14 CAS Results and Outcomes	Indicative Milestones	World Bank Group Program
<p>Target: Over 50 received in each ministry; 50% timely processing rate</p> <p><i>Indicator 2:</i> Establishment of reliable comprehensive national ID system</p> <p>Baseline: Existing ID system limited and used only for voter identification and not digitized</p> <p>Target: At least 3 public services using the comprehensive ID system</p>	<ul style="list-style-type: none"> <li>• Validation of data and establishment of updating procedures for secure national ID system</li> </ul>	<p><b>Ongoing AAA/Others:</b></p> <ul style="list-style-type: none"> <li>• TF funded NLTA to support implementation of the RTI Act</li> </ul>
<p><b>Outcome 4.3 Increased effectiveness of public service delivery at the local level</b></p> <p><i>Indicator :</i> Increase in total per capita expenditures of Union Parishads</p> <p>Baseline: Union Parishads \$0.50-60 per capita annually (estimate);</p> <p>Target: Union Parishads \$1.5 per capita annually</p>	<ul style="list-style-type: none"> <li>• Local government legal framework in terms of functions, finances, and staffing further clarified</li> <li>• Formula-based intergovernmental transfers institutionalized</li> <li>• Local government audit directorate in the C&amp;AG's office established</li> <li>• Mechanisms for horizontal accountability to citizens for performance of local units of line agencies implemented</li> </ul>	<p><b>Ongoing Financing:</b></p> <ul style="list-style-type: none"> <li>• Local Governance Support Project</li> <li>• Municipal Services Project (MSP)</li> <li>• MSP Additional Financing (FY10)</li> </ul> <p><b>Indicative Financing:</b></p> <ul style="list-style-type: none"> <li>• Local Government Support Project II</li> <li>• Urban services and Local Governance project (focusing on pourashavas and city corporations) (MSPII)</li> </ul> <p><b>Ongoing AAA:</b></p> <ul style="list-style-type: none"> <li>• TF supported NLTA for Strengthening Local Governance</li> <li>• Horizontal Learning Program (WSP)</li> </ul> <p><b>Indicative AAA:</b></p> <ul style="list-style-type: none"> <li>• TF supported Institutional and Governance Review on decentralization policy options</li> <li>• AAA on local governments and service delivery</li> <li>• Demand for good governance: an operational assessment</li> </ul>

End-FY 14 CAS Results and Outcomes	Indicative Milestones	World Bank Group Program
<p><b>Outcome 4.4 Expanded participation in local development and women’s economic empowerment</b></p> <p><i>Indicator:</i> Increase in women’s participation in short term employment programs            Baseline: 20% of Employment Generation Program for casual workers are women            Target: 30% of Employment Generation Program are women</p>	<ul style="list-style-type: none"> <li>• At least 50% of women participate in village assembly and ward level meetings to priorities developmental needs and budgets</li> <li>• Employment services and support to women from poorest areas entering paid employment established</li> <li>• Village organizations and Ward Development Committees constituted which represent at least 80% of the identified/targeted poor and women received budget envelop for implementing their development priorities</li> <li>• Village organizations and WDCs practicing social accountability tools</li> </ul>	<p><b>Ongoing Financing:</b></p> <ul style="list-style-type: none"> <li>• Social Investment Program Project (SIPP) “Nuton Jibon” – three additional financings</li> <li>• Local Governance Support Project (LGSP)</li> <li>• SIPP II (FY10)</li> </ul> <p><b>Indicative Financing:</b></p> <ul style="list-style-type: none"> <li>• Local Governance Support Project II</li> <li>• Northern Areas Reduction of Poverty Initiative</li> <li>• Employment Generation Program for the Poorest</li> </ul> <p><b>Ongoing AAA:</b></p> <ul style="list-style-type: none"> <li>• TF supported NLTA on inclusive methodology</li> <li>• TF funded report on women’s access to the garment sector</li> </ul> <p><b>Proposed AAA:</b>            Policy note on integrating women into safety net and livelihood programs</p>

**ANNEX SEVEN: EXISTING AND INDICATIVE PROGRAM (INCLUDING TRUST FUNDS)  
BY STRATEGIC OBJECTIVES**

**Indicative World Bank Group (WBG) Program by Results Areas**

*Strategic Objective 1:*

**Increase Transformative Investments and Enhance the Business Environment**

<b>NSAPR II Goals: The NSAPR II seeks higher growth of 8 percent by 2013, through increased capital accumulation, promoting growth of sectors, improving the business and investment climate, promoting urban development, and providing essential infrastructure for pro-poor growth.</b>	
<b>CAS Results Areas and Outcomes</b>	<b>Indicative Financing and AAA/ Other</b>
<p><b>Outcome 1.1: Increased public investment and improved revenue generation</b></p> <ul style="list-style-type: none"> <li>• Increase public investment</li> <li>• Increase revenue mobilization by at least 1.5 percentage points of GDP</li> </ul> <p><b>Outcome 1.2: Improved environment for private sector investment</b></p> <ul style="list-style-type: none"> <li>• Private investment to GDP ratio increases by at least 2 percentage points of GDP</li> <li>• Overall improvement in ease of Doing Business Index</li> </ul> <p><b>Outcome 1.3: Increased infrastructure provision, access and efficiency</b></p> <ul style="list-style-type: none"> <li>• Increase in available power</li> <li>• Increase in electricity grid and off-grid connections</li> <li>• Increase share of population with access to all-season road</li> </ul> <p><b>Outcome 1.4: Improved planning and management of urbanization</b></p> <ul style="list-style-type: none"> <li>• Tax records and billing systems computerized in two-thirds of urban local governments in the country.</li> <li>• Local tax collection effort (collections/total billing) increased in at least 12 towns.</li> </ul>	<p><b>Ongoing:</b></p> <ul style="list-style-type: none"> <li>• BICF Regulatory Reform initiatives, including Sub-national Doing Business and trade logistics (IFC)</li> <li>• BICF Special Economic Zones initiatives (IFC)</li> <li>• BICF Institutional Capacity Building/Strengthening (IFC)</li> <li>• SEDF engagement on access to finance – trade finance, credit bureaus, collateral registries and secured transactions, microfinance, SME banking, agricultural-finance, sustainable energy finance (IFC)</li> <li>• BICF Public Private Dialogue and Stakeholder Engagement (IFC)</li> <li>• IFC’s portfolio projects in the financial markets (incl. a private equity fund, banks and micro-finance), telecommunications, manufacturing (cement, textiles) and agribusiness</li> <li>• Central Bank Strengthening Project</li> <li>• Enterprise Growth &amp; Bank Modernization</li> <li>• Investment Promotion Financing Facility</li> <li>• Siddhirganj Peaking Power Plant</li> <li>• Haripur Power</li> <li>• Rural Electrification Renewable Energy Development (RERED)</li> <li>• Power Sector Development Technical Assistance (PSDTA)</li> <li>• Rural Transport Improvement Project</li> <li>• Investment Promotion Financing Facility Additional Financing (FY 10)</li> <li>• RERED Additional Financing (FY10)</li> <li>• Skills Training and Enhancement Project (FY10)</li> </ul> <p><b>IFC investments and advisory services during CAS period</b></p> <ul style="list-style-type: none"> <li>• IFC’s investments in the financial sector, infrastructure (incl. energy), the social sector, agribusiness, manufacturing</li> <li>• IFC’s advisory service for infrastructure</li> <li>• SEDF’s advisory service for financial institutions for corporate governance and risk management</li> </ul> <p><b>Indicative Financing:</b></p> <p><b>FY11</b></p> <ul style="list-style-type: none"> <li>• Private Sector Development Support Project (PSDSP)</li> <li>• South Zone Power Distribution Project</li> <li>• Padma Bridge Project</li> </ul>

**FY12-14**

- PRG for Bibiyana
- PSDTA Additional Financing
- Tax Administration and modernization project
- Statistical Capacity Building project
- Long term finance including housing and capital market
- Strengthening Microfinance Sector
- Power Generation Capacity Expansion and Power strengthening
- ICT-enabled services sector project
- Gas Debottlenecking and LNG Terminal
- North- East Regional Program
- Railway Modernization Project including inland Container Depot
- Inland Water Transport Project
- Major Cities Improvement Project
- Rural Electrification II
- Second Rural Transport Improvement Project
- Urban Services and Local Governance project (MSP II)

**Ongoing AAA/Others:**

- Study on trade growth and diversification
- NLTA on land acquisition and resettlement
- IFC's quarterly business confidence surveys
- NLTA for designing performance indicators for energy utilities
- Urban Strategy Study

**Indicative AAA/Others:****FY11**

- CEM on pro-poor & sustainable growth strategy to attain MIC status
- IFC support to PSD-related monitoring and evaluation
- Land Administration
- Digital Bangladesh related issues
- Integrated Master Plan for Natural Gas and Power Generation & Transmission
- Just in time AAA
- South West Regional development program through Mongla port

**FY12-14**

- Just in time AAA
- Diagnostic Trade Integration Study
- Investment Climate Assessment
- Governance in road sector including Public Expenditure Tracking Survey (PETS)
- Continued work on regulatory reform in BICF
- Formulation of development strategies for Dhaka and Chittagong
- Poverty Assessment based on 2010 HIES
- Port Master plan

## 1.1 Increased public investment and improved revenue generation

- **Indicative Financing:** The World Bank Group will support Bangladesh's goal of reducing poverty and reaching middle income status by 2021. The Bank and IFC will support reforms in tax administration and tax policies through the Tax Administration and Modernization Project. The Statistical Capacity Building Project will assist the Government through availability of more reliable and timely data. The World Bank will also utilize the SPEMP - a multi-donor Bank administered Trust Fund for assisting Government efforts to improve the quality of public expenditure.
- **Indicative AAA/ Others:** The World Bank Group will assist the Government of Bangladesh with a range of advisory and analytical non-lending activities, including: (i) a CEM to analyze constraints to Bangladesh's goal to reach middle income status; (ii) a Diagnostic Trade Integration Study; and (iii) a Poverty Assessment based on 2010 HIES.

## 1.2 Improved environment for private sector investment

- **Indicative Financing:** The World Bank Group will continue its support to Government to attract more private investment, strengthen productivity gains from investment, develop a solid framework for promoting competition and a fairer business environment, as well as scale-up GOB's PPP pipeline in different sectors. The WBG will deepen its engagement for improving the environment for private sector investment through the Private Sector Development Support Project, and projects for long-term finance including the housing and capital market, an ICT enabled services sector project and a microfinance project.
- **Indicative AAA/ Others:** The WBG will assist the Government through a variety of advisory, analytical and non-lending products to help accomplish this outcome. These include continuation of the IFC-BICF's advisory work on regulatory reform, IFC-SEDF's work on value chains, IFC's Quarterly Business Confidence Surveys, IFC support to PSD related monitoring and evaluation, an Investment Climate Assessment, a Land Administration Non-Lending Technical Assistance (NLTA) and an NLTA on Digital Bangladesh. IFC will explore opportunities in housing finance, micro finance, insurance sector, and possible risk sharing guarantees in smaller investment projects. In addition to this, the joint World Bank-IMF FSAP will continue during the CAS period.

## 1.3 Increased infrastructure provision, access and efficiency

- **Indicative Financing:** The World Bank Group will support Bangladesh's strategy to reduce infrastructure and energy deficits. It will support projects to enhance power generation and transmission, including through enhanced use of natural gas. To reduce the infrastructure deficits, the Bank will provide the largest share of financing for the Padma Bridge Project. The Bank will also provide support for multi-modal transport investments through the Second Rural Transport Improvement Project, the Inland Water Transport Project, the Railway Modernization Project and the North East Regional Program. The Bank will support the Government's energy strategy through providing a Partial Risk Guarantee operation for Bibiyana, supporting the South Zone Power Distribution project, the Rural Electrification II Project, Gas debottlenecking and LNG Terminal project, the Power Generation Capacity Expansion and Transmission Strengthening project, and through providing additional financing to the Power Sector Development Technical Assistance Project. Policy based lending support may also be considered. IFC will also be prepared to provide investment services for viable and transparent projects in power and gas sectors through PPPs, and will also explore investment opportunities in the transport sector.
- **Indicative AAA/ Others:** The WBG will assist Government with its advisory, analytical and non-lending products to attract the level of capital necessary to achieve the desired increase in

energy generation capacity and to define and implement structural and institutional changes. The indicative AAA will include the Port Master Plan as well as an Integrated Master plan for Natural Gas and Power Generation and Transmission and just in time AAA to meet analytical and policy needs as they arise. To assist Government in improving the quality and efficiency of infrastructure expenditures, the Bank will provide technical assistance on improving Governance in the Road Sector. It will also provide assessment of the development opportunities for the South West region through the Mongla port.

