

Country Assistance
Program Evaluation

Bangladesh, 2011–2020



Independent
Evaluation **ADB**

Raising development impact through evaluation

Bangladesh, 2011–2020

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NOTES

- (i) In this report, "\$" refers to United States dollars.
- (ii) For an explanation of rating descriptions used in Asian Development Bank (ADB) evaluation reports, see ADB. 2015. *2015 Guidelines for the Preparation of Country Assistance Program Evaluations and Country Partnership Strategy Final Review Validations*. Manila.

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Abbreviations

ADB	–	Asian Development Bank
ANR	–	agriculture, natural resources, and rural development
CAPE	–	country assistance program evaluation
COBP	–	country operations business plan
COVID-19	–	coronavirus disease
CPS	–	country partnership strategy
EIRR	–	economic internal rate of return
FDI	–	foreign direct investment
GDP	–	gross domestic product
HDI	–	Human Development Index
ICT	–	information and communication technology
IDCOL	–	Infrastructure Development Company Limited
IED	–	Independent Evaluation Department
IMF	–	International Monetary Fund
JFPR	–	Japan Fund for Poverty Reduction
JICA	–	Japan International Cooperation Agency
MDG	–	Millennium Development Goal
MFF	–	multitranche financing facility
NPL	–	non-performing loan
O&M	–	operation and maintenance
OCR	–	ordinary capital resources
PBL	–	policy-based lending
PCR	–	project completion report
PPP	–	public–private partnership
PPTA	–	project preparatory technical assistance
PRC	–	People’s Republic of China
PSM	–	public sector management
RBL	–	results-based lending
SASEC	–	South Asia Subregional Economic Cooperation
SHS	–	solar home system
SMEs	–	small and medium-sized enterprises
SOCB	–	state-owned commercial bank
SWAp	–	sector-wide approach
TA	–	technical assistance
TVET	–	technical and vocational education and training
UNDP	–	United Nations Development Programme
WUS	–	water and other urban infrastructure and services

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- H. Sector Assessment: Finance

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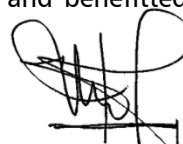
Foreword

Bangladesh is celebrating 50 years of independence. Over this period, impressive development targets have been reached and, before the coronavirus disease (COVID-19) pandemic, Bangladesh was recording the highest rates of growth in its economic history and the highest in South Asia. The economy grew by 8.2% in 2019 and, until the pandemic, by a similar level in 2020. The high levels of poverty that Bangladesh experienced 50 years ago have fallen consistently over the last 3 decades.

Yet Bangladesh still faces daunting development challenges. Climate change poses a major threat, with sea level rise, droughts, floods, and cyclones affecting much of the country's low-lying coastal areas and its dense population. The economy requires further diversification, with foreign exchange mostly generated by ready-made garment exports and remittances from overseas workers. Inadequate infrastructure deters the higher levels of private investment needed to sustain growth and poverty reduction. Domestic resource mobilization is one of the lowest in the world, restricting needed public investment in essential services, health, education, and operation and maintenance. While Bangladesh has made good progress in closing its wide gender gaps, women face significant development challenges. In recent years, Bangladesh has also had to provide humanitarian assistance for the largest population of displaced people in the world near its border with Myanmar.

This evaluation assesses Asian Development Bank (ADB) support for Bangladesh over 2011–2020. ADB is a key partner in infrastructure development, has provided long-term support in vital infrastructure sectors, and has achieved notable results. For instance, after 50 years of consistent support for the energy sector, access to electricity has skyrocketed. Good progress has also been made in the delivery of primary and early childhood education, with high enrollments and a notable reduction in gender inequities. Challenges remain in public sector management, transforming the financial sector, growing the private sector, and improving the quality of education; each of these will require continued engagement by ADB, as will supporting efforts to adapt to climate change. Dealing with the impact of the COVID-19 pandemic is likely to be another significant test, aggravated by the fact that ADB's health sector support has been limited over the last few decades.

In future, Bangladesh will require strong support for economic recovery as well as immediate assistance to finance COVID-19 vaccination delivery and logistics. Investment over the short- to medium-term will need to pay special attention to recovery from the pandemic and aim to strengthen national health care services and social protection systems to build Bangladesh's resilience to shocks. Climate change considerations will need to underpin all future investment choices. This report was discussed with key Bangladesh authorities and benefitted from their feedback.



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Country Assistance Program Evaluation for Bangladesh, 2011–2020

RECOMMENDATIONS

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

INTRODUCTION

The evaluation assessed Asian Development Bank (ADB) support for Bangladesh during 2011–2020 against ADB's Strategy 2020 objectives of inclusive economic growth, environmentally sustainable growth, and regional cooperation and integration. It found many positives but also remaining challenges. ADB is a significant development partner for Bangladesh and has contributed to commendable results in energy; education; and agriculture, natural resources, and rural development (ANR). Support in the water and other urban infrastructure and services (WUS), transport, finance, and health sectors also delivered notable results, although some significant issues remain to be resolved in transport. ADB paid specific attention to gender, and good results were achieved in education, ANR, transport, and WUS. ADB support for such thematic priorities as governance, private sector development, the environment, and climate change will require longer-term support to achieve. Given the notable achievements across ADB's operations sectors, especially in energy and education, the evaluation assessed ADB's program in Bangladesh as overall *successful*.

PORTFOLIO

This evaluation covers loans, grants, and technical assistance that amounted to commitments of nearly \$18.0 billion during the period. The portfolio consisted of 362 approved, active, and closed products from 2011 to 2020. The energy and transport sectors accounted for half the portfolio.

FINDINGS

The most significant contribution to economic diversification was ADB support for the energy sector. ADB's impact in this sector has been substantial.

ADB support for transport also contributed to economic diversification by enhancing connectivity. However, progress was not made as quickly as anticipated, particularly in the railway subsector. In logistics and competitiveness, Bangladesh's performance has slipped when measured against those of other countries.

Support for inclusion, education and skills development, and greater gender equity achieved remarkable results. In a challenging context, ADB and other development partners supported the government to improve the quality and quantity of education.

Since 1997, ADB has supported improved access to primary health care services for the urban poor. These projects have contributed to good health outcomes, mainly in poor urban areas, but there are concerns these may not be sustainable.

ADB investments in flood protection benefited agriculture and rural livelihoods significantly. The ANR program was proactive in addressing climate change adaptation and disaster risk management, but ADB work in this sector was a small share of the overall program.

ADB contributed to Bangladesh's financial sector but the sector has not developed to the level expected. Capital markets are sounder and better governed but growth in both the buy and sell sides of the market remains limited. The financial market in Bangladesh is still underdeveloped.

Support to public sector management (PSM) had some positive effects but fell short of delivering the expected outcomes. Reforms in PSM require long-term engagement and there were no new PSM interventions in the latter half of the period. ADB has supported public-private partnership (PPP) in Bangladesh and two PPP road projects, the first under the PPP law, are at an advanced stage with one currently under construction.

ISSUES

ADB projects approved during the country assistance program evaluation (CAPE) period continued to be narrowly single sector focused and ADB missed opportunities to apply more holistic solutions to increasingly complex issues, climate change foremost among these.

On the environmental front, ADB did not have a proactive approach to helping Bangladesh tackle climate change, an effort that calls for a holistic, multisector approach to project design.

ADB produced impressive knowledge products in some sectors over the CAPE period, but comprehensive sector, diagnostic, and analytical work to guide sector strategies program development and investment choices was still limited.

Policy-based lending could be more effectively used to tackle a range of critical policy constraints facing Bangladesh.

The health sector has suffered decades of underinvestment, and the full impact of the COVID-19 pandemic on essential public services is not yet known.

The ADB CPS, 2016–2020, did not specify the resource envelope for each sector.

ADB has invested heavily in the railway subsector but these investments are not achieving results as quickly as anticipated.

Information and communication technology (ICT) is an important sector with potential for growth, but, as with other sectors, there was no underlying sector strategy to help guide potential ADB support.

While remarkable progress has been made in primary education and other education subsectors, education quality remains low.

Private sector investment in Bangladesh is challenging and requires more dedicated project preparatory work and a deeper understanding of the business environment.

LESSONS

- Capital market development requires significant attention to both supply and demand side issues in Bangladesh.
- Broad public engagement and analytical work are needed to build a strong foundation of demand for improved PSM and good governance.
- ANR outcomes can further improve if the program is connected to and focused on both productivity and livelihoods.
- ADB's reliance on building systems to expand the supply of finance may improve access to these services, but it also needs a vision and a strategy if it is to work with the government to transform the financial system.
- ADB's strategy was to respond flexibly to Bangladesh's financing needs, but this meant that it risked overinvesting in areas where development returns may not materialize.
- Efforts to improve project readiness can pay off by reducing delays.

Executive Summary

Overall Program

Asian Development Bank (ADB) lending and technical assistance (TA) support to Bangladesh during 2011–2020 amounted to nearly \$18.0 billion, of which around 55% was funded by ordinary capital resources (OCR), 41% by concessional OCR, and the remainder by cofinancing and grants. Investment in infrastructure made up nearly two-thirds of the total portfolio, energy receiving the most financing, followed by transport. ADB also supported a diverse program of non-infrastructure projects.

Evaluation Methodology

This country assistance program evaluation (CAPE) provides an independent assessment of ADB's support to Bangladesh during 2011–2020. The evaluation followed the 2015 CAPE guidelines and drew evidence from portfolio performance data and interviews with a range of stakeholders and ADB staff. Due to the outbreak of the coronavirus disease (COVID-19) pandemic in 2020, interviews with government officials and other stakeholders were conducted virtually, and no country visit was undertaken.

The evaluation took a matrix assessment approach that combined sector program and thematic assessments in order to aggregate overall performance. The matrix was drawn from a theory of change based on the structure of the two country partnership strategies (CPSs) during the period and Strategy 2020 objectives. Inclusive economic growth, environmentally sustainable growth, and regional cooperation and integration were the central themes in the strategies of both the government and ADB throughout the evaluation period. Drivers of change included gender equity, private sector development, and governance and capacity development.

Country Context

Bangladesh is situated in a fertile river delta with low-lying floodplains and is highly vulnerable to

floods, tropical cyclones, and the consequences of climate change. It is one of the most densely populated countries in the world and the fifth most populous of ADB's developing member countries. Bangladesh reached lower-middle income status in 2015 when it reached a gross national income per capita of \$1,080, which rose to \$1,940 in 2019. Poverty incidence has declined over the last 3 decades and growth has been broad-based. Female participation in the garment industry, labor migration, and microfinance programs has bolstered women's economic participation but early marriage patterns and violence against women, which is increasing, remain significant challenges. Between 2011 and 2016, access to water and sanitation improved. However, about 24 million people are still living below the poverty line. Almost two-thirds of the population lives in rural areas, which are home to many of the poorest people in the country. The road network was recently ranked 108th out of 141 countries in terms of quality and large sections of the transport network are vulnerable to flooding.

The annual gross domestic product (GDP) growth rate in Bangladesh has been robust. From 6.7% in fiscal year 2011 (FY2011), GDP growth rose to 8.2% in FY2019—the highest in the country's economic history. Until the pandemic, private consumption remained strong on the demand side, underpinned by strong remittances from overseas workers and rural income growth.

Bangladesh Strategies and Borrowing Policies

Over the CAPE period, the government had two development plans. The Sixth Five-Year Plan, 2011–2015 aimed to reduce poverty further by accelerating growth. Investment in infrastructure would be tripled, with substantial private sector participation through public–private partnerships (PPPs). The government also committed itself to environmentally sustainable development. The Seventh Five-Year Plan, 2016–2020, aimed to accelerate job creation, reduce poverty, and achieve the Sustainable Development Goals (SDGs).

ADB Country Partnership Strategies

Two CPSs with broadly similar objectives guided ADB support for Bangladesh over the CAPE period. The CPS, 2011–2015 was aimed at inclusive and greener growth. ADB committed itself to helping the government address binding constraints on growth in ways that would foster environmental sustainability and reduce disaster risks. It noted that Bangladesh needed to boost national savings, expand foreign direct investment (FDI), diversify the economy, and increase revenue generation, which was the lowest in Asia. It recognized the need to lift labor market skills, remove constraints on the energy and transport sectors, and develop the capital market. Areas for ADB support would include transport connectivity, building skills, deepening financial markets, boosting access to energy, making cities more livable, improving the management of water resources, and reducing flood risks. The CPS, 2011–2015 contemplated a total planned envelope for new lending of \$7.8 billion. The CPS, 2016–2020 reiterated the importance of inclusive growth but ADB’s support for this would also reflect its commitment to sustainable economic growth. ADB support would increase private sector investment in infrastructure, diversify the economy, and expand employment opportunities. Gender equality would be supported by providing women with equal access to education, skills, job opportunities, and credit. ADB would support the deepening of regional cooperation and integration. In governance, ADB aimed to address Bangladesh’s institutional capacity constraints. The CPS, 2016–2020, referred to a total planned envelope for new lending of \$5.7 billion. However, it did not specify estimates by sector, making it difficult to track deviations from planned lending at this level.

Performance Against Strategic Objectives

Evidence drawn from the sector program and thematic assessments was used to address the overarching evaluation question: To what extent did ADB support contribute to higher inclusive economic growth, environmentally sustainable growth, and regional cooperation and integration?

Overall, ADB investments made a positive contribution to inclusive economic growth by improving connectivity; strengthening flood

control; improving education, especially for the poor; and strengthening small and medium-sized enterprises (SMEs), particularly with regard to the number of people they employ. ADB’s contribution to Bangladesh’s environmentally sustainable growth was satisfactory. ADB was active in supporting regional cooperation and integration. Investments in transport and energy infrastructure, together with trade facilitation, promoted regional cooperation and integration and they were also assessed satisfactory. While gender results were more noticeable in some sectors than in others, outcomes were satisfactory in most cases. ADB’s contribution to private sector development was less than satisfactory. Missing from the program was a structured drive to achieve this strategic objective. All sector programs tried to address some of the institutional and governance challenges they faced but they require longer-term support to sustain change. Sector programs in energy; water and other urban infrastructure and services (WUS); education; health; and agriculture, natural resources, and rural development (ANR) were assessed successful. The programs for transport and finance were successful on the borderline, and that for public sector management (PSM) was less than successful. Overall, ADB’s country strategy program in Bangladesh was *successful*. Underlying this overall assessment were five subsidiary evaluation questions.

1. How and to what extent did ADB support contribute to economic diversification?

ADB’s most significant contribution to economic diversification in Bangladesh was through its support for the energy sector. ADB’s impact in this sector has been substantial. It contributed to Bangladesh’s economic growth, diversification, and rural service delivery through a relevant, effective, and efficient portfolio of energy investments. ADB served as a key motivator and supporter of early efforts to unbundle and corporatize the Bangladesh energy sector, and to install independent regulation. ADB provided finance and risk mitigation for the introduction of highly efficient combined cycle gas turbine technology, first through public sector sponsorship and then through private finance. ADB also financed solar home systems through its financial sector operations. It was the lead partner for the expansion and modernization of the

country's power and gas transmission and distribution systems, which has provided a solid foundation for the provision of electricity to almost the entire population and opened the door to regional power trade.

ADB support for transport also contributed to economic diversification by increasing connectivity. However, this was not realized at the pace intended, particularly in the railway subsector. Bangladesh's performance in logistics and competitiveness, as measured against other countries, has slipped. While ADB's strategy and program was relevant, it was not especially effective. Two of three outcome indicators, common to both CPSs, were higher numbers of rail passengers and increases in rail freight traffic, and the targets for both were missed. The railway subsector carried only 4% of all land passenger and freight in 2005. While rail demand has been growing, rail's share of passenger and freight transport has not likely increased or increased minimally since 2005. The rail subsector is a high priority for government, however, and they regard ADB as a significant development partner in the transport sector. They expect that continued support by ADB and other donor partners will achieve results over the longer term. On the positive side, there was a significant reduction in delays to loan closures from 2011 onwards compared with the previous decade. Demand for infrastructure investment across all sectors remains high.

2. How has ADB support in Bangladesh contributed to inclusion, education and skills development, and greater gender equity?

ADB support for inclusion, education and skills development, and greater gender equity achieved remarkable results. In a challenging context, ADB and its development partners supported the government to improve the quality and quantity of education. By the end of the period, education was offered to almost all children of primary school age and 70% of the secondary school age group. A larger proportion of each group completed each schooling cycle, with near gender parity, and narrowed socioeconomic differences on key education indicators, although there is a scope to improve education quality. ADB's education programs have successfully tackled disparities, strengthened learning outcomes, and

raised school completion rates. Pre-primary education was introduced and, while its quality is low, it is available nationwide. Support for technical and vocational education and training is delivering good results. The impact on the education profile of the workforce is already apparent, with workers aged 15–34 much better educated than those over 35, and gender gaps reduced. While ADB support for education and health was effective, ongoing support is needed to raise quality.

Since 1997, ADB has supported better access to primary health care services by the urban poor. From approval in 2005 to completion in 2014 of the Second Urban Primary Health Care Project, the infant mortality rate declined by 26% and the maternal mortality ratio by 41% in project areas, exceeding the targets of a 15% reduction in both. The projects also led to the introduction of a PPP mechanism in urban primary health care provision. However, the sustainability of these achievements hinges on the government's completion of the budget reforms planned under the projects.

Other sector programs also contributed to inclusion and greater gender equity. While data are limited, first-time access to electricity makes a big difference to the lives of women. WUS projects expanded women's participation in institutional roles and project-related decision making. The design of transport projects was comprehensive, and projects included physical design features to improve inclusion, better wage and employment conditions for women and vulnerable groups, and measures to improve safety, all of which enhanced the social profile of the transport program. In ANR, women were very involved in training and technical programs. In livestock interventions, 98% of the beneficiaries were women, and in crop production the figure was 60%. Sustainable rural infrastructure was designed specifically to address gender equity. ADB support for education, health, and ANR were all successful. The education program was the only program assessed highly relevant due to its focus on capacity development, inclusion, partnership, and gender. Only the health program scored highly for development impacts because of the direct benefits it delivered to the urban poor, especially women.

3. To what extent did ADB support help Bangladesh tackle the environmental challenges associated with climate change and disaster risk?

ADB investments in flood protection had significant advantages for agriculture and rural livelihoods. The ANR sector is an important priority for Bangladesh. The ANR program was proactive in supporting climate change adaptation and disaster risk management. ADB made investments in coastal climate resilience, river flooding, integrated water resources, and improved irrigation management. However, while the ANR program provided support for climate change adaptation and disaster risk management and had good results, ANR was a small share of the overall program.

Outside the ANR and WUS sectors, ADB support for tackling the environmental challenges associated with climate change and disaster risk was not very visible. ADB supported a comprehensive energy program and stabilized the power system but it did not pursue energy efficiency or renewable energy aggressively. In these two areas, ADB was a follower rather than a leader. The vulnerability of the transmission system to severe storms and cyclones was not explicitly discussed in project designs. In the transport sector, the dominance of rail investment promoted a favorable modal shift from private modes, reducing greenhouse gas emissions. However, ADB support for major road projects will generate new traffic and increase highway speeds, which will increase greenhouse gas emissions especially if the traffic is not managed properly. In terms of resilience, the design of the road and rail infrastructure was climate-proofed to withstand significant flooding and other extreme events even before 2012 and since that year all ADB projects have been required to assess climate risks. Nearly two-thirds of ADB's transport projects supported climate and disaster resilience in project designs.

Groundwater resources are under stress due to the increased frequency of dry spells resulting from climate change. The WUS sector addressed climate and disaster resilience directly through drainage and flood protection components in secondary towns. Developing alternative or improved water sources also had the effect of addressing climate resilience. Improved sanitation and solid waste management made important contributions to

improving the urban environment. Institutional capacity building, including strengthened political will, and growing awareness and participation by civil society formed part of most WUS projects and these were fundamental to climate change adaptation and disaster risk reduction initiatives. Infrastructure elements were designed to be resistant to natural hazards, such as cyclones, flooding, and storm surges.

4. Has ADB support for rural livelihoods contributed to more balanced growth?

Investment in ANR, through sovereign projects on rural roads and flood protection, and nonsovereign operations, contributed to rural economic diversity, improved livelihoods, and balanced growth. The impact of rural roads on the transformation of the ANR sector, the Bangladesh economy, and poverty reduction was assessed by this CAPE to have been substantial. There were synergies between ADB support for the transport sector and ANR rural road projects, which enhanced the connectivity of remote agricultural areas. Nonsovereign ANR operations also contributed to farmers' livelihoods. The ANR program had a significant impact despite the fact that it represented only a small share of the country portfolio. ADB also contributed to rural electrification. When ADB first became involved, electricity reached about 40% of the population and access has now increased to 95%–97%. In addition, 63% of ADB's transport program supported improvements to rural livelihoods by design. ADB's ANR and transport operations both supported the strengthening of the responsible agency, the Local Government Engineering Department. The synergies between the two sectors contributed to the program's overall success.

5. Has ADB support for governance and the business environment removed constraints on private sector investment?

ADB contributed to Bangladesh's financial sector but the sector has not developed to the level expected. ADB is visible in capital market development. Capital markets are sounder and better governed, but neither the buy nor sell sides of the market has been especially responsive to these changes. ADB support for the long-term financing of infrastructure included helping

develop a culture of PPPs and supporting the gradual development of the Infrastructure Development Company Limited into a specialized bank capable of intermediating long-term foreign financing to support infrastructure development. However, the company is not yet able to access the bond market or to become self-financing. ADB's work with SMEs highlighted the importance of supporting women entrepreneurs, while helping commercial banks and other non-bank financial institutions to be more responsive to the microfinance sector. Support for improving the efficiency of brick kilns and for the ready-made garments industry contributed to Bangladesh's development by enhancing two strategic industries, while also improving their social and environmental footprint. Although ADB supported the expansion of financial services, the financial market in Bangladesh remains underdeveloped and the conditions for private sector investment challenging.

It could be argued that all infrastructure projects contributed to private sector investment. Several sovereign energy operations promoted competition and private participation in the power sector. In ANR, two nonsovereign interventions aimed to enhance commercialization, and, although their results were less than expected, they helped to improve farmers' incomes. The Bangladesh transport sector faced serious logistical challenges and some projects were intended to address this, thus enhancing private participation and diversification of the economy. However, although ADB is supporting private sector participation in transport infrastructure and maintenance, only a fourth of projects included private sector development measures, all of which involved performance-based road maintenance contracts delivered by private firms for roads. Nevertheless, two PPP road projects, the first under the PPP law, are at an advanced stage, with one currently under construction in 2021. The SME program performed consistently well overall. While private sector development was prioritized in both CPSs, a detailed strategy to achieve this strategic objective was missing, despite the challenging context. While consultations with Ministry of Finance officials noted that the enabling environment for private sector development was improving, there was still a long way to go.

Support for PSM has had some positive effects but fell short of delivering the expected outcomes. Within the Good Governance Program, some of the outcomes could not be achieved, because actions were reversed, albeit temporarily, or were adopted late. The Public Expenditure Support Facility Program fell short of improving service delivery for women and the disadvantaged, and of fostering private sector development. Similarly, efforts to support online tax returns and land titles were less successful than expected. The TA for the Anticorruption Commission, while limited, is improving prosecutorial procedures. However, while PSM projects have performed well, the PSM reforms supported by ADB have not had a significant impact on Bangladesh's governance. Governance is a complex area that takes time to achieve results. Some of the programs had successes, but their scale was so limited that they did not register at the country level. In WUS, improvements in tariff structures, and in revenue collection and management, have set precedents for subsequent work in more secondary urban centers. ADB actively pursued rail and road reforms for over 15 years with some success. However, the slow and incomplete implementation of rail and freight tariff reform has undermined the financial viability of rail and hindered the commercialization of the rail freight business. The transport sector's contribution to development outcomes was not fully realized due to the limited implementation of reforms to road maintenance funding and truck overloading regulations, as well as the limited attention given to more efficient policy making and regulation for multimodal transport.

ADB's performance in terms of project preparation, implementation, and supervision was satisfactory. While there were project implementation and supervision concerns in some sectors, the use of advance contracting in some programs is starting to pay off. ADB worked in partnership with other development agencies, through a well-established network, to achieve better development results, although it could have done a better job of defining sector strategies and the future risks associated with climate change. Few programs have outcome indicators that can be tracked to monitor ADB's performance. Overall, ADB's approach was opportunistic rather than strategic. The Independent Evaluation Department (IED) consultations with Ministry of Finance

officials revealed that the authorities are pleased with the leadership of the Bangladesh Resident Mission. The contribution from ADB, which includes direct and close collaboration with the resident mission, has been strong. For instance, ADB was one of the first development partners to mobilize support for the government to tackle the COVID-19 pandemic. Since 2014, the resident mission has played a significant role in country programming and implementation, but the resident mission's capacity is especially thin on the nonsovereign side. Government performance in delivering the ADB supported program was assessed satisfactory overall, with some variations across the sectors, mainly related to policy reforms in transport, finance, and PSM that require longer term support to fully achieve.

Overall, the evaluation found that progress had been made in several sectors. ADB has contributed to commendable results in energy, education, and ANR. Notable results were also achieved in the WUS, transport, finance, and health sectors, although some issues remain to be resolved in transport. Specific attention was paid to gender and notable results were achieved in education, ANR, transport, and WUS. However, the results of ADB support for thematic priorities were limited in the fields of governance, private sector development, and support for the environment and climate change. Nevertheless, given the notable achievements across several sectors, especially in energy and education, the evaluation assessed ADB's program in Bangladesh as overall *successful*.

The report benefitted from feedback received from key authorities during the consultation mission conducted on 20-21 April 2021. The authorities expressed high satisfaction with ADB's support and the quality of interactions with the resident mission.

Lessons

Capital market development in Bangladesh requires significant attention to both supply and demand side issues. The development of the capital market requires more than simply improving the capacity of the regulator. A greater effort is needed to look at how both demand and supply sides can be built, especially by increasing

the number of companies willing to make an initial public offering.

Broad public engagement and analytical work are needed to build a strong foundation of demand for improved PSM and good governance. ADB needs to have a stronger focus on diagnostic work and engagement of civil society.

ANR outcomes can further improve if the program is connected to and focused on both productivity and livelihoods. As a result of a strategic policy decision, during the CAPE period ADB overlooked the rural livelihood projects that had been successful in the past; this was a missed opportunity to raise rural incomes and address food security concerns. Livelihood projects provide a buffer against threats to food security, especially among the rural poor during a crisis period such as the ongoing COVID-19 pandemic. More positively, the emergence of nonsovereign operations in agricultural value chains was a notable development.

A reliance on building systems to expand the supply of finance can support greater access to these services, but ADB needs to have a vision and a strategy for how it plans to transform the financial system. The financial market in Bangladesh remains underdeveloped despite good attempts by ADB to improve access to financial services. There was no overall strategy to guide ADB investments in the sector, nor a vision of how the market might be developed in future. ADB did not seem to have a clear approach to how progress might be measured. Some of this was due to the absence of more detailed and rigorous sector diagnostic work that should precede investment choices.

If ADB pursues a strategy which responds flexibly to the country's financing needs, it may risk overinvesting in areas where development returns may not materialize as expected. A provisional estimate of resource allocations across the sectors would help avoid this. Without sector analytical work and strategies, it is difficult to make judgements on how to allocate resources, e.g., whether to invest more in transport or health. Allocation estimates should not be set in stone, but compelling and strong justifications should underpin any movement away from them.

Efforts to improve project readiness can pay off by reducing delays. This has happened since 2011, especially in transport projects. However, subsector reform programs are vital to ensure that infrastructure investment is efficiently operated in order to provide the intended benefits.

Issues

Projects approved during the CAPE period continued to be single sector focused; ADB missed opportunities to apply more holistic solutions to increasingly complex issues, climate change foremost among these. ADB now needs to apply Strategy 2030 perspectives to its work in Bangladesh on issues such as sustainability, governance, inclusiveness, and accelerating gender equity. It has to employ a broader multi-sector approach that can only be based on a deeper and more complete understanding of the challenges being tackled. Limited or missing sector analytical work during the period meant that critical aspects were overlooked in some ADB projects during the period, undermining their effectiveness, efficiency, and sustainability and hampering efforts to encourage private investment (which also suffered from some market imperfections). Little sector diagnostic and analytical work appears to have been done in areas that pose possible future risks to the country, e.g., the impact of climate change on future water sources. Initial steps are being taken with projects such as the Flood and Riverbank Erosion Risk Management Investment Program, which has adopted a more holistic approach to management of the water sector and to flooding, while also addressing climate change issues.

On the environmental front, ADB did not take a proactive, holistic, or multisector approach to helping Bangladesh tackle climate change. Various combinations of sea level rise, increasingly severe and unpredictable storm and precipitation events, water-logging, and increased salinity in water resources directly impact development initiatives across Bangladesh and require much more attention than they are currently receiving. People displaced by climate change may add to urban stress as more lands become uninhabitable.

ADB produced impressive knowledge products for some sectors during the CAPE period, but comprehensive sector, diagnostic, and analytical

work to guide sector strategies, program development, and investment choices was limited. While ADB was responsive to Bangladesh's national plans and sector policies, these need to be complemented by sector diagnostic and analytical work that identifies where investment is likely to yield the greatest benefit. Because ADB did not produce such work, in preparing this evaluation IED used publications from other organizations to find sector-related contextual information and sector performance data.

Policy-based lending (PBL) could be more effectively used to tackle the range of critical policy constraints facing Bangladesh. Aside from the countercyclical facility, ADB PBL focused on capital market development and good governance. While there were strong arguments for the Second Capital Markets Development Program, the justification for using PBL to support a third program was weaker. Stand-alone TA may have been sufficient to support the necessary capacity development. Implementation of the reforms also took longer than expected which delayed the disbursement of finance that was needed for budget support purposes. Given the range of other macroeconomic policy issues—low tax collections, low-quality public investment, and frail structures for the provision of health and social safety nets—PBL may have been better used elsewhere. However, it may not be appropriate to use PBL to tackle the acute rise in non-performing loans at state-owned commercial banks. This segment of the financial sector needs to be reformed but any remedy that does not tackle sector governance issue head on will most likely lead to future crises, as experience elsewhere has shown. PBL could also help address other public policy issues such as the underinvestment in public health, which, as a share of GDP, is one of the lowest in the world. In addition, there is no official national pension safety net, i.e., for formal as well as informal workers, and social protection is fragmented. These are issues that concern public policy choices, and it would have been more appropriate for ADB to have used PBL to address them rather than capital market development, which would benefit more from long-term standalone TA. Since the outbreak of COVID-19, PBL use is shifting to focus on social-safety nets.

The health sector has suffered decades of underinvestment, and the full impact of the

COVID-19 pandemic on essential public services is not yet known. While ADB has supported access to primary health care for the urban poor, it has not engaged directly with the Ministry of Health or considered becoming involved more formally in health and social protection. ADB could build on its success in improving health care services for the urban poor in Dhaka and other cities by providing broader support for national health and social protection systems in Bangladesh. ADB did explore the potential for primary health care insurance but did not build on the initial pilot. In a country without formal national pension safety nets for its growing workforce, ADB could consider, with other partners, helping Bangladesh structure a viable safety net that covers a broader range of the population.

The CPS, 2016–2020, did not specify the resource envelope for each sector. While ADB was criticized by IED for not following the investment plan in the CPS, 2011–2015, the solution was not to remove resource estimates for 2016–2020 entirely. ADB wanted to be flexible and respond to country demands which has resulted in higher investment in railways but the results have not materialized as quickly as expected. A key function of the CPS is to make difficult strategic decisions on how best to allocate the limited country resource envelope. Without these estimates, the CPS provides limited overall strategic direction.

ADB's investment in the railway subsector is not achieving results as quickly as anticipated. While investment in railways is a national and regional priority, this mode of transport carries a relatively small share of total land passengers and freight. The government worked closely with ADB in formulating the reform programs for the rail and road subsectors, but implementation is taking longer than expected. An immediate challenge for ADB is to build on the government's commitment to reforms to ensure that ADB-supported and other transport infrastructure is sustainably financed and efficiently operated. Issues such as the effective coordination of freight and passenger modes, the facilitation of efficient multi-modal logistics, the efficient management of urban public transport, and easing urban traffic congestion are critical and remain to be addressed on a comprehensive basis.

Information and communication technology (ICT) is an important growth sector in Bangladesh but, as in other sectors, ADB does not have an underlying sector strategy to guide potential support. A World Bank study has shown that ICT could help increase female participation in the labor force, an important component of Bangladesh's growth strategy. ADB had only one ICT project during the period, and a regional integration project, although it also used ICT approaches to solve taxation and land management issues. ADB provided no nonsovereign support for this sector. ADB's thin support for ICT in the period was probably a missed opportunity, given the growth potential of this sector.

While remarkable progress has been made in primary education and other education subsectors, quality remains low. About 2.5 million children have either never enrolled in school or dropped out before completing primary school. Primary dropout rates have declined but there is scope for further reduction. Given that learning outcomes in Bangladesh are still poor, ADB needs to maintain its presence in primary education and to build on and sustain achievements. Barriers at the secondary level persist for poor families. Access to technical education and skills development is limited, especially for older girls. For sector programs that involve a wide range of development partners, as in primary education, ADB needs to have staff with strong technical skills based in Bangladesh who can readily engage with the government and bring together development partners and a range of stakeholders. However, ADB declared Bangladesh a non-minor duty station in 2016, which has made the posting of ADB in-country international staff to the resident mission difficult.

