

MANAGEMENT RESPONSE TO IED'S COUNTRY ASSISTANCE PROGRAM EVALUATION: BANGLADESH, 2011–2020

On 24 May 2021, the Director General, Independent Evaluation Department, received the following response from the Special Senior Advisor to the President on behalf of Management:

I. General Comments

1. Management is pleased that the Country Assistance Program Evaluation (CAPE) for Bangladesh (2011–2020) rated the program of ADB in Bangladesh as “successful”, with ADB operations achieving their objectives. Management appreciates the constructive and comprehensive recommendations of the CAPE, and acknowledges the difficulties encountered in its preparation.
2. The CAPE provides useful feedback to inform the preparation of the next Country Partnership Strategy (CPS). Ongoing ADB country programs are broadly in line with the priorities of the Eighth Five Year Plan (2021–2025) of the government and are aligning with the proposed strategic objectives of the CAPE for the next CPS of ADB. ADB will build on this positive momentum and intensify its efforts going forward.

II. Management Response

1. **Recommendation 1: ADB should build a deeper and broader understanding of cross-sectoral development issues, so projects can be structured to address both the technical aspects of the main sector, and the broader set of issues related to associated sectors in a holistic manner.**

Management agrees. ADB recognizes the importance of deeper and broader analyses to facilitate a richer understanding of cross-sectoral development issues and to enable the holistic structuring of projects. Such analyses have promoted holistic project design in Bangladesh country operations, as exemplified in joint efforts of the South Asia Regional Department (SARD) and the Office of Public Private Partnerships (OPPP) to promote an enabling policy environment and specific public–private partnership investments, underpinned by robust analytical bases. Project designs were not only technically sound but were structured with attention given to climate change, social development, gender equity, private sector development, governance, and institutional development,¹ to further enhance development impact, consistent with Strategy 2030 objectives. Many development partners, including the World Bank, have replicated ADB programs or adopted specific components.

ADB will strengthen its efforts in the forthcoming CPS to deepen and broaden its knowledge base applying a One ADB approach. This would include securing cross-sectoral perspectives from strategic upstream studies on economic corridors, capital

¹ Of the 36 projects approved during 2016–2020, 18 projects financed climate adaptation and 12 projects financed climate mitigation measures. All infrastructure investment projects had climate mitigation and adaptation measures. On gender equality, the Bangladesh portfolio is exemplary, with 8 projects categorized as gender equity theme, 19 effective gender mainstreaming, and 5 with some gender elements. In addition, several projects addressed institutional, governance, capacity, and technology issues.

city urban transport systems, among others, to identify and develop transformative investment programs and provide credible policy advice. These will expand interventions by ADB to address cross-sectoral development issues in a more holistic manner, and leverage development impacts beyond the targeted sectors.

Management thus disagrees with the statement in the issues section that attributed the “limited overall strategic direction in the CPS” to the assertion that the “CPS, 2016–2020 did not specify the resource envelope for each sector.” This undermines the issue raised by IED about projects being single sector-focused and missing opportunities for holistic solutions. Indicating sector-based resources, as suggested by IED, would reinforce the sector-based approach, and make cross-cutting projects more difficult to attain. The statement also understates the value of the CPS as an indispensable tool to realize the holistic objectives defined in Strategy 2030.

2. Recommendation 2: ADB should ensure climate change and environment are the overall strategic priority in the Country Partnership Strategy (CPS), 2021–2025.

Management agrees. Climate change and environmental sustainability have been cross-cutting themes of ADB operations in Bangladesh as called for by the CPS, 2016–2020. Across its infrastructure investment projects, ADB applied a robust and proactive approach to tackle climate change through its investments and technical assistance and advanced adaptation and mitigation measures. These included the adoption of climate- resilient designs, environment-friendly technologies, community-based approaches, and capacity development.² ADB also led its development partners in promoting climate- resilient water resources management with community participation, and long-term planning for river and estuary management.

Climate change and environmental sustainability will be further enhanced in the CPS, 2021–2025, with “promoting green growth and climate resilience” proposed as one of three strategic objectives. ADB will be more proactive in adopting a holistic approach to integrate climate change across all its operations with climate change serving as a long- term priority. Climate change and environment will be an integral part of all project designs. Climate-proofing of investment projects in agriculture, natural resources, and rural development, urban development, water resource management, and the transport and energy sectors will be a key priority. ADB will continue to provide technical assistance to support policy dialogue, develop capacity, provide knowledge solutions, and build partnerships. ADB will help Bangladesh meet its Nationally Determined Contributions, mobilize new and innovative sources of financing to meet its climate change and environmental objectives, and foster partnerships for enhanced climate action. ADB programs will go beyond mainstreaming climate change in project design to tackle mitigation and adaptation as objectives, including mitigating the impact of flooding, erosion, damage from typhoons, and salinity ingress; fostering the sustainable management of watersheds and water resources, integrated urban development, the abatement of air pollution and traffic congestion through mass transit systems in urban areas and multimodal transport, including railways; promoting renewable energy and energy efficiency; and supporting the abatement of industrial and sewage pollution.