#### **1.4. Improved planning and management of urbanization**

- **Indicative Financing:** The World Bank will support the Government to address Bangladesh's urbanization challenges resulting from the high concentration of economic and demographic growth mostly in Dhaka and Chittagong metropolitan areas, and the tremendous pressures put on the capacity of the existing urban infrastructure and institutions. The Bank's support to the Government will include the provision of resources to build financial and managerial capacities as well as infrastructure in over 100 municipalities through operations such as the Municipal Services II Project and the Major Cities Improvement Project. The latter may also include a multi-sector program covering, among other interventions, planning, transport, drainage and municipal finance.
- **Indicative AAA/ Others:** The Bank will assist Government with its advisory and analytical non-lending services, including an indicative TA to help formulate development strategies for Dhaka and Chittagong.

*Strategic Objective 2:*

**Reduce Environmental Degradation and Vulnerability to Climate Change and Natural Disasters**

<b>NSAPR II Goals: Tackling climate change, disaster preparedness and ensuring environmental protection</b>	
<b>CAS Results Areas and Outcomes</b>	<b>Indicative Financing and AAA/ Other</b>
<p><b>Outcome 2.1: Strengthened water resource management and coastal protection</b></p> <ul style="list-style-type: none"> <li>• Upgrade hydrological network</li> <li>• Rehabilitation of coastal embankment</li> </ul> <p><b>Outcome 2.2: Improved Agriculture Production and Food Security</b></p> <ul style="list-style-type: none"> <li>• Rice production improved through efficient water and drainage management</li> </ul> <p><b>Outcome 2.3: Reduced environmental degradation and strengthened natural resource management</b></p> <ul style="list-style-type: none"> <li>• Reduction in emission per brick kiln adopting cleaner technologies</li> <li>• Reduce water pollution from selected textile factories by reducing wastewater volume generated in relation to production output by 20%</li> </ul> <p><b>Outcome 2.4: Enhanced Disaster Preparedness</b></p> <ul style="list-style-type: none"> <li>• Reduced gap of national cyclone shelters</li> </ul>	<p><b>Ongoing Financing:</b></p> <ul style="list-style-type: none"> <li>• Water Management Improvement Project</li> <li>• 2007 Flood Restoration Program</li> <li>• National Agriculture Technology Project</li> <li>• Avian Influenza Preparedness Project</li> <li>• Clean Air and Sustainable Environment (CASE)</li> <li>• Carbon Finance Hybrid Hoffman Kiln (HHK) Project</li> <li>• Emergency Cyclone Recovery and Restoration Project</li> <li>• IFC's portfolio project in agribusiness</li> </ul> <p><b>Indicative Financing:</b></p> <p><b>FY11</b></p> <ul style="list-style-type: none"> <li>• Bangladesh Rivers Information and Conservation</li> <li>• Dhaka Integrated Env. and Water Resources (DEW)</li> <li>• Rural Livelihood Development Project</li> <li>• Trust Fund for Climate Change</li> </ul> <p><b>FY12-14</b></p> <ul style="list-style-type: none"> <li>• Disaster Preparedness Project</li> <li>• National Coastal Embankment Improvement Project</li> <li>• Pilot Program on Climate Resilience (PPCR)</li> <li>• CASE Additional Financing</li> <li>• Productivity Enhancement Project</li> <li>• River Bank Protection and Reconstruction of Brahmaputra Embankment</li> </ul> <p><b>IFC's investment services during CAS period</b></p> <ul style="list-style-type: none"> <li>• IFC's investments in water infrastructure</li> <li>• IFC's investments in agribusiness</li> </ul> <p><b>Ongoing AAA/ Others:</b></p> <ul style="list-style-type: none"> <li>• South Asia Regional Water Initiative (incl. Abu Dhabi dialogue)</li> <li>• Implication of Climate Change on Flood Restoration and Recovery Program (FRRAP)</li> <li>• Economics of Adaptation to Climate Change</li> <li>• Social Dimensions of Climate Change in the Ganges Basin (NLTA)</li> <li>• Indoor Air Pollution: Improved Cook Stoves for Better Health in Bangladesh</li> <li>• SEDF's Agri-Poultry Linkages Inclusive Supply Chains and Cleaner Production Assessment</li> <li>• SEDF's Agri-SEED Linkages Inclusive Supply Chains</li> <li>• SEDF's Textiles: Enhance competitiveness of Washing Dyeing and Finishing (Clean Production Assessment and Sustainable Water Initiative)</li> </ul> <p><b>Indicative AAA/ Others:</b></p> <p><b>FY11</b></p> <ul style="list-style-type: none"> <li>• Improving Fertilizer production, distribution and use in Bangladesh</li> </ul>

- Energy Efficiency and Cleaner Technology in the Brick Industry
- Global Tiger Initiative
- Biodiversity Conservation and Socio-economic Development in the Sundarbans
- Climate Change Adaptation costs due to Cyclones and Storm Surges
- Ship Recycling Industry in South Asia (Regional Knowledge Product)
- TA under the Climate Change Trust Fund

#### **FY12-14**

- Sustainable use of tube-well/ground water irrigation in Bangladesh
- Institutional performance audit of the water sector
- Global Facility for Disaster Reduction and Recovery (GFDRR) financed technical assistance
- TA on Climate Change

#### **IFC's advisory services during CAS period**

- IFC's advisory project on PPPs in infrastructure
- IFC's advisory project for sustainable energy finance

## **2.1 Strengthened water resource management and coastal protection**

- **Indicative Financing:** The Bank Group will continue its support to Bangladesh on water resources management and coastal protection to address the challenges of multiple natural disasters. The Bank will support Government efforts to upgrade and modernize its water information system; expand the water infrastructure for more reliable and productive water uses and support institutional reforms and capacity building in key water resource management institutions. The Bank will provide this support through the Bangladesh Rivers Information and Conservation project. The Bank will support the Government's coastal rehabilitation efforts through the National Coastal Embankment Improvement Project and the River Bank Protection Project and Reconstruction of Brahmaputra Embankment.
- **Indicative AAA/ Others:** The Bank will assist Government with its advisory, analytical and non-lending services, including an institutional performance audit of the water sector. The Bank will also continue to support the South Asia Water Initiative (through the ongoing regional Abu Dhabi dialogue).

## **2.2 Improved agriculture production and food security**

- **Indicative Financing:** The Bank Group will support increased agricultural productivity, concurrently supporting operations to protect against disasters and extreme weather events. The Bank will support the Government in addressing the agricultural and food security challenges through the Productivity Enhancement Project and the Rural Livelihood Development Project. IFC will explore opportunities in the agro-processing sector as well as wholesaling and risk-sharing for smaller projects.
- **Indicative AAA/ Others:** The Bank Group will also support studies related to improving agriculture production including analytical work on improving fertilizer production, distribution and use as well as the sustainable use of tube-well/ ground water irrigation. Analytical work on climate change and on the Southwest region will have cross-sectoral linkages with the agriculture sector and will examine the impact on productivity and food security.

### 2.3 **Reduced environmental degradation and strengthened natural resource management**

- **Indicative Financing:** The Bank will continue its support to Government’s efforts to reduce environmental pollution and strengthen natural resource management through the Dhaka Environment and Water Program, Additional Financing for the CASE project, Carbon Finance (for CFLs), and a Pilot Program on Climate Resilience.
- **Indicative AAA/ Others:** The Bank Group will assist Government through a range of advisory, analytical and non-lending services. A study will be done on “Energy Efficiency and Cleaner Technology in the Brick Industry”. The Bank will also conduct an NLTA on Climate Change Adaptation for the Sundarbans and support the Global Tigers Initiative through a Trust Fund. Technical Assistance for both government and non government institutions could be provided through a potential Trust Fund for Climate Change. IFC’s SEDF will continue its Sustainable Energy Finance Program and will work at the sector level to develop the Energy Efficiency/Renewable Energy Portfolio.

### 2.4 **Enhanced disaster preparedness**

- **Indicative Financing:** The Bank will continue to support the strengthening of the country’s ability to manage disaster risks, including floods and cyclones. In addition to ongoing projects, the Bank will provide assistance through the Disaster Preparedness Project. The operations for protection, reconstruction and improvement of coastal embankments will also assist in this area.
- **Indicative AAA/ Others:** The Bank will also support analytical work on food storage and on cyclone shelters through the GFDRR.

**Strategic Objective 3:  
Improve Social Services Delivery**

<b>NSAPR II Goals: Achieving the MDGs and improving quality of services in health, education and water supply, and providing social protection to the vulnerable, and promoting gender equity</b>	
<b>CAS Results Areas and Outcomes</b>	<b>Indicative Financing and AAA/ Other</b>
<p><b>Outcome 3.1: Improved access to quality health, population and nutrition services</b></p> <ul style="list-style-type: none"> <li>• Births attended by skilled personnel in two lowest income quintiles</li> <li>• Proportion of U5 children underweight</li> </ul> <p><b>Outcome 3.2: Expanded access to safe water and sanitation services</b></p> <ul style="list-style-type: none"> <li>• Increased access to safe water supply free from arsenic and pathogens in rural areas</li> <li>• Increased delivery of network water supply in Dhaka and Chittagong (including urban slums)</li> <li>• Increased access to improved sanitation (sewerage) in urban area including improved sanitation in urban slums</li> </ul> <p><b>Outcome 3.3: Strengthened social protection system to reduce vulnerability</b></p> <ul style="list-style-type: none"> <li>• Increased coverage of safety nets (SSNs) and social insurance by poor households</li> <li>• Improved social care services for disabled and vulnerable children</li> </ul> <p><b>Outcome 3.4: Improved student learning based on quality education services<sup>18</sup></b></p> <ul style="list-style-type: none"> <li>• Increased primary and secondary education completion rates</li> </ul>	<p><b>Ongoing Financing:</b></p> <ul style="list-style-type: none"> <li>• Health Nutrition Population Sector Program</li> <li>• Bangladesh Water Supply &amp; Sanitation project</li> <li>• Dhaka Water Supply and Sanitation project</li> <li>• Chittagong Water Supply Improvement and Sanitation (FY10)</li> <li>• Disability and Children at Risk Project</li> <li>• GFDDR TF on Climate Change and Safety Nets</li> <li>• Primary Education Development Program II</li> <li>• Reaching out of School Children Project</li> <li>• Secondary Education Quality and Access Enhancement</li> <li>• Higher Education Quality Enhancement Project</li> <li>• Reaching out of School Children Project Additional Financing (FY10)</li> </ul> <p><b>Indicative Financing FY11</b></p> <ul style="list-style-type: none"> <li>• Health Nutrition and Population Sector Development Program – IDA/Multi-donor Trust Funds</li> <li>• Employment Generation Program for the Poorest</li> <li>• Primary Education Program III</li> </ul> <p><b>FY12-14</b></p> <ul style="list-style-type: none"> <li>• Social Safety Net Project</li> <li>• Rural Piped Water Supply and Sanitation Project</li> <li>• Secondary Education Sector Development Program</li> </ul> <p><b>IFC’s investments during the CAS period</b></p> <ul style="list-style-type: none"> <li>• IFC’s investments in health, education and drinking water</li> </ul> <p><b>Ongoing AAA/Others:</b></p> <ul style="list-style-type: none"> <li>• Bangladesh: Health Sector Review</li> <li>• Nutrition: Operations Research</li> <li>• TF (WSP) support to expand network of water utilities</li> <li>• TF (WSP): UP led Horizontal Learning replicating best practices in WSS services</li> <li>• Social protection programmatic TA</li> <li>• Madrasa Study- Secondary and Primary</li> <li>• ROSC Public Education Tracking Survey</li> <li>• Cross-sectoral study on School Health and Nutrition</li> </ul> <p><b>Indicative AAA/ Others: FY12-14</b></p> <ul style="list-style-type: none"> <li>• Nutrition Study</li> <li>• Improving Health Service Delivery in Bangladesh</li> <li>• Governance in the Health Sector</li> </ul>

<sup>18</sup> The indicator “increased primary and secondary student learning” is a core indicator but is not listed here since it is too far removed from the direct program. However, the results are being monitored via national student assessment (primary education) and examination results (secondary education).