Private sector investment in Bangladesh takes place within a challenging context. ADB needs to carry out more dedicated preparatory work and to develop a deeper understanding of the business environment. The CPS, 2016–2020 stated that ADB would expand private sector operations by helping to improve the business climate and strengthen financial markets. The CPS identified several factors hindering the business climate, including the regulatory environment, the costs of doing business, tax policies, weak land acquisition and land use policies, an inadequate banking

system, and lack of capital and bond markets. For ADB support for private sector investment to be successful, sector governance challenges need to be tackled at project, sector, and overall country levels. However, ADB governance interventions in the latter half of the CAPE period were limited. While private sector operations represented only a small share of the overall program, ADB was Bangladesh's main partner in energy nonsovereign operations and has had some success in establishing agriculture value chains.

Recommendations

The evaluation recommends that ADB should:

Recommendation 1. 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. This in turn calls for ADB to bring together its sectoral teams in order to structure these holistic projects, identifying the synergies and co-dependencies of the different teams. ADB needs these teams to design well rounded holistic projects on a foundation of deeper and broader sector analytical work. A “One ADB” approach should be the norm in Bangladesh and, as a part of this, helping Bangladesh invest in preventing and mitigating the negative consequences of climate change should be a priority.

Recommendation 2. Ensure climate change and the environment are the overall strategic priority in the CPS, 2021–2025. The outcomes of individual sector projects, e.g., in energy and transport must extend beyond the sector itself. These projects should include climate change, gender equity, livable cities, rural livelihoods, and other Strategy 2030 outcomes as their starting point. They should be justified by strong evidence underpinning the link between the sectoral, climate change, and other objectives.

Recommendation 3. 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. Over the CAPE period, ADB committed itself to removing constraints on infrastructure investment, private

sector development, and financial market development. These and other objectives need to be supported by scaling up economic and sector analytical work to better inform policy change. Alongside future infrastructure investments, ADB should seek opportunities to join with other development partners to undertake detailed sector economic and analytical work wherever possible.

Recommendation 4. Target the use of programmatic PBL at the most critical and relevant policy issues where government reform commitment is strong, and where governance can be strengthened. The potential policy reform agenda in Bangladesh is wide, especially with regard to the provision of health and social safety nets. However, implementation of reforms takes much longer than planned. ADB should consider the use of programmatic PBL, so that country financing is not delayed. Future ADB support should be based on robust policy analytical work and should be relevant, country-owned, programmatic, and supported by TA.

Recommendation 5. 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 COVID-19. As the recent pandemic has shown, neglect of essential public services such as basic health care comes with a high cost. ADB should explore how best to work with other partners in the social sectors and to build on its successes, including in education, with sector-wide approaches. 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.

Linkage Between Findings, Issues, and Recommendations

Findings	Recommendations
Asian Development Bank (ADB) support for the energy and transport sectors contributed to economic diversification. Its support for inclusion, education and skills development, and greater gender equity also achieved good results. However, there are areas where the country program missed opportunities to apply more holistic solutions to increasingly complex issues such as those related to climate change and private sector development. A more encompassing approach to complement the technical aspects of ADB support must also include broader perspectives that cover Strategy 2030 objectives. These include addressing poverty and inequality; tackling climate change; building climate and disaster resilience and enhancing environmental sustainability; promoting rural development and food security; fostering regional cooperation and integration; making cities more livable; and strengthening governance and institutional capacity. See paras. 73, 92, 224, 231, and 260.	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.
Bangladesh is one of the most disaster-prone countries in the world and is likely to suffer very badly from the adverse impacts of climate change. The agriculture, natural resources, and rural development program was proactive in supporting climate change adaptation and disaster risk management, but it represented a small share of the overall program. Across all sectors, ADB needs a more proactive approach to assist the country in addressing climate change through a holistic and multisector approach. See paras. 21, 40, 188, 192, 239, and 261.	Recommendation 2: ADB should ensure climate change and the environment are the overall strategic priority in the country partnership strategy (CPS), 2021–2025.
ADB produced some impressive knowledge work over the period but comprehensive sector, diagnostic and analytical work to guide sector strategies, program development, and investment choices was still limited. Dedicated preparatory work and a deeper understanding of the current business environment are prerequisites for project designs, particularly those requiring a holistic and multisector approach. See paras. 233, 258, 262, 265, 267, and 271.	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.
Policy-based lending (PBL) offer opportunities to address a range of critical policy constraints facing Bangladesh. Strong government ownership is a key complement to effectiveness. See paras. 146, 152, 155, 207, and 263.	Recommendation 4: ADB should target the use of programmatic PBL at the most critical and relevant policy issues where government reform commitment is strong, and where governance can be strengthened.
Bangladesh has underinvested in public health care and social protection measures, which are critical, particularly in times of adverse events. ADB, whose health sector investments has been selective, missed an opportunity to capitalize on its innovation and initial success on primary health care insurance support. See paras. 23, 173, and 264.	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) pandemic. 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.



Country Context and Evaluation Approach

1



Highlights:

- Bangladesh is densely populated and highly exposed to climate change and disasters triggered by natural hazards such as severe flooding, droughts, and cyclones.
- Bangladesh's recent economic growth has been the highest in South Asia, poverty has fallen, and significant progress has been made in addressing gender balances. Nevertheless, Bangladesh faces significant development challenges, most of which preceded the outbreak of the coronavirus disease (COVID-19) pandemic.
- Higher levels of investment, particularly private sector investment, are needed to sustain growth and poverty reduction. The financial sector is underdeveloped and the ratio of non-performing loans in state-owned banks is high.
- Bangladesh has one of the lowest tax-to-gross domestic product ratios in the world, and government revenues are insufficient to finance the level of public spending needed for health and education, infrastructure, and poverty reduction.
- While much progress has been made to close the gender gap, women continue to face enormous challenges, including violence. Women's access to water, gas, electricity, sanitation, and transportation is particularly poor in low-cost settlements.
- Bangladesh is host to one of the largest camps for displaced people in the world.

A. Country Background

1. **Bangladesh is situated in a fertile river delta with low-lying floodplains, and it is highly vulnerable to floods, tropical cyclones, and the consequences of climate change.** The country is also highly exposed to geophysical risks and drought. Population density, rapid urbanization, weak disaster management, inequalities and poverty, and environmental degradation increase disaster risks further, particularly for people living in poverty or just above the poverty line. Bangladesh is one of the most densely populated countries in the world, with about 165 million people living on less than 150,000 square kilometers. It is the fifth most populous developing member country of the Asian Development Bank (ADB) and the eighth most populous in the world. In July 2015, Bangladesh reached lower-middle income status when its gross national income (GNI) per capita passed \$1,080, and it rose further to \$1,940 in 2019.

2. **Bangladesh has experienced various forms of governance since its independence in 1971.** It returned to electoral democracy in 1991.¹ Since then, the Awami League and the Bangladesh Nationalist Party have alternated in power. In 2011, the ruling Awami League amended the constitution, abolishing the system of caretaker governments to oversee national elections. While in power, both parties have exhibited a commitment to the country's long-term development agenda. Bangladesh will celebrate 50 years of independence in 2021, which coincides with the beginning of the government's new long-term development perspective plan, Vision 2041, under which Bangladesh aims to eliminate poverty and achieve a high-income country status.

1. Poverty, Inequality, and Social Development

3. **Poverty incidence has declined over the past 3 decades.** The proportion of the population living below the national poverty line was estimated at 21% in 2019 compared with 57% in the early 1990s. Bangladesh surpassed the Millennium Development Goal (MDG) of halving the incidence of extreme poverty by 2015; extreme poverty dropped from 36% in 1990 to 18% in

¹ Bangladesh has a parliamentary form of government that vests executive power in the prime minister. The country has a unicameral parliament (the House of the Nation) whose maximum strength is 350, of which 300 members are elected by territorial constituencies for a 5-year term and the remaining 50 seats are reserved for women. The women are elected by the 300 members based on proportional representation in the parliament. The country is divided into 8 divisions, 64 districts, and 4,562 unions. Local governance is by district, subdistrict, and union councils.

2010 and declined further thereafter. Growth has been broad-based, as indicated by the relative stability of the Gini coefficient (around 0.32). Remittances from overseas workers and stable food production have helped poor households cope with economic uncertainties. Female participation in the garment industry, labor migration, and microfinance programs have bolstered the economic participation of women. Between 2011 and 2016, access to water and sanitation improved. The proportion of the population using improved drinking water increased from 81% to 87%, while the proportion using improved sanitation facilities rose from 57% to 61%. Nonetheless, about 24 million people are still living below the poverty line and the coronavirus disease (COVID-19) pandemic may inflate this number.

4. Population growth has had an impact on both urbanization and human development.

Bangladesh's population has grown by 1.1% per annum since 2005, reaching 165 million in 2018. Half of the urban population lives in the four main urban centers—Dhaka, Chittagong (officially Chattogram), Khulna, and Rajshah.² Nevertheless, almost two-thirds of the population resides in rural areas, which are home to many of the poorest people in the country. The road network provides rural areas access to human development, but by international standards it is poor and was recently ranked 108 out of 141 countries.³ More than half of all roads and large sections of the transport network are exposed to flooding⁴ and other natural hazards.

5. Significant progress has been achieved in primary education and maternal health.

Bangladesh almost achieved the MDG target for universal primary education; the net enrollment ratio increased from 60% in the early 1990s to 98% in 2015, while the survival rate (proportion of pupils who reach Grade 5) increased from 43% to 84%. Gender parity was achieved in net enrollment due to interventions focused on girl students and exemption of tuition fees for girls. In 2015, females had a marginally higher net enrollment (98.2%) than males (97.6%). However, the quality of primary education needs to be improved.

6. Bangladesh has a strong record of improving the lives of women and children, but challenges remain.

Although the maternal mortality ratio (deaths per 100,000 live births) fell from 240 to 176 between 2011 and 2016, it was still below the MDG target of 143. Nonetheless, this was much lower than the ratio in 2000 (318). The continuing high maternal mortality ratio points to the need to improve women's access to health care (only 55% of women have access to antenatal care from a trained provider, and only 32% of births are assisted by a skilled provider). The infant mortality rate fell from 46 to 31 (deaths per 1,000 live births). Over 2011–2016, the prevalence of underweight children under 5 years of age also declined from 37% to 32%. The prevalence of stunting among children of 5 years of age was 36.2% in 2016, while the prevalence of malnutrition (wasting) among this age group was 14.4%. With a global gender gap index of 0.698, Bangladesh ranked 72 out of 144 countries in 2016.⁵ National commitment to better public health and education services and poverty reduction programs contributed to this result.

7. While Bangladesh has made good progress in closing the gender gap, women continue to face numerous challenges, including violence.

Women are disproportionality affected by unemployment, underemployment, and vulnerable employment. Very few women have bank accounts, and most do not control financial assets or own land. Only 1.7% of enterprises in the formal sector are owned by women, one of the lowest rates in the world. There continues to be

² Ministry of Housing. 2014. *Bangladesh Population and Housing Census 2011*. National Report Volume 3 (accessed 18 March 2020).

³ World Economic Forum (WEF). 2019. *Insight Report: The Global Competitiveness Report 2019*. The WEF gave Bangladesh's road connectivity a score of 57.5 out of 100, with a ranking of 117 out of the 141 countries while quality of road infrastructure was ranked 108th out of the 141 countries with a score of 37.0.

⁴ T.U. Delft. 2018. *Resilience of the Transport Network in Bangladesh: A Graph-Theoretical and Simulation Based Approach*. Report commissioned for a World Bank study, World Bank, Washington, D.C.

⁵ http://www3.weforum.org/docs/GGGR16/WEF_Global_Gender_Gap_Report_2016.pdf

a high rate of marriage among girls under 18, one of the main reasons for girls dropping out of school; about 6 out of every 10 girls still get married before 18. While women's employment in Bangladesh has risen, the rate of violence against women is high and probably underreported.⁶ Violence against women increased in 2019 and the risk of violence in 2020 is likely to have been exacerbated by cyclone Amphan in 2020 and COVID-19.⁷ Women's access to water, gas, electricity, sanitation, and transportation is particularly poor in low-cost settlements.

2. Economy

8. **The annual growth rate of the gross domestic product (GDP) in Bangladesh has been robust.** From 6.7% in fiscal year (FY) 2011, GDP growth rose to 8.2% in FY2019—the highest in the country's economic history. Until the pandemic, private consumption remained strong on the demand side, underpinned by strong remittance and rural income growth, as well as by large transport projects (e.g., Padma Bridge and Dhaka Metro Rail). In addition, export growth accelerated during the evaluation period (2011–2020), as Bangladesh benefited from the trade dispute between the United States of America and the People's Republic of China (PRC), while import growth slowed. Political stability, improved power supply, and higher growth in private sector credit have contributed to Bangladesh's economic expansion.

9. **On the supply side, GDP growth has been driven by industry, mainly manufacturing and construction.** Industrial annual growth rose from 8.2% in FY2011 to 12.1% in FY2018 on strong production in large and medium-sized industries and higher investment. Agriculture grew by 4.2% in FY2018, as a quick policy response to flood-induced crop losses in the summer facilitated a good winter harvest and buoyant horticulture output. Nonetheless, this was slightly lower than the 5% posted in FY2011. Similarly, growth in services slowed from 6.6% in FY2011 to 6.4% in FY2018. Over FY2011–FY2018, the average growth rate was highest for industry (9.8%) and services (6.1%), and lowest for agriculture, natural resources, and rural development (ANR, 3.3%). Over this period, agriculture's share of GDP declined from 16% to 14%, while industry's rose from 28% to 34%, and services' share declined slightly from 54% to 52%. In the services sector, wholesale and retail trade and transport, storage, and communication were the key drivers of growth.

10. **On the export side, ready-made garments represent about half of exports of goods and services.** Rapid expansion of the ready-made garments sector has helped the economy transform to a more manufacturing-based economy, with the sector contributing about 11.5% of GDP and over 80% of exports in 2019. Exports of ready-made garments grew from \$18 billion in FY2011 to \$30 billion in FY2018. The sector has been bolstered by its competitive prices and low labor costs, but also by support from the banking sector, especially state-owned banks. The International Monetary Fund (IMF) estimates that the increase in non-performing loans (NPLs) in the banking sector in recent years, from 6.1% in 2011 to 10.3% in 2018, was driven to a large extent by support for the ready-made garments sector—about one-half of the total rescheduled loans are for the industrial, ready-made garments, and textile sectors.⁸

⁶ A 2015 survey by the Bangladesh Bureau of Statistics (BBS) on violence against women in Bangladesh found nearly two-thirds of women had experienced some form of violence by their husbands at least once in their lifetime (BBS. 2016. *Report on Violence Against Women (VAW) Survey 2015*. Dhaka (page xviii).

⁷ In April 2020, UN Women issued a rapid gender analysis on cyclone Amphan, noting that: "In the hardest hit districts, it is estimated that nearly 820,000 women—including over 49,316 pregnant women and 29,133 female headed households—were affected by Cyclone Amphan. The Rapid Gender Analysis confirmed that certain groups were hit particularly hard, including female-headed households, pregnant and lactating women, people with disabilities, sex workers, transgender persons, and adolescent boys and girls. In the aftermath, women and girls are at greater risk of gender-based violence such as domestic violence and early marriage in a context of existing gender inequality and discrimination." UN Women. 2020. *Rapid Gender Analysis Cyclone Amphan*. New York. p. 7.

⁸ IMF. 2019. *Article IV Consultation*. Washington, D.C. The latest IMF estimate for state-owned commercial bank NPLs was 30% in 2018.

11. **Remittances from overseas workers are a significant source of income.** Remittances amounted to 5.5% of GDP in 2019 (\$18.2 billion), slightly less than half of exports of goods and other services. They had grown from \$12 billion in 2011 and \$15.5 billion in 2018. In many areas of rural Bangladesh, remittance incomes from family members working overseas represent both a significant proportion of household income and a substantial source of fund inflows into the local economy. Agriculture is no longer the dominant source of income in rural areas; instead, rural households now draw more of their incomes from non-agricultural activities and transfers from both local and foreign migrant workers.

B. Development Challenges

12. **Bangladesh will require higher investment and greater economic diversification if it is to achieve the economic growth that is needed to reduce poverty further.** Private investment (23% of GDP), and foreign direct investment (FDI, less than 1% of GDP), are both low compared with the figures for countries at similar levels of development. Exposure and vulnerability to disasters triggered by natural hazards continue to set back the economy. The rise in production costs in the PRC and other emerging economies could induce industrial relocation to other countries, but for Bangladesh to be an attractive destination for these industries it has to offer infrastructure and human resources of a sufficient quality. Bangladesh needs to simplify the tax structure, the process for starting a business, and regulations for repatriating profits.

13. **The economic base of Bangladesh is narrow, dominated by ready-made garments and remittances.** Bangladesh is the second largest exporter of ready-made garments in the world, after the PRC. While the expansion of the export base appears promising for products other than garments—leather goods, processed foods, pharmaceuticals, light engineering, shipbuilding, and services—there are significant constraints on higher investment in these sectors and more generally across the economy.⁹

14. **Employment has shifted from agriculture to more elaborate sectors.** The total share of agriculture in employment has decreased steadily as the share of manufacturing, construction, and services sectors has grown. By 2016–2017, about 40% of total workers were employed in agriculture with a similar number in services, followed by 14% in industry. The employment trends for men and women diverged after 2013. While men's share of employment continued to decline in agriculture and rise in manufacturing, the situation reversed for women. Manufacturing employment, which had grown by 25% for women from 2010 to 2013, began to contract after 2013. Employment in services did not increase for women at the same rate as for men. The growth in women's employment from 2010–2016 was just 1%–2%, much lower than during the previous 5 years when it grew by 9% per year.

15. **Access to finance and other constraints hamper the longer-term investment needed to sustain growth.** To mobilize long-term capital for investment effectively, an efficient banking sector and capital markets that function well are needed. However, the banking sector's efficiency has declined, and NPLs have increased, especially in state-owned commercial banks (SOCBs), where their ratio has reached 30%. The IMF has noted that the high NPL ratio in SOCBs reflects sector governance problems and has pointed to the need for decisive action to address this issue. On the positive side, Bangladesh has one of the most developed and vibrant microfinance sectors in the world. The country has been a leader in the development of this sector, having pioneered most of its practices: Grameen Bank, for instance was founded in 1976.

16. **New ways of doing business often face additional regulatory barriers.** Entrepreneurs in Bangladesh continue to raise concerns about difficulties and delays when dealing with regulatory

⁹ ADB. 2016. *Country Partnership Strategy: Bangladesh, 2016–2020*. Manila.

bodies, particularly in terms of what is perceived as a discretionary application of rules and regulations. Perceptions of unpredictable and opaque administrative processes, as well as the uneven enforcement of regulations, discourage firm creation and investment, push firms towards informality, and ultimately impede productivity in the formal sectors.¹⁰

17. Inadequate infrastructure is a clear constraint on growth and a deterrent to FDI.¹¹ Narrowing the infrastructure gap will require not only more investment, but also improving the maintenance of existing assets. While much has been achieved in the energy sector, lack of reliable electricity supply and the shortage of natural gas continue to be major binding constraints on economic growth. Key sectors such as transport and energy need comprehensive infrastructure financing strategies based on a combination of tax funding, partnership with the private sector, and cost recovery.

18. Tax revenues are below 10% of GDP and need to be boosted. At 9.6% of GDP in 2018, tax revenue in Bangladesh was among the lowest in Asia and insufficient to finance the level of public spending needed to support poverty reduction and development.¹² Bangladesh needs more public spending in health and education, but if it is to do this the government needs to raise tax revenues to meet basic expenditures, and to upgrade infrastructure, including electricity, roads, rails, and ports. In turn, such an increase in government expenditure would improve the business environment, attract FDI, and diversify exports. Failure to boost tax revenues could limit expenditure pledged for priority projects and for improving essential services and infrastructure maintenance. Tax reform focused on tax system simplification, tax base broadening, and tax compliance is essential.¹³

19. Gender disparities in the labor market continue to be a development concern. While the aggregate labor market picture has been generally positive over time, wide gender disparities remain. Labor market indicators were consistently lower for females than for males over 2010–2017. Bangladesh also has one of the highest unemployment rates in the world for female youth, and for their participation in education or training as a proportion of the youth population.¹⁴ Overall, the share of people with vulnerable or insecure employment¹⁵ in total employment in 2017 was higher for females (68%) than for males (51%). Although there was a visible decline in women in vulnerable employment from 81% to 68% over 2010–2017, the percentage remains high.¹⁶ There is still a long way to go before workers enjoy decent work conditions as part of more inclusive growth.

20. Development in Bangladesh is uneven, with the southwest region lagging. Regional development and diversification could spur Bangladesh's integration into global value chains and make exports more able to respond to changes in global demand patterns. Improving the business environment will be needed to attract higher levels of investment, especially in lagging regions.

¹⁰ World Bank. 2019. *Bangladesh Development Update*; World Bank. 2019. *Bangladesh Development Update: Towards Regulatory Predictability*. Dhaka.

¹¹ ADB. 2016. *Bangladesh: Consolidating Export-Led Growth*. Country Diagnostic Study. Manila.

¹² IMF. 2019. *Article IV Consultation for Bangladesh*. Washington, D.C.

¹³ Footnote 10.

¹⁴ International Labour Organization (ILO). 2018. *Asia-Pacific Employment and Social Outlook: Advancing Decent Work for Sustainable Development*. Bangkok.

¹⁵ Vulnerable employment refers to jobs without economic security. It is the sum of workers in own-account work (self-employed without employees) and contributing family workers (helping out without pay in a family enterprise). Own-account workers and contributing family workers are assumed to be less secure in their jobs and more vulnerable to poverty, although persons in paid employment and even employers (categories of non-vulnerable employment) can also lack economic security.

¹⁶ ADB. 2016. *ADB Briefs: Employment and the Labor Market in Bangladesh: Overview of Trends and Challenges*. Co-publication of ADB and ILO Regional Office for Labour and the Pacific.

21. **Climate change poses a major challenge for Bangladesh.** It is one of the countries that is most likely to suffer adverse impacts from climate change, and is ranked sixth in the 2018 Global Climate Risk Index.¹⁷ Threats include sea level rise (approximately a fifth of the country consists of low-lying coastal zones within 1 meter of the high-water mark), droughts, floods, and cyclones. These risks particularly affect rural communities in low-lying coastal areas, that must endure home and livelihood destruction because of storms, as well as higher water and soil salinity. These climate change challenges reflect Bangladesh's unique geographic location, floodplains, low elevation from the sea, dense population, and high levels of poverty. The country has a history of disasters and extreme weather events that have claimed millions of lives and destroyed past development gains. Variability in rainfall patterns, combined with increased snow melt from the Himalayas, and temperature extremes are resulting in crop damage and failure, reducing incomes, especially for farmers. Many families and villages lose their homes permanently to rivers every year.

22. **A large number of forcibly displaced Myanmar nationals now live in Bangladesh.** Since August 2017, an estimated 700,000 displaced people from Myanmar have entered Bangladesh through Cox's Bazar, giving rise to a humanitarian crisis, adding to the roughly 212,500 displaced people who already lived in Cox's Bazar, having fled earlier waves of conflict along the borders between Bangladesh and Myanmar. In 2018, ADB provided an emergency assistance Asian Development Fund (ADF) grant of \$100 million to upgrade camp infrastructure and host community facilities.¹⁸ The combined support of development partners to date has been generous, with humanitarian partners remaining supportive since the influx. Nevertheless, needs continue to outpace funding.

23. **Dealing with the impact of the COVID-19 pandemic is likely to be a significant challenge.** As of March 2021, the country entered a second wave of increasing infection rates. The pandemic is disproportionately affecting the poor, especially women, with an additional 3.1 million people estimated to have fallen into poverty. Bangladesh faces a challenge in terms of providing the elements that are crucial if the pandemic is to be kept at bay. Many slums force people to live near others and most of these settlements do not have sufficient running water and wastewater facilities. The impact of the pandemic on the ready-made garments industry has left many unemployed, or with limited incomes, and the same applies to workers who cannot travel abroad to earn a living and repatriate remittances. Economic growth, expected to reach 8.5% in 2020, is now estimated at 5%, based on better-than-expected results in the first half of the year.

24. **In response to the pandemic, ADB approved two interventions valued at \$850 million: an emergency assistance loan (\$100 million),¹⁹ and budget support (\$750 million).²⁰** A further \$10 million in working capital for a dairy supply chain was also proposed.²¹ Further policy-based lending (PBL) support of \$500 million is expected in early 2021. In terms of public investment, Bangladesh's health system has faced decades of underinvestment and was not at all well positioned to respond to the pandemic. The emergency assistance loan supported procurement of health equipment and supplies, upgrading of health and testing facilities, and building community capacity for surveillance and prevention. The budget support loan supported implementation of the government's COVID-19 response plan, which aims to expand social safety nets and protect employment, particularly in the garments sector. Technical assistance (TA) of \$1

¹⁷ <https://germanwatch.org/sites/default/files/publication/20432.pdf>

¹⁸ ADB. 2018. *Report and Recommendation of the President to the Board of Directors: Proposed Grant and Technical Assistance Grant to the People's Republic of Bangladesh for the Emergency Assistance Project*. Manila.

¹⁹ ADB. 2020. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to People's Republic of Bangladesh for the COVID-19 Response: Emergency Assistance Project*. Manila.

²⁰ ADB. 2020. *Report and Recommendation of the President to the Board of Directors: Proposed Countercyclical Support Facility, Loans, and Technical Assistance Grant to the People's Republic of Bangladesh for the COVID-19 Response and Expenditure Support Program*. Manila.

²¹ ADB. 2020. *Bangladesh Emergency Working Capital Support to Dairy Value Chain Project*. Manila.

million was also provided to improve poverty and gender targeting, data collection, and monitoring and evaluation. With development partner support, the government is now gearing up for a country-wide vaccination program. Based on Ministry of Health statistics, as of mid-April 2021, around 6.4 million, out of a targeted 138 million people, had received the first dose.

C. Evaluation Approach

25. **The evaluation covered ADB support for Bangladesh over 2011–2020.** It followed the 2015 country assistance program evaluation (CAPE) guidelines²² and collected evidence from document reviews, portfolio performance data, and interviews with a range of stakeholders and ADB staff. Due to the outbreak of the COVID-19 pandemic, interviews with government officials and other stakeholders were conducted virtually, and no country visit or additional in-country analysis was undertaken.

26. **Two country partnership strategies (CPSs) outlined ADB’s operations over the CAPE period: CPS, 2011–2015²³ and CPS, 2016–2020.²⁴** The evaluation approach was constructed on a theory of change drawn from these two CPSs and described in more detail below.

1. Theory of Change

27. **Over the CAPE period, the implicit theory of change underpinning ADB support for Bangladesh covered a range of sectors and development issues.** Its main argument was that investment in infrastructure and human capital would help reduce the constraints that deter the investment and economic diversification needed for longer-term sustainable and inclusive growth. To do that, investment must be responsive to a range of development risks and issues, including climate change, gender, disaster risk reduction, private sector development, balanced regional development, and institutional capacity building.

28. **The main objective of the CPS, 2011–2015, was to “make the growth process more inclusive and greener by improving connectivity, building the country’s skills base, deepening its financial markets, boosting energy efficiency and access, investing to make cities more livable, improving the management of water resources and reducing flood risks.”** The main areas of focus were energy, transport, urban, education, finance, and ANR. The thematic drivers were good governance and capacity development, environmental sustainability and climate resilience, regional cooperation, private sector development, gender equity, knowledge solutions, and partnerships.

29. **These main strategic thrusts continued in the CPS, 2016–2020.** Its objective was higher, inclusive, and sustainable economic growth through economic diversification and accelerating rural and regional development. Its priority areas for investment were infrastructure, improving human capital, promoting economic corridor development, increasing rural livelihoods, and providing climate and disaster-resilient infrastructure. The cross-cutting areas were creating conditions for private sector development, addressing institutional capacity constraints, deepening regional integration, and promoting gender equality. The CPS, 2016–2020 stated that “ADB will adopt a broad-based approach that will allow it to respond flexibly to the needs and demand of the country over the CPS period.” This would involve support for: (i) easing infrastructure constraints in the key sectors of energy, transport and urban development; (ii) creating conditions for greater private sector participation to attract investment; (iii) enhancing the productivity and skills of the workforce; (iv) increasing the productivity of agriculture and

²² IED. 2015. *Guidelines for the Preparation of Country Assistance Program Evaluations and Country Partnership Strategy Final Review Validations*. Manila: ADB.

²³ ADB. 2016. *Country Partnership Strategy: Bangladesh, 2016–2020*. Manila.

²⁴ ADB. 2011. *Country Partnership Strategy: Bangladesh 2011–2015*. Manila.

creating gainful rural employment opportunities outside agriculture; (v) helping to address environmental and climate-change-related vulnerabilities; and (vi) addressing institutional capacity constraints and improving governance. The CPS stated that the selection of interventions in each area would be based on a careful consideration of ADB's core strengths and the role of other development partners.

30. A key theory underpinning both CPSs was that investment in infrastructure and human resource development, combined with support for improving the business environment, would result in the higher levels of investment needed to achieve sustainable and inclusive economic growth (Table 1). This approach was in line with ADB's country diagnostic study of 2016,²⁵ which found that, to become an upper middle-income country by 2021, growth of 7.5%–8% was needed. To achieve this, Bangladesh would need to improve the supply of reliable electricity, while reforming policies that were indirectly stunting the development of new economic activities, investment, and export growth outside the ready-made garments sector.²⁶

Table 1: Summary of ADB Bangladesh Country Partnership Strategies, 2011–2020

Item	CPS, 2011–2015	CPS, 2016–2020
Long-term objective	Inclusive and greener growth	Higher, inclusive, and sustainable economic growth
Intermediate outcomes	Inclusive economic growth Environmental sustainability Regional cooperation Reduced disaster risks and stronger responses to climate change	Economic diversification Accelerated rural and regional development
Outcomes that ADB contributes to	Expanded access to power Integrated transport system Strengthened urban services Improved education quality and relevance Higher agricultural growth Well-developed capital market	Reduced infrastructure constraints Links to national, regional and global market supply chains Strengthened human capital Improved rural livelihoods and increased agricultural productivity Climate and disaster-resilient infrastructure
Cross-cutting outcomes	Good governance and anticorruption activities Deeper regional integration Private sector development Gender equity Knowledge solutions Partnerships	More attractive conditions for private sector investment Improved governance and reduced capacity constraints Deepened regional cooperation and integration Greater gender equality

ADB = Asian Development Bank, CPS = country partnership strategy.

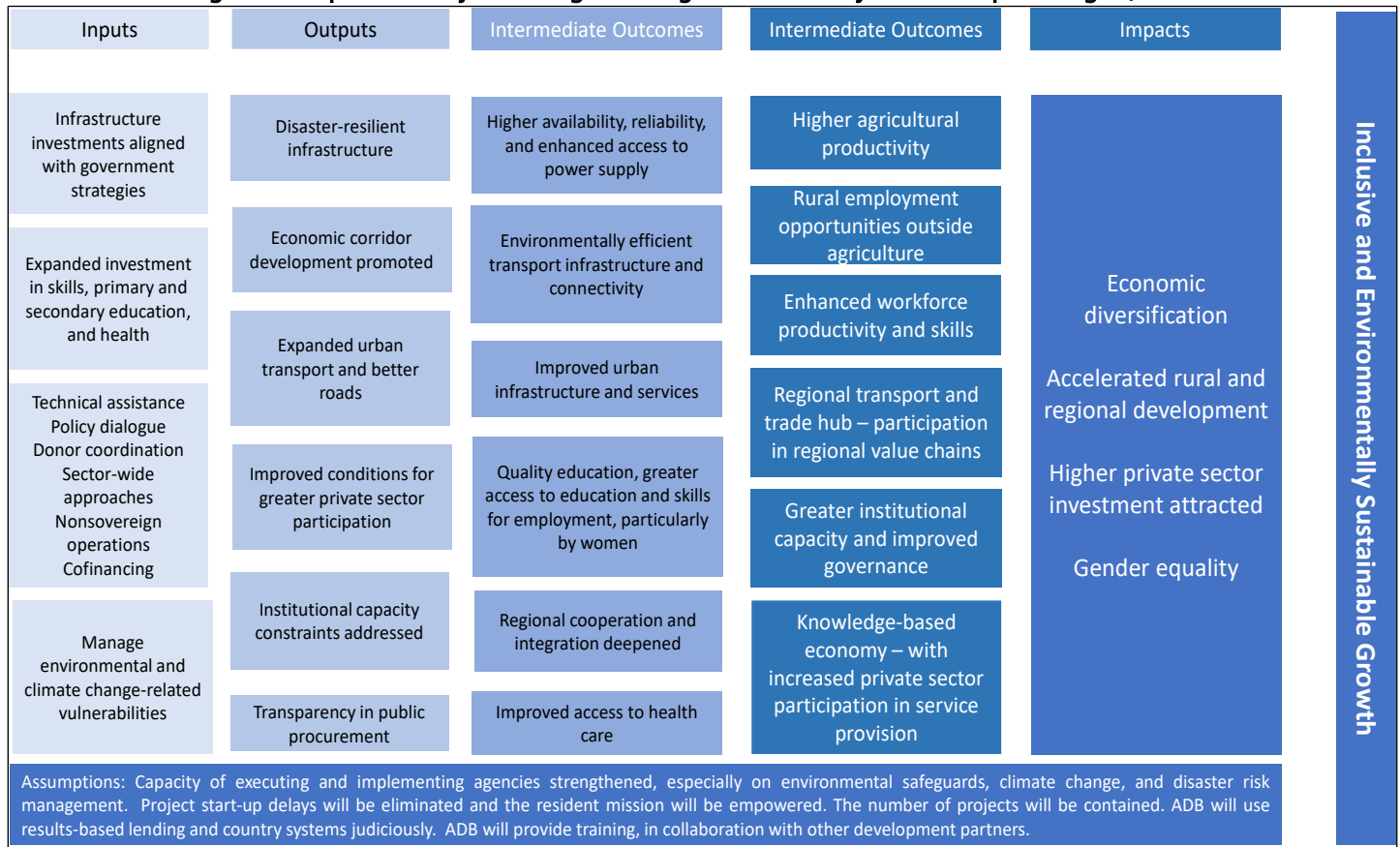
Source: Asian Development Bank.