² As mentioned in footnote 1, 18 out of 36 approved projects during 2016–2020 financed climate adaptation, and 12 financed climate mitigation measures.

3. Recommendation 3: ADB should scale-up economic and sector analytical work to identify constraints, inform sector policy reforms, shape future investment, and maintain sector leadership in those sectors where ADB is a significant partner.

Management agrees. In the forthcoming CPS, ADB will continue to prioritize and scale up economic, sector and thematic analytical works to guide policy reform and influence future investment, while providing a solid foundation for increased cross sectoral and multi-disciplinary operations. Such studies will help ADB prioritize its operations, focusing on the highest value-adding investments, along with necessary policy advice, in collaboration with other development partners where possible. A comprehensive private sector assessment is also being undertaken to identify specific actions to improve the enabling environment in the sectors with higher potential for private sector investments and public-private partnerships. This will be complemented by a detailed analysis on improving the business environment for private sector development.

This said, *Management disagrees* with the statement in the issues section that “ADB produced impressive knowledge products for some sectors over the CAPE period, but comprehensive sector, diagnostic and analytical work to guide sector strategies, program development, and investment choices was limited.” This assertion is not well supported. IED could have provided quantitative evidence to substantiate their statement by clarifying the knowledge products that were lacking. The CPS 2016–2020 was formulated based on thorough and up-to-date economic, sector and thematic assessments which informed ADB operations in Bangladesh. These included flagship studies, sector masterplans (including in the road, railway, urban transport sub-sectors, and energy sector), sector roadmaps, and various knowledge products on emerging development issues. The knowledge work undertaken by SARD was supplemented by the Sustainable Development and Climate Change Department (SDCC) and the Economic Research and Cooperation Department (ERCD) through several regional studies and working papers on macroeconomic, poverty, gender equality, environment, climate change, infrastructure, human capital, private sector, governance, and institutional development aspects. This enabled ADB to maintain leadership as a trusted development partner in the energy, transport, and education sectors.

4. Recommendation 4: ADB should target the use of programmatic policy-based lending at the most critical and relevant policy issues where government reform commitment is strong, and where governance can be strengthened.

Management agrees. During the previous CPS period, ADB employed policy-based loans to address critical and relevant policy issues, where strong government commitment for reform was present. The role of other development partners was a key consideration in the choice of policy-based loans to avoid duplication and enhance synergy. Programs such as the Good Governance Program and the Capital Market Development Program addressed critical institutional reforms in governance and capital market development. These were appreciated by the government and development partners alike.

In assisting the government with its recovery planning from COVID-19, ADB initiated intensive policy dialogue in health, social protection, public financial management, domestic resource mobilization, financial inclusion, access to finance for cottage, micro-, small- and medium-sized enterprises, trade facilitation, and capital markets, among others. During the forthcoming CPS, the use of programmatic policy-based loans will

be further strengthened to help implement the identified reforms in these sectors and themes.

5. Recommendation 5: ADB should increase support for Bangladesh's national health and social protection systems to mitigate the exposure of the population to systemic shocks, including those related to natural hazards, climate change, and disease outbreaks such as the coronavirus disease (COVID-19). A 5-year 'business as usual' Bangladesh strategy should be avoided. Instead, ADB should ensure that the short- to medium-term impacts of the COVID-19 pandemic are well recognized, analyzed, and addressed in the new CPS.

Management agrees. ADB will increase its support for health and social protection in Bangladesh. Building on the long-term engagement of ADB in the urban primary health sector since 1997, ADB quickly responded to mitigate the impacts of COVID-19 in 2020 by providing a \$100 million Emergency Assistance Loan for health, and a \$500 million COVID-19 Active Response and Expenditure Support Program (CARES). The CARES program leveraged \$651 million of cofinancing from other development partners. The financing priorities of the Country Operations Business Plan, 2021–2023 have also been adjusted to strengthen health and social protection to mitigate the impact of the COVID-19 pandemic. ADB is processing \$940 million of support for the procurement of vaccines under the ADB Asia Pacific Vaccine Access Facility, and policy-based loans to enhance the resilience of health and social protection systems in the medium-term.

The CPS, 2021–2025 is being structured to fully reflect the medium-term strategic implications of the COVID-19 pandemic, within which investments in human capital will be prioritized to respond to increased poverty and inequality and learning gaps. Green growth and climate change resilience will be accelerated, and economic competitiveness and diversification will be enhanced through private sector investments. The CPS envisages increased ADB engagement in the national health and social protection systems of Bangladesh to mitigate the exposure of the population to systemic shocks including those related to natural hazards, climate change, and disease outbreaks.