- Vulnerability and employment opportunities for migrant/informal sector workers
- Human Development Conditions of the Urban Extreme Poor
- Bangladesh Education Sector Review
- Stipends impact evaluation

### 3.1 Improved access to quality health, population and nutrition services

- **Indicative Financing:** The World Bank will continue its support to the Government to improve access to quality health, population and nutrition services through scaled up delivery of the HNPS. The Program will continue to be supported by IDA, ADB and World Bank administered MDTF.
- **Indicative AAA/ Others:** A major AAA work called the “Bangladesh Health Sector Review”, is ongoing. In addition a Nutrition Study and studies on improving health service and improving governance in the health sector will be conducted.

### 3.2 Expanded access to safe water and sanitation services

- **Indicative Financing:** The World Bank Group will continue to support the Government in improving access to safe water, sanitation and drainage services in both rural and urban areas. The existing rural water supply project will be scaled up under the Rural Piped Water Supply and Sanitation Project. Recently approved projects for Dhaka and Chittagong are supporting urban sanitation and water supply services. The IFC may also provide assistance through private sector’s engagement in developing infrastructure for drinking water.
- **Indicative AAA/ Others:** The Trust Funds implemented through the WSP will continue to expand water utilities’ performance benchmarking and will provide continued support for peer to peer learning for lower tiers of local government through the Horizontal Learning program.

### 3.3 Strengthened social protection system to reduce vulnerability

- **Indicative Financing:** The World Bank will assist Government in its efforts to enhance support to the rural poor and vulnerable, especially women through EGPP. A national Social Safety Net Project will also be considered during the CAS period.
- **Indicative AAA/ Others:** The Bank is assisting Government with analytical and advisory work on the country’s safety nets system and programs through programmatic Social Protection TA. This will continue during the CAS period. A study on vulnerability and employment opportunities for migrant/ informal sector workers and Human Development of the Urban Extreme Poor will be conducted.

### 3.4 Improved student learning based on quality education services

- **Indicative Financing:** The World Bank will deepen its support to the Government to improve student learning for all students through quality basic educational services. The Bank will provide this support through the Primary Education Program III and continue to support institutional reforms through the Secondary Education Sector Development program. The IFC will explore investment opportunities in the education sector, focusing on centers of excellence.
- **Indicative AAA/ Others:** The Bank will also assist Government with analytical and advisory work through a comprehensive Education Sector Review. The last such ESW was conducted in 2001. An impact evaluation of the Stipends program will also be completed.

**Strategic Objective 4:  
Enhance Accountability and Promote Inclusion**

<b>NSAPR II Goals: Ensuring Participation, Social Inclusion and Empowerment: Promoting Good Governance; and Ensuring Efficient Delivery of Public Services</b>	
<b>CAS Results Areas and Outcomes</b>	<b>Indicative Financing and AAA/ Other</b>
<p><b>Outcome 4.1: Increased effectiveness and efficiency of public resource use</b></p> <ul style="list-style-type: none"> <li>• Increase in (i)comprehensiveness of budget management and (ii) quality and timeliness of financial reporting (accounting recording and reporting)</li> <li>• Increase in transparency and efficiency of public procurement</li> </ul> <p><b>Outcome 4.2: Enhanced transparency and accessibility of public services through information technology</b></p> <ul style="list-style-type: none"> <li>• Number of applications for information processed as per the RTI Act in 6 key ministries</li> <li>• Establishment of reliable and comprehensive national ID system for eligible citizens capable of being used as a platform in delivery of multiple public services</li> </ul> <p><b>Outcome 4.3: Increased effectiveness of public service delivery at the local level</b></p> <ul style="list-style-type: none"> <li>• Increase in total per capita expenditures of Union Parishads</li> </ul> <p><b>Outcome 4.4: Expanded participation in local development and women’s economic empowerment</b></p> <ul style="list-style-type: none"> <li>• Increase in women’s participation in short term employment programs</li> </ul>	<p><b>Ongoing Financing:</b></p> <ul style="list-style-type: none"> <li>• Public Procurement Reform Project II</li> <li>• Digitization of Land Records (IFC)</li> <li>• Local Governance Support Project</li> <li>• Municipal Services Project (MSP)</li> <li>• Social Investment Program Project (SIPP) and two additional financings</li> <li>• SIPP II (FY10)</li> <li>• MSP Additional Financing</li> <li>• Multi donor Trust Fund for Strengthening Public Expenditure Management (SPEMP)</li> </ul> <p><b>Indicative Financing:</b></p> <p><b>FY11</b></p> <ul style="list-style-type: none"> <li>• Identification System for Enhancing Access to Services</li> <li>• Northern Areas Reduction of Poverty Initiative</li> </ul> <p><b>FY12-14</b></p> <ul style="list-style-type: none"> <li>• Strengthening e-government procurement systems</li> <li>• Local Government Support Project II</li> <li>• Technical Foundations for e-Government</li> <li>• PRSC (FY12)</li> <li>• PRSC (FY13)</li> <li>• PRSC (FY14)</li> </ul> <p><b>Ongoing AAA/ Others:</b></p> <ul style="list-style-type: none"> <li>• TF support for TA to Public Accounts Committee</li> <li>• TF funded NLTA to support implementation of the RTI Act</li> <li>• TF supported NLTA for Strengthening Local Governance</li> <li>• Horizontal Learning Program (WSP)</li> <li>• TF supported NLTA on inclusive methodology</li> <li>• TF funded report on women’s access to the garment sector</li> </ul> <p><b>Indicative AAA/Others:</b></p> <p><b>FY11</b></p> <ul style="list-style-type: none"> <li>• Institutional and Governance Review on decentralization policy options</li> <li>• PEFA update</li> <li>• Demand for Good Governance (DFGG): An Operational Assessment</li> </ul> <p><b>FY12-14</b></p> <ul style="list-style-type: none"> <li>• Capacity Assessment of Consulting Industry in Bangladesh</li> <li>• AAA on local governments and service delivery in Bangladesh</li> <li>• Policy note on integrating women into safety net and livelihood programs</li> </ul>

#### 4.1 Increased effectiveness and efficiency of public resource use

- **Indicative Financing:** The Bank will continue to assist the GOB's PFM agenda through the SPEMP, an MDTF and through a project to strengthen electronic government procurement system.
- **Indicative AAA/ Others:** The Bank will also support Government through its advisory and analytical non-lending services to improve governance and local accountability. Key analytical work will include public expenditure tracking surveys of key sectors such as roads; an assessment of local consulting capacity, and a PEFA update.

#### 4.2 Enhanced transparency and accessibility of public services through information technology

- **Indicative Financing:** The Bank will assist the Government in its Digital Bangladesh agenda to enhance transparency of public sector institutions and related service delivery through the use of ICT. The Bank will support an upgrade of the country's national ID system to ensure more reliable data management and also further the Government's Digital Bangladesh agenda by promoting e-governance applications.
- **Indicative AAA/ Others:** The Bank Group will provide technical and advisory support through AAA and NLTA. This will include demand responsive policy notes and reports.

#### 4.3 Increased effectiveness of public service delivery at the local level

- **Indicative Financing:** The World Bank will maintain its support for local service delivery and decentralization through the LGSP II. Multi-sectoral programmatic support could be considered under development policy lending if there are strong reforms aimed at strengthening local government and local service delivery.
- **Indicative AAA/ Others:** The Bank, through the Institutional and Governance Review (IGR), will engage in policy dialogue with the Government to strengthen the institutional framework for local government and public service delivery at the local level. The Governance Trust Fund will continue to support the IGR. In parallel an AAA on local governments and service delivery in Bangladesh will be conducted to assess devolution, delegation and de-concentration of public services among local units of line agencies and local governments.

#### 4.4 Expanded participation in local development and women's economic empowerment

- **Indicative Financing:** The Bank will scale up its support for CDD approach through the SIPP II Empowered and Livelihoods Program. While the World Bank's support for the economic and social empowerment of women has been mainstreamed across the portfolio, the CAS also includes a pilot operation for creating an enabling environment for the employment of young women from the poorer Northern area of Bangladesh.
- **Indicative AAA/ Others:** A comprehensive operational assessment of DFGG will be conducted to determine the level of voice and participation in Bank assisted projects. While gender is a cross cutting area and several dimensions will be assessed as part of analytical work under the other CAS pillars, a specific policy note on Integrating Women into Safety Net and Livelihood Programs will be prepared.

## ANNEX EIGHT: AID EFFECTIVENESS AND PARTNERSHIPS

### A. Aid management in Bangladesh

1. ODA continues to play an important role in Bangladesh's development budget. During the first two decades after independence, Bangladesh was heavily dependent on ODA, which amounted to around 10 percent of GDP in 1990. Bangladesh has since experienced a period of sustained economic growth and poverty reduction. ODA flows have declined to about 2 percent of GDP, although this continues to be almost half of the critical investments in poverty reduction funded by the ADP.

2. A number of bilateral and multilateral development partners are active in Bangladesh. While the use of country procurement and public financial management systems has increased for some donors, a majority of development partners still rely on donor systems. In addition, parallel PIUs have been increasing for some development partners. The Government of Bangladesh (GoB) has not yet established a formal strategy and policy on aid management and delivery in Bangladesh, but initiatives are underway to do so. Bangladesh has committed to increase the effectiveness of aid when it signed up to the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008).

### B. Local Consultative Group

3. At the policy level, the aid effectiveness agenda in Bangladesh is driven by the **LCG**. The LCG constitutes the main mechanism for in-country donor coordination. It is currently composed of 39 bilateral and multilateral DPs and the ERD of the Ministry of Finance. The LCG's goal is to ensure effective and efficient use of external resources in line with GoB's Poverty Reduction Strategy (PRS).

4. The **LCG Plenary** provides a forum for on-going dialogue between the GoB and DPs on the country's development challenges, national plans and strategies, and new development initiatives. It is also responsible for preparing the annual **BDF**, which was last held in February 2010. The LCG Plenary is chaired by the ERD Secretary and the Chair of the Executive Committee (ExComm). The World Bank has chaired the Excomm and the LCG Plenary on a number of occasions, last from April 2007 to June 2009.

5. The **ExComm** serves as the executive organ of the DP group. A revised structure of the Excomm was endorsed in June 2009 by the DP Plenary. The Excomm represents seven electoral groups - three permanent members from the multilateral organizations, ADB, WB and UN, and four groups of bilateral donors. ExComm membership from the electoral groups of bilateral donors rotates annually. UK (DfID) has been chairing the Excomm and LCG Plenary since July 2009.

6. A number of **LCG working groups** are in operation in order to promote and facilitate more in-depth dialogue and collaboration on specific sectors or thematic areas. GoB and DPs have agreed to restructure the working groups to make them more effective and ensure alignment with the PRS process. It is proposed that the working groups will formulate jointly agreed sectoral and thematic results frameworks and report to the LCG Plenary on a regular basis, and be co-chaired by GoB and DPs.

### C. Bangladesh Development Forum (BDF)

7. The BDF is a high level meeting between GoB and its DPs. Historically the World Bank organized these annual meetings which used to be called "PRS Implementation Forum". Before 2010, the last BDF was held in 2005. The BDF proposed in 2007 was cancelled due to the political transition period in Bangladesh. The BDF presents an opportunity for GoB and DPs to discuss progress achieved against the PRS and to outline the major priorities and reform plans for the coming year. The BDF also provides a venue for the international community to voice its financial, technical and political support to Bangladesh in line with international aid effectiveness commitments.

8. The latest BDF was successfully held from February 15-16, 2010. GOB shared its plans and specific action programs for achieving its vision of middle income country by 2021. The forum also provided an opportunity to publicly disseminate the NSAPR II, which formed the basis for discussions between GoB and representatives from DPs and civil society. Six priority reform areas were discussed: 1) Development Strategies, Governance and Human Development; 2) Energy and Power; 3) Agriculture, Food Security and Water Resources; 4) Environment and Climate Change; 5) Transport and Communications; 6) Digital Bangladesh and ICT Development. The forum concluded with 26 agreed action points presented by the Finance Minister.