31. The theory of change implicit in both CPSs assumes that ADB project investments can deliver results that are in line with country-level development objectives in trade, economic diversification, private sector investment, and employment. The theory of change (Figure 1) illustrates the pathway to achieving this overarching objective as outlined in the CPSs. The outcomes of ADB sector interventions were expected to address key development challenges, including accelerating the annual rate of growth, diversifying the economic base, inclusive economic growth, poverty reduction, job creation, rural development, increasing transparency and accountability, addressing institutional and policy weaknesses, and reducing vulnerabilities to environmental degradation and climate change.²⁷

²⁵ ADB. 2016. *Bangladesh: Consolidating Export-Led Growth*. Country Diagnostic Study. Manila.

²⁶ The 2016 diagnostic study assessed critical constraints on growth in infrastructure, finance, and the social sectors and provided a foundation upon which sector strategies for ADB investments could be developed.

²⁷ World Bank. 2018. *Bangladesh Development Update: Powering the Economy Efficiently*. Dhaka.

Figure 1. Implicit Theory of Change in Bangladesh Country Partnership Strategies, 2011–2020^a

ADB = Asian Development Bank.

^a Drawn from statements contained in Country Partnership Strategies, 2011–2015 and 2016–2020.

Source: Asian Development Bank Independent Evaluation Department.

2. Evaluation Questions

32. **The evaluation questions start from the premise embodied in both CPSs that ADB support would help ease constraints and therefore enable Bangladesh to achieve the higher levels of investment needed to sustain Inclusive economic growth.** ADB's investments in infrastructure and human capital development, combined with support for improving the business environment and better governance, rural development, climate change adaptation, and disaster risk reduction, would help remove constraints on the higher levels of investment needed for economic diversification. They would help Bangladesh achieve environmentally sustainable and inclusive economic growth. This is the main theory underlying both CPSs. The overarching question for the evaluation was therefore: To what extent did ADB support to Bangladesh contribute to higher inclusive economic growth, environmentally sustainable growth, and regional cooperation and integration? To answer that question, five subsidiary questions guided the evaluation.

33. **How and to what extent did ADB support contribute to economic diversification?** The evaluation assessed the extent to which ADB support had contributed to "easing the country's infrastructure constraints" (CPS, 2016–2020, para. 23) and to greater connectivity, private sector participation, water security, regional cooperation and integration, and economic diversification. In addition to assessing ADB's contribution to greater physical connectivity, the evaluation also

assessed ADB support for improving the institutional and regulatory framework that is essential for ensuring sector sustainability.

34. **How has ADB support in Bangladesh contributed to inclusion, education and skills development, and greater gender equity?** The evaluation assessed the results of ADB's long-term support for the education and health sectors in Bangladesh, particularly through the sector-wide approach (SWAp) for primary education.

35. **To what extent did ADB support help Bangladesh to tackle the environmental challenges associated with climate change and disaster risk?** Given the likely impact of climate change on food production, land cultivation, and the livability of cities, the evaluation assessed the extent to which ADB's support contributed to building resilience, adapting to climate change, and reducing hazard related risks.

36. **Has ADB support for rural livelihoods contributed to more balanced growth?** The evaluation considered how ADB had contributed to rural development through its infrastructure investments and as a result of targeted interventions in the agricultural sector; and to what extent these had resulted in improved productivity and rural resilience.

37. **Has ADB support for governance and the business environment removed constraints on private sector investment?** The evaluation assessed the extent to which ADB had supported policy dialogue and reforms, at national and subnational levels, that would ease the administrative burden, discretionary application of rules, and cost of doing business in Bangladesh.

38. **The evaluation questions are compatible with ADB's current development strategy, Strategy 2030, which was adopted in 2018 and calls for ADB to address remaining poverty and reduce inequalities; accelerate gender equality; tackle climate change, build climate and disaster resilience and environmental sustainability; make cities more livable; promote rural development and food security; and strengthen governance and institutional capacity.** However, the CPSs during the period assessed by this evaluation were designed to meet ADB corporate objectives as defined by the earlier Strategy 2020, which had called for Inclusive economic growth, environmentally sustainable economic growth, and regional integration. Strategy 2020 also emphasized private sector development, good governance, gender equity, knowledge solutions, and partnerships. The CAPE assesses ADB's support in the transition period between the two strategies and frames recommendations that will help shape the next CPS.

D. Summary

39. **Bangladesh is one of the most densely populated countries in the world, the fifth most populous of ADB's developing member countries, and the eighth most populous country in the world.** In 2015, the country reached lower-middle income status, and its economy has grown considerably in recent years. However, the pandemic that began in 2020 slowed down exports and remittance inflows considerably. Nevertheless, during the evaluation period, Bangladesh has enjoyed rapid and broad-based growth, which has helped it reduce the incidence of poverty, halving it from 36% in 1990 to 18% in 2010. Remittances and stable food production have helped poor households cope with economic uncertainties. Female participation in the garment industry, labor migration, and microfinance programs has bolstered the economic participation of women. Export growth has accelerated, as Bangladesh has benefited from the trade dispute between the US and the PRC, while import growth has slowed. Political stability, an improved power supply, and higher growth in private sector credit have contributed to Bangladesh's economic expansion.

40. **Despite its socioeconomic progress, Bangladesh faces challenges in accelerating growth and doing so in an inclusive and environmentally sustainable way.** The country will require higher investment and greater economic diversification to achieve higher levels of economic growth that will help it reduce poverty. Private investment and FDI in Bangladesh are both low compared with those in countries at a similar level of development. The country's vulnerability to climate change and disaster risk continues to set the economy back. Infrastructure investments and private investment are hindered by regulatory and governance issues. The shortcomings of the financial sector also deter the longer-term investment needed to sustain growth. Capital markets remain underdeveloped, and banks are inefficient, with NPLs increasing recently, especially in SOCBs. Gender disparities in the labor market continue to be a development concern, with gender differences clouding a generally positive labor market picture. Bangladesh is one of the countries that is most likely to suffer adverse impacts from climate change, and it ranked sixth in the 2018 Global Climate Risk Index. These risks affect mostly rural communities in low-lying coastal areas. Climate change challenges reflect Bangladesh's unique geographic location, floodplains, low elevation from the sea, dense population, and high levels of poverty. Displaced people from neighboring Myanmar, and the recent COVID-19 pandemic have added to the country's development challenges.

41. **This CAPE examines the extent to which ADB support contributed to the strategic objectives of the country program.** It starts by asking whether ADB support helped ease the constraints that would enable Bangladesh to achieve the higher levels of investment needed to sustain inclusive economic growth. Its five supplementary questions are: (i) How and to what extent did ADB support contribute to economic diversification? (ii) How has ADB support in Bangladesh contributed to inclusion, education and skills development, and greater gender equity? (iii) To what extent is ADB support helping Bangladesh tackle the environmental challenges associated with climate change and disaster risk? (iv) Has ADB support for rural livelihoods contributed to more balanced growth? and (v) Has ADB support for governance and the business environment removed constraints on private sector investment? The evaluation also looks at whether the program met ADB corporate objectives as defined by Strategy 2020 and, starting July 2018, by Strategy 2030.



Development Strategies and ADB Support

2



Highlights:

- During the evaluation period, Asian Development Bank (ADB) sovereign lending operations in Bangladesh totaled \$17.7 billion (\$17.3 billion in loans and \$416 million in grants). In ADB's country classification system, Bangladesh is classified as a Group B country, which gives it access to ordinary capital resources (OCR) as well as to concessional OCR.
- The bulk of ADB support was through investment in infrastructure, primarily in the energy and transport sectors. It also had significant programs in education and water and other urban infrastructure and services, but investment in public sector management has declined.
- Investment loans were the main lending instrument, followed by multitranche financing facilities. Only education and finance had results-based lending and policy-based lending instruments.
- Based on self-evaluations, 83% of the portfolio was rated successful, a result that was largely confirmed by validations by the Independent Evaluation Department. However, ADB projects experienced delays, and loan age was higher than the ADB average.
- Nearly all sovereign projects were tagged as supporting the inclusive economic growth objective, with energy and transport operations being the largest contributors.
- There were some differences between planned and approved operations over the period. In the transport sector, there was a large difference between operations approved and those that were planned, and several approved projects were not planned in country operations business plans.

A. Government Development Strategies

42. Over the period covered by this CAPE, the government of Bangladesh had two development plans: (i) the **Sixth Five-Year Plan, FY2011–FY2015** and (ii) the **Seventh Five-Year Plan, FY2016–FY2020**. These were aligned with Vision 2021, a long-term perspective plan published in 2007, which aims at inclusiveness and equity, among other goals.²⁸ The government has also produced a longer-term strategy, the Bangladesh Delta Plan 2100, aimed at achieving long-term food and water security and environmentally sustainable economic growth.

43. The **Sixth Five-Year Plan aimed to further reduce poverty by accelerating growth to 7.3% a year**. Achieving this target would require a substantial increase in the rate of investment from 24.4% to 32.5% by the end of the plan period, with much of this expected to be financed by the private sector, including through higher remittances and increased FDI. Investment in infrastructure development was to be tripled, from 2% of GDP to 6%, with substantial private sector participation through public–private partnerships (PPPs). The government sought to strengthen macroeconomic management, deepen policy and regulatory reform, develop project preparation and implementation capacity, improve the incentive structure for encouraging private investment, and undertake capacity building for PPP projects. It also committed itself to an environmentally sustainable development policy that conserved natural resources; reduced air and water pollution; and sustainably managed rivers, other water bodies, forests, and common lands. Efforts to mitigate the adverse effects of climate change received priority, involving climate-proofing and disaster risk reduction, as well as targeted assistance to vulnerable coastal populations.²⁹

44. The **Seventh Five-Year Development Plan aimed to develop policies, strategies, and institutions that would further accelerate job creation, reduce poverty, and meet the Sustainable Development Goal (SDG) targets**. The resources needed to achieve the plan were estimated at \$409 billion in 2016 prices, with 78% coming from private investment and 22% from public

²⁸ Vision 2021 identified a set of measures to achieve eight goals by 2021: (i) become a participatory democracy; (ii) have an efficient, accountable, transparent and decentralized system of governance; (iii) become a poverty-free middle-income country; (iv) have a nation of healthy citizens; (v) have a skilled and creative human resource; (vi) become a globally integrated regional economic and commercial hub; (vii) be environmentally sustainable; and (viii) be a more inclusive and equitable society (Centre for Policy Dialogue. 2007. *Vision 2021*. Dhaka).

²⁹ Planning Commission. 2010. *Sixth Five-Year Plan, FY2011–FY2015*. Dhaka.

investment. The plan depended on the ability to mobilize private investment, with an emphasis on PPPs, increased remittances, and greater FDI (which was projected to increase from 1% to 3% of GDP).³⁰ Financing the plan would also require higher public and private savings, rapid income growth for the private sector, and increased revenue mobilization through better tax policy and tax administration.³¹

B. ADB Country Strategies and Previous Evaluation

45. **The two ADB CPSs that covered the CAPE period recognized the need for sustained growth to further reduce poverty and inequality, while also addressing the risks associated with climate change and natural hazards, including flooding.** Given the country's exposure and vulnerability to natural hazards and the impacts of climate change, ADB committed itself to help the government address binding constraints on growth in ways that would foster environmental sustainability, reduce disaster risks, and respond to disaster-related emergencies. In line with Strategy 2020, regional cooperation and integration was also prioritized over the CAPE period, especially through efforts to establish Bangladesh as a regional trading hub.

1. Country Partnership Strategies

46. **The CPS, 2011–2015 aimed at inclusive and greener growth.** It identified several challenges to sustaining growth, including the need to boost national savings, expand FDI, diversify the narrow economic base, and increase the government's revenue generation (which is among the lowest in Asia). It recognized the need to lift labor market skills, remove constraints on energy, and transport (roads, railway, and ports), and undertake reforms in the capital markets to support the investment needed for higher growth. Areas supported by ADB included improving connectivity, building skills, deepening financial markets, boosting access to energy (and improving energy efficiency), making cities more livable, improving the management of water resources, and reducing flood risks. In line with the government's Sixth Five-Year Plan and ADB's Strategy 2020 priorities, ADB's sovereign operations in Bangladesh focused on six sectors: energy, transport, urban, education, finance, and ANR.³²

47. **The CPS, 2016–2020 reiterated ADB support for inclusive growth but also sharpened it to reflect sustainable economic growth.** It adopted five priority investment areas: (i) easing infrastructure constraints in key sectors, such as energy, transport, and urban development; (ii) improving human capital; (iii) promoting economic corridor development; (iv) improving rural livelihoods; and (v) providing climate and disaster resilient infrastructure and services.³³

48. **The CPS also covered four cross-cutting areas: private sector development, governance, gender, and regional cooperation and integration.** ADB support aimed to create conditions for greater private sector participation to increase investment, promote economic diversification, and expand employment opportunities. In governance, ADB aimed to address institutional

³⁰ Government of Bangladesh. 2016. *Strengthening Finance for the 7th Five-Year Plan and the SDGs in Bangladesh: Findings from an Independent Development Finance Assessment*. Dhaka.

³¹ The plan's overarching goal of faster, inclusive, and environmentally sustainable growth was anchored on four pillars: (i) accelerating the average annual growth rate from 6.3% to 7.4% per year; (ii) making growth more inclusive, pro-poor, and environmentally sustainable; (iii) reducing poverty from 24.8% to 18.6%, and extreme poverty from 12.9% to around 8.9%; and (iv) providing productive jobs for all new entrants into the labor force. The plan assumed increases in (i) the tax-to-GDP ratio, from 8.5% to 14.1%; (ii) the expenditure-to-GDP, from 13.5% to 21.1%; and (iii) the revenue-to-GDP ratio, from 9.6% to 16.1%. Remittances were projected to rise from \$15.3 billion to \$25.4 billion in 2020. An ambitious target was set for FDI, which was projected to rise from \$1.7 billion (0.9% of GDP) to almost \$10 billion in FY2020 (3% of GDP). Expenditures on social protection were expected to increase from 2.0% to 2.3% of GDP over the plan period.

³² ADB. 2011. *Country Partnership Strategy: Bangladesh, 2011–2015*. Manila.

³³ World Bank. 2018. *Bangladesh Development Update: Powering the Economy Efficiently*. Dhaka.

capacity constraints, and to strengthen implementation capacity, transparency, and accountability. ADB support for gender equality would strengthen the inclusiveness of growth by providing women with equal access to education, skills development, job opportunities, and credit. ADB also saw a need to deepen regional cooperation and integration, especially in the transport and energy sectors.

49. **Several country operations business plans (COBPs) were developed to support the country strategies over the evaluation period.** COBP, 2012–2014 sought to step up private sector development and private sector operations through PPPs and to strengthen efforts to develop regional transport and power exchange projects.³⁴ COBP, 2015–2017 continued many of these priorities, including operations covering energy, railway and road connectivity, market-oriented skills and secondary education, capital market reform and long-term infrastructure lending, water supply, municipal services, urban redevelopment, and rural productivity improvement.³⁵ COBP, 2016–2018 supported the government’s current and emerging development priorities, including activities to sustain strong and inclusive economic growth and strong human development.³⁶ ADB prioritized activities to develop infrastructure, skills, resilience to environmental and climate change, the private sector, and regional cooperation and integration.

50. **COBP, 2018–2020 and COBP, 2019–2021 supported the strengthening of infrastructure, economic corridor development, quality education, and skills development while seeking to boost agricultural productivity, improve farm-to-market links, and increase environment and climate resilience.**³⁷ These were in line with CPS, 2016–2020. COBP, 2020–2022³⁸ updated the previous COBP to align it with the government’s new manifesto³⁹ and with ADB’s Strategy 2030. It marked the transition to a period beyond the CPS, 2016–2020, while continuing to focus on the five priority investment areas.

2. Evaluation

51. The Bangladesh country partnership strategy final review validation (CPSFRV), 2011–2015, which rated the ADB program overall *successful*, made three recommendations. ADB should: (i) explore the potential for greater use of innovative financial instruments such as results-based lending (RBL); (ii) prepare a governance assessment and include actions to increase institutional capacity in the new CPS; and (iii) offer more support to executing and implementing agencies to improve implementation, focused on procurement, project administration, project preparation, safeguards, and the financial sustainability of projects. All recommendations are currently being implemented, including the preparation of a governance assessment to inform the next CPS.

C. Country Program and Portfolio

52. This evaluation covers loans, grants, and TA amounting to commitments of nearly \$18.0 billion. The portfolio consists of 362 approved, active, and closed operations from 2011 to 2020, of which sovereign loans and grants account for 98% (Table 2).⁴⁰

³⁴ ADB. 2012. *Country Operations Business Plan: Bangladesh, 2012–2014*. Manila.

³⁵ ADB. 2014. *Country Operations Business Plan: Bangladesh, 2015–2017*. Manila.

³⁶ ADB. 2015. *Country Operations Business Plan: Bangladesh, 2016–2018*. Manila.

³⁷ ADB. 2017. *Country Operations Business Plan: Bangladesh, 2018–2020*. Manila; and ADB. 2018. *Country Operations Business Plan: Bangladesh, 2019–2021*. Manila.

³⁸ ADB. 2019. *Country Operations Business Plan: Bangladesh, 2019–2021*. Manila.

³⁹ This manifesto puts good governance at the core, while emphasizing implementation of very large infrastructure projects, greater use of information and communication technology, rural development, employment generation, and quality education.

⁴⁰ The portfolio analysis includes approvals until September 2020.

Table 2: Asian Development Bank Bangladesh Portfolio, 2011–2020 (as of 30 September 2020)

Item	Project Count ^a	Approval (\$ million)	Commitment (\$ million)	Status ^b			
				Approved	Active	Closed	Total
Sovereign operations	110	17,818	17,674	2	89	99	190
Nonsovereign operations	10	862	246		8		8
Technical assistance	110	117	113	4	42	118	164
Total^c	230	18,797	18,032	6	139	217	362

^a The 21 technical assistance projects that supported loans are excluded from the project count.

^b Cancelled products (i.e., 2 grants, 4 nonsovereign loans, 1 nonsovereign equity, and 2 technical assistance) are excluded from the status.

^c Numbers may not sum precisely due to rounding.

Source: Asian Development Bank Independent Evaluation Department.

1. Sovereign Operations

53. **The evaluation covers sovereign operations amounting to \$17.7 billion (\$17.3 billion in loans and \$416 million in grants).** About 71% or \$12.7 billion was approved from January 2011 to September 2020, while the remaining \$5.3 billion was approved before the evaluation period, in some cases as early as 2001, but remained active or completed during 2011–2020 (Appendix, Linked Document A). According to the ADB country classification system, Bangladesh is a Group B country and has access to regular ordinary capital resources (OCR) and concessional OCR.⁴¹ About 55% of the portfolio was funded by OCR, 41% by concessional OCR, and the remaining 4% was a mix of grants and cofinancing from several sources including the OPEC Fund for International Development, Agence Française de Développement, Asian Infrastructure Investment Bank, Japan Bank for International Cooperation, Strategic Climate Fund, and International Fund for Agricultural Development (IFAD).

54. **Investment in the infrastructure sectors accounted for the bulk of ADB support, with the energy and transport sectors accounting for more than half of the sovereign portfolio.** The education sector (13% of the portfolio) and water and other urban infrastructure and services (WUS) sectors (12%) also had significant shares, while health and social protection accounted for less than 2%. While investment in public sector management (PSM) accounted for about 8% of the portfolio, support in this area has been declining even though it was identified as an important objective in both CPSs (Figure 2).

55. **Project investment lending was the main modality used by ADB.** The portfolio consisted mainly of investment loans (about 64% by amount or 75 operations), followed by multitranché financing facilities (MFFs, 19% by amount or 18 operations). The remaining 17% of the portfolio consisted of PBL, RBL, special assistance projects, TA, and project readiness financing. Only the education and finance sectors used modalities other than investment project loans: RBL and PBL. ADB also used PBL to support capital market development, for example, through the Second and Third Capital Market Programs. In education, RBL was used to support primary education. Two special assistance projects responded to emergency situations: one in response to severe flooding during July–September 2007 and to the devastation caused by Cyclone Sidr in November of the same year; and another in response to the humanitarian crisis caused by the displaced persons from Myanmar at Cox's Bazar.

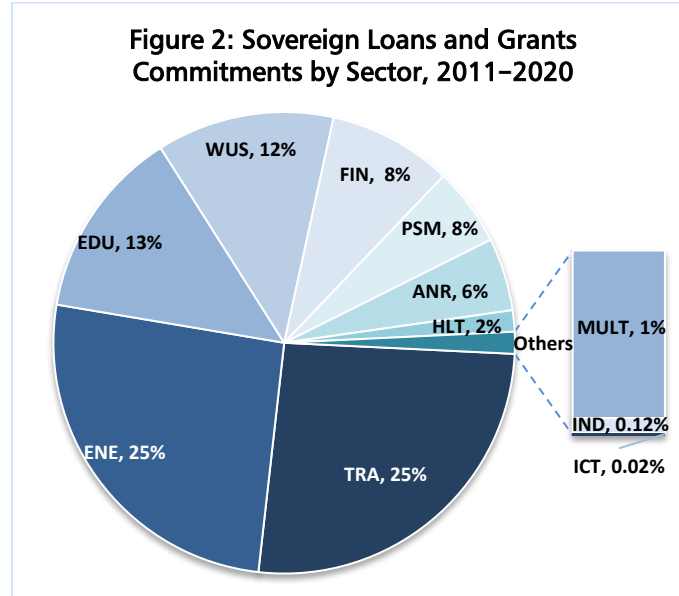
56. **The portfolio has performed well.** According to project completion reports (PCRs), 83% of projects were considered successful, ratings which were largely confirmed by Independent Evaluation Department (IED) validations.⁴² However, project implementation took longer than planned, with around 66% of loans and grants experiencing significant delays.⁴³ Out of 190 loans

⁴¹ ADB Member Fact Sheet. (<https://www.adb.org/sites/default/files/publication/27753/ban-2019.pdf>)

⁴² The portfolio included 64 completed projects, of which 40 had PCRs and 31 had PCR validation reports (PVRs) or project performance evaluation reports (PPERs), as of September 2020. The success rate of PVRs and PPERs was 71%.

⁴³ Data for revised closing dates are as of September 2020.

and grants, 126 (66%) extended their closing dates by an average of 2.2 years⁴⁴ suggesting that resources were not disbursed as rapidly as expected. However, the average disbursement ratio from 2014 to September 2020 was 22%, higher than the ADB average (19%). The country's disbursement ratio average was the same as that of the whole South Asia region (22%), as shown in Table 3.⁴⁵



ANR = agriculture, natural resources, and rural development; EDU = education; ENE = energy; FIN = finance; HLT = health; ICT = information and communication technology; IND = industry; MULT = multisector; PSM = public sector management; TRA = transport; WUS = water and other urban infrastructure and services.

Source: Asian Development Bank databases.

Table 3: Disbursement Ratios for Active Sovereign Operations (Projects Only)

Item	2014	2015	2016	2017	2018	2019	Sep 2020
ADB	21.5	19.3	20.3	21.7	21.1	19.6	10.5
SARD	23.0	19.3	21.9	26.4	25.1	23.4	11.4
Bangladesh	21.7	20.7	24.5	26.0	23.8	24.3	11.3

ADB = Asian Development Bank, SARD = South Asia Department, Sep = September.

Note: The data exclude policy-based lending operations.

Source: Asian Development Bank.

57. The portfolio's contributions to the ADB corporate results framework were in the areas of energy, transport, water, finance, education, and regional cooperation. Notable achievements included: 974,284 tons of greenhouse gas emission reduction; 587,832 households connected to electricity for the first time; 5,025 kilometers (km) of roads built or upgraded; 53,735 households with new and improved water supply; 813,403 microfinance loan accounts opened; about 27.7 million students educated or trained under improved quality assurance standards;

⁴⁴ Of these, 72 were extended for up to 2 years; 36 for 2–4 years; 17 for 4–8 years; and one project was extended for more than 8 years.

⁴⁵ The disbursement ratio is computed as the ratio between: (a) disbursement during the year; and (b) the undisbursed balance at the beginning of the year plus amount of newly effective loans during the year less cancellations during the year.

and, 3,504 gigawatt hours per year of cross-border electricity transmission.⁴⁶ Updated figures for 2019 had not been published at the time of writing.

58. **Nearly all sovereign projects, about \$17.4 billion of approvals, were tagged as supporting the inclusive economic growth objective.** As more than half of the portfolio was energy and transport sector operations, these programs were the largest contributors to inclusive economic growth. A large volume of projects, valued at \$11.0 billion, were also tagged as supporting environmentally sustainable growth. Energy and transport programs were again the largest contributors to this objective, through projects that focused on eco-efficiency, natural resources conservation, global and regional transboundary environmental concerns, and environmental improvement.

59. **The main drivers of change for the portfolio were gender equity, governance, and capacity development.** Most projects were classified under the category “effective gender mainstreaming” with project outputs designed to directly improve women’s access to social services, opportunities, and infrastructure services, which would contribute to gender equality and women’s empowerment. For those projects classified under “good governance and capacity development,” most projects involved institutional and organizational development. Many projects were also tagged under “partnerships” reflecting the high incidence of collaboration with bilateral institutions and other international financial institutions, among others.

60. **There were some differences between planned and approved operations over the period.** The loans and grants planned in the COBPs during the CAPE period were compared with those that were approved during the period. By amount, the ANR program had the widest gap between planned and approved operations. Planned operations in climate change, irrigation, and market value chains did not materialize. By contrast, several approved transport projects that were not planned in COBPs were approved. The details underpinning these differences are provided in the next chapter.

2. Nonsovereign Operations

61. **Nonsovereign operations in Bangladesh accounted for a small share of the loan portfolio, excluding transactions carried out under the Trade Finance Program.** From 2011 to 2020, 10 nonsovereign investments amounting to \$782.3 million were approved, of which two investments totaling \$90 million were fully cancelled. Another operation valued at \$403 million was partially cancelled and one worth \$16.7 million remained unsigned, so commitments amounted to only \$272.6 million as 30 September 2020. Excluding the cancelled investments, the portfolio consisted of three energy, three ANR, and two finance investments.⁴⁷ The energy sector had two gas and one solar project. The agriculture projects were in agribusiness, while the two finance projects were used to finance socially and environmentally sustainable projects in the textile and garment sector. Two of the nonsovereign operation projects in Bangladesh have

⁴⁶ As reported in ADB. 2019. *2018 Development Effectiveness Review*. <https://data.adb.org/dataset/results-adb-supported-operations-2010-2018>

⁴⁷ The five cancelled investments, equivalent to three projects, were in energy. The Industrial Energy Efficiency Finance Program (Industrial and Infrastructure Development Finance Company and Prime Bank Limited) was cancelled citing: (a) a non-disbursement until the expiration of the loan’s availability period for investments 7349 and 7403 due to lack of demand from target companies; and (b) non-finalization of loan agreement until the Investment Committee’s endorsement lapsed for investment 7378. The Reliance Bangladesh Liquefied Natural Gas and Power Project (Reliance Bangladesh LNG Terminal Limited) was cancelled because of the government’s shift in strategy on licensing and financing for LNG imports. The Cornerstone Investment in a Leading Power Developer (Summit Power International Limited) was cancelled with reported deferment of the initial public offering (IPO)—a major output of the project. A nonsovereign ANR project, Bangladesh: Emergency Working Capital Support to Dairy Value, approved 15 July 2020 as an emergency response to COVID-19 was not included in the ANR sector assessment. The \$10 million loan to Pran Dairy Limited (PDL) will help PDL sustain its operations during the COVID-19 crisis, by providing financing for working capital and operational expenditure.

been independently evaluated and rated successful. The Trade Finance Program supported \$1.3 billion in trade (an increase of 60% over the previous year) with over 3,141 transactions in 2020 (an increase of 130% over the previous year) with around 40% cofinanced by the private sector. The Trade and Supply Chain Finance Program supported \$0.09 million in Bangladesh trade through a single transaction in 2020 as well.

3. Technical Assistance

62. **The grant-based TA portfolio amounted to \$112.7 million in 110 projects, and nearly half of that amount was used in the WUS, transport, and education sectors.** About 68% was approved during 2011–2020 while 32% was approved before 2011 but was still active or completed during 2011–2020. More than half (57%) was funded by the Technical Assistance Special Fund (TASF), followed by cofinancing (32%) with the rest coming from other special funds. The main source of cofinancing came from the Japan Fund for Poverty Reduction (JFPR, \$18.8 million), and the Japan Special Fund (JSF, \$10.2 million).

63. **Most TA aimed to improve capacity.** About \$50 million was intended for capacity development, of which half was for the WUS, education, and transport sectors. Project preparatory TA (PPTA) accounted for \$44 million, and this was mostly in the education, WUS, energy, and transport sectors. The remaining \$18 million was advisory and research and development TA. TA self-evaluations rated 79% of the TA portfolio successful. Of the 159 TA projects, 118 were closed and 55 have TA completion report ratings. Twelve projects in energy, PSM, and transport were rated less than successful or unsuccessful. All other sectors posted a 100% success rate.

4. Other Development Partners

64. **The top three sources of official development assistance (ODA) for Bangladesh during the evaluation period were the World Bank, ADB, and Japan.**⁴⁸ The World Bank provided over a quarter of all foreign aid and Bangladesh was the largest International Development Association (IDA) recipient country and had the largest ongoing IDA program. The World Bank supported economic development and growth, power, infrastructure, disaster management, climate change, human and social development, and poverty reduction. Its technical and financial assistance focused on (i) accelerating growth by helping to remove bottlenecks to growth and to shift more financing to increase electricity supply and improve transport connectivity; (ii) fostering social inclusion by building Bangladesh's human and social development; and (iii) strengthening climate and environmental management with the aim of enhancing Bangladesh's resilience to disasters, improving water and natural resource management, and modernizing agriculture. The World Bank had a larger presence in health and social protection than ADB did and less presence in the railway subsector, with no investments in railways over the evaluation period. A large share of its assistance was: (i) education with a focus on basic education, education policy, and training; (ii) energy transmission and distribution, (iii) social protection; and (iv) transport, specifically roads.

65. **Japan ODA focused on economic infrastructure, particularly transport and energy.** Its support for transport was mainly for railways and roads, while that for energy was largely directed at coal-fired electric power plants and, to a lesser extent, electric power transmission and distribution.⁴⁹ Other large sources of development support came from the United States, the European Union, Republic of Korea, and Germany.

⁴⁸ According to Organisation for Economic Co-operation and Development data.

⁴⁹ OECD DAC Statistics (<https://stats.oecd.org/qwids/>).

D. Summary

66. **Government strategies aimed to accelerate growth and reduce poverty.** The government expected that a significant amount of the investment needed to generate growth would come from the private sector. Investment in infrastructure was expected to triple, and the number of PPPs to grow. Growth would be sustainable, conserving natural resources, with responses to climate change prioritized. Investment in human resources would ease labor market constraints and increase equity. The government committed itself to sound macroeconomic management and regulatory reform to ease investment constraints.

67. **ADB had two CPSs over the period and both aimed at inclusive and environmentally sustainable growth.** Both documents identified a need to boost investment, diversify the narrow economic base, and increase the government's revenue generation. They stated that ADB would work with the government to remove constraints in the energy and transport sectors and to undertake reforms in the capital market to support the investment needed for higher growth. The outcomes identified in the CPSs focused on connectivity, building skills, deepening financial markets, boosting access to energy, making cities more livable, improving the management of water resources, and reducing flood risks. The cross-cutting areas were private sector development, governance, gender, and regional cooperation and integration. ADB support aimed to create the conditions for greater private sector participation to increase investment, promote economic diversification, and expand employment opportunities. In governance, ADB aimed to address institutional capacity constraints, strengthen implementation capacity, increase transparency, and strengthen accountability. ADB would strive to improve gender equality to strengthen the inclusiveness of growth through providing women with equal access to education, skills development, and job opportunities.

68. **While half of the ADB portfolio focused on energy and transport infrastructure, the portfolio was relatively diverse.** ADB was a major partner for Bangladesh in primary education and technical and vocational education and training (with education representing, 13% of the portfolio), and in water and sanitation (12%). ANR had a much smaller share (6%), as did health and social protection (less than 2%). There was no significant new PSM support, although governance and capacity development were key objectives. The financial sector received significant support (8%). Around 64% of the program was delivered through investment projects. As measured by validated PCRs, the portfolio has performed well (83%), although a large share of projects (66%) were significantly delayed.





Infrastructure Sector Program Performance

3



Highlights:**Energy**

- The impact of the Asian Development Bank (ADB) in the energy sector over the country assistance program evaluation (CAPE) period was substantial and was based on a relevant, effective, efficient, and sustainable portfolio of energy investments.
- ADB was the lead partner for the expansion and modernization of the country's power and gas transmission and distribution systems, which now provide electricity to almost the entire population. During the CAPE period there was a marked improvement in power quality and reliability.
- ADB paid less attention to the next generation of sector reforms, renewable energy, and demand-side energy efficiency, all of which are critical for the long-run decarbonization of the sector.
- The related themes of climate and disaster risk seem not to have been explicitly addressed in ADB-supported planning and investment design.

Transport

- ADB's strategy and program was potentially highly relevant but the dominant investment in railways was larger than planned, with results not materializing as quickly as expected.
- Almost 60% of sovereign transport lending was for railways, although they carried only a minor share (4%) of land passengers and freight in 2005. While demand has increased, rail's share of passenger and freight transport has not likely increased or increased minimally since 2005.
- Despite increases in maintenance funding and use of performance-based maintenance contracts, maintenance finance for roads remains inadequate.
- The delay in implementation of reform programs and rail tariff increase for passengers and freight services undermined the sustainability of the achievements of ADB's railway operations.

Water and other urban infrastructure and services

- Improvements were made in local governance, project and financial management capacity, and local revenue generation, particularly in Dhaka.
- Some innovations were introduced through the involvement of the private sector and community-based nongovernment organizations in tariff collection. Community water-user groups, most of which included active participation by women, contributed significantly to community buy-in and enhanced bill collections. The successful establishment of district metering areas, and demonstrations of the use of design-build-operate contracts and the deployment of innovative trenchless technologies led to significant reductions in non-revenue water.
- Projects reduced flooding risks in targeted towns.

Agriculture, Natural Resources, and Rural Development (ANR)

- The portfolio was relevant since it concerned rural productivity and poverty reduction and paid close attention to climate change and gender equity.
- ANR operations overachieved against output targets but nonsovereign operations did not perform at the levels expected.
- While substantial outcomes are expected from ADB's ANR operations, they are threatened by the coronavirus disease (COVID-19) pandemic. All completed projects had good economic internal rates of return, but there were significant delays to most projects. Adequate provision for operation and maintenance continues to be an issue.
- The impact of the sector on the rural economy and poverty reduction was substantial despite ANR's small share of the portfolio.

69. The following two chapters assess ADB's sector programs. This chapter is devoted to infrastructure, the largest area of investment, while Chapter 4 discusses non-infrastructure investments. ANR is included in infrastructure, along with energy, transport, and WUS, because ADB support concerned rural infrastructure, including rural roads. The linked documents contain detailed sector program assessments, along with sector specific recommendations (Appendix, Linked Documents C–F).⁵⁰

⁵⁰ Sector assessments cover approvals until 2019 only. The project status is as of 30 September 2020.

A. Energy Program

70. **ADB made significant contributions to Bangladesh's economic growth, diversification, and rural service delivery through a relevant, effective, and efficient portfolio of energy investments.** ADB has underpinned the expansion and modernization of the electric power and gas systems of the country and pioneered regional energy trade. The impacts can be seen in the marked improvement in power quality and reliability, e.g., the elimination of blackouts stemming from generation shortages and the acceleration in electricity access to near universal levels.

71. **The CPS, 2011–2015 supported the Sixth Five-Year Plan and had a focus on inclusive growth, poverty reduction, regional cooperation, and environmental sustainability.** The expected energy sector engagement would address the country's energy shortages, limited electrification, and overreliance on depleting natural gas as a primary source of energy. The CPS's outcomes related to the energy sector were to increase access to electricity for new households and to raise per capita electricity consumption. To achieve this, ADB would (i) help enhance access to power, improve energy efficiency, develop a policy and regulatory setting conducive to private sector participation, boost power trade, and support green growth; (ii) support power system improvement; (iii) support private power projects in renewable energy, energy conservation, and other off-grid operations; (iv) provide capacity building support to develop model PPP in the power sector; and (v) prioritize ADB's private sector operations on innovative and catalytic power projects based on gas, dual fuels, and renewable energy, as well as on developing gas fields, a liquefied natural gas terminal, and associated gas facilities.

72. **The CPS, 2016–2020 supported the Seventh Five-Year Plan by aiming to achieve higher, inclusive, and sustainable economic growth.** One of the priority areas was to ease infrastructure constraints by undertaking transformational investments and promoting policy reforms in key sectors (including energy). The lack of energy security was identified as one of the biggest obstacles to sustained growth in the country, requiring long-term ADB intervention both in sector reforms and infrastructure investments. The energy-related CPS outcomes were (i) higher availability, reliability, and enhanced access to power supply; and (ii) improved regional energy connectivity. The implementation strategy was to support government efforts to expand power generation capacity, improve the efficiency of transmission and distribution networks, and expand regional interconnections. These sectoral objectives were well aligned with the higher-level objectives of connectivity, rural livelihoods, diversification, good governance, private sector development, and regional integration, although they were less congruent with the objectives of addressing climate change, disaster risk management, gender equality, and capacity and skills development.

73. ADB is Bangladesh's largest partner in the energy sector (outside coal power and oil refining), and has been actively supporting investments in seven broad thematic areas: (i) promoting a commercial orientation for power sector entities; (ii) promoting investments in power generation; (iii) removing transmission constraints; (iv) expanding access to electricity; (v) increasing gas production capacity and mobilizing investments to gas production; (vi) improving the gas transmission and distribution network; and (vii) improving the governance and regulatory framework. This CAPE's overall rating of the ADB-supported energy program in Bangladesh is successful. The program was relevant, effective, efficient, and likely sustainable (Appendix, Linked Document C).

74. **All the available evidence indicates that ADB's impact in the energy sector over the CAPE period has been substantial.** ADB served as a key motivator and supporter of early efforts to unbundle and corporatize the Bangladesh energy sector, and to install independent regulation. ADB provided finance and risk mitigation for the introduction of highly efficient combined cycle gas turbine technology, first through public sector sponsorship and then through private finance.

ADB has been the lead partner for the expansion and modernization of the country's power and gas transmission and distribution systems, which has provided a solid foundation for the provision of electricity to almost the entire population and opened the door to regional power trade. Direct indications of positive impact can be seen in the marked improvement in power quality and reliability. Blackouts due to generation shortages have been virtually eliminated and electricity access has reached near universal levels.

75. **Despite this record of success in the sector, there were also some shortcomings.** First, momentum was lost in the sector's reform push. While basic reforms are mostly in place, ambitions for a deeper or second stage of reforms have faded, and with them ADB's support for the intellectual and analytical foundations of future energy policy. While ADB support for private sector mobilization in the sector has been consistent, its impact has been dampened by weaknesses in Bangladesh's energy policy, and in the macroeconomic and financial sector frameworks. Second, ADB has been more of a follower than a leader in two key areas, renewable energy and demand-side energy efficiency, although these are critical for the long-run decarbonization of the energy sector. The related themes of disaster risk reduction and climate change adaptation seem not to have been explicitly addressed in ADB-supported planning and investment design.

B. Transport Program

76. **ADB is a major source of external financing for the transport sector in Bangladesh.** Since 1977 it has been active in supporting the development of roads, rail, ports, and urban transport, through loans totaling over \$6 billion. Over 2011–2019, the value of ADB's active transport projects is estimated to have been about \$3.9 billion. A total of 18 TA projects, valued at \$18.9 million, were ongoing or relevant to 2011–2019 (some of these had been approved as long ago as 2006).⁵¹

77. **Bangladesh has a complex multi-modal transport network with significant exposure to climate risk.**⁵² More than half of all roads and large sections of the transport network are vulnerable to flooding and other natural disasters.⁵³ A fuller description of the Bangladesh transport sector is provided in Appendix, Linked Document D.

78. **ADB's strategy for transport was to improve connectivity and to support the provision of a safe, reliable, and fully integrated transport system that provides more efficient movement of people and goods.** The CPS, 2011–2015 supported the government's transport objectives in the Sixth Five-Year Plan. During the period covered by the CPS, 2016–2020 ADB's strategy was to ease infrastructure constraints and to support more efficient transport infrastructure and connectivity. During those years, ADB support was designed to support economic diversification, and rural and balanced regional development through a continuation of priority cross-cutting

⁵¹ The TA projects were categorized as follows: (i) seven PPTAs or transaction TA projects; (ii) seven capacity development TA projects (CDTAs); (iii) three policy advisory TA projects (PATAs); and (iv) one advisory and operational TA project (AOTA). Of the 18 TA projects, 12 had been closed (as of April 2020). Although 11 had been closed for more than 2 years, a completion report was available for only 4 of the TA projects.

⁵² Nationally, there are about 328,222 km of roads and bridges, including about 21,560 km of national and district roads under the Roads and Highways Department (RHD), and 302,162 km of rural roads under the Local Government Engineering Department (LGED). There are also 2,956 route-km of railways under Bangladesh Railways; and 4,500 km of navigation inland waterways route in dry season, increasing to 6,000 km during the monsoon, under the Bangladesh Inland Water Transport Authority. The ports of Mongla and Chittagong are under their respective port authorities, which are regulated by the Ministry of Shipping. Bangladesh has three international airports (Dhaka, Chittagong, and Sylhet) and eight domestic airports under the Civil Aviation Authority of Bangladesh.

⁵³ World Bank. 2020. *Moving Forward: Connectivity and Logistics to Sustain Bangladesh's Success*. Washington, D.C.

measures.⁵⁴ However, the value of the planned new transport program was not stated in the CPS, nor were the proposed interventions listed because CPS, 2016–2020 advocated flexibility in how financial resources would be allocated.

79. **ADB's objective under both CPSs was the development of strategic economic corridors, particularly those facilitating subregional trade, with a focus on railways.** ADB also supported the preparation of a highway master plan and a railway development master plan.⁵⁵ Due to the constraints in metropolitan Dhaka, ADB would address urban transport capacity expansion and efficiency improvements and would support better urban governance and management. The transport investments aimed to facilitate the country's participation in regional and global value chains. Enhancing the prospects for human capital development, including the role of women, was a common feature of both CPSs. This was done by designing transport facilities that would enhance safe and secure access by women and the vulnerable, and actively improve female participation in project design, access to jobs, and equity in remuneration.⁵⁶ The cross-cutting or thematic issues were similar in both CPS periods.

80. **Actual lending in the transport sector exceeded that planned due to unanticipated investments in rail and roads.** During the period covered by the CPS, 2011–2015, actual lending for transport was \$1.96 billion, compared with the planned program of \$1.23 billion.⁵⁷ Lending for rail was 109% greater than planned, while lending for road was half that planned. Significant lending for urban transport was made, although this was not included in the planned program. Two projects with a rural road component that were originally approved as ANR projects were reclassified as transport projects. This deviation between the actual and planned program was noted by the CPSFRV of 2016, which stated: "the country partnership strategy did not guide the program." It noted that unexplained changes in scope of projects, project sites, and modalities were not well recorded or explained.⁵⁸ For the CPS, 2016–2020 to the end of 2019, actual approved lending remained high at \$1.84 billion, but this cannot be compared with the planned program, since the CPS did not contain estimates for resource allocations by sector.⁵⁹

⁵⁴ These are (i) good governance and capacity development; (ii) environmental sustainability and climate resilience; (iii) regional cooperation; (iv) private sector development; (v) gender equity; (vi) knowledge solutions; and (vii) partnerships.

⁵⁵ ADB. 2018. Railway Rolling Stock Operations Improvement Project. https://www.adb.org/sites/default/files/project-documents/50312/50312-003-rrp-en_0.pdf; ADB. 2017. Updating the Road Master Plan. <https://www.adb.org/sites/default/files/linked-documents/40540-016-ata.pdf>; ongoing, under the South Asia Subregional Economic Cooperation Dhaka-Northwest Corridor Road Project, Phase 2. The PPTA for the proposed South Asia Subregional Economic Cooperation (SASEC) Railway Connectivity Dhaka-Comilla Chordline Project (Tranche 1) for \$300 million, scheduled for 2020, supported an updating of the Railway Master Plan that was published in 2016.

⁵⁶ For example, ADB. 2016. *Bangladesh Country Strategy and Program (2016–2020)*. Manila (paras. 23–26).

⁵⁷ Planned projects included: (i) rail double tracking, track rehabilitation, and signaling and sector reform (\$450 million) comprising; (a) tranches 2–4 of the Railway Sector Investment Program (\$300 million) and tranche 1 of the proposed Subregional Railway Sector Investment Program (\$150 million); (ii) road investment and policy reform (\$496 million) comprising; (a) the TA loan for the Dhaka Chittagong Expressway (\$10 million); (b) improvement to the southwest road network (\$186 million); and (c) a regional transport connectivity project (\$300 million); and (iii) ongoing projects with an approved value of \$286.6 million including; (a) Road Network Improvement and Maintenance Project (\$126 million); (b) tranche 1 of the Railway Sector Investment Program (\$130 million); and (c) Chittagong Port Trade Facilitation Project (\$30.6 million).

⁵⁸ IED. 2016. *Bangladesh: Validation of the Country Partnership Strategy Final Review, 2011–2015*. Manila: ADB.

⁵⁹ Significant new projects were approved as follows: (i) rail—(a) MFF: SASEC Chittagong-Cox's Bazar Railway Project, Phase 1–Tranches 1 and 2 for \$700 million; (ii) Railway Rolling Stock Operations Improvement Project for \$360.0 million; (ii) road—(a) MFF: SASEC Dhaka-Northwest Corridor Road Project, Phase 2, Tranches 1–2 for \$698.4 million; (b) Rural Infrastructure Maintenance Program for \$ 2.0 million; and (iii) urban transport; Project Readiness Financing for the Dhaka Mass Rapid Transit Line 5 for \$33.3 million. The CPS, 2016–2020 referred to a total planned envelope for new sovereign loans of \$6 billion. Assuming that transport is about 25% of the total planned program, as in the earlier CPS period, planned transport lending over 2016–2020 should have been closer to \$1.5 billion.

81. **ADB supported the government's development priorities and positioned itself to achieve the desired development objectives in collaboration with other development partners.** The emphasis on infrastructure, particularly rail, but also roads and multi-modal transport infrastructure was consistent with the focus on efficient infrastructure in Strategy 2020 which was one of the core areas. As planned, ADB's strategy and program was potentially highly relevant but, as described below, it had reduced effectiveness in practice, reducing its potential relevance. There are also questions about the dominant investment in railways, which was much larger than planned in CPS, 2011–2015 and that continued to increase its share in ADB's transport portfolio in the second half of the evaluation period. ADB's support for Bangladesh's transport sector is rated relevant.

82. **ADB did not achieve two of the three outcome indicators common to both CPSs on increasing numbers of rail passengers and the amount of rail freight traffic.** ADB's strategy and program over the CAPE, 2011–2020 had the potential to be effective. However, 59% of ADB's sovereign lending in transport was for railways, although this mode carried only 4% of land passengers and freight in 2005. While rail demand has been growing, rail mode's share of passenger and freight transport has not likely increased or increased minimally since 2005. The emphasis on rail supported government priorities for infrastructure but the delay in implementation of agreed key rail policy reforms undermined the effectiveness and efficiency of ADB investments in rail. Consequently, the program will not achieve its 2015 target for rail passengers by 2020. However, it did achieve its 2015 target for rail freight by 2018, which had been substantially revised downwards.⁶⁰ Overall, the ADB transport program is rated less than effective.

83. **There was a significant reduction in delays to loan closures from 2011 onwards compared with the previous decade.** For example, for the loans approved during 2011–2015 and closed by the end of 2019, the average loan extension was 16% of the original planned project duration (compared with over 70% for loans approved during 2002–2010). As support to enhance private sector participation in transport infrastructure and maintenance was expanded during the evaluation period, the CAPE rated ADB support overall efficient.

84. **Substantial risks to the sustainability of achievements in both road and rail operations were identified.** Adequate maintenance finance for roads is unlikely to be available despite increases in funding and the use of performance-based maintenance contracts, which mainly cover only routine maintenance.⁶¹ For rail, the reluctance to increase rail tariffs for passenger and freight services are critical risks to the sustainability of project achievements. Regarding the other seven dimensions of sustainability as defined by ADB's Sustainable Transport Initiative,⁶² ADB support has enhanced the climate resilience of infrastructure, mainstreamed the preparation of specific gender action plans and climate risk assessments to support appraisal (since 2012), and has recognized the importance of road safety through project-based interventions. However, the transport program is assessed less than likely sustainable.

⁶⁰ The poor rail subsector performance over 2011–2020 is captured in two of the three indicators—for rail passengers and rail freight. The indicators for rail passenger-km and rail ton-km fell short of their 2015 targets by close to 50%. Because of this underachievement, in the CPS, 2016–2020, the 2020 targets for rail passenger-km and ton-km were reduced to two-thirds of the 2015 level. It appears that the 2020 targets for both passenger and freight were achieved by 2018, but this was because these targets were set substantially lower than the 2015 targets. The third indicator for 2015, annual average daily traffic (AADT), fell short of its 2015 target by 8%. The data are not presently available to measure the achievement of this indicator in 2020.

⁶¹ Only about one-third of the required financial resources to sustainably finance roads for routine and periodic maintenance, and for reconstruction, under the RHD in the near future are available. Based on information from 2011, only about a quarter of the funding required to sustain rural roads is available. RHD. 2018. Maintenance and Rehabilitation Needs Report of 2018–2019 for RHD Paved Roads. Dhaka. M. Alam. 2013. *Bangladesh Rural Road Maintenance—A Challenge for Sustaining the Benefits of Improved Access*. Executive Engineer, Road Maintenance and Road Safety Unit, LGED. Presentation.

⁶² ADB. 2010. *Sustainable Transport Initiative Operational Plan*. Manila.

85. **While ADB has played a leadership role in rail and road policy reforms for the past 15 years, further support is needed to achieve them.** The reduction in progress became more apparent when ADB stopped linking the achievements of reform targets to disbursements for infrastructure, which occurred after the completion of the Railway Sector Investment Program in 2016. ADB needs to provide better support to the government with the more domestically difficult aspects of the reform programs, for example maintenance charges for road use, and tariff increases for rail. An immediate challenge for ADB is to build on the government's commitment to reforms to ensure that ADB-supported and other infrastructure is sustainably financed and efficiently operated.

86. **ADB paid insufficient attention to policies that would support better cross-modal integration.** Issues such as the effective coordination of freight and passenger modes, the facilitation of efficient multi-modal logistics, the efficient management of urban public transport, and reducing urban traffic congestion are critical and remain to be comprehensively addressed. A more integrated approach is needed to take optimal advantage of new multi-modal infrastructure such as the bus and rail rapid transit lines that ADB is supporting in Dhaka.

C. Water and Other Urban Infrastructure and Services Program

87. **The CPS, 2011–2015 aimed to achieve inclusive and greener growth by making cities more livable, managing water resources, and reducing flood risks.** A major target was increased access to improved water supply, sanitation services, and primary health care. The CPS, 2016–2020 targeted poverty reduction through shared growth, social development, and good governance. Like the previous CPS, it prioritized the cross-cutting themes of private sector development, managing climate-change-related vulnerabilities, addressing institutional capacity constraints, and improving governance, and promoting gender equality to strengthen the inclusiveness of growth. The key outcomes that ADB aimed to contribute to were improved urban infrastructure and services, higher private investment, greater transparency in public procurement, and better managed flood control and riverbank erosion mitigation.

88. **ADB's WUS sector portfolio accounted for 12.1% by amount of its total planned commitments over the evaluation period.** Support was delivered through 47 initiatives, representing 14.6% of total operations. ADB operations in the WUS sector were primarily investments in urban water supply and sanitation, with additional support for solid waste management, drainage and flood management, urban roads, public transit, and traffic management. In all cases, governance and related institutional capacity development were included as critical components.

89. **Secondary towns were a key feature of the ADB program approved before 2011 and implemented over the evaluation period.** ADB provided two loans⁶³ for urban flood protection in secondary towns identified in the government's flood action plan. Transportation improvements were addressed in the Second Urban Governance and Infrastructure Improvement Project,⁶⁴ incorporating municipal transport, drainage, solid waste management, water supply, and sanitation, including basic services to slums along with strengthened local governance. The Dhaka Water Supply Sector Development Program⁶⁵ focused on improving the water supply

⁶³ ADB. 2004. Secondary Towns Integrated Flood Protection Project (Phase 2). <https://www.adb.org/sites/default/files/project-document/69676/rrp-ban-26427.pdf>; and ADB. 2006. Secondary Towns Water Supply and Sanitation Sector Project. <https://www.adb.org/sites/default/files/project-document/66863/36297-ban-rrp.pdf>

⁶⁴ ADB. 2008. Second Urban Governance and Infrastructure Improvement Project. <https://www.adb.org/sites/default/files/project-document/67754/40559-ban-rrp.pdf>

⁶⁵ ADB. 2007. Dhaka Water Supply Sector Development Program. <https://www.adb.org/sites/default/files/project-document/65598/39405-ban-rrp.pdf>

network, including extending connections to slums and strengthening the institutional capacity of the Dhaka Water Supply and Sewerage Authority (DWASA). The Urban Public and Environmental Health Sector Development Program⁶⁶ supported related policy reforms and aimed to improve public and environmental health through better solid waste management and safe disposal of medical waste in six city corporations. The program approved during this period was designed to help the government to expand safe and sustainable water supply and sanitation services and to improve urban public health by expanding access to clean water,⁶⁷ modernizing the Khulna water supply system,⁶⁸ improving the legal and regulatory framework of the urban water sector,⁶⁹ rehabilitating municipal water supply and sanitation infrastructure in vulnerable coastal towns,⁷⁰ and improving urban transport.⁷¹ Projects in Khulna and Dhaka supported by ADB are also contributing to sustainable water resources use by developing surface water as an alternative to ground water supply.⁷²

90. **The program associated with the CPS, 2016–2020 emphasized an integrated approach to WUS projects.** The significance of connectivity and regional links was recognized in the Second City Regional Development Project.⁷³ The “city region” approach clustered and linked urban centers, and developed economic corridors strengthening connectivity and the potential for regional cooperation. The Third Urban Governance and Infrastructure Improvement Project⁷⁴ focused on improving the municipal water supply, the delivery of solid waste management services, and urban governance in secondary towns, *pourashavas*.

91. **Bangladesh’s high rates of urbanization, the increasing pressure on service delivery, and complexities arising from climate change all made ADB’s WUS investments relevant and timely.** There was a high degree of consistency between ADB strategies (including the two CPSs, Strategy 2020, and Strategy 2030) and those of the government (including the Sixth and Seventh Five-Year Development Plans).

92. **Gender issues, including wider inclusion of other vulnerable groups, were generally well incorporated into project designs, including strengthening women’s roles in local government decision-making.** However, little attention was paid to private sector development opportunities in most project designs. The WUS sector addressed climate change and disaster resilience directly through drainage and flood protection components in several projects. All ADB WUS initiatives contributed to more livable cities that would be green, competitive, resilient, and inclusive. Strengthening governance and institutional capacity featured prominently in all WUS projects. The portfolio also incorporated some innovations. Participatory planning at the design stage

⁶⁶ ADB. 2009. Urban Public and Environmental Health Sector Development Program.

<https://www.adb.org/sites/default/files/project-document/64760/39305-ban-rrp.pdf>

⁶⁷ ADB. 2016. Dhaka Water Supply Network Improvement Project. <https://www.adb.org/sites/default/files/project-document/185387/47254-003-rrp.pdf>; and ADB. 2013. Dhaka Environmentally Sustainable Water Supply Project. <https://www.adb.org/sites/default/files/project-document/78872/42173-013-ban-rrp.pdf>

⁶⁸ ADB. 2011. Khulna Water Supply Project. <https://www.adb.org/sites/default/files/project-document/61482/42171-013-ban-rrp.pdf>

⁶⁹ ADB. 2014. Third Urban Governance and Infrastructure Improvement Project. <https://www.adb.org/sites/default/files/project-document/81507/39295-013-rrp.pdf>

⁷⁰ ADB. 2012. Coastal Towns Infrastructure Improvement Project. Project Administration Memorandum: <https://www.adb.org/sites/default/files/project-document/75690/44212-023-ban-pam.pdf>; and ADB. 2014. Coastal Towns Environmental Infrastructure Project. <https://www.adb.org/sites/default/files/project-document/81355/44212-013-rrp.pdf>

⁷¹ ADB. 2010. City Region Development Project. <https://www.adb.org/sites/default/files/project-document/62605/39298-01-ban-rrp.pdf>; and ADB. 2008. Second Urban Governance and Infrastructure Improvement Project. <https://www.adb.org/sites/default/files/project-document/67754/40559-ban-rrp.pdf>

⁷² <https://www.adb.org/sites/default/files/project-document/78872/42173-013-ban-rrp.pdf>

⁷³ ADB. 2019. Second City Regional Development Project. <https://www.adb.org/sites/default/files/project-documents/49329/49329-006-rrp-en.pdf>

⁷⁴ ADB. 2017. Third Urban Governance and Infrastructure Improvement Project. <https://www.adb.org/sites/default/files/project-document/81507/39295-013-rrp.pdf>

helped to institutionalize community engagement in the municipal administration process. Solutions such as waste-to-compost and waste-to-energy were piloted in some projects, and the introduction of a performance-based resource allocation mechanism, linking resource allocation for capital works to municipal reforms, incentivized municipalities to undertake reforms. ADB successfully worked in close collaboration with several other international development partners as well as with local nongovernment organizations (NGOs) in funding and implementing WUS initiatives. While ADB introduced some innovative elements at the project level, there were gaps at the strategic level. For example, rapid urbanization in Bangladesh needs an integrated approach to urban water management that considers the links between different aspects of the water urban cycle, wastewater, and stormwater systems holistically rather than in isolation. The investment needs in the sector exceed available public resources and the WUS strategy does not currently have an approach that encourages private investment⁷⁵. Overall, the WUS program in Bangladesh during the evaluation period was relevant.

93. In both CPSs, targets for ADB performance for water supply and sanitation were unrealistically high. The CPS, 2011–2015 set targets of 100% population coverage for both sectors over a 5–7-year period (from a baseline of 50%). These were not achieved and were subsequently carried over to CPS, 2016–2020, where they were not achieved either. Sanitation coverage under the Secondary Towns Integrated Flood Protection Project⁷⁶ was recorded as 88%, which may be true geographically, but it is questionable whether this percentage applied to actual households served, and while public toilets may be extended, they are often rejected for cultural reasons.

94. Achievements included the successful delivery of local government training and capacity building programs. Local governance improvements in project and financial management capacity, and local revenue generation were achieved, particularly in Dhaka where DWASA benefited from ADB support. Improvements in local tax revenue collection in the range of 5%–10% were achieved in some cases⁷⁷ following capacity building initiatives. The nine towns targeted by the Secondary Towns Integrated Flood Protection Project⁷⁸ all reported reduced or no flooding in the years following project implementation; all targets in the multi-sector Second Urban Governance and Infrastructure Improvement Project⁷⁹ were achieved or exceeded for safe water delivery, reduced road travel times, and use of bus terminals, parks, and markets. The ongoing projects expect to substantially achieve their targeted outcomes, although with possible minor changes to the targets due to delays in contracting, procurement and disbursement, discussed further below. Based on these results and expectations, the overall program was effective.

95. Projects commonly experienced delays of 1–2 years or more, mostly due to complex local contracting procedures and institutional weaknesses that led to slow procurement and disbursement. Mid-course design and output adjustments also contributed to delays. Some project delays were caused by institutional delays that led to cost escalations and output adjustments. The 10 WUS projects that have started since 2011 all had their closing dates extended by 1–4 years. Economic efficiency was achieved in all the assessed projects. Although there were some increases or decreases during implementation all remained above the 12% economic internal rate of return (EIRR) threshold.

⁷⁵ Consultations with the Office for Public–Private Partnerships revealed that water and wastewater are potential areas for future public–private partnerships in Bangladesh.

⁷⁶ ADB. 2004. Secondary Towns Integrated Flood Protection Project (Phase 2). <https://www.adb.org/sites/default/files/project-document/69676/rrp-ban-26427.pdf>

⁷⁷ IED. 2016. *Validation Report: Secondary Towns Integrated Flood Protection (Phase 2)*. Manila: ADB.

⁷⁸ ADB. 2004. Secondary Towns Integrated Flood Protection Project (Phase 2). <https://www.adb.org/sites/default/files/project-document/69676/rrp-ban-26427.pdf>

⁷⁹ ADB. 2008. Second Urban Governance and Infrastructure Improvement Project. <https://www.adb.org/sites/default/files/project-document/67754/40559-ban-rrp.pdf>

96. **The efficiency challenges lie primarily with weak institutional structures and capacities, resulting in long procurement times.** The Dhaka Water Supply Network Improvement Project⁸⁰ for example, had disbursed only 16.4% of funds more than halfway through the implementation period because it was unable to achieve timely approvals and permits at different stages of the work. Cumbersome procurement and contracting processes involving more than one approving agency slowed progress.⁸¹ Numerous organizations were often involved and there was inadequate overall coordination.⁸² Responsibility for planning, approving, implementing, and managing major urban functions and basic urban services is divided among many ministries and agencies, but their activities are not effectively coordinated at the local level. Other project efficiency issues included the slow disbursement from some cofinanciers and unanticipated delays in land acquisition.⁸³ Nevertheless, most ongoing projects are likely to achieve their intended outputs efficiently. As the WUS projects with completion reports have also been assessed efficient,⁸⁴ the program is rated efficient overall.

97. **ADB contributed to the institutional strengthening that is needed to implement and enforce existing legislation and regulations, tax, and tariff increases.** The Secondary Towns Water Supply and Sanitation Project used capacity building and training programs to strengthen water utilities' abilities to plan, design, supervise, and monitor.⁸⁵ Policy reforms covering billing, tariff collection and operation and maintenance (O&M) were introduced in all project towns, although these have not been fully institutionalized. While DWASA has achieved a sustainable level of collection by increasing tariffs, improving billing techniques, and significantly reducing non-revenue water, most other utility agencies rely on central government financial support, particularly for O&M, to compensate for the poor local revenue generation. Acquiring adequate O&M funds remains an issue for secondary urban areas. Government officials felt that, in addition to financing water supply and sanitation infrastructure, there is a need to fund other revenue-generating investments such as buildings, markets, and bus terminals to help generate municipal funds.

98. **Under the design-build-operate (DBO) model of project implementation, O&M can be built into the overall contract.** The Dhaka Water Supply Sector Development Program⁸⁶ reported that a DBO approach had helped to reduce non-revenue water from 40% to 15%, with the ratio likely to drop further, possibly to as low as 5%.⁸⁷ The second phase of the Secondary Towns Integrated Flood Protection Project⁸⁸ contributed substantially to the nine towns' financial sustainability by improving their tax management systems, resulting in an annual tax revenue increase of 10% between 2005 and 2012. The Secondary Towns Water Supply and Sanitation Project⁸⁹ demonstrated an innovative combination of private sector and community-based NGO involvement in tariff collection. Community water-user groups, most of which included active participation by women, contributed significantly to community buy-in and enhanced bill collection. Collections more than doubled between 2009 and 2014.⁹⁰ Based on the combined

⁸⁰ ADB. 2016. Dhaka Water Supply Network Improvement Project. <https://www.adb.org/sites/default/files/project-document/185387/47254-003-rpp.pdf>

⁸¹ Telephone interview, Dhaka Water Supply and Sewerage Authority (DWASA), 29 June 2020.

⁸² This was identified in ADB. 2007. Dhaka Water Supply Sector Development Program. <https://www.adb.org/sites/default/files/project-document/65598/39405-ban-rpp.pdf>

⁸³ IED. 2016. *Validation Report: Secondary Towns Integrated Flood Protection Project, Phase 2*. Manila: ADB.

⁸⁴ Appendix, Linked Document E, Table 7.

⁸⁵ ADB. 2006. Secondary Towns Water Supply and Sanitation Sector Project. <https://www.adb.org/sites/default/files/project-document/66863/36297-ban-rpp.pdf>

⁸⁶ ADB. 2007. Dhaka Water Supply Sector Development Program. <https://www.adb.org/sites/default/files/project-document/65598/39405-ban-rpp.pdf>

⁸⁷ Telephone interview, DWASA, 14 July 2020.