#### **D. Paris Declaration on Aid Effectiveness 2005**

9. GoB and its DPs signed up to the Paris Declaration on Aid Effectiveness in 2005. The Paris principles recognize that reforming the way aid is managed and delivered is critical for achieving further progress in poverty reduction and achieving the MDGs. The following five principles of working together were endorsed in Paris:

- **Ownership** - Developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption.
- **Alignment** - Donor countries align behind these objectives and use local systems.
- **Harmonization** - Donor countries coordinate, simplify procedures and share information to avoid duplication.
- **Results** - Developing countries and donors shift focus to development results and results get measured.
- **Mutual Accountability** - Donors and partners are accountable for development results.

#### **E. Harmonization Action Plan**

10. Following Paris, GoB and its DPs developed the **Harmonization Action Plan (HAP)** in 2006 through the LCG mechanism. The main objective of the HAP was to reduce poverty, improve partnership collaboration and sustain development gains towards achieving the MDGs. The HAP was designed to be a guiding framework for both GoB and DPs to implement the Paris Declaration at country level, and as such was meant to be revised as and when required. However, implementation of the HAP has been slow for a number of reasons, including the political transition period and lack of an institutionalized monitoring and review mechanism.

#### **F. Accra Agenda for Action 2008**

11. Recognizing that more progress needs to be done in advancing the aid effectiveness agenda in Bangladesh, GoB and its DPs committed to the principles of the **Accra Agenda for Action** which builds on the commitments agreed in the Paris Declaration. It presents an agenda on how to accelerate progress in advancing aid effectiveness at country level by focusing on strengthening country ownership, inclusive partnership, and mutual accountability:

- **Predictability** – donors will provide 3-5 year forward information on their planned aid to partner countries.
- **Country systems** – partner country systems will be used to deliver aid as the first option, rather than donor systems.
- **Conditionality** – donors will switch from reliance on prescriptive conditions about how and when aid money is spent to conditions based on the developing country's own development objectives.

- **Untying** – donors will relax restrictions that prevent developing countries from buying the goods and services they need from whomever and wherever they can get the best quality at the lowest price.

Together, the Paris Declaration and the Accra Agenda constitute the aid effectiveness framework for Bangladesh.

## G. Aid effectiveness challenges in Bangladesh

12. A number of surveys and evaluations<sup>19</sup> on aid effectiveness have been conducted in Bangladesh. The findings were mixed. Some progress in improving aid effectiveness has been achieved at country level, but significant challenges remain. Overall progress on the Paris dimensions was assessed as moderate.

- **Ownership** - The process of formulating a poverty reduction strategy is established, but the latter needs to be explicitly linked with the ADP and the medium-term budgetary frameworks at ministry level.
- **Alignment** - The use of GoB procurement and public financial management procedures has increased due to real improvements by some DPs. However, continued use of donor systems remains the modality for most DPs. Most DPs report a fall in parallel PIUs, but overall a rising trend in PIUs was noted in 2008.
- **Harmonization** - Sector wide programs have developed in education and health, but the overall proportion of aid using program based approaches (PBAs) is on a decreasing trend. Moreover, parallel donor funding alongside the sector programs continues.
- **Managing for results** - Coordinating data collection efforts of various ministries and agencies remains a major challenge for GoB. There is a need to establish effective linkages between the PRS Policy Matrices, the ADP and the Bangladesh MDG monitoring.
- **Mutual accountability** - Progress in implementing and monitoring the HAP has been slow. Some joint assessments have been occurring at the level of sectoral mechanisms for the pooling of donor funding.

## H. Joint Cooperation Strategy

13. In August 2008, the GoB and 15 DPs signed a **Statement of Intent** (SoI) to develop a **JCS** in support of the country's national development plans and strategies. The Statement was adopted by consensus and signed by GoB and the following DPs: ADB, Australia, Canada, Denmark, European Union, Germany, Japan, Korea (Republic of), Netherlands, Sweden, Switzerland, UK, UN, United States and World Bank. The SoI was presented at the third High-Level Forum on Aid Effectiveness in Accra held in September 2008.

14. The overall objective of the JCS is to improve the way GoB and DPs work together in order to make aid more effective in Bangladesh. The JCS intends to outline a vision for improving aid effectiveness at country level by establishing a mechanism to hold GoB and DPs mutually accountable for implementing the Paris and Accra commitments. This mechanism will consist of a collective dialogue structure through the LCG and a living and rolling **JCS Action Plan**. The JCS Action Plan will be revised

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<sup>19</sup> Paris Declaration Evaluation 2008  
OECD/DAC surveys, 2005 and 2008

Donor Coordination and Harmonization in Bangladesh – A Joint Evaluation Paper, World Bank, Asian Development Bank, Japan and the UK, 2009.

annually in order to provide GoB and DPs with the flexibility to adjust their joint actions according to progress achieved and changing priorities. By addressing the aid effectiveness challenges in Bangladesh, the JCS is expected to result in better harmonized and streamlined programs supporting the implementation of the NSAPR II.

15. The JCS has been developed by a working group consisting of donor representatives and ERD's Aid Effectiveness Unit (AEU). The World Bank has been an active participant in the JCS working group and has taken on a leading role in the drafting process. During the BDF held in February 2010 the Government expressed support for the JCS, and three additional development partners joined the process (Islamic Development Bank, Norway and Spain). The JCS is planned to be signed by Government and 18 development partners by the end of FY10. GoB and DPs have welcomed wider participation of development actors in the JCS process, including from emerging donors and global programs.

#### **F. Partnerships & Donor Mapping**

16. *Partnerships and others.* The Bank works closely with other development partners and across a range of sectors, and has been instrumental in developing sector wide approaches in health and education. In the health and nutrition program, the Bank is the coordinating agency to manage the program among the eight development partners that pool their funds. They include the EU, Canada, Germany, Sweden, Netherlands, UK and UNFPA. In the primary education development program, ADB manages the program on behalf of eleven partners which includes the Bank and also Australia, Canada, EU, Japan, Netherlands, Norway, Sweden, UK, and UNICEF. The Bank also has parallel and co-financing arrangements in energy, infrastructure, water resources management, environment protection and local government among others. The Bank actively collaborates with the IMF on macroeconomic assessments. MDTFs, such as SPEMP, have emerged as good practice of donor collaboration and have strengthened operational ties between the Bank and development partners. In Private Sector Development, IFC has taken a leading role through its two facilities, SEDF and BICF, which are financed by the EU, Norway and UK. In the area of governance, UK is financing a trust fund which has provided analytical support for a range of sectors. The first table displays these existing partnerships in which the Bank is engaged in. The existing partnerships have been grouped according to the CAS pillars, and according to the following categories: analytic / advisory; project financing; program based financing; and trust funds. In addition, the Bank is engaged in regular dialogue with all development partners through the LCG mechanism and through bilateral contacts.

17. The Bank is committed to promoting increased partnerships and aid effectiveness during the period of the new CAS under the proposed lending program and analytical work. The JCS process will intensify existing partnerships and enable new modes of collaboration. Amongst other actions, the JCS Action Plan envisages greater collaboration in sector support. This includes the establishment of a donor mapping (aid tracking) system. In the meantime, the JCS Working Group has established a simple donor mapping based on agencies' self reporting as to which sectors they are engaged in. The mapping also includes the agencies indications of their level of support to each sector. The resulting table is attached after the partnership table.

### Existing Partnerships in Operations, Analytical Work and Trust Funds

	Analytic / Advisory	Project financing	Program based financing		Trust Funds
			Pooled Funding	Parallel Funding	
<b>Strategic Objective 1: Accelerated Growth: Increase Transformative Investments and Enhance Business Environment</b>					
Economic management	<i>IMF</i>				
Private sector development	<i>UK</i>	<i>UK</i>			<i>EU, UK</i>
Power and energy		<i>ADB, Japan</i>			
Transport and communication		<i>ADB, Denmark, Germany, Islamic Development Bank, IMO, Japan</i>			
Urban development					<i>UK</i>
<b>Strategic Objective 2: Reduce Environmental Degradation and Vulnerability to Climate Change and Natural Disasters</b>					
Water resource management	<i>Netherlands</i>	<i>Netherlands</i>		<i>ADB</i>	<i>Denmark, Netherlands, UK</i>
Agriculture productivity / food security		<i>IFAD</i>			
Environmental protection		<i>Sweden</i>		<i>EU, USA</i>	<i>UK</i>
Disaster preparedness/ Climate Change				<i>UK</i>	<i>ADB, Canada, Japan, UK</i>
<b>Strategic Objective 3: Improve Social Service Delivery</b>					
Health, population and nutrition			<i>EU, Canada, Germany, Sweden, Netherlands, UK, UNFPA</i>	<i>ADB, Australia, Canada, EU, FAO, Germany, Japan, Netherlands, Sweden, UK, UNAIDS, UNICEF, UNFPA, USA, WHO</i>	
Water supply and sanitation				<i>ADB, Denmark, Japan</i>	<i>Australia, Switzerland</i>
Social protection	<i>UK</i>	<i>UK</i>			
Education		<i>Switzerland</i>	<i>ADB, Canada, EU, Netherlands, Norway, Sweden, UK</i>	<i>Australia, Japan, UNICEF</i>	
<b>Strategic Objective 4: Enhance Accountability and Promote Inclusion</b>					
Public financial management					<i>Denmark, EU, Netherlands, UK</i>
Access to information		<i>UK</i>			
Local government	<i>Switzerland</i>	<i>Denmark, EU, UNDP/UNCDF</i>			
Community Empowerment					<i>UK</i>
Gender Equality					<i>Australia, UK</i>

### Bangladesh Donor Mapping as reported by individual agencies

Partner	Rural Development		Water & Sanitation	Power & Energy	Transport & Com.	Education	Health	Social, justice, gender	Governance	Public Financial Mgt.	Private Sector & Trade	Disaster Prep. & Mgt	Climate Change & Env.	Food Security
	Agri	Non-agri												
ADB														
Australia			Phasing in										Phasing in	
Canada								Phasing out		Phasing in	Phasing in			
Denmark														
EU	Some support	Some support	Some support											
France				Phasing in										
Germany		Some support									Some support		Phasing in	
Japan								Some support			Some support			
Korea														
Netherlands							Some support			Some support	Some support		Some support	
Norway				Some support		Phasing out		Some support	Some support				Phasing in	
Sweden						Some support								
Switzerland						Some support						Some support		
UK			Some support	Phasing out										Some support
UN Agencies	FAO, IFAD	UNDP, UNFPA, WFP, FAO, ILO, UNHCR	UNDP, UNICEF, WHO, UNHCR	FAO, UNHCR, ILO		UNICEF, UNFPA, UNESCO, UNDP, FAO	9 UN agencies plus GF	UNDP, UNFPA, ILO, WHO, UNHCR, UNAIDS, IOM	UNDP, UNFPA, UNICEF, ILO, WHO, UNAIDS	UNCTAD (debt/aid mgt with ERD, BB)	UNIDO	CDMP (UNDP), plus 9 UN agencies involved	UNDP, WFP, FAO, WHO, UNESCO, IOM	WFP, FAO, IFAD
USA			Some support					Some support						
World Bank														

Source: Joint Cooperation Strategy Working Group, February 2010



## ANNEX NINE: REDUCING CORRUPTION RISKS IN BANK OPERATIONS

### A. Selectivity in Operational Engagement and Support for Systemic Prevention

1. **Addressing corruption risks is a prime concern in the World Bank Group's engagement in Bangladesh.** Bangladesh continues to face pervasive corruption problems according to both domestic surveys and international indicators. Although reforms over the past few years have led to improvements in perceptions of corruption in Bangladesh, corruption still has been a key factor in the public sector's increasing inability to ensure the provision of necessary infrastructure to sustain Bangladesh's impressive economic growth performance. Corruption also has had a direct effect on Bank-financed projects, as ongoing investigations into allegations of corruption continue to highlight the risks of engaging in Bangladesh. The scale and depth of the problem prompts the Bank to support systemic reforms in areas like public financial management, Right to Information and e-governance. In addition to these necessarily long-term reform efforts which facilitate better development outcomes, the Bank will put in place strong measures to address the risks that corruption poses to its operations.