⁸⁸ ADB. 2004. Secondary Towns Integrated Flood Protection Project (Phase 2). <https://www.adb.org/sites/default/files/project-document/69676/rpp-ban-26427.pdf>

⁸⁹ ADB. 2006. Secondary Towns Water Supply and Sanitation Sector Project. <https://www.adb.org/sites/default/files/project-document/66863/36297-ban-rpp.pdf>

⁹⁰ ADB. 2016. *Completion Report: Secondary Towns Water Supply and Sanitation Project*. Manila.

experience of completed and currently underway projects, particularly the successful replicable model achieved in Dhaka by DWASA, there has been sufficient progress achieved on key sustainability issues to rate the overall program sustainable.

99. **WUS projects reviewed during this assessment had a significant development impact including improved services, a significant drop in mortality due to waterborne diseases, and tariff, institutional, and financial reforms.** The projects supporting flood protection extended many traders' commercial activities throughout the year without disrupting activities during the monsoon season.⁹¹ Improvements to urban infrastructure and services have contributed to a more conducive environment for private sector participation. DWASA's strengthened capacity and governance are reflected in its tariff structure, and in better revenue collection and management, which can be replicated in other secondary urban centers, such as Khulna and Chattogram. All infrastructure elements were designed to be resistant to natural hazards related to increasingly frequent and intense extreme weather events, such as cyclones, flooding, and storm surges. WUS projects expanded women's participation in institutional roles and project-related decision making. By focusing on improved access to services, WUS projects increased women's economically productive time because providing basic household needs could be carried out more quickly. Women were involved in community-based maintenance work associated with the Emergency Assistance Project. Under the Dhaka Water Supply Sector Development Program, women participated extensively in community-based organizations in Dhaka to support slum area water supplies.⁹²

100. **Other development partners, including the World Bank, have been encouraged by the successful establishment of district metering areas, the use of DBO contracts, and the introduction of innovative trenchless technologies that have led to significant reductions in non-revenue water in all the project towns receiving ADB support.** As a result, they have increased their involvement in the sector. This leveraging of experience and resources will multiply ADB's own direct development impacts in Bangladesh. The development impacts of the WUS program were satisfactory.

D. Agriculture, Natural Resources, and Rural Development Program

101. **While agriculture's contribution to GDP is falling, it remains an important part of Bangladesh's economy⁹³ and social structure, as well as being an important rural safety net.⁹⁴** Bangladesh has a productive natural environment for agriculture, but it is also one of the most disaster- and climate-change-prone countries in the world, so risks to agriculture, rural development and poverty reduction are high. Nevertheless, significant gains have been made and ADB's ANR program appears to have had high returns, despite its small size.

102. **ADB support shifted away from earlier rural credit-based livelihood projects to rural infrastructure, rural roads, and water management over the evaluation period.⁹⁵** CPS, 2011–2015 stated that: "ADB will reposition its public sector support away from a number of areas, such as participatory enhancement of livestock, crop diversification, small and medium-sized enterprise,

⁹¹ Information from various PCRs and PVRs.

⁹² Project officer questionnaire and telephone interview, 27 May 2020.

⁹³ World Bank. 2016. *The Dynamics of Rural Growth in Bangladesh*. Washington, D.C. Washington estimated that each 10% growth of income in the ANR sector generated a further 6% growth in the other economic sectors.

⁹⁴ About 65% of the population lives in rural areas and the sector accounts for about 43% of employment.

⁹⁵ ADB. 2003. Second Participatory Livestock Development Project. <https://www.adb.org/sites/default/files/project-document/70278/rrp-ban-35228.pdf>; ADB. 2005. Agribusiness Development Project. <https://www.adb.org/sites/default/files/project-document/68985/rrp-ban-33224.pdf>; and ADB. 2010. Second Crop Diversification Project. <https://www.adb.org/sites/default/files/project-document/63453/40534-01-ban-rrp.pdf>

and agribusiness...”.⁹⁶ This was in line with Strategy 2020, which regarded ANR as a non-core sector. The CPS, 2016–2020 was more closely aligned with ADB’s Operational Plan for Agriculture and Natural Resources, adopted in 2015, which stressed wider objectives, including support for productivity, crop diversification, food safety, climate change and private sector participation in value chains.⁹⁷ However, only one rural connectivity project and additional financing for an ongoing water resources project were approved during the evaluation period. Instead, the focus was on increasing the size of and consolidating rural infrastructure and water resources lending.

103. **The ANR program included 14 sovereign investment projects, valued at \$964.4 million, and 20 TA projects, valued at \$13.4 million.** Of the investment projects, eight⁹⁸ were approved before but were still ongoing or completed during the CAPE period, and one had received additional financing.⁹⁹ All projects were financed through investment loans except for one MFF.¹⁰⁰ Many were repeat projects; they were designed to build on previous experience and success.¹⁰¹ Two nonsovereign projects aimed to expand a commercial agribusiness company.¹⁰² The TA consisted of nine PPTAs, three of which were funded by the JSF and one by the JFPR.¹⁰³ Project sizes varied considerably. The largest was \$285 million, while the irrigation, drainage, and flood control projects were about \$50 million each.

104. **The sovereign portfolio aimed to increase productivity, widen market access, and improve water resources infrastructure.** Its objectives were to: (i) increase productivity at the grassroots level by providing credit support to landless, smallholders and small-scale agribusiness entrepreneurs; (ii) enhance access to markets, services, and inputs by people living in rural areas through the provision and upgrading of rural roads and markets; and (iii) increase productivity by improving water resources infrastructure, including the protection of productive areas through flood embankments, the intensification of monsoon season irrigated areas, and the enhanced management of small-scale and medium-sized water management schemes. A JFPR project was designed to test the viability of weather-index-based crop insurance. Two private sector loans aimed to develop new markets for farmers by assisting a major agribusiness firm to build new processing facilities. Many of the rural infrastructure and irrigation, drainage, and flood control projects had a climate-change orientation, and they ensured that the infrastructure being built was designed to consider likely climate change impacts. All the projects, including the private sector projects, had a gender equity orientation.

⁹⁶ It is not clear why this decision was taken. It was not necessarily related to Strategy 2020 since the CPS, 2006–2010, which was prepared before Strategy 2020, includes a similar proscription. The three credit-based projects in the portfolio were approved in 2003, 2005, and 2010.

⁹⁷ ADB. 2015. *Operational Plan for Agriculture and Natural Resources*. Manila.

⁹⁸ ADB. 2002. Jamuna-Meghna Riverbank Erosion Mitigation Project. <https://www.adb.org/sites/default/files/project-document/70947/rrp-ban-34038.pdf>; ADB. 2003. Second Participatory Livestock Development Project. <https://www.adb.org/sites/default/files/project-document/70278/rrp-ban-35228.pdf>; ADB. 2005. Agribusiness Development Project. <https://www.adb.org/sites/default/files/project-document/68985/rrp-ban-33224.pdf>; ADB. 2006. Second Rural Infrastructure Improvement Project. <https://www.adb.org/sites/default/files/project-document/67033/36224-ban-rrp.pdf>; ADB. 2009. Participatory Small-Scale Water Resources Project. <https://www.adb.org/sites/default/files/project-document/64848/39432-ban-rrp.pdf>; ADB. 2010. Sustainable Rural Infrastructure Improvement Project. <https://www.adb.org/sites/default/files/project-document/62628/40515-01-ban-rrp.pdf>; ADB. 2010. Second Crop Diversification Project. <https://www.adb.org/sites/default/files/project-document/63453/40534-01-ban-rrp.pdf>; and ADB. 2005. Southwest Area Integrated Water Resources Planning and Management. <https://www.adb.org/sites/default/files/project-document/68932/34418-ban-rrp.pdf>

⁹⁹ ADB. 2005. Southwest Area Integrated Water Resources Planning and Management. <https://www.adb.org/sites/default/files/project-document/68932/34418-ban-rrp.pdf>

¹⁰⁰ ADB. 2014. Flood and Riverbank Erosion Risk Management Investment Program. <https://www.adb.org/sites/default/files/project-document/81254/44167-013-rrp.pdf>

¹⁰¹ Even the MFF was an upscaling of the previously successful Jamuna-Meghna Riverbank Erosion Mitigation Project.

¹⁰² ADB. 2012. PRAN Agribusiness Project. <https://www.adb.org/sites/default/files/project-document/73791/46904-014-ban-rrp.pdf> and ADB. 2018. Second PRAN Agribusiness Project. <https://www.adb.org/sites/default/files/project-documents/51152/51152-001-rrp-en.pdf>

¹⁰³ In addition, there were 11 support TA projects (CDTAs, AOTAs, and PATAs) funded by the JSF, JFPR, the TASF, and other trust funds administered by ADB, including the Strategic Climate Fund and the Climate Change Fund.

105. **The ANR portfolio was relevant since it consisted of rural infrastructure, irrigation and water resources investments, and microfinance projects designed to improve agricultural productivity and diversification.** The design of the rural infrastructure and water resources projects took into account climate change factors, e.g., infrastructure in flood-prone environments had to take sustainability into account. This was in line with the overall development strategy of the country and ADB's Strategy 2020.¹⁰⁴ On an individual project and TA basis, all projects except one and all TA projects except one (which was cancelled) were considered relevant based on a review of PCRs, PCR validation reports, and TA completion reports. An analysis of explicit links to high-level CPS objectives indicated that projects were strongly focused on productivity enhancement, diversification, gender equity, disaster risk reduction, improvements to rural livelihoods, good governance, private sector development, and capacity building. The only factor which was not addressed was regional cooperation and integration, mainly because ANR tends to focus on rural issues. TA design focused on such factors as human resources skills development and capacity building, climate change, and rural livelihoods. The portfolio also reflected a significant degree of complementarity and coherence with the programs of other partners.¹⁰⁵ Several rural infrastructure projects were supported by the IFAD and Kreditanstalt für Wiederaufbau for rural roads and the Netherlands for water resources. Overall, the ANR portfolio was relevant.

106. **Available documentation indicates an achievement or over-achievement of planned outputs.**¹⁰⁶ This excludes the Irrigation Management Improvement Project which was experimental and innovative but has also been significantly delayed.¹⁰⁷ Outputs of ADB ANR projects included over 4,700 km of rural road upgrading or provision, along with about 12,400 meters of bridges; the construction of nearly 280 markets; irrigation, flood control and/or drainage improvement on more than 554,000 ha; the formation of nearly 17,000 beneficiary groups; the provision of rural credit valued at \$116.2 million to more than 1 million poor families, farmers or small-scale entrepreneurs; the planting of more than 86,000 ha of high-value crops and the provision of training to over 900,000 beneficiaries and over 41,000 government and NGO personnel. These were valuable additions to infrastructure, rural investment, crop diversification, skills development, civic organization, and government capacity. The number of beneficiaries was very large: based on their PCRs, the Second Rural Infrastructure Improvement Project and the Sustainable Rural Infrastructure Improvement Project benefited more than 10 million rural inhabitants. Similarly, the Jamuna-Meghna Riverbank Erosion Mitigation project has reduced flood risks for some 2 million people.¹⁰⁸ Moreover, these projects have since been replicated or expanded, benefiting large numbers of people; for example, the additional financing for the Southwest Area Integrated Water Resources Planning and Management Project has a target population of nearly 500,000. However, the COVID-19 pandemic may pose a threat to the effectiveness of ongoing projects since delays are inevitable as movements become restricted.

107. **The first nonsovereign operation in the ANR sector generated employment, contributed to agricultural livelihood diversification, and led to wider opportunities for farmers, although on a smaller scale than initially expected.** The first PRAN Agribusiness Project planned the construction of a flour mill, a frozen food processing plant, and a starch and liquid glucose plant

¹⁰⁴ Such investments remain relevant under Strategy 2030 but in a narrower sense since Strategy 2030 also expands the potential scope of agriculture lending beyond infrastructure to include rural development and food security.

¹⁰⁵ Several other partners including the World Bank, Japan International Cooperation Agency, IFAD, and Kreditanstalt für Wiederaufbau are supporting the government's 2013 Rural Roads and Bridges Maintenance Policy, which was the basis of much of the CAPE portfolio.

¹⁰⁶ Accepting that the Second Rural Infrastructure Improvement Project achieved its revised output targets and not its original ones.

¹⁰⁷ There is also some concern about the Flood and Riverbank Erosion Risk Management Program, the first subproject of which has been completed. An extension may be needed to complete the second subproject.

¹⁰⁸ The PCR estimates 400,000 households. The average household size has been estimated at five persons.

which would employ 1,000 workers by 2016, and provide indirect employment to at least 50,000 people, especially farmers, under the project's guaranteed purchases scheme. About half the loan (\$25 million) was disbursed but only the starch and liquid glucose plant was constructed. This has about 190 employees and receives inputs from between 2,000 and 2,600 contract farmers. While this was less than expected, the project still had an impact in terms of the number of jobs created, and the original estimates were probably overambitious given that this was the first nonsovereign ANR intervention in Bangladesh.¹⁰⁹ However, the plant capacity of 90,000 tons per year is not being fully utilized as only about 26,000 tons of starch are produced each year. As a result, the outputs and outcomes for the first project were only partially achieved. Nevertheless, the project was rated successful, because of its contribution to rural economic diversity and private sector development. The Second PRAN Agribusiness Project is ongoing. It plans to construct a manufacturing plant and purchase machinery and equipment to produce potato chips, potato flakes, and pasta. Potatoes will be sourced from 2,000 contract farmers.¹¹⁰ While small, these interventions potentially contribute to agricultural diversity and widen the opportunities available to farmers.

108. Overall, the ANR program was effective in achieving its outputs and the program's outcomes are expected to be substantial.¹¹¹ Most physical targets have been or are likely to be met and, in many cases, exceeded. For example, the Sustainable Rural Infrastructure Improvement Project improved 185 km of union roads (exceeding the target of 100 km), while the Second Crop Diversification Project expanded the area of high-value crops by 84,000 hectares (surpassing the target of 50,000 hectares). Under the Second Chittagong Hill Tracts Development Project, 265 km of rural roads were improved (passing the target of 166 km). The achievement of outcomes can be assessed with less confidence because of the dearth of completion reports and the fact that outcomes such as increased farm household incomes take some time to be achieved. Nonetheless, considering the level of the completed outputs, the results of previous PCRs, along with a sound body of literature on the benefits of rural infrastructure, and the fact that rural infrastructure benefits tend to be indirect and thus entail a time lag, a reasonable conclusion would be that, over time, the ANR sector outcomes are likely to be achieved. The ANR sector investment portfolio was effective.¹¹²

109. All completed projects had EIRRs above 12%.¹¹³ The evaluation inferred the likely EIRRs for ongoing projects based on previous similar projects. Since these were all repeat projects or

¹⁰⁹ At appraisal, the RRP estimated that the project would benefit 50,000 contract farmers. This was reduced to 25,000 after the change in scope. The actual figures after completion were based on: ADB. 2020. *Performance Evaluation Report: Bangladesh. Sylvan Agriculture Limited PRAN Agribusiness Project*. Manila.

¹¹⁰ Current challenges facing potato production in Bangladesh include dwindling export volumes, post-harvest issues, price fluctuations, appropriateness of potato variety for processing, the quality of the seeds, and the presence of crop diseases. These factors, including the introduction of new processed products, may indirectly affect project success. Around 2% of potato production in Bangladesh is processed as chips and crackers. The volume is low as potato is a staple that is eaten unprocessed.

¹¹¹ Of 13 projects, 12 have resulted or are likely to result in higher levels of agricultural production and value added, 11 have resulted or are likely to result in increased on-farm and off-farm employment; 6 have improved or are expected to improve access to markets and services; 11 have increased or are expected to increase household incomes; 12 have resulted or are expected to reduce poverty levels; 4 have resulted or are expected to result in improved nutrition; all projects have contributed or are expected to contribute to better gender equity; and 8 have resulted or are expected to result in better beneficiary participation in project O&M and have resulted or are expected to result in better government O&M capacity.

¹¹² Taking a converse point of view, it would be hard to argue that, given the level of outputs already achieved, significant outcomes would not be achieved (unless the basic assumption that improved rural infrastructure leads to improved agricultural production and farm incomes is faulty). Given the level of demand from both potential beneficiaries and concerned governments, and the level of documented results from rural infrastructure provision, that is unlikely.

¹¹³ IED. 2015. *Guidelines for the Preparation of Country Assistance Program Evaluations and Country Partnership Strategy Final Review Validations*. Manila: ADB. However, the revised guidelines for the economic analysis of projects in 2017 identified ADB's newly adopted minimum required EIRR at 9%. The revised guidelines also mentioned that a lower discount rate (6%) could be applied to some social sector projects, specifically projects targeting poverty, including those that primarily generate environmental benefits. The assessment of the economic efficiency of individual

continuations of completed projects with EIRRs well above 12%, it can be assumed with a reasonably high degree of confidence that these projects will also be economically efficient. However, the track record for process efficiency was not as good. Four of the nine closed projects were delayed for nearly 2 years beyond their original closing dates, making them less than efficient in terms of process efficiency.¹¹⁴ The main reason for the delays was the time taken to recruit project supervision consultants and to complete complicated land acquisition procedures. Two of the ongoing projects are likely to suffer delays in completion.¹¹⁵ In terms of the TA portfolio, the average delay for ANR TA projects was 1.5 years, slightly lower than the country average delay for TA projects of 1.6 years during the CAPE period. For nonsovereign operations, the first PRAN Agribusiness project intended to provide guaranteed markets for 50,000 contract farmers, but the company currently only has contracts with more than 2,000 farmers. On balance, the overall sector program was efficient. However, the current pandemic may well affect the efficiency of ongoing projects since delays in ADB and government processes are inevitable.

110. Routine O&M funding is often insufficient given the annual floods and consequent need to repair damage. Amid recurrent funding constraints, efforts have been made to ensure the sustainability of both water resources and rural infrastructure projects since the beginning of the CAPE period.¹¹⁶ These measures allowed the evaluation to have a reasonable degree of confidence in the projects' sustainability, although consultations with executing agencies revealed that government financing for infrastructure O&M continues to be inadequate. This financing shortfall is exacerbated by the increasing needs of new development projects for sustained O&M funding. The government continues to rely on partners for maintenance funding. While projects implemented during the period are considered more likely to be sustainable than earlier projects, they are still susceptible to deficiencies in funding. Overall, taking sovereign and nonsovereign operations together, the ANR portfolio was assessed likely sustainable.

sovereign projects was based on the EIRR and process efficiency. Projects with an EIRR over 12% were considered economically efficient, based on the 2015 CAPE Evaluation Guidelines. In terms of process efficiency, projects were assessed in terms of the duration of their implementation period (to account for project delays) and to determine whether there were significant cost over-runs. Guidance was derived for the 2018 Annual Evaluation Review which assessed the average delay in implementation for ADB projects at 19 months and defined a process inefficient project as any project that exceeded this period.

¹¹⁴ The average delay among all nine was only 1.2 years, i.e., below the defined less than efficient level of 19 months (1.6 years) across ADB, and below the Bangladesh over-all country portfolio average of 1.4 years during the CAPE period.

¹¹⁵ These were the Irrigation Management Improvement Project and the Flood and Riverbank Erosion Risk Management Program. The Irrigation Management Improvement Project is suffering from implementation setbacks due to delays in the recruitment of consultants, and in providing electricity connections for the pumping stations. There are also land acquisition issues for pumping stations. The Flood and Riverbank Erosion Risk Management Program also had a late start up due to the length of time needed to recruit consultants, but subproject 1 is now physically complete on time. The issue is the late start-up of the second subproject which should have overlapped with the completion of the first subproject but the feasibility study for that subproject is only now being started. A 2-year completion delay will be likely for both projects.

¹¹⁶ This has entailed: (i) extending participation initiatives found to be successful in past and ongoing projects; (ii) new technologies that improve structure stability and endurance, i.e. the use of geotextiles under the Jamuna-Meghna Riverbank Erosion Mitigation Project and the Flood and Riverbank Erosion Risk Management Program; (iii) higher design standards for rural roads and water resources control structures, including revised design parameters accounting for the likely impact of climate change, e.g., in all LGED projects approved since 2010; (iv) capacity building measures within the Bangladesh Water Development Board and LGED to improve construction supervision standards and O&M capacity covering almost all projects with these agencies; (v) innovative O&M arrangements involving the private sector and performance-based management contracts under which the construction contractor also provides maintenance for the initial 3 to 5 years, e.g., the Irrigation Management Improvement Project and on a pilot basis in all rural infrastructure projects subsequent to the Second Rural Infrastructure Improvement Project; and (vi) in the case of rural infrastructure projects, the government's adoption of the Rural Roads and Bridge Maintenance Policy in 2013, which committed it to fund road maintenance on an incremental basis. Based on the policy, LGED's budget allocation for rural road maintenance has been increasing annually. In addition, LGED is moving toward a system of whole asset management for the approximately 300,000 km of rural roads under its mandate.

111. **The impact of rural roads on the ANR sector, the Bangladesh economy, and poverty reduction has been substantial.** The provision of all-weather rural roads has facilitated¹¹⁷ the transfer of inputs to farmers and the transport of outputs, primarily rice, to markets.¹¹⁸ The transformation of the ANR sector was already well underway by the start of the CAPE period, but the rural roads that were constructed during the period supported a diversification into higher value products such as fruits, vegetables, and perishable and fragile livestock produce such as eggs, milk, and fish. Rural roads in coastal areas also helped remove restraints to the expansion of aquaculture and the transport of shrimp and fish products to markets. Improvements on 554,000 ha of farmland through improved irrigation, drainage and flood control have had and will continue to have significant positive impacts. Typically, such measures are effective for the rainy season crop and not as dramatic as for dry season tube well irrigation. Nevertheless, an increase in production of one ton/ha of rice due to flood protection would generate an incremental production of 554,000 tons or about 1% of total production in 2018.

E. Summary

112. **ADB has provided long-term support for the energy sector and Bangladesh railways for nearly 50 years.** Impressive results are visible in the energy sector. Virtual country-wide access to electricity has been achieved and there are now greater opportunities for regional energy integration. Evidence on how energy has improved women's lives, contributed to rural livelihoods, improved education outcomes, employment, and private sector development is less robust but there is substantial evidence from previous energy projects that such benefits will accrue to local populations over time. The challenge in both the energy and transport sectors is on the policy reform side where progress has often stalled. While rail passenger numbers have increased over the last few years, the railways' share of the total passenger load has remained static and opportunities for rail freight have not materialized as quickly as expected. As a result, the transport sector rating was less than effective.

113. **ADB has a long record of engagement in the ANR and WUS sectors that has generated impressive results for agricultural diversification, access to markets, flood control, rural livelihoods, and women's participation in decision making.** Nonsovereign ANR operations are widening farmers' opportunities and raising their incomes. However, the ANR program is a small share of the overall ADB portfolio and ADB support has shifted from direct support for livelihoods and production, especially through the provision of credit, to the supply of rural infrastructure, including rural roads and irrigation. ADB operations in both the ANR and WUS sectors have contributed to flood protection and improving local government systems for better water management, including tariffs. Nevertheless, sustainability remains problematic, and improvements need to be made to PSM and the capacity of local institutions to sustain project benefits. There are increasing risks to the future supply of water in Bangladesh, which continues to rely on depleting sources of ground water that are threatened by climate change.

¹¹⁷ The International Food Policy Research Institute recorded in 1990 that villages with improved rural roads had 105% greater area under irrigation, devoted 71% more farmland to high yielding varieties, and used 92% more fertilizer than those without.

¹¹⁸ The question may be asked, why, if the impact was on the dry season crop, were all-weather roads required? The answer is that earthen roads were so badly damaged during the rainy season that they were unusable by motorized traffic during the dry season. The main means of transport on earthen rural roads in the 1970s and 1980s was ox carts with an average speed of 1 km per hour.



Non-Infrastructure Sector Program Performance

4



Highlights:**Education**

- The education program has achieved impressive results. Despite the challenging context, the Asian Development Bank (ADB) supported the government to improve the quality and quantity of education.
- Education is now offered to almost all children of primary school age and to 70% of children of secondary school age. ADB operations supported the government to enable a larger proportion of each group to complete each schooling cycle with near gender parity and narrowing of socioeconomic differences on key education indicators. The improved education and skills profile of the labor force is in line with the government's goal for Bangladesh to become a middle-income country.
- Education quality needs to be addressed and teaching quality is a key component of programs at all levels of education. Access to technical education and skills development continues to be limited, especially for older girls.

Health and Social Protection

- ADB supports a small health program targeted at the poor in urban slum areas. The program is on track to achieve its targeted outcomes and a substantial part of its outputs. It has achieved economic efficiency, although there are questions about the financial sustainability of the program.
- The program is rated less than likely sustainable due to its limited cost recovery capacity and lack of budget.
- The program has achieved significant impacts and is on track to achieve more.

Financial Sector

- While the finance program was relevant and had good development impacts, it was successful on the borderline.
- Support for small and medium-sized enterprises performed consistently overall.

Public Sector Management

- Although ADB's program addressed issues and concerns that were evident even before the beginning of the country assistance program evaluation period, the lack of a clear strategy or sufficient analytical work, and a number of design issues, diminished the relevance of the program.

114. This chapter assesses the ADB programs in education, health and social protection, finance, and PSM. More detailed information are found in Appendix, Linked Documents G to H.

A. Education Program

115. **The CPS, 2011–2015 supported the Sixth Five-Year Plan and had a focus on inclusive and greener growth.** One of its priority areas was to improve the skills base and productivity of the workforce. The objective was holistic development of the education sector to: (i) improve education quality and relevance and reverse the low completion rate at all levels, (ii) reduce the gap in access between rich and poor, and (iii) steadily improve the skills base of the labor force. The expected sector outcome was increased access to quality education and increased educational attainment for all.

116. **The CPS, 2016–2020 supported the Seventh Five-Year Plan with the goal of achieving faster, more inclusive, and environmentally sustainable growth.** One of the priority areas was to improve human capital by enhancing the quality of the workforce. The emphasis in the CPS moved from expanding access to ensuring higher quality. The sector objectives were to (i) enhance the quality of the workforce through better education and skills development, (ii) ensure higher service quality in education and skills training, and (iii) expand investments in skills development, and in primary and secondary education. The expected sector outcomes were high-quality education, greater access to education, and skills for employment, and increased

participation by women in education and employment. The implementation strategy was to adopt a SWAp in partnership with other development partners; work closely with the private sector, especially in skills training; and strengthen the government's institutional capacity.

117. **During the CAPE assessment period, there were nine investment projects and two MFFs for education, comprising 17 loans totaling \$2.4 billion.** Seven of the projects were approved outside the evaluation period, three as early as 2001–2004, but long extensions meant they were still active during the period and hence they were included in this assessment.

118. **ADB supported the government's primary education development program through a series of three programs.** The Second Primary Education Development Program (2003–2011, \$100 million) was implemented before the CAPE period but closed in 2011. The Third Primary Education Development Project, including additional financing (2011–2018, \$320 million and \$120 million), and the Fourth Primary Education Development Program (2018–2024, \$500 million) fell into the CAPE period. All three were SWAps.

119. **Support for secondary education targeted improving the low teaching quality.** The Teaching Quality Improvement in Secondary Education Project (2004–2012, \$69 million) and the Second Teaching Quality Improvement in Secondary Education Project (2012–2018, \$70 million), both aimed to improve teaching quality. SWAps were introduced through the Secondary Education Sector Development Program (2006–2013, \$115 million) and the MFF Secondary Education Sector Investment Program (2013–2023, \$500 million), of which tranche 3 was a SWAp.

120. **Skills development focused on disadvantaged groups and women.** The Skills Development Project (2008–2015, \$50 million) and the ongoing MFF Skills for Employment Investment Program (2014–2024, \$600 million) both supported short-term, market-relevant skills training targeted at disadvantaged groups and women. The problematic Post-Literacy and Continuing Education Project (2001–2013, \$65 million) was implemented mainly during the previous CAPE assessment period.

121. **ADB TA provided valuable, if not essential, support to the successful implementation of complex programs.** There were 17 TA projects during 2011–2019, totaling nearly \$17 million. More than half of this amount (56%) was used to support the implementation of ongoing programs, 28% was devoted to project preparation, and 16% was for sector strategic work. There have been no recent TA projects specifically to explore sector issues. Six of the seven TA projects that supported implementation were to build capacity in financial and fiduciary areas and to support annual fiduciary reviews. The remaining TA project was to strengthen results reporting and verification, along with targeted technical support. However, the continuing need for support may indicate that institutional capacity assessments are not identifying systemic issues, or there are shortcomings in capacity building activities. Apart from two TA projects approved in 2019, every TA was extended, some for several years.

122. **The major programs were highly relevant to the government's 5-year plans and education policies, ADB country strategies, and ADB's Education by 2020 operations plan.**¹¹⁹ The leading role ADB played in bringing other development partners together under common SWAp frameworks in primary and secondary education was impressive. Government officials confirmed that cooperation was close and effective. The different modalities chosen were appropriate and promoted an incremental approach to policy reform and institutional development, including results-based subsector management. The portfolio was subsector-based but would have benefited from a wider sector approach. Two projects suffered from overly complex designs and

¹¹⁹ ADB. 2010. *Education by 2020: A Sector Operations Plan*. Manila.

had to be significantly restructured, while some reforms proved more difficult to implement than anticipated. However, these shortcomings do not detract from the achievements made by ADB to ensure the portfolio's tight relevance to the government's policies and strategies. The phased, long-term support to government sector policies and objectives, pursued in sustained coordination with a large field of diverse development partners, was successful. The overall program was highly relevant.

123. **The program was effective in terms of responding to the CPS education sector objectives of: (i) expanded, equitable access to education; (ii) improved education quality and relevance; (iii) enhanced institutional capacity and effective decentralization; (iv) greater access to skills for employment; and (v) increased participation of women in education and employment.** The prevalence of SWAPs in primary education, and to a lesser extent in secondary education, makes it difficult to identify ADB's specific contribution to achievements, particularly given that the contribution of the development partners represented only a small amount of total education expenditure.

124. **The primary and secondary programs successfully achieved program outcomes and CPS targets by increasing primary, secondary, and higher secondary enrollment above the targets.** Dropout rates were lowered, although they remained high at all levels. Pre-primary education was introduced for all children. Completion and survival rates, an indirect measure of education quality, also increased and met program and CPS targets. Reforms to the curriculum and to teacher development and assessment were part of the drive to improve education quality. Progress was made in furthering decentralization and strengthening results-based sector management.

125. **Targets for increasing access to skills for employment were exceeded, with 381,000 certified graduates of short skills courses to date (31% of whom are women), and 65% of graduates employed (32% of whom are women).** Training capacity and quality has been expanded through effective partnerships with industry associations, new competency standards, and mobilization of private, NGO, and public training providers. Significant reforms included the establishment of a new National Skills Development Authority and a new national training fund to build a sustainable training system.

126. **The three subsector portfolios had solid outcome and output achievements and were successful in expanding equitable access for girls and women and the disadvantaged.** Reforms and initiatives designed to improve education quality were successful but low quality and limited institutional capacity remain a concern.

127. **While it is acknowledged that the programs have operated in challenging environments, attempting often difficult reforms through new modalities, there was a repeated pattern of slow start-ups leading to long project extensions.** Fund usage was efficient, and the increased internal efficiency of primary education represents a significant cost-saving for government. The continuous presence in the resident mission of technically proficient education professionals was a key factor in ensuring the success of these complex programs. Nevertheless, the portfolio is rated less than efficient.

128. **The program has attracted a high level of government commitment, engaged in strategic institutional development, and achieved financial sustainability.** Capacity gaps and vacancies remain in some key central institutions and at field and school level, but these continue to be addressed under the ongoing programs. The frequent turnover of senior staff continues to be challenging. Increases in the government education budget will be required to address quality issues and to expand secondary education and technical and vocational education and training (TVET) to meet growing demand. The portfolio is assessed likely sustainable.

129. **The expected impact was quality education for all and a more educated and skilled workforce.** Impressive gains were made in providing access to education, which also became more inclusive. The biggest gains were in secondary education, with the net enrollment ratio reaching almost 70% in 2018 against 43% in 2011. However, at primary level, the lower enrollments and higher dropout rates for boys, especially from poor families, remains a concern. By contrast, at the secondary level more girls than boys drop out. The program's impacts were satisfactory.

130. **Evidence of improved quality in terms of learning outcomes was mixed.** Pass rates on the grade 5 primary education completion exam rose, but the national student competency assessments found that most grade 5 pupils performed well below their grade level. There was no improvement in pass rates on the secondary school certificate and higher secondary certificate. It is difficult to raise achievement when enrollments are rising rapidly at the same time.

131. **The impact of these developments on the education profile of the workforce is already apparent, with workers aged 15-34 much better educated than those over 35, and gaps between genders reduced.** Nevertheless, almost 45% of the labor force still has less than a primary education. After their skills training, 279,000 men and women entered employment or self-employment. The large-scale recruitment of female teachers increased women's workforce participation. A good education will help young women take advantage of the new opportunities that require secondary education or above.

132. **In a challenging context, the program supported the government to improve the quality and quantity of education.** Education was offered to almost all children of primary school age and 70% of the secondary school age group and supported a larger proportion of each group to complete each schooling cycle with near gender parity and narrowed socioeconomic differences on key education indicators. The improved education and skills profile of the labor force is in line with the government's goal for Bangladesh to become a middle-income country.

133. **However, the opportunities are not equal for all.** Around 2.5 million children have never enrolled in school or dropped out before completing primary school. Primary dropout rates have declined but remain high. Barriers at the secondary level persist for poor families. Low education quality caused largely by poor teaching is a continuing issue, and there is continuing limited access to technical education and skills development, especially for older girls.

B. Health and Social Protection Program

134. **Bangladesh has experienced rapid urbanization and an increase in numbers of urban poor and slum areas.** This has caused a correspondingly severe shortage of health services in urban areas, especially for the urban poor who face even more difficult health conditions than people living in the countryside. Improving basic health services in rapidly growing urban areas has become essential to prevent possible public health crises. Given the limited capacity of the public health sector, new institutions such as partnerships with private nonprofit organizations were explored to address these challenges.

135. **Support for Bangladesh's health sector was selective and focused on the maternal and child health care of the urban poor, related policy and institutional reforms, and a PPP delivery model.** This complemented ADB's efforts to address health challenges through urban infrastructure projects such as water and sanitation. During 2011–2019, ADB approved two projects, the Second Urban Primary Health Care Project, approved in 2005 and completed in 2014, and the Urban Primary Health Care Services Delivery Project, approved in 2012. The

financing provided or managed by ADB included three sovereign loans (one of which was additional financing of \$110 million approved in 2018), five cofinancing grants amounting to \$62 million, mostly from the Government of Sweden, the Government of the United Kingdom, and the ADF, and eight TA projects, of which six were PPTA and two were capacity development TAs. While both projects focused on urban primary health care for the poor, the more recent project (Urban Primary Health Care Services Delivery Project) also provided more support for policy and institutional reforms. Previously, in 1997 ADB approved the first Urban Primary Health Care Project to provide health services to the poor through a PPP model. The project was completed in 2005.

136. **The health sector program was closely aligned with ADB CPSs.** Both CPSs prescribed a selective approach, and a focus on maternal and child health. The CPS, 2016–2020, included a PPP-based service delivery model, and reflected a gradual shift from providing access to strengthening institutional capacity. The health program was relevant to ADB's Strategy 2020 and Strategy 2030. Strategy 2020 refers to support for health governance, health financing, and improved services provision, especially for vulnerable groups and provided by the private sector.¹²⁰ Strategy 2030 states that ADB will support improved service quality and will reform health financing.¹²¹ The program was a relevant response to Bangladesh's major challenges in the health sector and consistent with government plans and strategies. However, it did not provide support for health insurance, or a link to previous ADB TA provided in this area, and these gaps were a shortcoming of the program. In addition, the results framework of the CPS, 2016–2020 had no indicators measuring child health outcomes, although the CPS aimed to reduce the infant mortality rate. Both the Second Urban Primary Health Care Project and the Urban Primary Health Care Services Delivery Project had a significant focus on improving child health care. On balance, the program was relevant.

137. **Projects under the program have either achieved their targeted outcomes or are on track to do so.** The Second Urban Primary Health Care Project greatly exceeded its outcome targets for births by skilled health personnel and for women and girls accessing basic curative services. It met all other outcome targets. IED validated the project as effective.¹²² The ongoing Urban Primary Health Care Services Delivery Project has achieved the outcome targets for the original project, including for births attended by skilled health personnel, access to project health services by the poor, and quality of project services, and is making good progress toward achieving the targets set for the whole project, inclusive of the additional financing. The project is also on track to achieve most of its outputs. However, the Second Urban Primary Health Care Project only partially achieved its output targets, while the ongoing Urban Primary Health Care Services Delivery Project has not made any progress on the long overdue budget reform for urban primary health care. Both projects fully complied with ADB safeguard policies. In sum, the program was effective.

138. **The PCR for the Second Urban Primary Health Care Project estimated the EIRR at 18.9%, exceeding the expected 17.4% at appraisal and the applicable social discount rate as well as the benchmark EIRR of 18% for a highly efficient rating.** However, there were significant cancellations of project activities, delays in implementation, and shortfalls in achieving institutional development. The ongoing Urban Primary Health Care Services Delivery Project has completed 100% of its contract awards and 92% of disbursement, although there were some delays in contract awarding and contract variation processing due to delays in filling positions in the project management unit. Both the original loan and the additional financing were processed efficiently, with the former becoming effective less than 5 months after approval and the second less than 3 months after approval. The project is on track to achieve most of its expected benefits,

¹²⁰ ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.

¹²¹ ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.

¹²² IED. 2015. *Validation Report: Second Urban Primary Health Care Project*. Manila: ADB.

including most of the intended institutional development outcomes. However, the economic efficiency of both projects may be sensitive to the project's financial sustainability discussed below. The IED validation of the PCR downgraded the efficiency rating for the Second Urban Primary Health Care Project from highly efficient to efficient. On balance, this assessment rates the sector program efficient.

139. **The government is committed to the program's PPP delivery model and to cooperating with ADB and other multilateral development banks and partner agencies to implement more projects for primary health care provision for the urban poor.** In addition, the program increased the demand for primary care services, and clients had a high level of satisfaction with service quality. This provides a further basis for the program's sustainability. However, cost recovery capacity is limited, given its focus on serving poor populations free of charge or at heavily subsidized rates. Under the Second Urban Primary Health Care Project, on average, only 16.7% of the total cost of services was recovered through user fees and other mechanisms.¹²³ The ongoing Urban Primary Health Care Services Delivery Project is facing a similar situation. The government has also fallen short of delivering its commitments on increasing health care budgets. Under Second Urban Primary Health Care Project, the project city corporations and municipalities allocated only 0.17% of their annual revenue budgets to primary health care, significantly below the targeted 1% as stipulated in the loan covenant, although the annual percentage increase met the target under the ongoing Urban Primary Health Care Services Delivery Project. The proposed reforms under the Urban Primary Health Care Services Delivery Project to allocate the non-developmental revenue budget to urban primary health care has been delayed. The executing agency, the Local Government Division of the Ministry of Local Government, Rural Development, and Cooperatives, has not agreed or declined to proceed with the reform, which is essential to ensure the long-term sustainability of the projects under the program. Due to lack of funding, old projects relied on financing from new ADB projects to cover their post-completion operations. Overall, the health sector program is assessed less than likely sustainable.

140. **The Second Urban Primary Health Care Project provided access to primary health care services to 10.2 million poor clients in six city corporations and five municipalities, who might not have gained the access without this project.** About 79% of the services were provided to women and 32% of each of the major types of services (preventive, promotive, and curative services) to the very poor at no charge.¹²⁴ This has contributed to a reduction in infant mortality rates and maternal mortality ratios. Between the project approval in 2005 and its completion in 2014, the under-five infant mortality rate declined by 26% and the maternal mortality ratio by 41% in project areas, greatly exceeding their targets of a reduction by 15%. The project also helped to achieve a 10% reduction in child malnutrition and an 88% reduction in the prevalence of sexually transmitted infections. It led to the introduction of the PPP mechanism in urban primary health care provision (a policy change formalized in Bangladesh's Sixth Five-Year Plan), and increased awareness among women, the urban poor, and government agencies at various levels of the importance of primary health care. The IED validation of the PCR rated the project's impacts significant.

141. **The Urban Primary Health Care Services Delivery Project has met most of the output and outcome targets of the original project and is on track to meet the targets for the overall project (inclusive of additional financing), showing that the project is on track to meet the targets for impacts on women health, child health, and the health of urban poor.** While the project is making good progress in achieving most of its planned impacts on institutional development, including a strengthening of the financial management system through computerization (an output that was not achieved under the previous Second Urban Primary Health Care Project), the same cannot

¹²³ ADB. 2014. *Completion Report: Second Urban Primary Health Care Project*. Manila (Appendix 1, p. 18).

¹²⁴ ADB. 2014. *Completion Report: Second Urban Primary Health Care Project*. Manila (paras. 26–28; Appendix 1, p. 16).

be said for the impact on establishing a central government level budget line for urban health care. That reform is long overdue, yet no progress has been achieved.

142. **The health sector program for Bangladesh was selective and relevant to the strategic priorities of Bangladesh and ADB.** It achieved or is on track to achieve its targeted outcomes and a substantial part of its outputs and has achieved economic efficiency (although there may be threats to its financial sustainability). The program is less than likely sustainable because of its limited cost recovery capacity and adequate budget support from the government. The program has achieved or is on track to achieve satisfactory development impacts. In sum, the program is assessed successful.

C. Financial Sector Program

143. **ADB support for the financial sector during the CAPE period was not framed by a specific sector strategy.** Rather, it was meant to help the country deal with issues identified by the authorities. Before the start of the CAPE period, two major developments helped shape ADB's response. One was the crisis in the stock exchange in 2010, and the other was the Financial Sector Assessment (FSAP)¹²⁵ prepared by the IMF and the World Bank in 2010. While the crisis in the stock markets provided the urgency for ADB support, the FSAP detailed what needed to be done. With the collapse of the stock market, the main Dhaka index fell by about a third from its December 2010 all-time high, when total stock market capitalization exceeded 50% of GDP, after market valuation tripled during 2009–2010. The rapid rise and fall of the market revealed capital market governance and transparency issues. The FSAP noted that, while the banking system had improved compared to the situation described by the previous FSAP in 2003, the nonbank financial sector, except for microfinance, remained underdeveloped compared to those in most peer countries, and long-term finance was very limited. Microfinance was strong but needed to be regulated. A further problem was that non-prudential market interventions—such as interest rate ceilings, moral suasion, directed credit, and explicit requirements to ease debt service for some sectors of the economy—increased risks, reduced transparency, and created inefficiencies. Across the financial sector, including in capital markets, inadequate information, attributable to non-transparent accounting and reporting, affected market discipline and kept savings away from the system.

144. **While the FSAP provided a strong analytical background for the CPS, 2011–2015, the CPS, 2016–2020 seems to have accepted the program on the ground without assessing it in the light of more recent financial sector analytical work.** ADB could have taken a more considered look at the progress achieved in different areas and examined emerging issues. Progress in microfinance was strong. However, progress in several of the programs fell short of expectations in the first half of the CAPE period. Capital market reform was facing a lull, progress in long-term financing and the bond market fell below expectations, and state-owned banks had gradually weakened their financial positions and had become a contingent liability for the government.

145. **Both the Sixth and Seventh Five-Year Plans paid special attention to the financial sector.** While the objectives of these plans were, for the most part, defined in broad terms for the traditional sectors, they stressed the need to address capital market issues, work on access to finance for the disadvantaged and the poor, and improve the regulatory framework for microfinance institutions.

146. **The single largest area of ADB support in the financial sector was for capital market development (\$550 million).** ADB had two operations within the CAPE period, the Second and Third Capital Markets Development Programs. ADB, which had used a 2006 TA project to lay the

¹²⁵ IMF. 2010. Bangladesh: Financial System Stability Assessment. *IMF Country Report*. 10/31, Washington, D.C.

groundwork for its interventions in capital markets, moved to a combination of TA with PBL to help develop the institutions, the necessary rules, regulations, and human capital required to develop a credible capital market in Bangladesh. While the second program focused on stability in the aftermath of the market crash and developed a blueprint for capital market development, the third deepened some of the reforms. Policy actions supported by the second program included demutualizing the Dhaka Stock Exchange and the Chittagong Stock Exchange, a key component of the reforms. This was intended to enhance the operational efficiency of both exchanges and to resolve an inherent conflict of interest. The second program also strengthened the institutional capacity of the Securities and Exchange Commission (SEC) by establishing a capital market tribunal, implementing a surveillance system, training staff, and improving the remuneration of staff. The third program moved at a considerably slower pace, taking 5 years to be implemented, and slowing down critical steps such as the increase in SEC staffing.¹²⁶ Issues surrounding the approval of the SEC organization chart were more complex than they initially appeared, and this put at risk the disbursement of the financial assistance intended to support the country's financing needs.¹²⁷ Moreover, the third program did not create the incentives for firms to be more active in the sell side of the stock exchange, which was one of the program's main purposes.¹²⁸ Coupled with the negligible development of institutional investors to prop up the buy side, these two forces have restricted growth in capital markets.¹²⁹ Furthermore, the expected take-off of a private bond market did not take place—the market therefore remains very thin with just a handful of participants.

147. The second largest area of ADB support was the provision of finance for longer term investment in infrastructure projects, especially in renewable energy (\$535 million). There were three projects during the CAPE period the First, Second and Third Public–Private Infrastructure Development Facilities. During the first two, the clear purpose was to raise commercial financing for PPP projects, especially for clean and affordable electricity to rural populations and small and medium-sized enterprises (SMEs). Both the first and second facilities were disbursed well before the deadline, in part because they were financing solar home systems (SHSs). However, SHSs will not be financed under the third facility due to market saturation and funding from other partners. Accordingly, the third facility will focus on more and larger infrastructure projects, with a target of eight projects of at least \$10 million each. Following support from ADB in 2010, a PPP policy and strategy was adopted to attract domestic and international investors to partner with the government and a PPP Authority under the Prime Minister's Office. The mandate to promote and finance PPP projects in Bangladesh was given to the Infrastructure Development Company Limited (IDCOL), a state-owned non-bank financial institution established in 1997. IDCOL has gone through a long learning curve on aspects such as governance, environmental and social safeguards, and the capacity to attract long-term financing. It will soon graduate from TA support and has already started to raise its own funds from commercial partners. However, IDCOL does not yet have access to the bond market and raising its own financing has been its biggest challenge.

148. The third largest area of ADB support was aimed at achieving economic growth and poverty reduction through the development and growth of SMEs (\$326 million).¹³⁰ In the scale

¹²⁶ Long delays in PBL disbursement also have an impact on country financing needs and can reduce certainty with regard to budget financing.

¹²⁷ The use of budget support should be linked to a medium-term macroeconomic framework that identifies country financing needs in a particular fiscal year. If reforms are delayed, questions need to be asked about the choice of the PBL instrument. Alternatively, a programmatic PBL may have been preferable to the stand-alone variant used.

¹²⁸ For one thing, firms large enough to be listed on the stock exchange have easy access to the banks, where the paperwork threshold for accessing financing is lower than in capital markets. For another, firms that are controlled by a family or group are reluctant to lose control through open initial public offerings, and seldom use them.

¹²⁹ ADB has recently disengaged from the insurance sector. The World Bank now works with that sector and has programs of \$70 million–\$80 million a year.

¹³⁰ This figure includes \$276 million through Small and Medium Sized Enterprise Development Project operations, plus \$50 million through a smaller and more specialized SME facility.

of things, ADB support was very small, probably less than 1% of the size of the market. ADB projects focused mainly on promoting commercially viable SMEs, especially in rural and nonurban areas, with an emphasis on SMEs led by women, and on increasing employment in the SME sector. The two Small and Medium-Sized Enterprise Development Projects supported new incubation facilities to build the capacity of entrepreneurs, including women. ADB provided medium- to long-term credit by onlending through participating financial institutions to SMEs, while also enhancing women entrepreneurs' capacity, including with a targeted grant. In the first project, all outcome indicators were achieved, with one third of the resources going to medium-sized enterprises and the remainder to small enterprises.¹³¹ The SME sector has been growing in Bangladesh and is very dynamic—average growth in the number of SMEs during 2007–2013 was 30% per year. A case study conducted by ADB showed that the number of borrowers that were SMEs led by women increased by 209% in 2010–2014. Nevertheless, the PCR of the first project reported that disbursement of credit to women was 6.4% of the total facility, well below the 15% target. Moreover, the emphasis on SMEs owned by women has waned in the second project. ADB has softened the rules for the second project, for instance allowing its resources to finance up to 75% of each operation and allowing Islamic banks to intermediate these loans.

149. **The Financing Brick Kiln Efficiency Improvement Project aimed to help 5,000 brick manufacturers adopt a technology that was less polluting, and less energy intensive.** The project provided a credit facility of \$50 million to Bank of Bangladesh for onlending to financial intermediaries to finance the construction of energy-efficient and environmentally superior brick kilns. At the time of this evaluation, the project was financing 19 manufacturers, whose resource needs ranged from \$5 million to \$10 million. This project was approved in 2012, with the expectation that at least 200 kilns would be upgraded. The project took over 8 years to complete, despite having had TA at the beginning. Despite the implementation delays, government ownership was very strong, and the government kept extending the project.

150. **Two JFPR grants supported innovative interventions to improve financial services for the poor.** The Developing Inclusive Insurance Sector Project was to develop Bangladesh's microinsurance services, and Institutional Support for Migrant Workers' Remittances sought to reduce the cost to migrant workers of remitting funds to their families. While a significant amount of work was done on microinsurance, ADB did not build on this. As for remittances, at the request of the government, 88% of grant funds were used to install a real-time gross settlement system at the Bank of Bangladesh.

151. **Through a nonsovereign operation, ADB is attempting to finance the transformation of the ready-made garments industry.** This is in line with the Bangladesh Sustainability Compact signed with the European Union, the US, and the International Labour Organization. The total costs of implementing the agreement are \$250,000–\$400,000 per factory, possibly more if a factory needs to be relocated. Two local commercial banks have been engaged, both of which had experience of working with international financial institutions: BRAC Bank (a retail bank) and Eastern Bank (mostly a corporate bank). IFC was a significant shareholder in BRAC Bank, and both banks had similar credit lines with IFC. BRAC Bank, which had a head start, decided to pre-pay the ADB loan and to discontinue the program. The deal with Eastern Bank is recent.

152. **ADB's financial sector program addressed issues and concerns that were evident at the beginning of the CAPE period, but the program did not adapt itself to changing circumstances.** Capital markets were in crisis, and Bangladesh was trying to boost its long-term finance and strengthen its microfinance industry. These priorities were mentioned in the government's Sixth and Seventh Five-Year Development Plans. From the perspective of ADB corporate priorities,

¹³¹ ADB has also provided financial support for microfinance development through microfinance institutions. The support was designed to help customers of these institutions to grow their operations so that entrepreneurs can eventually access commercial banks, which have a minimum level of \$10,000 per credit.

ADB's interventions, in different degrees, sought to reduce poverty and inequality, enhance environmental sustainability, promote rural development and food security, foster gender equality, make cities more livable, and strengthen governance and institutional capacity. The relevance of the program was lessened because it was not updated in the CPS, 2016–2020. The choice of instruments and composition of the program were also limited. Progress and circumstances had changed by the time of the CPS, 2016–2020, with capital markets and infrastructure financing stalling, and with SOCBs having become a contingent liability of the government. The use of a PBL in the face of what turned out to be longer than expected implementation (for the Good Governance Project and capital markets) detracted resources that could have supported other areas of the program where ADB was more successful, such as the work on microfinance. The cancellation by one of the two banks used to support improvements in the garments industry called into question the quality of the preparatory work of that operation. Results frameworks were, for the most part, weak and difficult to track due to the absence of an explicit financial sector strategy or plan. On balance, however, given the breadth and range of support for the financial sector, including for infrastructure, SMEs, and the poor, this evaluation finds the financial sector program relevant.

153. In the absence of a clear sectoral strategy for financial market development with well-defined objectives and outcome indicators, the evaluation weighed each area of support according to the resources devoted to it. About three fourths of the portfolio was concentrated on capital market development and long-term infrastructure financing. Overall, except for the SME program, which has consistently been effective, all programs went through positive and negative phases. In capital markets, while the Second Capital Market Development Program was effective in calming the markets and starting far-reaching structural reforms in sector governance, it was less successful at promoting the bond market. The third program was affected by long implementation delays and was not able to bring about growth in the buy and sell sides of the market, which is what was needed to continue the development of capital markets. In infrastructure financing, while the Public–Private Infrastructure Development Facility succeeded in financing a series of projects, especially solar-powered energy, it faced serious challenges in improving the efficiency and governance of IDCOL to the levels that were expected. The support for brick kiln efficiency took much longer than expected and its coverage was also much smaller than expected, although it may have played a demonstration role. By contrast, the Small and Medium-Sized Enterprise Development Project, a small share of the financial program, performed satisfactorily both in terms of the scale of the outcomes and in fostering women entrepreneurs. Overall, the evaluation found the financial sector program less than effective.

154. Only three projects from the earlier part of the CAPE period had self-evaluations that addressed efficiency.¹³² While those PCRs described the earlier years of the CAPE period, uneven performance can be seen in almost all lines of ADB's support to Bangladesh's financial sector, except for the support for SMEs. In capital markets, the evaluation assessed overall efficiency in terms of aggregated economic returns as well as the policy reforms achieved and found that support was less than efficient. While the Second Capital Market Development Program was efficient, as rated in the PCR, the third program had weak outcomes, in part because reforms came late in the program period. In addition, the program had to be extended by 2 years to allow time for the government to complete the policy actions. On the long-term financing of infrastructure, while the first Public–Private Infrastructure Development Facility was rated efficient in the PCR, the second program has yet to close and be evaluated. Despite this ADB approved the third program in 2017. The brick kiln efficiency project, approved in 2012, has taken 8 to 9 years to complete, and is still open. By contrast, SME support was efficient, despite

¹³² ADB. 2015. *Project Completion Report: Second Capital Market Development Program*. Manila; ADB. 2015. *Bangladesh Small and Medium-Sized Enterprise Development Project*. Manila; and ADB. 2018. *Project Completion Report: Bangladesh Public Private Infrastructure Development Facility*. Manila.

delays in the end-date of each one of the programs of about 1 year each. This evaluation found the financial sector program less than efficient.

155. **The degree of government ownership of many of these projects bodes well for their sustainability.** In capital markets, the reforms that were implemented under the Second Capital Market Development Program are well established and those under the third program are far less controversial. The one element of these programs that is likely to need continued support from ADB through TA is the strengthening of SEC. On infrastructure financing, the main question is whether IDCOL will be able to access other sources of funding once ADB and the World Bank stop funding it. It will likely need further support from the government. ADB work in this area has helped develop a well ingrained PPP culture in Bangladesh. Work on SMEs is likely to continue, given the strength of the sector. However, support for brick kiln efficiency is not likely to be sustainable. The fact that the government has been requesting extensions of this project suggests that it would not be able to fund it in the absence of support from international financial institutions. This evaluation finds the financial sector program likely sustainable.

156. **There are many indications that ADB has contributed to Bangladesh’s financial sector, and, through it, to the development of the entire country.** Today, Bangladesh’s capital markets are sounder and better governed, despite not having evolved as much as expected. The markets still have a long way to go in terms of improving transparency, developing a bond market, and mobilizing enough savings so the buy and the sell sides of the markets are sufficiently active and relatively stable. The achievements of ADB support for the long-term financing of infrastructure include having helped develop a culture of PPPs in Bangladesh, and the gradual development of IDCOL as a specialized bank capable of intermediating long-term foreign financing for infrastructure development. However, IDCOL still cannot generate its own financing from either foreign or domestic markets. ADB’s work with SMEs highlighted the importance of supporting women entrepreneurs, while helping commercial banks and other non-bank financial institutions to be more responsive to the microfinance sector, where they could expand their operations in a profitable way. Support for brick kiln efficiency and for the ready-made garments industry contributed to Bangladesh’s development by supporting two lines of industry of strategic importance for the country and helped improve their social and environmental footprint. This evaluation found the financial sector program had satisfactory development impacts.

157. **The ADB financial sector program was overall successful on the borderline.** It was relevant and had good development impacts. The SME program performed consistently throughout the evaluation period. However, both in capital markets and in the long-term financing of infrastructure, ADB had more successful programs at the beginning of the CAPE period. The performance of the smaller project for brick kiln efficiency was not as effective as expected and has taken years to complete.

158. **ADB did not have a sector strategy for the financial sector with a clear monitoring framework or a game plan on how to deal with the program if things did not go well.** ADB could have adjusted its financial sector portfolio as issues arose. Most reforms took much longer to achieve than ADB anticipated and PBL resources could have been redirected to more impactful areas if they had been designed as a programmatic PBL rather than as stand-alone projects. PBL should be restricted to programs where there is a good chance of achieving the desired policy reforms in a timely way so that country financing needs, through budget support, are not regularly at risk.

D. Public Sector Management Program

159. **Bangladesh has achieved impressive growth and social development over the past decade and is moving rapidly toward middle-income status.** Nevertheless, its competitiveness is weak. According to the Global Competitiveness Report, Bangladesh's weakest pillar, aside from Information and Communication Technology (ICT) Adoption and Innovation, is institutions, where it ranks 109 out of 141 countries.¹³³ Despite having relatively strong social capital (for which its rank was 96), Bangladesh performed poorly in freedom of the press (123), transparency (125), property rights (126), and the strength of auditing and accounting standards (126). On the positive side, Bangladesh has a consistent track record of fiscal discipline and debt management. Nevertheless, the ratio of revenue collection to GDP is one of the lowest in the world, and supervision of SOCBs, a clear contingent fiscal liability, needs to be further strengthened.

160. **ADB support for PSM during the CAPE period was not structured in a strategy and went through two distinct phases.** With the election of a new government on 29 December 2008, Bangladesh went from having a caretaker government to having an elected government, and ADB did not have a PSM strategy for either of them. One of ADB's lending operations was agreed during the caretaker government: the Good Governance Program. Three other operations were agreed after the change in government: the Public Expenditure Support Facility Program, the Countercyclical Support Facility Support Program, and the Strengthening Governance Management Project. In addition, ADB had 19 PSM TA programs with Bangladesh during the CAPE period, all with the elected government, covering many topics, including support for the Anticorruption Commission, as well as ad hoc TA for several core government institutions, covering monetary policy, inflation forecasting, project management, and other statistical functions.

161. **Both the Sixth and the Seventh Five-Year Plans paid special attention to PSM.** The fundamental idea in both plans was that Bangladesh would develop a system of accountability and transparency in the delivery of essential public sector services to ensure the availability of appropriate and adequate services for the poor. Improving governance was one of the objectives laid out in both plans, and included a better rule of law, strengthening core public institutions, civil service reform, a medium-term fiscal framework, and improving capacity in local governments.

162. **The Good Governance Program (\$150 million) aimed to help Bangladesh to improve its governance and transparency profile.**¹³⁴ It aimed to create high-level good governance structures with greater transparency, greater public service integrity, a stronger and more independent judiciary, stronger accountability of the state to the public, access to information, and separation of the executive, judiciary, and parliament. Problem areas targeted by the program included public financial management, civil service reform, improving judicial independence, and policies on official secrecy. The program was a 4-year multitranche PBL¹³⁵ with 47 policy actions, over 3 tranches. While the original closing date was March 2012, it had to be extended until September 2018, and took 11 years to complete. Good progress took place under the caretaker government and, at the time of the transition to democracy, almost all its actions were confirmed. Two of them were not—the qualifications for the recruitment of Supreme Court judges, and the creation

¹³³ Transparency International ranks Bangladesh as having the 14th weakest governance in the world. It shares this slot with Angola, Guatemala, Iran, Mozambique, and Nigeria. In 2019, among the eight South Asian nations, Bangladesh continued to have the second weakest governance, after Afghanistan.

¹³⁴ ADB. 2007. Good Governance Program. <https://www.adb.org/sites/default/files/project-document/65690/37017-ban-rrp.pdf>

¹³⁵ Policy actions completed after loan approval, not before as in a programmatic PBL.

of an independent and competent prosecution or attorney service. The delays suffered by the last tranche were due to concerns about the establishment of an ombudsman office.

163. **The Public Expenditure Support Facility Program (\$745 million) and the Countercyclical Support Facility Support Program (\$500 million)**¹³⁶ **were bundled together as one operation.** The Public Expenditure Support Facility Program was designed to support reforms to enhance policies and strengthen institutions, while providing social protection to vulnerable populations in the face of exogenous shocks. The Countercyclical Support Facility Support Program supported the government's countercyclical programs to address the impact of the global economic recession of 2008. The program had 44 policy actions and the expected outcomes were mostly at a general level, and included a stable macroeconomic environment, as well as indicators on the access of women and other vulnerable populations to social services, and greater private sector development. The PCR noted that, in terms of greater access to social services by women and vulnerable populations, the program was less than effective.

164. **The Strengthening Governance Management Project aimed to enhance public trust in the central government's service delivery by improving the transparency and accountability of processes related to tax returns and land record administrations (\$25 million).**¹³⁷ On tax returns, the main purpose was to move to online filing of tax returns, by supporting software and ICT capacity. On land records, the purpose was to develop a digitized land records management system in 45 *upazilas* (subdistricts) that would result in a web-based database and a more transparent and reliable system. These efforts were supposed to result in better access to tax and land information in specialized digital centers so people could access services. Both programs ran in parallel with successful UN Development Programme (UNDP) efforts on e-governance. The original loan closing date was 30 March 2014, but this was extended four times until the project finally closed on 30 June 2018. Progress was mixed. On the tax returns, 50,000 small taxpayers out of 2.2 million taxpayers filed online in 2019, significantly fewer than the target of 75% of all large taxpayers filing online. On land records, progress was good during the pilot period, but the government moved to another system and the ADB system has been suspended since July 2019.

165. **Aside from the TA projects that were linked to these lending operations, ADB had 15 other TA projects covering a wide range of topics.** Several aimed at building capacity in the Anticorruption Commission, an effort that has led to the development of specialized software to prosecute cases. Another set of TA projects supported basic government functions, especially on the statistical side. These include, among others, covering national accounts, price and wage statistics, statistics for improving macroeconomic and fiscal monitoring at the Ministry of Finance, portfolio management, and financial management. A couple of TA projects were devoted to PPPs, specifically operationalization and the communications strategy. TA was also used to develop a road map for good governance. All these interventions were of a modest size.

166. **Although ADB's program addressed issues and concerns that were evident even before the beginning of the CAPE period, certain design issues diminished the relevance of the program.** The program was not guided by a specific strategy, nor did it have a results framework. The significant push of the program that was approved before the change in government was not continued. In a similar vein, the objectives of the PSM program were consistent with ADB's strategic objective of improving the efficiency and effectiveness of the public sector, but the interventions were limited in size and scope. The use of PBLs in two operations may have been appropriate but they had three drawbacks. One was that there were more than 40 conditions covering policy actions. These included many process steps and diluted the importance of the

¹³⁶ ADB. 2009. Public Expenditure Support Facility Program. <https://www.adb.org/sites/default/files/project-document/64799/43157-ban-rfp.pdf>

¹³⁷ ADB. 2010. Strengthening Governance Management Project. <https://www.adb.org/sites/default/files/project-document/62993/39452-01-ban-rfp.pdf>

key policy actions. The second problem was that the links between expected outcomes and policy actions were weak, in part due to the reliance on process step conditions. The third was the lack of capacity building to buttress the implementation of legal changes. In addition, having a program span two different governments resulted in a longer than expected implementation period. While the work being done under some of the TA projects, such as that with the Anticorruption Commission, is leaving a positive footprint, it is not clear what other TA projects, such as the support for statistical work, is achieving. Nevertheless, given the emerging work on taxation and the long-term support for building PPP capacity, this evaluation finds the PSM program relevant.

167. **While some programs, including the Good Governance Program and the Countercyclical Facility, did have positive effects, the remainder of the support fell short of delivering the expected outcomes.** Even within the Good Governance Program, some of the outcomes could not be achieved, because actions were reversed, albeit temporarily, or were adopted late. The Public Expenditure Support Facility Program did not improve service delivery for women and the disadvantaged sufficiently or foster enough private sector development. Similarly, the efforts on online tax returns and land titles were limited compared with what was expected. The TA for the Anticorruption Commission has been limited but is producing positive results in improving the prosecutorial procedures. Other TA projects also had positive outcomes, while being limited in their scope. The PSM program was less than effective.

168. **PSM programs experienced long delays.** Two of the programs had to be extended, in one case by 7 years (Good Governance Program), and in the other by 4 years (Strengthening Governance Management Project). While the Countercyclical Facility was efficient, the same cannot be said of the Public Expenditure Support Facility Program. However, the PCR rated these programs together efficient, without elaborating on the efficiency of Public Expenditure Support Facility Program. The TA for the Anticorruption Commission, which was fully funded by the Government of Denmark, was delivered on time and is likely to continue. This evaluation found ADB PSM support less than efficient.

169. **The reforms undertaken under the Good Governance Program, as well as some of the policy actions of the Public Expenditure Support Facility Program and the online tax returns, will probably be sustainable.** The major reforms have withstood changes in government and remain in place although they have had limited impact. The PPP and private sector development components of the Public Expenditure Support Facility Program are also likely to remain, especially given the support that ADB provides to IDCOL. Similarly, since the IMF and the World Bank are also working to move Bangladesh toward online filing of tax returns, this is likely to reinforce the sustainability of ADB's contribution. The remaining elements of the program are less than likely sustainable or not sustainable, to the extent that some of them have been rolled back, or significantly changed (e.g., changes to land records). Given that the PSM sector in Bangladesh will probably require significant ongoing support, the PSM program was less than likely sustainable.