2. **The portfolio faces high institutional capacity risks and fraud and corruption risks.** Noting these, and learning from past experience, the country team will embark on new operations with increased understanding and sensitivity to specific corruption risks in sectors and under proposed operations. The Bank will invest more in conducting diagnostics of corruption through political economy and operational risk assessments in key sectors of engagement in order to inform project preparation and design and to define the extent and nature of risks across different sectors<sup>20</sup>. There will be increased cross-sectoral support to task teams in identifying governance and corruption risks through the new ORAF. The Bank will invest more in utilizing lessons learned from sectoral governance risk analyses in order to have the experience of multiple operations inform the project preparation process. Projects which proceed to approval will require rigorous assessments of fraud and corruption risks and corresponding mitigation measures.

3. **The risk assessments mitigation measures will be monitored and updated regularly during project implementation as per the ORAF.** The Bank will be quick and decisive in addressing cases of corruption as they may arise in any of its projects, develop systems to reduce opportunities for the subsequent re-emergence of the problem, or, if problems cannot be properly addressed, disengage. The Bank will promote third party monitoring and greater demand for good governance. Corruption and governance analysis in the sectors will be conducted to the extent feasible in partnership with Bangladeshi civil society organizations. The Bank will also actively engage the media to facilitate coverage of governance issues. Projects will integrate right to information and other transparency measures such as third party monitoring of procurement and execution of projects.

### B. Portfolio Issues

4. **Bangladesh is one of the largest IDA recipient countries, with an active portfolio of 24 projects and a net commitment of \$2.9 b.** During the last CAS period, the portfolio size increased along with engagement in additional sectors as energy, environment, local government and rural development to support poverty reduction, growth and human development. Overall, the portfolio performance is similar to other regional countries. While the fiduciary risk flags emerge at the highest level in the portfolio, these are lower than the regional average. A portfolio review of project ISRs and a

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<sup>20</sup> Three operations risk assessments (ORA) have been conducted for Roads, Local Government Engineering Department (LGED) and Energy.

comprehensive internal portfolio risk assessment demonstrates a range of common risks facing operations. These can be categorized as follows:

- *Fiduciary problems:* Inadequate adherence to the provisions of Public Procurement Law/Rules; large contracts often face political interference, or collusion of bidders as well as coercive practices in the bidding process. Delayed production of audited financial statements is a common feature. Implementing Agencies are slow in settling financial management irregularities. These issues are also manifested in cases of fraud and corruption. During the last CAS period four INT investigations were conducted and at least 31 allegations of corruption were made.
- *Staffing and management challenges:* There are long delays in staffing of project units and project directors; delay in consultants hiring; and absence of trained Accounting/FM staff.
- *Weak Client Capacity:* The civil service capacity has depleted over the years manifesting itself in weak capacity for implementing projects in a systematic and timely manner. Insufficient senior level attention leads to decision making delays and poor monitoring of implementation and slow follow up of committed actions.
- *Slow Disbursements:* Disbursement performance, while similar to Bank averages, is affected by implementation delays, irregular submission of Withdrawal Applications and weak monitoring of disbursement performance.

**5. Governance filters have been incorporated in the country program.** The governance focused FY06-09 CAS prompted establishment of in-country (ORMAP) team which systematically reviewed the pipeline. The functions and role of ORMAP and the monitoring of portfolio risks has been assessed. Major findings include: (i) extensive risk assessment of the pipeline was conducted; (ii) there limited attention to risk monitoring during supervision; (iii) risk mitigation plans and governance action plans were not systematically monitored at the project or portfolio level; (iv) mitigation measures had limited inclusion of third party monitoring, spot checks or field surveys; (v) portfolio reviews with government focused exclusively on a 'hot list' of projects – problem projects or potential problem projects - thereby not enabling a more comprehensive dialogue on cross cutting issues that affect the majority of portfolio.

#### **C. Reducing Portfolio Risks during the CAS period**

**6. Portfolio management and monitoring arrangements are being modified for all stages of the project cycle.** These will be systematically implemented during the CAS period. The main platforms for reducing fraud and corruption risks are presented below.

#### **D. Lending**

7. Risk assessment will be undertaken under the rolled out ORAF, while the internal ORMAP country review processes will be modified. For identified high risk operations, specialized support from the Governance Unit and CMU will be provided to teams through a modified ORMAP with oversight during both lending and supervision. In a shift from past practices, teams will be provided initial comments relating to sector risks at the project initiation stage prior to including the operation in the country work program. Written comments will be required at PCN and QER stage, with governance adviser and operations adviser required to participate in QER meetings. This oversight will ensure that high risk sectors have appropriate measurable and monitorable actions included in project documentation and agreed with the client. For identified high risk sectors and projects, technical advice and input from INT will be sought. In sectors where Operational Risk Analysis (ORA) has been conducted, the teams will ensure that the ORA findings are reflected in the new projects in the sectors, as has already been initiated under the proposed second rural transport project.

8. **The Bank** will also continue to work towards systemic improvements. On the fiduciary side, specific measures are under implementation to build capacity in the public sector for strengthening public financial management, improving audit performance and promoting more efficient legislative oversight. Regarding procurement, while some revisions in the Procurement Act has diluted the transparency of low value contracts, Bangladesh still has a world class Procurement Act which is slowly building government capacity and improving the efficiency and transparency of public procurement (see Box 1 for more details).

**Box 1: Fiduciary Oversight on Project Design and Supervision**

- A procurement risk mitigation plan (PRMP) with measurable performance indicators is prepared for all new projects. Results show improved procurement outcomes e.g better competitiveness and transparency, reduction in delays for small value contracts, and identification of cases with collusive practices
- Frequent post reviews are now conducted on a project risk-based approach. In FY09, 35 contracts in six projects, valued at about \$1 million were declared as misprocurement, and the Government debarred 20 national
- All prior review contracts are closely monitored during the review of procurement documents/complaints using INT red flags
- For complex and high-risk projects, independent procurement expert/advisor provides better oversight and quality of procurement documentations
- A centralized procurement monitoring system is being designed as part of the second procurement reform project (PPRP II) to monitor procurement performance of key sectoral entities against a set of indicators including for fraud and corruption
- Introduction of e-procurement for bidding
- A Bidder's Grievance Address Mechanism is under implementation
- As part of a demand driven intervention, a Public-Private Stakeholders Committee (PPSC) has recently been established to create greater accountability to citizenry.

**E. Portfolio management and monitoring**

9. **Internal reviews.** The country team, with support from CMU, has initiated internal risk assessment of the portfolio. The first such self assessment was undertaken in 2009 to identify risks at the sector and project level. This was followed by a risk assessment workshop through external facilitation which validated the internal findings. In addition, a desk review was conducted to assess the performance against the stated governance and/or risk mitigation plans. This review demonstrated that while almost all projects included robust plans, implementation and monitoring against these is fairly mixed with monitoring indicators not well spelt out in the projects. All ISRs will be reviewed bi-annually to determine status of implementation and progress. This will enable timely detection of emerging issues across the portfolio.

10. **A CAS multi-sectoral results team established for CAS preparation will continue through CAS implementation.** It will be adequately resourced, with team's work recognized in annual results agreements and performance assessments. The CMU capacity for results monitoring is being strengthened to monitor a results based CAS. The CAS Results Team will be provided necessary technical support and best practice international examples.

11. **Bi-annual CD chaired portfolio reviews will be instituted which will include review of high risk operations and cross cutting issues, including corruption and governance.** The purpose of these reviews will be to assess portfolio progress and to serve as a forum for sharing experiences. This bi-annual review will be informed by a qualitative and quantitative analysis of progress by the CAS Results

Team, ISRs reviews, disbursements monitoring and findings of independent third party monitoring, if available.

12. **Portfolio reviews with client.** The CMU has already initiated comprehensive quarterly portfolio reviews with the client covering all projects. The last batch was completed in the second quarter of FY10. Annual CPPR has been agreed with the client. The CPPR will be conducted in the first quarter of FY11 with a focus on high risk projects and generic cross cutting issues including those related to fraud and corruption. The CPPR will also assess portfolio performance against the CAS results matrix. Workshops with Project Directors are also being instituted for capacity development and awareness building on ORAF, IL Reforms and CAS results monitoring framework. The workshops will specifically review progress against the anti corruption and governance plans and share experiences of good mitigations practices across the portfolio.

#### **F. External independent monitoring arrangements and local level accountability**

13. **Projects will strengthen both internal and external monitoring arrangements.** The monitoring & evaluation arrangements under the SIPP present a best practice of building local level accountability and demand for good governance (see Box 2). These are being strengthened under SIPP II, and will also be replicated in other local governance operations.

##### **Box 2: Social Investment Program Project (SIPP)**

**The project has introduced several levels of monitoring systems to bring transparency, local level accountability and good management at all levels.**

**Community Level Monitoring, Learning and Oversight:** The project has developed a simple and community-friendly monitoring and benefit tracking system. **Social accountability mechanisms** enable effective participatory monitoring. These include functioning of Social Audit Committees, use of highly visible boards for public display of project financial and other information, beneficiary participation in village meetings, community assessments using report cards, and grading of village performance. This community – level monitoring processes flow monthly into the project MIS.

**Project Level Monitoring, Learning and Oversight:** Members of the national team undertake regular field visits to field teams and village communities and monitor performance of the field and district teams and community organizations. The field teams headed by district and national level operational teams organize monthly learning and monitoring forums. Issues identified, decisions taken by management and responsibility for actions are tracked in the Management Information System. Monthly and quarterly review of milestones and results has been mainstreamed as part of the monitoring and learning system.

**Independent Monitoring and Verification:** A Process Monitoring Agency (PMA) independently determines project performance. The PMA teams submit monthly and quarterly reports to the implementing agency and the World Bank highlighting their observations of issues and status of follow-up and lessons learned, enabling Project management’s real-time response and correction of key issues identified.

14. **Third party monitoring, independent verifications and spot checks will be key instruments for reducing fraud and corruption risks.** These are being incrementally incorporated in new operations (see Box 3 for an example under an upcoming operation).

**Box 3: Enhancing transparency and third party oversight in Bank operations.**

The Employment Generation Program for the Poorest (EGPP) provides short-term employment to manual workers during the lean season over two cycles that add up to 100 days in a year. The Bank is preparing a performance-based investment lending operation to support this program. The program will move towards wage payments through formal financial channels, as opposed to on-site cash payments. It will have rigorous geographical targeting based on the national poverty map. The program has built in two sets of independent assessments – the first is an impact evaluation to be conducted annually and the second are independent spot checks to be undertaken in each of the two cycles. The Bank will support capacity building at the local level to effectively monitor the program, including an electronic database of eligible beneficiaries. This list is expected to be used for other safety net programs as well in a major step towards a universal targeting mechanism. The experience of EGPP will also present examples for replication in other systems of safety nets delivery in Bangladesh.

15. In addition **DFGG will be mainstreamed**. DFGG analysis has been undertaken for nine projects and will be extended across the portfolio to establish a baseline for CAS. This would be repeated at the end of the CAS period to assess progress. Through this learning, the Bank will make increasing use of social accountability mechanisms in its operations to promote greater participation of citizens, especially women.