170. **The development impacts of the PSM program were less than satisfactory.** Bangladesh's performance in the 2020 Transparency International Corruption Perception Index has not changed significantly since 2012, indicating that the context did not improve during the CAPE period. The PSM reforms supported by ADB do not appear to have had a significant impact on Bangladesh's governance. Some of the programs have had successes, but their scale was so limited that they did not really register at the country level.

171. **The PSM program was less than successful.** The program started under the caretaker government with a program that took 11 years to implement, after a couple of policy reversals. Additional support included a Countercyclical Facility, and two programs that did not have

significant outcomes. The TA program was small but had success with the Anticorruption Commission.

172. **While PBL may have been an appropriate way of encouraging Bangladesh to adopt important reforms, there were three issues with these operations.** One was that the number of expected policy actions was too large, and they included process steps—it is not surprising that implementation of the programs was delayed. The second was that one PBL straddled two governments, which weakened the degree of ownership. The third was that, aside from critical policy actions, capacity building is needed to bring about effective changes. Changing legislation alone does little. It will be changed behavior, framed by a changed legal setting, that is more likely to bring about governance changes.

E. Summary

173. **In partnership with the government and other partners, ADB contributed significantly to the impressive results in the education sector.** By the end of the evaluation period, education was being offered to almost all children of primary school age and 70% of children of secondary school age. ADB supported a larger proportion of each group to complete each schooling cycle with near gender parity and narrowed socioeconomic differences on key education indicators. Sustaining the good performance at the primary level and extending it into the secondary level will be challenging and education will continue to require long-term support from partners. The government will need to continue to accord high priority to education, especially if generally low quality is to be raised. ADB's investment in health has also delivered notable results but it remains a small part of the program. ADB has not provided significant support for social protection.

174. **ADB support has helped to bolster capital markets, provide long-term financing for infrastructure, develop a PPP culture, and support women entrepreneurs, while helping commercial banks to be more responsive to microfinance.** The bulk of support was concentrated on capital market development, which calmed the market but ADB was not able to bring about growth in the buy and sell sides. In infrastructure financing, it proved difficult to bring the efficiency and governance of IDCOL to the levels expected. The SME project performed satisfactorily both in terms of the scale of the outcomes, and in the fostering of women entrepreneurs.

While Bangladesh has achieved impressive growth and poverty reduction over the last decade, reforms in PSM have not kept pace. The PSM program started under the caretaker government with a PBL that took 11 years to implement. Additional support included a Countercyclical Facility, and two programs that did not have significant outcomes. The TA program was small but had success with the Anticorruption Commission. Overall, the program was assessed less than effective. Both the financial sector and PSM sector programs had no clear strategic guidance and sector-specific diagnostics



Strategic Agendas and Drivers of Change

5



Highlights:

- **Inclusive economic growth.** During the evaluation period, the Asian Development Bank (ADB) made positive contributions to expanding connectivity; bolstering flood control; improving education, especially for the poor; increasing access to primary health care in urban slum areas; and strengthening small and medium-sized enterprises, which are important job creators.
- **Environmentally sustainable growth.** Progress was made in several areas due to a gradual shift of emphasis toward climate-change-related issues, and to a handful of ADB projects that were explicitly designed to bring about abatement and resilience. Although some of these projects had positive environmental impacts, this evaluation does not see them playing a critical role in Bangladesh's path towards environmental sustainability.
- **Regional cooperation and integration.** Investments in transport and energy infrastructure, along with trade facilitation, were designed to promote regional cooperation and integration, while investments in the energy sector opened doors for regional power trade.
- **Gender.** Some sectors paid more attention to this strategic objective and were more thorough about pursuing it than others. The results were particularly noteworthy in education.
- **Private sector development.** Some of the sector programs had elements that fostered the development of a more vibrant private sector in a specific way, but their results were limited in scope.
- **Governance and capacity building.** All sectors tried to address some institutional and governance challenges but ADB investments delivered limited results in terms of governance. The public sector management program took too long to implement some of the policy actions, and it had a very limited scope.

175. ADB's corporate Strategy 2020 provided the foundation for its CPSs in Bangladesh during the CAPE period. This chapter assesses how well ADB operationalized its main strategic agendas and drivers of change in Bangladesh: inclusive economic growth, environmentally sustainable growth, private sector development, good governance and capacity development, and gender equity.¹³⁸ Throughout the evaluation period, these objectives figured prominently in all of Bangladesh's development strategies, and in ADB's CPSs and COBPs. The sections below analyze the relevance and development impact of ADB's support for each of these agendas and drivers of change.

A. Inclusive Economic Growth

176. During the CAPE period, Bangladesh's GDP per capita increased in constant terms, rising from \$822.2 in 2011 to \$1,203.2 in 2018.¹³⁹ In addition, Bangladesh's Human Development Index (HDI),¹⁴⁰ as calculated by UNDP, improved from 0.549 in 2010 to 0.614 in 2018, although this was still below the South Asia region average of 0.642. The HDI classified Bangladesh as a "medium human development country"—placing it in the same group as India, Nepal, and Pakistan. Bangladesh was ranked 135 out of 189 countries and territories. Its HDI annual growth of 1.4% during these years was slower than during 1990–2010, when the growth rate was about 1.8%. The richest 10% of the population receive 27% of the national income, while the poorest 40% receive 21%. Nevertheless, Bangladesh's Gini coefficient of 32.4 in the period 2010–2017 was better than those of some countries in the group of "very high human development

¹³⁸ While the evaluation did not consider the program's performance against ADB's new strategy, Strategy 2030, there are overlaps in several strategic areas, including, gender, climate change, and governance.

¹³⁹ World Bank World Development Indicators. According to UNDP, Bangladesh's GNI per capita in constant 2011 dollars (purchasing power parity) increased from \$2,723 in 2010 to \$4,057 in 2018.

¹⁴⁰ The HDI is a summary measure for assessing long-term progress in three basic dimensions of human development: a long and healthy life, access to knowledge, and a decent standard of living. A long and healthy life is measured by life expectancy. Knowledge level is measured by mean years of schooling among the adult population. Standard of living is measured by GNI per capita expressed in constant 2011 international dollars, converted using purchasing power parity conversion rates.

countries.” In 2018, Bangladesh’s unemployment rate stood at 4.8%, while youth unemployment was 12.8%.¹⁴¹

177. **ADB support for inclusive economic growth focused for the most part on infrastructure projects and interventions to reduce poverty.** The infrastructure financed by ADB was in ANR, energy, transport, and, to some extent, WUS sectors. The interventions to reduce poverty spanned more sectors and sought to promote different aspects of human development.

178. **Transport projects improved connectivity and efficiency, thus enhancing access to jobs and markets, and lowering the cost of exports.** The program sought to increase national connectivity by improving key railway corridors, highways, and district and rural roads, coupled with comprehensive sector reform programs for rail and roads. These interventions were expected to contribute to economic diversification and accelerated rural development. The emphasis on improved rural access has strong links to the goals of improving human development, establishing gender equity and reducing poverty. However, over the evaluation period, Bangladesh’s logistics competitiveness, which is critical for Bangladesh’s export industries, declined. Almost 60% of ADB’s transport support was for railways, a transport mode that carries a small share of total land passengers and freight.

179. **Energy projects fostered reliability and increased power generation.** Most projects aimed to improve and expand gas and power transmission and distribution networks for access enhancement, reliability improvement, and loss reduction. In addition, power generation capacity was boosted through highly efficient combined cycle gas turbine power plants, some of which were supported by PPPs. ADB also worked with the government to improve power system efficiency through a combination of sector reform and restructuring. The two Bangladesh–India Electrical Grid Interconnection projects paved the way for power trade between Bangladesh and neighboring countries.

180. **ANR projects focused on enhancing access to markets and improving water infrastructure.** Upgraded rural roads and markets made it easier for people living in rural areas to have access to markets, services, and inputs. Strengthened water resources infrastructure protected productive areas through flood embankments, the intensification of monsoon season irrigated areas, and the enhanced management of small and medium-sized water management schemes. ANR projects also fostered better productivity through credit support to landless people, smallholders, and small-scale agribusiness entrepreneurs.

181. **WUS projects promoted economic growth through improvements to urban transport, and to drainage and flood management.** Significant improvements were made in water supply and sanitation in secondary towns, urban governance and infrastructure improvement, and the Dhaka water supply. ADB’s transport efforts covered roads, public transport, and traffic management, including in secondary towns. ADB also highlighted connectivity and rural–urban links. For drainage and flood management, ADB focused on Dhaka and 15 district towns.

182. **Almost all sector programs included elements related to human development and inclusive growth.** ADB’s transport projects strengthened human capital and gender equity. Projects involved the community, including women, in their designs and included physical design features that would improve inclusion and enhance wage and employment conditions for women and vulnerable groups. Many included measures to improve safety. ADB’s rural road interventions enhanced access to jobs, health, and education services for rural populations through improvements in rural road connectivity. In this regard, the synergies between the transport and ANR sector programs yielded positive results. In a similar vein, the WUS projects on flood control and on connectivity improved the livelihoods of people living in areas regularly

¹⁴¹ World Bank. World Development Indicators. <https://databank.worldbank.org/source/world-development-indicators>

threatened by floods and of people who found it difficult to access their places of work or hospitals or schools. All ANR projects included skills development for beneficiaries, government, and NGOs. For instance, rural credit projects included skills training in livestock raising, high-value crop production, and marketing and agribusiness skills.

183. **Education and finance programs also promoted human development.** Education became more inclusive and equitable over the period, for both girls and boys. Very impressive gains have been made to achieve near universal primary education, while the greatest gains were in secondary school enrollments. Access to education has also become more equitable, with participation in primary education increasing more rapidly among poor households. Although learning outcomes have not improved significantly, the ADB education program was successful in ensuring that disadvantaged students were not left behind as schooling expanded. In the finance sector, ADB fostered growth and poverty reduction through the development and growth of SMEs. In particular, the program increased the number and size of commercially viable SMEs, especially in rural and non-urban areas, and helped raise employment in the SME sector. In addition, one of the programs included a component to finance clean and affordable electricity for rural populations and SMEs by financing SHSs.

184. **Overall, ADB’s strategic agenda of inclusive economic growth in Bangladesh was relevant and had satisfactory development impacts.** All sector programs, except for the PSM program, supported various elements of Bangladesh’s inclusive economic growth. ADB support for infrastructure helped support Bangladesh’s rate of growth during the CAPE period. The inclusion of human development components in these sector programs, together with the efforts made in education and finance, helped buttress Bangladesh’s progress in the HDI. The evidence suggests that ADB did make a positive contribution to improving Bangladesh’s HDI score—e.g., through improvements to connectivity, flood control, and education, especially for the poor, and by strengthening SMEs, which are important job creators.

B. Environmentally Sustainable Growth

185. **Climate change poses severe risks to Bangladesh.** Of Bangladesh’s 64 districts, 20 are exposed to the greatest risk from disasters triggered by natural hazards such as cyclones, floods, flash floods, and droughts. The coastline areas facing the Bay of Bengal and several more remote inland areas are especially vulnerable and they amount to about a quarter of the country’s area. Germanwatch’s Long-Term Climate Risk Index (CRI) ranked Bangladesh as the seventh most affected country from 1999 to 2018, as it endured 191 climate events in that period, with annual losses averaging an estimated \$1.69 billion, or about 0.41% of GDP.¹⁴² Aside from the losses to income and wealth, these events resulted in 560–590 deaths on average per year.

186. **Regarding the SDGs, UNDP places Bangladesh in the top third of countries for reducing carbon dioxide emissions, and for keeping freshwater withdrawals in check.** Bangladesh is among the middle third of the countries for fossil fuel consumption, renewable energy consumption, and natural resource depletion. It is part of the bottom third of the countries for forest area reduction, as well as for the mortality rate attributable to air pollution, unsafe water and sanitation, and degraded land. It is also in the bottom third in terms of the “red list index,” which measures species extinction and biodiversity.

187. **ADB-supported projects did not always target climate change abatement directly, but most contained infrastructure designs that were climate-proofed.** The designs of road and rail and school infrastructure were climate-proofed so constructions could withstand significant flooding and other extreme events. Although rail projects may have led to modest modal shifts, road projects are likely to result in higher greenhouse gas emissions especially if the traffic flow

¹⁴² <https://germanwatch.org/en/19777>

is not managed properly. In energy, diversification was promoted through the development of new sources for natural gas and via beneficial electricity and liquefied natural gas imports, coupled with efforts to advance renewable energy, including the financing of SHSs. About half of the energy projects explicitly targeted climate change in their design descriptions; typically, these were components or projects supporting renewable energy gas-fired power generation and electricity loss reduction. Nevertheless, all energy projects may be considered to have supported a net reduction in greenhouse gas emissions against a business-as-usual baseline, and operations such as the substitution of modern and efficient gas turbines for aged oil-fired steam units reduced greenhouse gas emissions.

188. **ANR projects had clearer sustainability objectives.** Some projects specifically included climate change adaptation in their designs and in the designs of the infrastructure being provided or upgraded. Some projects were designed to reduce or prevent climate change impacts and damage from floods. In total, when all projects are completed, about 166,000 ha of valuable residential and agricultural land will have been protected from flooding.

189. **In WUS, the picture was similar.** All infrastructure projects were designed to be resistant to natural disasters related to increasingly severe climatic events such as cyclones, flooding, and storm surges.

190. **In the financial sector program, two specific interventions supported sustainable development.** One contributed to renewable energy's share of total electricity production by financing SHSs. It also sought to develop two renewable energy subprojects. The other program sought to reduce the environmental footprint of brick kilns. Its main objective was to reduce the high levels of pollution caused by outdated kiln technology, which is energy-intensive and a source of greenhouse gas emissions and fine particulate pollution. The project provided a credit facility to finance the construction of energy-efficient and environmentally superior brick kilns.¹⁴³

191. **Overall, ADB's strategic agenda of environmentally sustainable economic growth in Bangladesh was relevant and the development impact was satisfactory, although marginally so.** Except for the WUS operations, the bulk of the program did not have environmental sustainability as the main focus; sustainability was often a minor feature. Nevertheless, progress was made in several areas thanks to a gradual shift of attention to climate-change-related issues during the CAPE period, and to the handful of projects that were explicitly designed to bring about abatement and resilience. Although some of these had a positive environmental impact, this evaluation does not see them playing a critical role in Bangladesh's path towards environmental sustainability.

C. Regional Cooperation and Integration

192. **Regional connectivity, especially through investments in transport and energy infrastructure, was a key objective in both government and ADB development strategies.** The Seventh Five-Year Plan, 2016–2020¹⁴⁴ continued the priorities set out in the Sixth Plan and prioritized transport investment as an enabler for the economy, along with energy investments. To achieve this, the development focus was on the following corridors: (i) Dhaka–Chittagong; (ii) Dhaka–Northwest; (iii) Dhaka–Khulna; (iv) Dhaka–Sylhet; and (v) Khulna–Northwest, with special emphasis on the first, second, and fourth corridors. Enhancing Bangladesh's potential for communication with its regional neighbors was also stressed. ADB's strategy for transport as

¹⁴³ In a similar vein, the nonsovereign ready-made garment industry project may have positive environmental effects. However, this project is still at a very early stage, the bank that was further ahead with the project has prepaid the loan.

¹⁴⁴ The Seventh Five-Year Plan, 2016–2020 was launched in December 2015 and took into account the SDGs, which were in draft form in late 2014. Although the Paris Agreement on Climate Change was agreed in December 2015, the key SDG targets also align well with its climate goals.

reflected in the CPS, 2011–2015 was to improve connectivity and in the CPS, 2016–2020 it was to ease infrastructure constraints. ADB's underlying strategy was to make the growth process more inclusive and greener; improving connectivity was an important part of this. The key thematic drivers of the CPS, 2016–2020 included deepening regional cooperation, an objective that was aligned with Strategy 2020's core areas of infrastructure and regional cooperation and integration. ADB focused on strategic economic corridors, particularly those facilitating subregional trade, and it had a particular focus on railways. ADB's transport investments aimed to facilitate the country's participation in regional and global value chains. ADB also emphasized integration with the transport, communication, and other infrastructure networks of Bangladesh's South Asian neighbors as set out in the South Asia Subregional Economic Cooperation (SASEC) Operational Plan.¹⁴⁵ This referred to the need for multi-modal transport networks, notably rail, road and inland waterways, and more efficient cross-border infrastructure and procedures, particularly in priority economic corridors. Through SASEC, ADB is funding the development of a road research and training center in Dhaka and three road operation units for road safety, maintenance, and safer design of roads.¹⁴⁶

193. **Several transport and energy projects were intended to promote regional cooperation and integration.** ADB-supported railway projects included: (i) SASEC Railway Connectivity: Akhaura–Laksam Double Track Project; (ii) SASEC Chittagong–Cox's Bazar Railway Project (an MFF), and (iii) the Bangladesh Railway Sector Investment Program (another MFF). It was anticipated that improving integration with India and the rest of Asia would bring important benefits for trade and the economy. Improvement of the east–west rail connection between Myanmar and India was proposed under the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) Trans-Asia Railway network for Bangladesh by the SASEC Plan, 2016–2025.¹⁴⁷ Road projects included: (i) SASEC Road Connectivity Project (an MFF) and (ii) SASEC Dhaka–Northwest Corridor Road Project Phase 2. As part of the Subregional Transport Project Preparatory Facility, 20 road projects and 14 railway projects have been or are being prepared, and of these ADB will finance eight road projects and seven railway projects. Bangladesh suffers from east–west connectivity constraints, but the opening of the Padma Multi-Purpose Bridge (scheduled for 2021) is expected to improve connectivity between the Southwest and South–Central regions. However, while a few transport projects had the potential improve regional cooperation and integration, no specific measures were taken to enhance cross-border trade. The performance indicators of most transport projects were not directly related to regional cooperation and integration, and few projects were tagged as regional cooperation and integration, even though they had sections in the vicinity of a border. Bangladesh's logistics performance is worse than those its regional neighbors.¹⁴⁸ Efficiency gains appear to be difficult to sustain. The country's logistics system is inefficient not only because of congestion but also because of its fragmented nature, reliance on small to medium-sized trucks, and poorly developed management and control systems when compared with those of other countries.

194. **Regional energy cooperation has been difficult in South Asia, but Bangladesh and India have been trying to forge electricity links for more than 8 years.** Bangladesh imported about 8% of its power from India in 2016–2017 over a 500 kilovolt (kV), high-voltage, direct current (HVDC) line, which became operational in October 2013. This was the first international transmission line in South Asia and was funded by ADB.¹⁴⁹ There are plans to expand its capacity by 900 megawatts (MW) by 2021. The Adani Group has announced plans to build a 1,600 MW coal plant in India

¹⁴⁵ ADB. 2016. *South Asia Subregional Economic Cooperation Operational Plan 2016–2025*. Manila.

¹⁴⁶ ADB. 2017. *Dhaka–Northwest Corridor Road Project Phase 2*. Manila.

¹⁴⁷ ADB. 2016. *South Asia Subregional Economic Cooperation 2016–2025*. Manila (Appendix 1, Operational Plan, prioritizes only road projects to 2025).

¹⁴⁸ For example, Bangladesh's logistics performance index (LPI) lags those of its main competitors, India (LPI score of 3.18) and Viet Nam (LPI scores of 3.27). Source: <https://datacatalog.worldbank.org/dataset/logistics-performance-index>

¹⁴⁹ ADB. 2016. *Project Completion Report for Bangladesh: Bangladesh–India Electrical Grid Interconnection Project*. Manila.

to sell power to Bangladesh. Bangladesh is also pursuing increased imports from hydroelectric facilities in Bhutan and Nepal and forecasting steadily increasing imports of 1,200 MW by 2020, 2,500 MW by 2025, and 5,000 MW by 2030. An ambitious scheme proposes to build a 5,000 MW transmission grid connecting India's northeastern states to the rest of India through Bangladesh. In return, Bangladesh would receive 20% of the electricity.¹⁵⁰ Given Myanmar's huge hydroelectric and offshore natural gas resources, it may also be a potential source of electricity and/or possibly gas in the coming decades.¹⁵¹ Bangladesh intends to import power from India, Bhutan, Nepal, and Thailand (via Myanmar). It is doubling the capacity of its interconnection with India to 1 GW, and the government has begun exploring potential co-investments in hydroelectric power plants with its neighbors.

195. **The SASEC and other regional cooperation and integration interventions, which include several transport projects, may eventually form part of an east-west corridor connecting Bangladesh with its neighbors.** ADB regional cooperation and integration projects are regularly updated in the SASEC Operational Plan; they include the trunk highways of the main corridors, last-mile connectivity projects, and border customs facilities. It is anticipated that trade facilitation programs promoted under SASEC and regional PBL will facilitate the integration of transport infrastructure and trade facilitation systems. ADB support for regional cooperation and integration also includes capacity development interventions, such as those related to customs and warehouse facilities. The regional cooperation and integration program covers energy, transport, and trade facilitation, in addition to economic corridor development under SASEC Vision and Operational Plan. Its achievements include ADB's institutional support for the SASEC program and for Bangladesh, Bhutan, India, and Nepal and Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation.

196. **Aside from ADB's transport and energy sector contributions, two small but ambitious projects explicitly focused on regional cooperation and integration.** One aimed to increase trade between Bangladesh, Bhutan, and Nepal by reducing or removing tariff barriers and other trade restrictions. The other unsuccessfully aimed to strengthen regional internet connectivity between India, Bangladesh, Nepal, and Bhutan. While the regional trade program was self-evaluated as successful, it was also rated less than effective in achieving more efficient, transparent, secure, and service-oriented processing of cross-border trade between SASEC countries, mainly due to limitation in the indicator definition and insufficient data. The SASEC Information Highway project suffered from significant implementation delays due to the complexity of reaching agreements among the four SASEC countries before the implementation of physical components. As a result, the regional network did not achieve the intended regional internet connectivity, largely because its technology was outpaced by rapid ICT advances. The project's intended services were largely superseded by private sector versions established before the regional network was completed and functional. The PCR assessed the project unsuccessful. Given the scale and scope of ADB support for regional cooperation and integration in general, and energy in particular, ADB's prioritization of this agenda in Bangladesh was relevant and the impact satisfactory.¹⁵²

¹⁵⁰ Hindu Business Line. 2017. <https://www.thehindubusinessline.com/economy/policy/power-exports-from-india-to-meet-25-of-bangladesh-demand/article9916980.ece>.

¹⁵¹ Natural Gas World. 2018. <https://www.naturalgasworld.com/totals-gas-find-off-myanmar-moves-forward-64548>.

¹⁵² It should be noted that Bangladesh hosts one of the largest camps for displaced people in the world. Following an inflow of displaced Myanmar nationals in 2018, ADB provided an ADF grant of \$100 million to support basic infrastructure in and around the camps.

D. Gender Equity

197. **Bangladesh has a low rank in UNDP's Gender Inequality Index.** It is 129 out of 166 countries, below India (122), but above Pakistan (136).¹⁵³ The 2018 female HDI value for Bangladesh is 0.575, compared with 0.642 for males, resulting in a Gender Development Index value of 0.895. This is slightly above the value for South Asia as a whole (0.828). The key factors behind the low ranking are a female labor force participation rate of 36% in 2018, less than half that of males (81%) but higher than the South Asia average (25.9%), a GNI per capita for women (\$2,373) that is less than half that for men (\$5,701), and a high adolescent birth rate of 83 births per thousand adolescent women (the South Asia average is 26.1). The unemployment rate for women is almost twice that for men. Despite the growth of industries such as ready-made garments, in 2018 only 20.3% of female employment was in non-agricultural sectors. The maternal mortality ratio of 176 per 100,000 live births is commensurate with Bangladesh's ranking, and in line with ratios in India and Pakistan. Yet the expected years of schooling in Bangladesh are higher for women (11.6 years) than for men (10.8 years). Life expectancy for women, according to the World Bank, increased from 71.7 years in 2011 to 74.3 years in 2018.

198. **Every project in the program had a gender plan and some had a very specific focus on gender.** The program sought to increase the share of women in the education workforce, and it was successful in this as the share of women increased from 25% to 41% over the period. All Local Government Engineering Department projects had a special focus on women. Benefits accruing to women have been substantial, especially from rural infrastructure projects. These have included better access to employment, education, and health services as well as employment for unskilled rural women in both the construction and maintenance phases of the projects.

199. **In infrastructure investments, gender equity played more of a role in transport than in energy.** Three fourths of ADB's transport projects were designed to support gender equity. While transport interventions influence gender equity only indirectly, some projects involved the community and women in project design. In terms of gender equity, projects included physical design features that improved inclusion and enhanced wage and employment conditions for women and vulnerable groups. In addition, ADB's rural road interventions have the potential to foster gender equity by providing better access to jobs, health care facilities, and educational establishments. However, gender equality was incorporated in only in a minority of energy operations (6 out of 16 sovereign projects), although joint efforts have been made by ADB and World Bank to raise gender issues in this sector significantly. In some cases, projects included gender-informed planning and training for people who had recently been connected to electricity on its beneficial and safe use. In other operations, efforts were made to ensure greater participation of women in the energy sector workforce.

200. **The education program had a more proactive stance on gender equity.** Girls' participation in primary education further improved over the review period, as did completion rates. Girls begin to drop out of secondary school more than boys, for reasons that include participating in family chores and early marriage. Early marriage remains a significant factor in girls' high dropout rates, as 60% of Bangladeshi women are married before they are 18, and 20% are married before they are 15. A teenage pregnancy rate of 31% means that nearly a third of all

¹⁵³ The Gender Equality Index reflects gender-based inequalities in three dimensions: reproductive health, empowerment, and economic activity. Reproductive health is measured by the maternal mortality ratio and adolescent birth rates; empowerment is measured by the share of parliamentary seats held by women and the attainment of secondary and higher education by each gender; and economic activity is measured by the labor market participation rate for women and men.

women become mothers by 18.¹⁵⁴ Nevertheless, the gender gaps in dropout rates are narrowing steadily, reflecting policy efforts to attract and retain girls.

201. **In a similar vein, all ANR projects, including private sector projects, had a gender equity orientation.** Moreover, projects were strongly focused on productivity enhancement, diversification, gender equity, disaster risk reduction, improvements to rural livelihoods, good governance, private sector development, and capacity building.

202. **In the WUS sector, gender equity was present in most projects.** Gender action plans were prepared for most projects and follow-up monitoring of their implementation generally found these had been successful. Gender-related issues were generally well incorporated into project designs, including strengthening women's roles in local government decision making. In addition, gender equity was a consideration in developing improved, easily accessible infrastructure with a focus on safety, and in reducing the daily time needed to provide basic household needs.

203. **Gender was central to several finance projects.** Even an infrastructure financing project paid special attention on women's issues by including training and awareness campaigns, especially in relation to renewable energy applications. The outcome indicators of this project included the number of end borrowers reached, especially women.

204. **ADB's work on SME financing sought to increase the number and size of commercially viable SMEs, especially in rural and non-urban areas, with an emphasis on SMEs led by women.** The outcome indicators included an increase in SMEs led by women in three pilot sites. Between 2010 and 2014, there was a 209% increase in the number of borrowers who were SMEs led by women. These efforts were coupled with TA to provide women with additional support. Nevertheless, despite these actions and the growth in borrowers who were SMEs led by women, the disbursement of credit to women was 6.4% of the total facility, well below the 15% target. Furthermore, the emphasis on SMEs led by women has faded in the follow-up program.

205. **This evaluation assesses ADB's prioritization of gender equity in Bangladesh relevant and the impact satisfactory.** All sector programs paid attention to this strategic objective, with some being more thorough than others. Bringing gender equity into project designs helped underscore the importance that ADB gives to this objective. TA was used to support those efforts or to train organizations in how to approach gender equity. While results were more noticeable in some sectors than others, outcomes were satisfactory in most cases.

206. This assessment is in line with IED's 2017 gender evaluation, which included Bangladesh as a case study.¹⁵⁵ The evaluation found ADB support for gender equality in Bangladesh was relevant. It was likely to improve the welfare of households but was unlikely to reduce barriers to gender equality. Infrastructure projects had the potential to support gender equality but would not by themselves lead to women's empowerment or produce gender-equitable results. While improved transport and water supply services may increase women's welfare, it was not evident from any of the projects that they had led to women's empowerment. The evaluation found that infrastructure projects worked well for gender when accompanied by multifaceted gender action plans that could enhance women's ability to access the services provided by infrastructure, increase their role in the labor market, and improve their incomes. There was little focus on engaging men to support gender equality. Addressing policy and institutional issues of gender and governance must be two-pronged. Efforts must involve top-down policy and strategic reform through the finance and other ministries, as well as employing a bottom-up

¹⁵⁴ Bangladesh has the third highest proportion of child marriage and the fourth highest prevalence of early childbearing in the world (Ministry of Primary and Mass Education, 2020).

¹⁵⁵ IED. 2017. *Asian Development Bank Support for Gender and Development (2005–2015)*. Manila: ADB.

approach at local government and community levels. The energy and transport sectors are the largest parts of the ADB country portfolio and represent untapped opportunities to reduce gender disparities. PBL could be used to remove legal and regulatory constraints on gender equality.

E. Private Sector Development

207. **The private sector has been the driver of Bangladesh's growth.**¹⁵⁶ Private investment increased from close to 10% in 1985 to more than 23% in 2018, accounting for about three fourths of total investment. However, since 2010, the ratio of private investment to GDP has stagnated, apart from a slight increase in 2019. The private sector is involved in textiles, steel, finance, and some areas of the services sector. Bangladesh's private sector includes a large array of agents, from large conglomerates all the way to SMEs. The main economic sectors are agriculture, garments, pharmaceuticals, and construction. There are now more than 10 Bangladeshi conglomerates valued at more than \$1 billion.¹⁵⁷ While the number of large industries fell by 17% from 3,639 in 2012 to 3,031 in 2019, and the number of medium-sized enterprises fell by 51% from 6,103 in 2012 to 3,014 in 2019, the number of SMEs rose by 50% from 15,666 in 2012 to 23,557 in 2019. More than 98% of firms in Bangladesh are SMEs with fewer than 10 workers, and only 13% of SMEs are in manufacturing; the remainder are in services. SMEs account for close to 25% of GDP. About 57 million people (95% of total employment) were employed in the private sector in 2017.

208. **Bangladesh ranked 105 out of 141 countries in the 2019 Global Competitiveness Report.** It ranks relatively higher in human capital, macroeconomic stability, and market size and relatively lower in innovation capacity (105 out of 141 countries), the adoption of ICT (108), and the incidence of corruption (125). The country's infrastructure ranked 114, mostly on account of Bangladesh's poor roads, and the inadequate access to safe water. For labor market flexibility, Bangladesh ranked 121, chiefly because of its high redundancy costs. The financial system ranked 106, reflecting a certain degree of financial depth (90) that was counterbalanced by the system's weak stability (129), mostly due to the poor administration of SOCBs. On its side, ADB has identified a lack of bankable projects as a constraint on nonsovereign operations.

209. **Arguably all infrastructure projects contributed to private sector development by making life easier and more efficient for private agents and their economic activities.** Beyond this simple point, the main question is whether ADB activities were specifically designed to promote private sector development. In some sectors, such as energy, that was the case. Several energy sovereign operations promoted policy and regulatory changes to introduce competition and private participation in the power sector. Recent and ongoing nonsovereign investments fostered the leveraging of private capital. Energy investments helped address the insufficient supply of reliable and environmentally sustainable energy, which was identified as one of the three most critical constraints on private investment and productivity growth in the ADB study Consolidating Export-Led Growth (footnote 11). Three interventions (two of which were nonsovereign) were intended to enhance commercialization in the energy sector, and a few O&M activities were operated by private firms. In ANR, there was some progress.¹⁵⁸ While their results were much less than expected, these interventions increased farmers' incomes by supporting agricultural value chains and diversity in production. By contrast, ADB transport projects faced serious challenges. Some projects were intended to improve logistics efficiency, thus enhancing private participation and diversification of the economy. This was the case with the Chittagong Port Trade Facilitation Project which closed in 2013 (a new multi-modal project has yet to be approved). Only a fourth

¹⁵⁶ A. Zafar, et al. 2020. *Bangladesh's Journey to Middle Income Status, The Role of the Private Sector*. Washington, D.C.

¹⁵⁷ There are over 100 large conglomerates, which for the most part are family-run businesses.

¹⁵⁸ Nine out of 13 projects (69%) had a general orientation toward private sector development. Only the three that are mentioned in the text went further.

of transport projects included private sector development measures, and in all cases, this meant performance-based road maintenance contracts delivered by private firms.¹⁵⁹ As for WUS, none of the reviewed projects addressed private sector development explicitly.¹⁶⁰

210. The financial sector program included several interventions that did foster private sector development. By demutualizing the Dhaka Stock Exchange and the Chittagong Stock Exchange and improving the supervisory agency, ADB contributed to an improvement in capital markets. Although the improvements have been far fewer than anticipated, capital markets are now more robust than at the beginning of the CAPE period. With cofinancing from Japan International Cooperation Agency (JICA) and the World Bank, ADB also supported a facility to support the long-term financing of infrastructure. Although it was limited in scope, this project helped develop a culture of PPPs in Bangladesh, and gradually to develop the IDCOL as a specialized bank capable of intermediating long-term foreign financing to support infrastructure development. In its work with SMEs, the financial sector program helped in two ways. One was to highlight the importance of supporting women entrepreneurs, including by having special lines of credit for them. The other was to help commercial banks and other non-bank financial institutions to recognize the existence of the microfinance sector, which offered them an opportunity to expand their operations in a profitable way. In addition, ADB had two small projects to support brick kiln efficiency, and to transform the ready-made garment industry so it complies with the Bangladesh Sustainability Compact.