## ANNEX TEN: COUNTRY FINANCING PARAMETERS

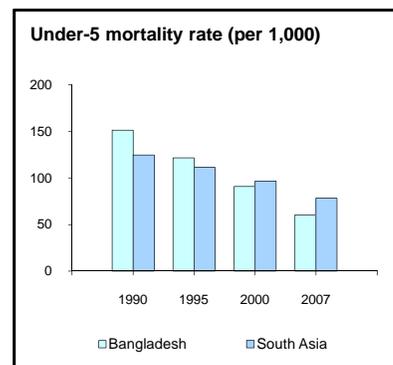
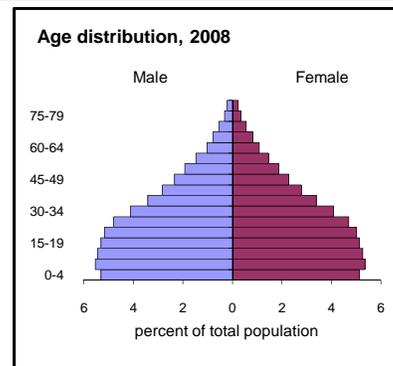
Items	Parameter	Remarks/Explanation
<p><b>Cost Sharing.</b> Limit on the proportion of individual project costs that the Bank may finance.</p>	100%	<p>The Bank may finance up to 100 percent of the costs of individual operations. Counterpart funding will be encouraged. Cost sharing arrangements will be determined on a case-by-case basis, taking into account the Government's development program and budget allocated for the concerned sector(s), link to PRSP priorities, the project context and impact of the cost sharing arrangement on project implementation and achievement of project outcomes, implications for the CAS envelope, and other potential sources of co-financing. It is expected that the Bank's financing share could be higher, <i>inter alia</i>, in CDD projects; provision of services at the local level, including local infrastructure; and social and human development investments. The Bank's financing share may be lower in general infrastructure investments.</p>
<p><b>Recurrent Cost Financing.</b> Any limits that would apply to the overall amount of recurrent expenditures that the Bank may finance.</p>	No country-level limit	<p>The Bank will continue to monitor the medium-term fiscal position and prospects and its implications for recurrent cost financing. In determining Bank financing of recurrent costs in individual projects, the Bank will carefully consider sustainability issues at the sector and project levels, including arrangements critical to operation and maintenance (O&amp;M) and implied future budgetary outlays. Simultaneously, the Bank will continue to promote the consolidation of development and revenue budgets and improvements in O&amp;M allocation.</p>
<p><b>Local Cost financing.</b> Are the requirements for Bank financing of local expenditures met, namely that: (i) financing requirements for the country's development program would exceed the public sector's own resources (e.g., from taxation and other revenues) and expected domestic borrowing; and (ii) the financing of foreign expenditures alone would not enable the Bank to assist in the financing of individual projects.</p>	Yes	<p>The two requirements are met. The Bank may finance local costs in the proportions needed in individual projects.</p>
<p><b>Taxes and duties.</b> Are there any taxes and duties that the bank would not finance?</p>	None	<p>Taxes and duties are considered reasonable and non-discriminatory. Subject to ongoing monitoring of the country's tax policy, the Bank may finance taxes and duties associated with project expenditures. At the project-specific level, the Bank will consider whether taxes and duties constitute an excessively high share of project costs.</p>

## Key Development Indicators

	Bangladesh	South Asia	Low income
<b>(2008)</b>			
Population, mid-year (millions)	160.0	1,543	973
Surface area (thousand sq. km)	144	5,140	19,310
Population growth (%)	1.4	1.5	2.1
Urban population (% of total population)	27	29	29
GNI (Atlas method, US\$ billions)	83.4	1,522	510
GNI per capita (Atlas method, US\$)	520	986	524
GNI per capita (PPP, international \$)	1,440	2,733	1,407
GDP growth (%)	6.2	6.9	6.4
GDP per capita growth (%)	4.7	5.3	4.2

## (most recent estimate, 2003–2008)

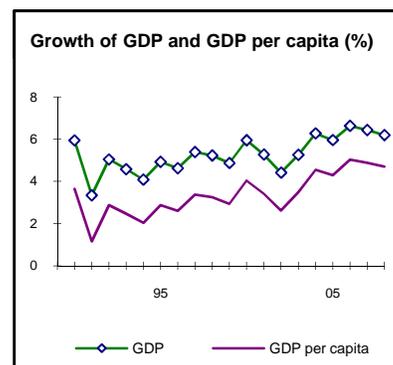
Poverty headcount ratio at \$1.25 a day (PPP, %)	50	40	..
Poverty headcount ratio at \$2.00 a day (PPP, %)	81	74	..
Life expectancy at birth (years)	66	65	59
Infant mortality (per 1,000 live births)	47	59	78
Child malnutrition (% of children under 5)	39	41	28
Adult literacy, male (% of ages 15 and older)	59	74	72
Adult literacy, female (% of ages 15 and older)	48	52	55
Gross primary enrollment, male (% of age group)	88	111	102
Gross primary enrollment, female (% of age group)	95	104	95
Access to an improved water source (% of population)	80	87	67
Access to improved sanitation facilities (% of population)	36	33	38



Net Aid Flows	1980	1990	2000	2008 <sup>a</sup>
<i>(US\$ millions)</i>				
Net ODA and official aid	1,287	2,093	1,172	1,502
<i>Top 3 donors (in 2007):</i>				
United Kingdom	99	97	103	246
European Commission	33	59	68	101
Netherlands	53	72	33	99
Aid (% of GNI)	7.3	6.8	2.4	2.0
Aid per capita (US\$)	14	18	8	10

## Long-Term Economic Trends

Consumer prices (annual % change)	..	3.9	3.9	9.6
GDP implicit deflator (annual % change)	17.6	6.3	1.9	8.8
Exchange rate (annual average, local per US\$)	15.5	33.3	50.3	68.6
Terms of trade index (2000 = 100)	..	..	..	..



	1980–90	1990–2000	2000–08
<i>(average annual growth %)</i>			
Population, mid-year (millions)	90.4	115.6	140.8
GDP (US\$ millions)	18,115	30,129	47,097
<i>(% of GDP)</i>			
Agriculture	31.6	30.3	25.5
Industry	20.6	21.5	25.3
Manufacturing	13.8	13.1	15.2
Services	47.8	48.3	49.2
Household final consumption expenditure	91.8	86.2	77.7
General gov't final consumption expenditure	6.1	4.2	4.6
Gross capital formation	14.4	17.1	23.0
Exports of goods and services	5.5	6.1	14.0
Imports of goods and services	17.9	13.5	19.2
Gross savings	3.7	14.4	26.5
	2.5	2.0	1.6
	3.7	4.8	5.8
	2.1	2.9	3.2
	6.0	7.3	7.9
	5.2	7.2	7.9
	3.8	4.5	6.0
	2.7	2.9	4.3
	2.7	4.7	9.4
	7.2	9.2	8.2
	5.4	13.1	12.0
	3.2	9.7	9.5

Note: Figures in italics are for years other than those specified. 2008 data are preliminary. .. indicates data are not available  
a. Aid data are for 2007.

## Bangladesh at a glance (cont'd)

### Balance of Payments and Trade

	2000	2008
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	5,701	14,151
Total merchandise imports (cif)	7,566	19,481
Net trade in goods and services	-2,510	-6,855
Current account balance	-337	680
as a % of GDP	-0.7	0.9
Workers' remittances and compensation of employees (receipts)	1,968	8,985
Reserves, including gold	1,599	4,171

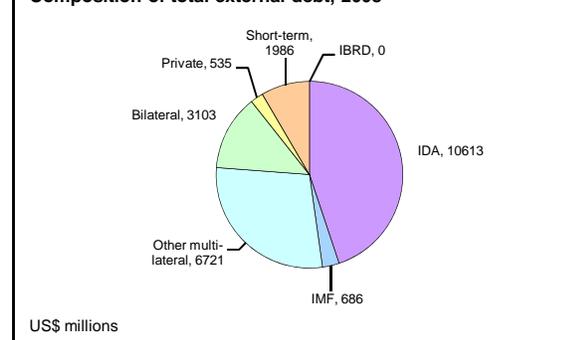
### Central Government Finance

	2000	2008
<i>(% of GDP)</i>		
Current revenue (including grants)	8.4	11.5
Tax revenue	6.4	8.7
Current expenditure	7.5	9.5
Overall surplus/deficit	-5.1	-3.6
Highest marginal tax rate (%)		
Individual	..	..
Corporate	..	..

### External Debt and Resource Flows

	2000	2008
<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	15,740	23,644
Total debt service	799	1,046
Debt relief (HIPC, MDRI)	-	-
Total debt (% of GDP)	33.4	29.7
Total debt service (% of exports)	9.3	4.4
Foreign direct investment (net inflows)	280	973
Portfolio equity (net inflows)	1	10

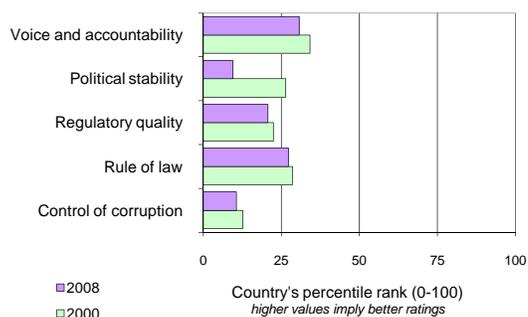
### Composition of total external debt, 2008



### Private Sector Development

	2000	2008
Time required to start a business (days)	-	73
Cost to start a business (% of GNI per capita)	-	25.7
Time required to register property (days)	-	245
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2008
Electricity	72.9	..
Corruption	57.6	..
Stock market capitalization (% of GDP)	2.5	8.4
Bank capital to asset ratio (%)	3.5	6.5

### Governance indicators, 2000 and 2008



Source: Kaufmann-Kraay-Mastruzzi, World Bank

### Technology and Infrastructure

	2000	2008
Paved roads (% of total)	9.5	9.5
Fixed line and mobile phone subscribers (per 100 people)	1	29
High technology exports (% of manufactured exports)	0.2	0.3

### Environment

	2000	2008
Agricultural land (% of land area)	70	69
Forest area (% of land area)	6.8	6.7
Nationally protected areas (% of land area)	..	0.7
Freshwater resources per capita (cu. meters)	720	666
Freshwater withdrawal (billion cubic meters)	79.4	..
CO2 emissions per capita (mt)	0.20	0.26
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	6.7	7.0
Energy use per capita (kg of oil equivalent)	133	161

### World Bank Group portfolio

	2000	2008
<i>(US\$ millions)</i>		
<b>IBRD</b>		
Total debt outstanding and disbursed	24	0
Disbursements	0	0
Principal repayments	5	0
Interest payments	2	0
<b>IDA</b>		
Total debt outstanding and disbursed	6,431	10,613
Disbursements	357	820
Total debt service	129	290
<b>IFC (fiscal year)</b>		
Total disbursed and outstanding portfolio of which IFC own account	48	112
Disbursements for IFC own account	46	98
Portfolio sales, prepayments and repayments for IFC own account	2	19
<b>MIGA</b>		
Gross exposure	80	78
New guarantees	0	0

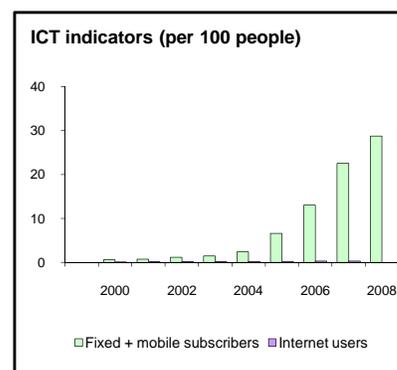
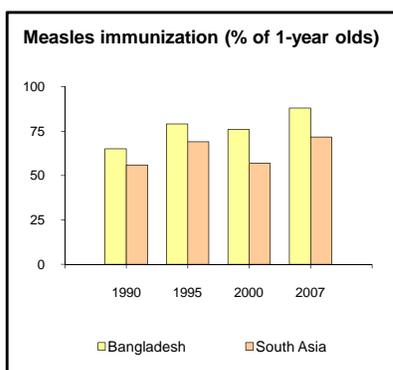
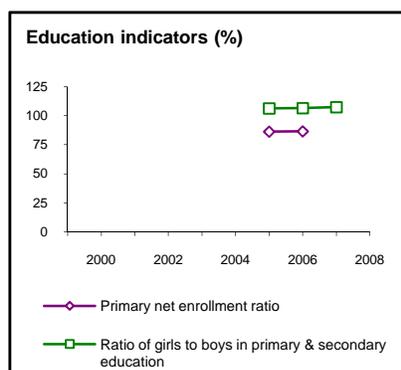
Note: Figures in italics are for years other than those specified. 2008 data are preliminary  
.. indicates data are not available. - indicates observation is not applicable

Development Economics, Development Data Group (DECDG).

# Bangladesh at a glance - Millennium Development Goals

With selected targets to achieve between 1990 and 2015  
(estimate closest to date shown, +/- 2 years)

	Bangladesh			
	1990	1995	2000	2008
<b>Goal 1: halve the rates for extreme poverty and malnutrition</b>				
Poverty headcount ratio at \$1.25 a day (PPP, % of population)	66.8	59.4	57.8	49.6
Poverty headcount ratio at national poverty line (% of population)	..	51.0	48.9	40.0
Share of income or consumption to the poorest quintile (%)	10.0	9.3	9.3	9.4
Prevalence of malnutrition (% of children under 5)	64.3	58.0	48.2	39.2
<b>Goal 2: ensure that children are able to complete primary schooling</b>				
Primary school enrollment (net, %)	76	..	..	87
Primary completion rate (% of relevant age group)	..	..	60	56
Secondary school enrollment (gross, %)	20	..	46	43
Youth literacy rate (% of people ages 15-24)	45	..	64	72
<b>Goal 3: eliminate gender disparity in education and empower women</b>				
Ratio of girls to boys in primary and secondary education (%)	..	..	..	107
Women employed in the nonagricultural sector (% of nonagricultural employment)	18	23	23	..
Proportion of seats held by women in national parliament (%)	10	9	9	15
<b>Goal 4: reduce under-5 mortality by two-thirds</b>				
Under-5 mortality rate (per 1,000)	151	122	91	61
Infant mortality rate (per 1,000 live births)	105	86	66	47
Measles immunization (proportion of one-year olds immunized, %)	65	79	76	88
<b>Goal 5: reduce maternal mortality by three-fourths</b>				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	570
Births attended by skilled health staff (% of total)	..	10	12	18
Contraceptive prevalence (% of women ages 15-49)	40	45	54	56
<b>Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases</b>				
Prevalence of HIV (% of population ages 15-49)	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	264	251	239	223
Tuberculosis cases detected under DOTS (%)	..	6	24	66
<b>Goal 7: halve the proportion of people without sustainable access to basic needs</b>				
Access to an improved water source (% of population)	78	78	79	80
Access to improved sanitation facilities (% of population)	26	28	32	36
Forest area (% of total land area)	6.8	6.8	6.8	6.7
Nationally protected areas (% of total land area)	..	..	..	0.7
CO2 emissions (metric tons per capita)	0.1	0.2	0.2	0.3
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	6.1	6.1	6.7	7.0
<b>Goal 8: develop a global partnership for development</b>				
Telephone mainlines (per 100 people)	0.2	0.2	0.3	0.8
Mobile phone subscribers (per 100 people)	0.0	0.0	0.2	27.9
Internet users (per 100 people)	0.0	0.0	0.1	0.3
Personal computers (per 100 people)	..	0.0	0.1	2.3



Note: Figures in italics are for years other than those specified. .. indicates data are not available

## Selected Indicators\* of Bank Portfolio Performance and Management

As of date 4/1/2010

Indicator	2007	2008	2009	2010
<b>Portfolio Assessment</b>				
Number of Projects Under Implementation <sup>a</sup>	24	21	26	25
Average Implementation Period (years) <sup>b</sup>	4.4	4.4	3.9	4.1
Percent of Problem Projects by Number <sup>a, c</sup>	25.0	9.5	3.8	12.0
Percent of Problem Projects by Amount <sup>a, c</sup>	23.5	1.9	0.6	3.8
Percent of Projects at Risk by Number <sup>a, d</sup>	25.0	14.3	3.8	16.0
Percent of Projects at Risk by Amount <sup>a, d</sup>	23.5	16.9	0.6	7.0
Disbursement Ratio (%) <sup>e</sup>	21.8	21.1	25.6	17.7
<b>Portfolio Management</b>				
CPPR during the year (yes/no)	No	No	No	No
Supervision Resources (total US\$)	3021	3024	3671	3481
Average Supervision (US\$/project)	104	101	127	139

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	156	18
Proj Eval by OED by Amt (US\$ millions)	8,870.8	1,482.0
% of OED Projects Rated U or HU by Number	28.8	27.8
% of OED Projects Rated U or HU by Amt	25.9	24.3

- a. As shown in the Annual Report on Portfolio Performance (except for current FY).
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
- \* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

**Bangladesh - IDA Indicative Financing Program (FY11-14)**  
**US\$ (m)**

	<b>FY11</b>	<b>Amt</b>	<b>FY12</b>	<b>Amt</b>	<b>FY13-14</b>	<b>Amt</b>
<b>Strategic Objective 1</b>	Private Sector Development Support Project South Zone Power Distribution Project Padma Bridge	120 150 1200	PRG for Bibiyana PSDTA AF Statistical Capacity Building Project Long-term Finance including Housing and Capital Market ICT- enabled Services Sector Project North East Regional Program Second Rural Transport Improvement Project		Tax Administration and Modernization Project Strengthening Microfinance Sector Power Generation Capacity Expansion and Power strengthening Gas debottlenecking and LNG Terminal Railway Modernization including Inland Container Depot Inland Water Transport Major Cities Improvement Project Rural Electrification II Urban Services and Local Governance Project	
<b>Strategic Objective 2</b>	Bangladesh Rivers Information & Conservation Dhaka Environment and Water Program Rural Livelihood Development Program	160 70 100	National Coastal Embankment Improvement Pilot Program on Climate Resilience		Disaster Preparedness Project CASE Additional Financing Productivity Enhancement Project River Bank Protection and Reconstruction of Brahmaputra	
<b>Strategic Objective 3</b>	Health Nutrition Population Support Program Employment Generation Program Primary Education Development Support	350 150 200			Social Safety Net Project Rural Piped Water Supply and Sanitation Project Secondary Education Sector Development Program	
<b>Strategic Objective 4</b>	Identification System for Enhancing Access to Services Northern Area Reduction of Poverty Initiative	150 20	Local Government Support Project II Technical Foundations for eGovernment PRSC		Strengthening e-government procurement Systems PRSC	
	<b>TOTAL</b>	<b>2650<sup>1</sup></b>		<b>1300</b>		<b>2600</b>

<sup>1</sup> These are approximate amounts for projects under preparation for FY11. Actual delivery will be subject to progress in preparation and total IDA 15 envelope available in FY11

## Bangladesh: IFC Investment Operations Program

			2007	2008	2009	2010*
<b>Commitments (US\$m)</b>						
	Gross		16.56	44.43	98.36	75.65
	Net**		16.56	44.43	98.36	75.65
<b>Net Commitments by Sector (%)</b>						
	EQUITY				12.03	
	GUARANTEE		100	100	72.72	100
	LOAN				15.25	
	<b>Total</b>		100	100	100	100
<b>Net Commitments by Investment Instrument (%)</b>						
	Equity				12.03	
	Guarantee		100	100	72.72	100
	Loan				15.25	
	<b>Total</b>		100	100	100	100

\* As of March 31, 2010

\*\* IFC's Own Account only

**Bangladesh - Indicative Analytical and Advisory Activities Program  
FY11- 14**

	<b>FY11:</b>
	<b><i>Pillar 1</i></b>
1	CEM on pro-poor & sustainable growth strategy to attain MIC status
2	IFC support to PSD-related monitoring and evaluation
3	Land Administration
4	Digital Bangladesh related issues
5	Integrated Master Plan for Natural Gas and Power Generation and transmission
6	South West regional development Program through Mongla port
	<b><i>Pillar 2</i></b>
7	Improving Fertilizer production, distribution and use in Bangladesh
8	Energy efficiency and Cleaner Technology in the Brick Industry
9	Global Tiger Initiative
10	Biodiversity Conservation & Socio-economic Development in the Sundarbans
11	Climate Change Adaptation costs due to Cyclone and Storm Surges
	<b><i>Pillar 4</i></b>
12	Institutional and Governance Review on decentralization policy options
13	PEFA Update
14	Demand for Good Governance (DFGG): An Operational Assessment
	<b>FY12-14:</b>
	<b><i>Pillar 1</i></b>
15	Diagnostic Trade Integration Study
16	Investment Climate Assessment
17	Governance in road sector including Public Expenditure Tracking Survey (PETS)
18	Continued work on regulatory reform in BICF
19	Formulation of development strategies for Dhaka and Chittagong
20	Poverty Assessment based on 2010 HIES
21	Port Master Plan
	<b><i>Pillar 2</i></b>
22	Sustainable use of tube-well/ground water irrigation in Bangladesh
23	Institutional performance audit of the water sector
	<b><i>Pillar 3</i></b>
24	Nutrition Study
25	Improving Health Service Delivery in Bangladesh
26	Governance in the Health Sector
27	Vulnerability & employment opportunities for migrant/informal sector workers
28	Bangladesh Education Sector Review
29	Stipends impact evaluation
30	Human Development Conditions of the Urban Extreme Poor
	<b><i>Pillar 4</i></b>
31	Capacity Assessment of Consulting Industry in Bangladesh
32	Policy Note on integrating women into safety nets and livelihood programs
33	AAA on local governments and service delivery in Bangladesh

### Bangladesh: Social Indicators

	Latest single year*			Same region/income group	
	1985-90	1995-2000	2005-08	South Asia	LIC
<b>POPULATION</b>					
Total population (millions)	115.6	140.7	160.0	1522.0	1296.0
Growth rate (% of population)	2.1	1.7	1.3	1.4	1.7
Urban population (% of population)	19.8	23.6	28.1	30.6	27.0
Total fertility rate (births per woman)	4.3	3.3	2.7	2.8	3.5
<b>POVERTY</b>					
(% of population)					
National headcount index	58.8	48.9	40.0	....	....
Urban headcount index	44.9	52.3	28.4	....	....
Rural headcount index	61.2	35.2	43.8	....	....
<b>INCOME</b>					
GNI per capita (US\$)	280.0	350.0	520.0	880.0	574.0
Consumer price index (2000=100)	...	124.3	193.5	....	....
Food price index (2000=100)	...	128.5	206.8	...	....
<b>INCOME/CONSUMER DISTRIBUTION</b>					
Gini index	26.2	30.7	31.0	...	...
Lowest quintile (% of income or consumption)	10.0	9.3	9.4	....	....
Highest quintile (% of income or consumption)	36.2	40.4	40.8	....	....
<b>SOCIAL INDICATORS</b>					
<b>Public expenditure</b>					
Health (% of GDP)	...	2.1	3.2	3.5	4.3
Education (% of GNI)	...	1.0	2.6	...	...
<b>Net Primary School enrollment rate</b>					
(% of age group)					
Total	71.0	77.1	91.0	85.0	73.0
Male	76.0	75.5	88.0	92.0	77.0
Female	66.0	78.6	95.0	87.0	70.0
Access to improved drinking water resources					
(% of population)					
Total	78.0	79.0	80.0	87.0	68.0
Urban	88.0	87.0	85.0	...	...
Rural	76.0	76.0	78.0	...	...
Immunization rate					
(% of children age under 12 months)					
Measles	55.0	76.0	83.1	72.0	76.0
DPT	66.0	72.1	91.1		
Child malnutrition (% under 5 years)	66.0	48.0	46.0	47.3	43.8
Life expectancy at birth (years)					
Total	56.1	63.6	65.4	64.0	57.0
Male	56.6	63.7	64.5	63.0	56.0
Female	55.6	63.5	66.0	66.0	59.0
Mortality					
Infant (per 1000 live births)	87.0	66.0	52.0	59.0	80.0
Under 5 (per 1000)	133.1	94.0	65.0	78.0	126.0
Maternal (per 100,000 live births)	478.0	320.0	570.0	500.0	780.0
Birth attended by skilled health staff (%)	9.5	12.1	18.0	41.0	42.0

\* Latest single year for which data is available

## Bangladesh - Key Economic Indicators

Indicator	Estimate				Projected				
	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>National accounts (as % of GDP)</b>									
Gross domestic product <sup>a</sup>	100	100	100	100	100	100	100	100	100
Agriculture	20	19	19	19	18	17	16	16	15
Industry	28	28	29	29	29	29	29	29	30
Services	52	52	52	53	53	53	54	55	55
Total Consumption	81.6	82.5	84.2	85.4	85.4	85.6	85.3	85.1	84.9
Gross domestic fixed investment	24.7	24.5	24.2	24.2	23.3	23.9	24.7	25.3	26.1
Government investment	6.0	5.4	5.0	4.6	4.6	4.7	5.0	5.5	6.0
Private investment	18.7	19.0	19.3	19.6	18.7	19.3	19.7	19.8	20.1
Exports (GNFS) <sup>b</sup>	19	20	20	21	18	18	19	20	21
Imports (GNFS)	25	27	29	30	27	28	29	30	32
Gross domestic savings	18	18	16	15	15	14	15	15	16
Gross national savings <sup>c</sup>	26	26	26	27	26	26	26	27	28
<i>Memorandum items</i>									
Gross domestic product (US\$ million at current prices)	61901	68415	79554	89381	99432	109863	121365	134196	147660
GNI per capita (US\$, Atlas method)	450	480	520	590	570	620	680	740	790
Real annual growth rates (% , calculated from 90 prices)									
Gross domestic product at market prices	6.6	6.4	6.2	5.9	5.5	5.8	6.3	6.4	6.4
Gross Domestic Income	5.7	6.4	3.8	5.4	7.2	5.6	6.2	6.2	6.1
Real annual per capita growth rates (% , calculated from 90 prices)									
Gross domestic product at market prices	5.0	4.9	4.7	4.4	2.6	4.0	4.4	4.5	4.5
Total consumption	3.1	5.1	3.6	5.4	6.6	4.5	4.7	5.0	5.0
Private consumption	3.0	5.1	3.7	5.6	5.9	5.7	4.8	5.0	5.0
<b>Balance of Payments (US\$ millions)</b>									
Exports (GNFS) <sup>b</sup>	11752	13537	16042	17415	17915	20115	23146	26850	31490
Merchandise FOB	10412	12053	14151	15583	15868	17843	20646	24148	28568
Imports (GNFS) <sup>b</sup>	15664	18250	22897	23744	26584	30591	35352	40903	47679
Merchandise FOB	13301	15511	19481	20291	22856	26561	30977	36148	42516
Resource balance	-3912	-4713	-6855	-6329	-8669	-10475	-12207	-14053	-16188
Net current transfers	5438	6554	8529	10226	12566	14429	15992	17562	19445
Current account balance	824	936	680	2536	2435	2262	2091	1715	1275
Net private foreign direct investment	743	793	748	941	500	1000	1200	1350	1500
Long-term loans (net)	498	488	752	493	5755	1156	1608	2707	2974
Official	528	406	1083	568	1089	1556	1403	1158	1230
Private	-30	82	-331	-75	4666	-400	205	1549	1743
Other capital (net, incl. errors & omissions)	-1727	-724	-1849	-6028	-2059	-1940	-1990	-1980	-1880
Change in reserves <sup>d</sup>	-338	-1493	-331	2058	-6631	-2478	-2909	-3791	-3868
<i>Memorandum items</i>									
Resource balance (% of GDP)	-6.3	-6.9	-8.6	-7.1	-8.7	-9.5	-10.1	-10.5	-11.0
Real annual growth rates ( YR90 prices)									
Merchandise exports (FOB)	..	..	..	..	..	..	..	..	..
Primary	..	..	..	..	..	..	..	..	..
Manufactures	..	..	..	..	..	..	..	..	..
Merchandise imports (CIF)	..	..	..	..	..	..	..	..	..

**Bangladesh - Key Economic Indicators**  
(Continued)

Indicator	Estimate					Projected			
	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Public finance (as % of GDP at market prices)<sup>e</sup></b>									
Current revenues	10.7	10.5	11.5	11.3	11.5	11.6	12.1	12.5	13.0
Current expenditures	8.4	9.0	9.5	10.2	10.4	9.2	8.9	8.8	8.7
Current account surplus (+) or deficit (-)	2.2	1.5	2.0	1.1	1.1	2.4	3.2	3.7	4.4
Capital expenditure	5.5	4.6	5.6	4.6	4.8	4.9	5.0	5.6	5.6
Foreign financing	1.8	1.9	2.9	2.2	1.8	1.5	1.3	1.1	1.0
<b>Monetary indicators</b>									
M2/GDP	43.5	44.8	45.6	48.2	50.0	51.9	52.6	52.6	52.6
Growth of M2 (%)	19.3	17.1	17.6	19.2	16.5	16.3	14.3	12.8	12.8
Private sector credit growth / total credit growth (%)	67.1	74.7	88.1	69.9	99.3	84.3	86.6	80.5	88.3
<b>Price indices( YR90 =100)</b>									
Merchandise export price index	..	..	..	..	..	..	..	..	..
Merchandise import price index	..	..	..	..	..	..	..	..	..
Merchandise terms of trade index	..	..	..	..	..	..	..	..	..
Real exchange rate (US\$/LCU) <sup>f</sup>	..	..	..	..	..	..	..	..	..
<b>Real interest rates</b>									
Consumer price index (% change)	7.2	7.2	9.6	4.3	5.7	5.7	5.3	5.3	5.3
GDP deflator (% change)	5.2	6.8	8.8	6.4	6.5	6.0	6.0	6.0	6.0

- a. GDP at factor cost  
b. "GNFS" denotes "goods and nonfactor services."  
c. Includes net unrequited transfers excluding official capital grants.  
d. Includes use of IMF resources.  
e. Consolidated central government.  
f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

### Bangladesh: Key Exposure Indicators

Indicator	2004	Actual		Actual			Estimated		Projected			
		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
Total debt outstanding and disbursed (TDO) (US\$m) <sup>a</sup>		18959	20,535	21,859	23,644	24,131	25,542	26,551	27,381	28,169	28,931	
Net disbursements (US\$m)	..	..	0	0	0	1152	1009	830	788	763		
Total debt service (US\$m) <sup>a</sup>	..	..	259	266	252	1,185	1,328	1,490	1,519	1,567		
Debt and debt service indicators (%)												
TDO/XGS <sup>b</sup>		138.3	123.0	110.6	97.8	88.7	86.4	79.8	71.7	63.5	55.9	
TDO/GDP		31.5	33.2	31.9	29.7	27.0	25.7	24.1	22.5	21.0	19.5	
TDS/XGS		..	..	1.3	1.1	0.9	4.0	4.0	3.9	3.4	3.0	
Concessional/TDO		91.0	88.2	87.7	84.5	84.1	81.0	78.2	75.3	71.7	67.8	
IBRD exposure indicators (%)												
IBRD DS/public I	..	..	..	..	..	..	0.0	0.0	0.0	0.0	0.0	
Preferred creditor DS (%) <sup>c</sup>		55.2	72.4	56.5	61.9	60.7	63.3	67.7	70.4	69.9	70.9	
IBRD DS/XGS	..	..	..	..	..	..	0.0	0.0	0.0	0.0	0.0	
IBRD TDO (US\$m)	0	..	..	..	..	..	0.0	0.0	0.0	0.0	0.0	
Of which present value of guarantees (US\$m)												
Share of IBRD portfolio (%)		..	..	..	..	..	0	0	0	0	0.0	
IDA TDO (US\$m)	8688	9,297	10,077	10,613	10,655	9,916	10,638	11,243	11,601	12,005		
IFC (US\$m)												
Loans			12.3	12.3	12.3	20.4	17.8					
Equity and quasi-equity /c			148.6	134.6	144.4	104.0	97.5					
MIGA												
MIGA guarantees (US\$m)			78.3	78.3	78.3	78.3	78.3					

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes present value of guarantees.

e. Includes equity and quasi-equity types of both loan and equity instruments.

**Bangladesh: Operations Portfolio (IBRD/IDA and Grants)**

As Of Date 3/1/2010

**Closed Projects 184**

**IBRD/IDA \***

Total Disbursed (Active)	1,337.70
of which has been repaid	1.54
Total Disbursed (Closed)	2,665.71
of which has been repaid	1,318.81
Total Disbursed (Active + Closed)	4,003.41
of which has been repaid	1,320.35
Total Undisbursed (Active)	1,555.89
Total Undisbursed (Closed)	13.88
Total Undisbursed (Active + Closed)	1,569.77

**Active Projects**

Project ID	Project Name	Last PSR Supervision Rating		Fiscal Year	IDA	Cancel.	Undisb.	Difference Between Expected and Actual Disbursements <sup>a/</sup>	
		Development	Implementation					Orig.	Frm Rev'd
		Objectives	Progress						
P102305	Avian Flu Preparedness	MS	MU	2007	16	3.83	11.06	0.42	
P086661	BD - Water Supply Program Project	MS	S	2004	40	25.03	8.50	28.24	6.19
P062916	Central Bank Strengthening Project	S	S	2003	37		31.70	27.07	
P098151	Clean Air and Sustainable Environment	S	MS	2009	62.2		62.59	-4.37	
P093988	Dhaka Water Sup & San. Project	S	S	2009	149		141.82	6.71	
P106332	Disability and Children at Risk	MS	MS	2009	35		33.09	2.64	
P111272	Emergency 2007 Cyclone Recovery & Rest Pr	S	S	2009	109		98.11	7.44	
P081969	Enterprise Growth & Bank Modernization	MS	S	2004	250		65.21	52.86	
P074841	HNP Sector Program	MS	MS	2005	300		74.14	23.95	
P106216	Higher Education Quality Improvement	MS	MS	2009	81		81.66	-0.79	
P089382	Investment Promotion Financing Facility	S	S	2006	50		4.87	-17.42	
P098273	Local Governance Support Project	MS	MS	2006	111.5	19.96	62.51	14.08	
P041887	Municipal Services	S	S	1999	163.6	1.39	4.07	-23.31	-23.96
P084078	National Agricultural Technology Project	MS	MU	2008	62.6		50.80	3.56	
P078707	Power Sector Development TA	S	MS	2004	15.5		7.79	6.76	
P074966	Primary Education Development Program II	MS	MS	2004	150	0.13	34.64	19.65	
P098146	Public Procurement Reform Project II	MS	S	2008	23.6		18.09	3.94	
P086791	Reaching Out of School Children Project	S	S	2004	51	0.00	12.54	6.79	
P071794	Rural Elect. Renewable Energy Dev.	S	S	2002	320.98		100.53	-67.95	-67.95
P071435	Rural Transport Improvement Project	S	MS	2003	210		54.83	14.23	-3.17
P106161	Secondary Educ Qlty & Access Enhancement	S	MS	2009	130.7		104.19	-7.06	
P095965	Siddhirganj Peaking Power Project	S	S	2009	350		340.20	62.65	
P053578	Social Investment Program Project	S	MS	2003	101.24		63.41	-18.67	19.19
P040712	Water Management Improvement Project	S	MS	2008	102.26	8.08	89.50	6.21	4.49
<b>Overall Result</b>					<b>2922.18</b>	<b>58.42</b>	<b>1555.89</b>	<b>147.63</b>	<b>-65.22</b>

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

**IFC for Bangladesh**  
**Committed and Disbursed Outstanding Investment Portfolio**

As of 1/31/2010

(In US\$ Millions)

<u>FY</u>	<u>Approval</u>	<u>Company</u>	<u>Committed</u>				<u>Disbursed Outstanding</u>				
			<u>Loan</u>	<u>Equity</u>	<u>**Quasi</u> <u>Equity</u>	<u>*GT/RM</u>	<u>Partici</u> <u>pant</u>	<u>Loan</u>	<u>Equity</u>	<u>**Quasi</u> <u>Equity</u>	<u>*GT/RM</u>
2001/09		Brac bank	0	2.11	0	0	0	2.11	0	0	0
1997		Dbh	0.57	0.65	0	0	0.57	0.65	0	0	0
1991		Dynamic textile	0	0	0	0	0	0	0	0	0
2009		Frontier brummer	0	10	0	0	0	0.87	0	0	0
2004		Grameenphone ltd	3	0	0	0	3	0	0	0	0
1998/00		Lafarge/surma	20.68	5	0	172	20.68	5	0	0	8.86
2009		Pran group	15	0	0	0	8	0	0	0	0
<b>Total Portfolio:</b>			<b>39.25</b>	<b>17.76</b>	<b>0</b>	<b>172</b>	<b>32.25</b>	<b>8.63</b>	<b>0</b>	<b>0</b>	<b>8.86</b>
* Denotes Guarantee and Risk Management Products.											
** Quasi Equity includes both loan and equity types.											