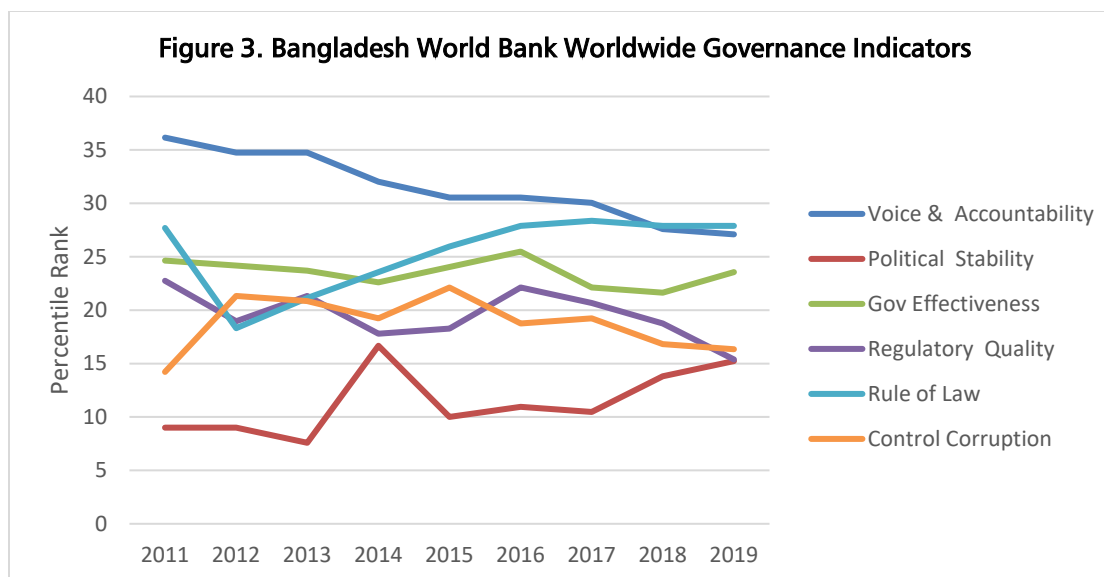
211. This evaluation assesses ADB's priority for private sector development in Bangladesh relevant and the impact less than satisfactory. Projects in the energy sector did most to systematically boost private sector development. Some other sector programs had elements that fostered the development of a more vibrant private sector in a specific way. The results, however, were mixed or limited in scope due to implementation issues or to the small size of the programs, as in ANR, transport, and some elements of finance. ADB support for PPPs is starting to generate early results after more than a decade of TA and other ADB support, which demonstrates the time needed to influence change. However, ADB lacked a structured approach to its private sector engagement, for example through more sector analytical work to develop sector strategies, as was also the case with inclusive economic growth and gender equity.

F. Governance and Capacity Development

212. The World Bank Worldwide Governance Indicators show Bangladesh trailing the South Asia average and the average for other lower-middle income countries in almost all governance indicators. At the beginning of the CAPE period, Bangladesh's rank was in line with those of other South Asia countries, but it has subsequently declined for voice and accountability, regulatory quality, and government effectiveness (Figure 3). As for control of corruption, following a significant rank improvement in 2012, the ranking has since gradually deteriorated, and it now stands just above where it was at the beginning of the CAPE period. In rule of law, Bangladesh's rank dropped significantly in 2012 and it has since returned to 2011 levels. The dimension where governance improved in Bangladesh throughout the CAPE period was political stability. The Global Competitive Index of 2019 showed that, while Bangladesh performed reasonably for social capital and public sector performance, it was below average in many aspects, particularly for transparency (e.g., control of corruption), checks and balances, and property rights.

¹⁵⁹ See Appendix, Linked Document D on Transport.

¹⁶⁰ See Appendix, Linked Document E on WUS.



Source: World Bank Worldwide Governance Indicators.

213. **In the transport sector, improvements were made to good governance and regulatory context.** In the ADB transport program, 55% of investments supported improving governance by design. However, since 2006, the slow and incomplete implementation of reforms to rail freight tariffs has undermined the financial viability of rail. These unfinished reforms have significantly hindered the commercialization of the rail freight business, although this is a critical step for improving cost-recovery and for providing a more effective and efficient rail freight service, particularly in the congested Dhaka–Chittagong corridor. For roads, the implementation of reforms for maintenance funding and truck overloading has been slow, and more efficient policy making and regulation for multi-modal transport is needed. Nevertheless, ADB has persistently supported transport reforms for over 15 years, with some limited progress.

214. **Some road projects have included some form of performance-based maintenance for periods of up to 6 years.** These contracts mainly cover routine maintenance. However, the duration of the contracts falls short of the time when periodic maintenance is needed to refurbish pavements and repair structural damage, which normally occurs after 6 years. Without timely and adequate periodic maintenance, roads will rapidly deteriorate, especially if trucks are overloaded, which is common in Bangladesh. In addition, capacity building, mainly for project implementation, was provided in around 90% of projects.

215. **In energy operations, reforms and capacity development were key.** ADB supported the government's reform initiatives for completing ongoing corporatization and regulatory measures and further unbundling certain generation services. At completion, the design of the Power Sector Development Program was found to have been sound and relevant, and the program's focus on good governance in its design and the inclusion of specific covenants to target corruption were recognized. Capacity development was another theme frequently addressed. It supported sector planning, reforms, organizational development, and training of technical personnel. Promotion of good governance featured in a number of ADB's earlier operations, which aimed to introduce new sector alignments, encourage corporatization, and strengthen independent regulation.

216. **ADB focused on improving post-project O&M in ANR and on capacity building through TA.** The rural and water resources infrastructure projects focused on governance, primarily through their efforts at improving post-project O&M. This included training and organizing beneficiaries to participate in and take over O&M activities as much as possible, and training

government staff in optimal O&M practices. In addition, institutional strengthening TA improved human resources and skills and attempted to support good governance and build capacity.

217. **In the WUS sector, governance and related institutional capacity development were critical components of ADB operations.** Urban governance is underdeveloped, and effective citizen participation, accountability, financial management and transparency need to be strengthened. Strengthening governance was therefore the key to project sustainability. The sector has been characterized by generally weak institutional structures and capacity, often caused by highly fragmented responsibilities across numerous agencies. Coordinating this complex environment is a challenge, but the inadequate operational funding to cover recurrent costs means that institutional strengthening efforts are often not operationalized or fully institutionalized. In addition, all assessed WUS projects included substantial institutional capacity development, governance improvement, and human resource skills development components. These directly supported project implementation capacity and long-term sustainable management and maintenance.

218. **In the education sector, SWApS had profound effects on governance.** The SWApS were successful in promoting government ownership and raised the capacity for national decision making, especially in relation to evidence-based planning, prioritizing, programming, and performance monitoring. Consequently, results-based management has tightened the focus on achieving results and the programs have emphasized capacity enhancement for project management and for monitoring, analyzing, and reporting on the education sector. Another impact of the SWApS has been a more open process of policy development. Education researchers from universities and other civil society institutions have increasingly informed policy making, which has benefited from the evidence-based planning and policy development promoted by the SWApS. Nevertheless, the organizational and institutional framework for delivering primary and secondary education remains weak and the system is highly centralized.

219. **In the financial sector, two programs emphasized improvements to institutional capacity: the Capital Market Development Program and the Public–Private Infrastructure Development Facility.** An essential element of ADB work on capital markets was to address the breakdown in governance that had led to the 2010 market crash, and to create an institution, the SEC, that could be a credible regulator and supervisor of the market. Key steps included demutualizing the Dhaka Stock Exchange and the Chittagong Stock Exchange to address the conflicts of interest that had contributed to the crisis. As for the SEC, its institutional capacity was strengthened by the establishment of the capital market tribunal, the implementation of a surveillance system, staff training, and improvements to staff remuneration. Nevertheless, the implementation of subsequent reforms has been slow. For instance, improvements to SEC’s staffing structure have been significantly held up by delays to the approval of its organization chart.

220. **The Public–Private Infrastructure Development Facility tried to establish PPPs in Bangladesh.** Following support from ADB in 2010, the government adopted a PPP policy and strategy to attract domestic and international investors and established a PPP Authority under the Prime Minister’s Office. The mandate to promote and finance PPP projects in Bangladesh was given to IDCOL, which is the only domestic financial institution that can catalyze international long-term foreign currency funding. ADB is supporting IDCOL through TA. Despite these efforts, the PCR for the facility noted that improved governance in IDCOL was not achieved. IDCOL’s local credit rating declined from AAA in 2015 to AA in 2017 and it was unable to obtain a credit rating from an internationally accepted agency. Efficiency was not improved either; the processing time for large subprojects was approximately 12 months, against a target of 4–6 months. Nevertheless, two PPP roads projects, the first under the PPP law, are at different stages of

completion. The Dhaka bypass is currently under construction.¹⁶¹ The Rampura–Amulia–Demra Expressway is in the process of seeking final approval for the award of commercial contracts.¹⁶²

221. **The small PSM program made limited progress in improving governance.** The ADB Good Governance Program,¹⁶³ a major program that had been negotiated with other development partners before the CAPE period backtracked and was then completed in haste right before its closing. While some programs did have some positive effects, the remainder of the support fell short of delivering the expected outcomes. Even within the largest pre-CAPE program, some outcomes could not be achieved, because actions were reversed, albeit temporarily, or were adopted late. Under the Public Expenditure Support Facility Program and Countercyclical Support Facility Support Program¹⁶⁴ (that were bundled together), an attempt to improve service delivery for women and the disadvantaged, and to foster private sector development did not materialize. Similarly, efforts to expand online tax returns and land titles in the ADB Strengthening Governance Management Project¹⁶⁵ were more limited than expected. TA for the Anticorruption Commission has been limited but is producing positive results and is improving the prosecutorial procedures. The other TA projects also had positive outcomes, while being limited in their scope.

222. **This evaluation considers ADB’s prioritization of governance and capacity building in Bangladesh to have been relevant and the impact less than satisfactory.** All sectors tried to address some of the institutional and governance challenges that they faced. However, their limited success leads this evaluation to question whether the measures supported by ADB, except for those in the energy sector, were sufficient to bring about the expected changes, and whether enough analytical work went into the design, preparation, and negotiation of the interventions. In the case of transport, limited coverage and incomplete implementation restricted the governance results. As for the ANR sector, interventions focused for the most part on O&M, leaving other key governance challenges unattended. The efforts in the WUS sector faced limited operational funding for recurrent costs. In finance, some progress has been made, but it has not been enough to fully restore trust in capital markets and make long-term finance feasible. As for the PSM program, it took many years to implement some of the policy actions, while others had a very limited scope.

G. Summary

223. **All the strategic agendas and drivers of change figured prominently in Bangladesh’s development strategies, and positive development impacts were achieved in inclusive economic growth, gender balance, and environmentally sustainable growth.** The level of attention paid to each differed at the time of implementation. Inclusive economic growth and gender equity received attention from most sectors (except for PSM), and the outcomes were assessed to have been satisfactory. Most sector programs brought gender balance into the project design, underscoring the importance that ADB pays to this objective. Only in the finance sector did it prove difficult to establish government ownership of the gender equity interventions. Environmentally sustainable growth could have played a more central role in the program given the significance of climate change risks for the country. For that reason, this evaluation assessed the development impact of ADB activities for environmentally sustainable growth to have been only marginally satisfactory. The positive outcomes were due to the gradual shift of attention to

¹⁶¹ The Dhaka Bypass includes a 48 km bridge, a 4-lane expressway, and a 2-lane service road.

¹⁶² The Rampura–Amulia–Demra Expressway is a 4-lane, 13.5 km access, controlled expressway, starting at Chittagong Road (N1) and ending at Hatirjheel near Rampura Bridge.

¹⁶³ ADB. 2007. *Proposed Program Loan and Technical Assistance Grant to the People’s Republic of Bangladesh: Good Governance Program*. Manila.

¹⁶⁴ ADB. 2009. *Proposed Program Loan to the People’s Republic of Bangladesh: Public Expenditure Support Facility Program and Countercyclical Support Facility Support Program*. Manila.

¹⁶⁵ ADB. 2010. *Proposed Loan and Technical Assistance Grant to the People’s Republic of Bangladesh: Strengthening Governance Management Project*. Manila.

climate-change-related issues during the CAPE period, and to a handful of projects that were explicitly designed to bring about abatement and resilience.

224. ADB was not successful in pursuing PSM, and, while it had some success in building a culture for PPPs, the full extent of the results is not yet known. All sectors tried to address some of the institutional and governance challenges that they faced, but their degree of success was limited. It was not clear how ADB interventions could have been sufficient to bring about the expected changes, and whether enough analytical work had gone into the design, preparation, and negotiation of these interventions. As for the PSM program, it took too long to implement some of the policy actions, and many had a very limited scope. ADB support for PPPs is starting to generate results after more than a decade of TA, demonstrating that achieving transformative change in Bangladesh requires long-term support.





Conclusions and Recommendations

6



225. This chapter draws together the sector and thematic assessments presented in the previous chapters and summarizes the main evaluation findings. Sector and thematic ratings are presented (Table 4) and used to rate overall country program performance. The chapter begins by addressing the evaluation questions that were set out in the evaluation approach paper.

A. Summary of Assessments

226. The evaluation was guided by an overarching question: **To what extent did ADB contribute to inclusive economic growth, environmentally sustainable growth, and regional cooperation and integration over 2011–2020?** The evaluation also examined five subsidiary questions:

- (i) How and to what extent did ADB support contribute to economic diversification?
- (ii) How has ADB support in Bangladesh contributed to inclusion, education and skills development, and greater gender equity?
- (iii) To what extent did ADB support help Bangladesh tackle the environmental challenges associated with climate change and disaster risk?
- (iv) Has ADB support for rural livelihoods contributed to more balanced growth?
- (v) Has ADB support for governance and the business environment removed constraints on private sector investment?

227. To attempt to answer these questions, the evaluation drew on the sector assessments in Chapters 3 and 4, and ADB's performance against the thematic objectives presented in Chapter 5. A matrix assessment approach was taken, with the relevance and development impacts of the three strategic agendas of Strategy 2020, plus three drivers of change, integrated with the sector program assessments. The three strategic agendas were: inclusive economic growth, environmentally sustainable growth, and regional cooperation and integration. The three drivers of change were gender equality, private sector development, and governance and capacity development (Table 4 and Figure 4).

228. **With respect to the overarching question, the evidence suggests that ADB investments made a positive contribution to inclusive economic growth.** They increased connectivity; reinforced flood control; improved education, especially for the poor; and strengthened SMEs, which are important job creators. ADB's contribution to Bangladesh's environmentally sustainable economic growth was satisfactory, although marginally so. While some projects had environmental aspects, this evaluation did not feel they would play a critical role in Bangladesh's path towards environmental sustainability. ADB was active in supporting regional cooperation and integration. Given the scale and scope of ADB's support for regional cooperation and integration in general, and in energy particularly, ADB's prioritization of this agenda in Bangladesh was relevant and the impact satisfactory. ADB's contribution to Bangladesh's efforts to achieve gender equity was satisfactory. While gender results were more noticeable in some sectors than in others (the results were good in education, health, WUS, and ANR), outcomes were satisfactory in most cases. Support for private sector development was less than satisfactory, although results may strengthen in future if ADB's support for PPP generates new investment opportunities. Missing from the program was a structured drive to achieve ADB's private sector development strategic objectives. Governance is a complex area that takes time to achieve results. All sector programs tried to address some of the institutional and governance challenges that they faced but all delivered limited results in terms of overall governance. Sector programs in energy, WUS, education, health, and ANR, were assessed successful, transport sector and finance successful on the borderline, and PSM less than successful.

Table 4. ADB Sector and Overall Performance Against Evaluation Criteria

Sector, Strategic Agenda, Driver of Change	Relevance	Effectiveness	Efficiency	Sustainability	Development Impact	Sector Program Overall Rating	
Sector							
Energy	2.0	2.0	2.0	2.0	2.0	2.0	Successful
Transport	2.0	1.0	2.0	1.0	2.0	1.6	Successful on the borderline
Water	2.0	2.0	2.0	2.0	2.0	2.0	Successful
Education	3.0	2.0	1.0	2.0	2.0	2.0	Successful
Health	2.0	2.0	2.0	1.0	3.0	2.0	Successful
Finance	2.0	1.0	1.0	2.0	2.0	1.6	Successful on the border line
ANR	2.0	2.0	2.0	2.0	2.0	2.0	Successful
PSM	2.0	1.0	1.0	1.0	1.0	1.2	Less than successful
Overall Scores for Sectors	2.14	1.59	1.72	1.66	1.96	1.81	Successful
Strategic Agenda							
Inclusive economic growth	2.0				2.0		
Environmentally sustainable growth	2.0				2.0		
Regional cooperation and integration	2.0				2.0		
Driver of change							
Gender equality	2.0				2.0		
Governance and capacity development	2.0				1.0		
Private sector development	2.0				1.0		
Overall Scores for Strategic Agendas and Drivers of Change	2.00				1.67		
Weighted Score	2.07	1.59	1.72	1.66	1.81	1.77	
Overall Rating	Relevant	Less than effective	Efficient	Likely sustainable	Satisfactory	Successful	

ADB = Asian Development Bank; ANR = agriculture, natural resources, and rural development; PSM = public sector management; WUS = water and other urban infrastructure and services.

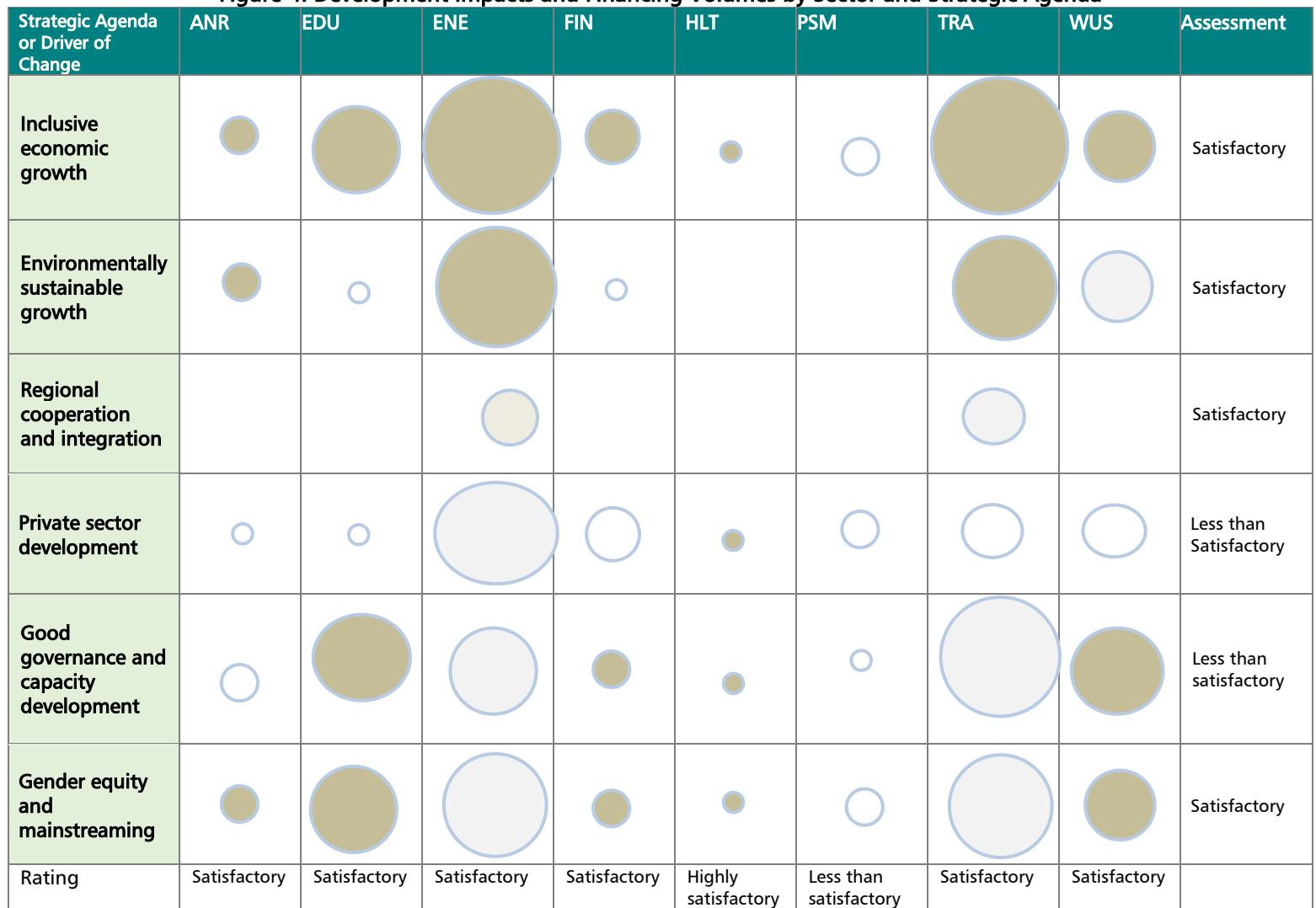
For each evaluation criterion, scores ranged from 0 to 3. For example, for effectiveness: 3=highly effective, 2=effective, 1=less than effective and 0=ineffective.

Aggregation across criteria for each of the sectors and overall was made using equal weights. Under each criterion, the sector scores were aggregated using weights proportional to financing volume. Equal weights were used to aggregate scores for cross-cutting themes. Equal weights were used to aggregate overall sector score and thematic score.

Performance assessment was deemed to have been highly successful if the aggregate score was ≤ 3.0 and ≥ 2.5 ; successful if it is < 2.5 and ≥ 1.6 ; less than successful if it is < 1.6 and ≥ 0.8 ; unsuccessful if it is < 0.8 . If the score falls in the range 1.6 and 1.75 it is regarded as successful on the borderline and if it falls between 1.45 and 1.59 it is regarded as less than successful on the borderline.

Source: Asian Development Bank Independent Evaluation Department.

Figure 4. Development Impacts and Financing Volumes by Sector and Strategic Agenda



ANR = agriculture, natural resources, and rural development; EDU = education; ENE = energy; FIN = finance; HLT = health; PSM = public sector management; TRA = transport; WUS = water and other urban infrastructure and services.

Note: The size of the bubble denotes the financial amount (the larger the size, the greater the financial support). The shade of the bubble shows whether impact was direct or indirect (a darker shade denotes direct impact).

Source: Asian Development Bank Independent Evaluation Department assessment.

229. The evaluation found that progress had been made in the energy, education, WUS, and ANR sectors, but that there were several remaining challenges, particularly concerning the design of ADB's overall strategic framework. Both CPSs during the evaluation period aimed to remove constraints on the higher levels of private sector investment that Bangladesh needed in order to achieve sustainable economic growth and further poverty reduction. Some issues remain to be resolved in transport. ADB paid specific attention to gender and notable results were achieved in education, ANR, transport, and WUS. However, ADB support for the following thematic agendas was less successful: governance, private sector development, and the environment and climate change. While ADB supported an expansion of financial services, the financial market in Bangladesh remains underdeveloped and private sector investment is still constrained. Emerging synergies between ADB operations in transport and rural agricultural livelihoods, and between energy, regional cooperation and integration, and private sector development, suggest that results may improve in future. The evaluation assessed the overall ADB program in Bangladesh

successful. These results were discussed with the Bangladesh authorities. Other results, lessons, issues, and recommendations and responses to the evaluation subsidiary questions follow.

1. How and to what extent did ADB support contribute to economic diversification?

230. ADB provided long-term support for infrastructure development in Bangladesh with some impressive results. ADB sovereign support contributed to economic growth and diversification, especially through long-term investments in the energy, education, and WUS sectors, and through ADB ANR operations. However, some issues need to be resolved in ADB's transport and PSM operations. In terms of its share of the overall portfolio, ADB nonsovereign support was less visible, although ADB was active in the energy and ANR sectors (and through its ANR operations it helped improve farmers' livelihoods).

231. ADB's most significant contribution was through its long-term support for energy. ADB has made significant contributions to Bangladesh's economic growth, diversification, and rural service delivery through a relevant, effective, and efficient portfolio of energy investments. It has underpinned the expansion and modernization of Bangladesh's electric power and gas systems and pioneered regional energy trade. The impacts can be seen in the marked improvement in power quality and reliability and the expansion of electricity access to near universal levels. The ADB energy program made outstanding contributions in terms of building infrastructure and helping to solve some very basic problems related to economic security and the diversity of the economy; blackouts used to be frequent concerns and ADB has solved this by building generation capacity. Access has skyrocketed. The energy program made a significant contribution to economic growth, diversification, and rural electrification.

232. The benefits of ADB investments in the transport sector did not materialize as quickly as anticipated. Bangladesh's performance for logistics and competitiveness when measured against those of other countries has slipped. ADB's strategy and program to improve connectivity through better railway and highway connections have not produced results at the pace intended. ADB investment in railways was much higher than initially planned but did not represent a significant contribution to the economy, although it was a high priority for the government. While ADB is a significant partner in the transport sector and played a lead role in railway sector reforms, together with other development partners, further support is needed to achieve the desired results. Transport sector outcomes were not clearly visible during the evaluation period. Of the 12 transport projects approved after 2011, only one third have been completed. Little diagnostic work underpinned the transport program. For instance, although 60% of all passenger movement is by bus, ADB invested heavily in railways and the evaluation could not find any up-to-date information or policy analysis to justify this. ADB's attention to policy reforms, transport logistics, analysis, and knowledge creation were limited. Sustainability continues to be a concern for transport operations, as it is across all sectors.

233. ADB played a significant role in improving the water supply, especially in metropolitan Dhaka. There were some significant successes in both improvements to management and the introduction of technical innovations; these were enough to encourage other development partners, notably the World Bank, to re-enter the sector. ADB's main urban interventions were in water and sanitation, although flood control and some transport operations were also covered. ADB water and sanitation operations did not achieve the objectives set in the CPSs, although this was largely due to unrealistic target setting. Overall, the energy and WUS programs were rated successful, while the transport program was successful on the borderline.

2. How has ADB's support in Bangladesh contributed to inclusion, education and skills development, and greater gender equity?

234. The achievements of the ADB education program in Bangladesh were very significant. The portfolio covered primary and secondary education, and skills development, all of which served large populations. Since 2004, ADB and its development partners have pursued a programmatic approach to primary education, with the Ministry of Education progressively taking the lead in terms of financing, program design, and leadership. The approach has been successful, resulting in near universal primary enrollment, although quality remains an issue. The various programs have tackled disparities, strengthened learning outcomes and learning rates, and mobilized political will. The capacity of the Ministry of Education has grown and there was strong collaboration among the development partners. Pre-primary education has been introduced and introduced nationwide, although the quality is low. A more targeted approach is being taken to infrastructure and a more systematic and timely approach to textbook approval. The government has adopted a more inclusive approach to education by mainstreaming children with learning difficulties. Overall, the improvement to primary education in Bangladesh has been a massive achievement that has resulted from the development partners and the government working closely together. At the secondary level, the programmatic approach is still relatively new; ADB and the World Bank are the main partners, but they are implementing their programs separately.

235. Support for TVET is delivering good results. The main issue during the period was the contracting process between the Ministry of Education and the large number of private and public TVET providers. The first two projects supported by ADB were not successful mainly because of their limited capacity to undertake and manage contracts. The third project was moved to the Ministry of Finance, with the TVET unit embracing private sector ways of operating the contracting process. The program has since trained 400,000 people and in 2019 achieved an employment rate of around 64% of graduates. A national skills authority has been created and the Ministry of Finance unit will transition into this authority.

236. Other sectors have also contributed to inclusion and greater gender equity. First time access to electricity made a big difference to many women, although there are limited data available to measure the impact that electricity has had on women's lives in Bangladesh. Greater access to water also has known benefits for women. Gender concerns have been incorporated into WUS projects, with some success. Women have been successfully involved in the sector through NGOs, gender action plans have been implemented, and community-based water groups have increased the involvement of women. Women were heavily involved in training and technical programs. In ANR operations, each project had its own gender plan, and some had a very specific focus on gender. In livelihood projects, 98% of the beneficiaries of livestock projects were women, as were 60% of the beneficiaries of crop production projects. Sustainable rural infrastructure was designed specifically to address gender equity. The Local Government Engineering Department is acknowledged to be an executing agency that promotes gender equity. ADB support for urban primary health care services has benefited thousands of poor urban women and contributed to improved child health. ADB support for education, health, and ANR were all successful. Education was the only sector assessed by the evaluation to be highly relevant because of its focus on capacity development, inclusion, partnership, and gender. ADB health operations were the only ones with high development impact, mainly due to their strong focus on urban poverty.

3. To what extent did ADB support help Bangladesh tackle the environmental challenges associated with climate change and disaster risk?

237. **While support for the environment, climate change, and disaster risk management was integrated into the designs of most ADB projects and programs, ADB's leadership in these areas was not particularly visible, especially in energy and WUS operations.** While climate change and climate risk adaptation assessments are part of most due diligence exercises, project officers often see these assessments as getting in the way of loan processing and governments can be reluctant to invest in them. ADB has, however, undertaken several initiatives to ensure disaster risk management is considered in program design. For instance, annual school survey questionnaires provide an opportunity for schools to report on disaster-related damage so that resources can be directed to affected schools. ADB has also invested in flood protection, which has provided significant benefits for both agriculture and rural livelihoods. In the designs of ADB ANR operations, there has been a high awareness of climate change, disaster risks, and water resource management. ADB has invested in coastal climate resilience, river flooding, integrated water resourcing, irrigation management improvement, and the Jamuna riverbank improvement project. Overall, 500,000 hectares have been improved. Half the ANR portfolio incorporated climate resilience in project designs. ADB support for coastal climate resilience included such disaster components as flood safety centers and all of these projects included disaster training and the formation of groups to manage water resources and build resilience to disasters. Although ADB ANR projects provided support for climate change and disaster risk management in their designs with good results, ANR is a small share of the overall program.

238. **At the strategic level, ADB paid less attention to climate change and disaster risk management in infrastructure.** ADB rolled out a comprehensive energy program during the CAPE period and stabilized the power system but it did not pursue energy efficiency aggressively, leaving this to other partners. In energy efficiency and renewable energy, ADB was a follower rather than a leader. ADB did not have a long-term vision that would enable it to assess whether the infrastructure it financed would still be in existence in 30–60 years, given rising sea levels and increasing storm intensity. The vulnerability of transmission systems to severe storms and cyclones was not explicitly discussed in project designs. ADB did not appear to have a sense of what Bangladesh would look like in 60 years' time or to have a plan for what could be done today to anticipate the future, although climate proofing is being carried out. In the WUS sector, ADB paid increasing attention to alternative sources of water given the depleting levels of ground water but it is not clear whether the government is willing to borrow for these measures.

4. Has ADB support for rural livelihoods contributed to more balanced growth?

239. **Investment in ANR through rural roads and flood protection contributed to economic diversity and improved rural livelihoods.** The impact of ADB investments in rural roads on the transformation of the ANR sector, the Bangladesh economy and poverty reduction were assessed by the CAPE to have been substantial. ADB's focus was on rural connectivity and rural transformation. All-weather roads allowed farmers to buy agricultural inputs such as pumps, better seeds, fertilizer, and fuel. Improved yields followed and farmers diversified into livestock, vegetables, and fruit production. Bangladesh has achieved rice self-sufficiency and found a growing market for its aquaculture products, the transport of which was facilitated by improvements to rural roads. Irrigation flood control measures increased production. ANR livelihood projects improved food security in rural areas, especially during disasters and other shocks. Rural livelihood credit-based projects that were approved before the CAPE period did very well; they supported crop diversification and had 1 million beneficiaries, but ADB decided to withdraw from the production side of agriculture. As a result, all the new projects during the period were rural infrastructure projects, i.e., rural roads and flood control, with no interventions that supported rural livelihoods (although nonsovereign operation interventions in ANR widened

farmers' opportunities). One reason for the success of the ANR program was that the executing agencies had been working with ADB for many years. Although it is only 6% of the program, the ANR program made a significant impact.

240. **ADB contributed to rural electrification.** When ADB first became involved, electricity reached about 40% of the population. Coverage is now 95%–97% and will soon reach 100%. ADB spent more effort on transmission lines and towers and less on the task of connecting households or establishing SHSs. Bangladesh has one of the most successful household solar programs in the world and it reaches around 5 million households. However, in this area ADB came to the table late and provided significant financing but was a follower rather than a leader.

5. **Has ADB support for governance and the business environment removed constraints on private sector investment?**

241. **The investment climate in Bangladesh remains constrained, resulting in low levels of FDI, and a small ADB nonsovereign portfolio.** The Seventh Five-Year Development Plan, 2016–2020 envisaged an expanded role for the private sector, with FDI expected to grow three-fold to reach 3% of GDP by the end of the plan period. While private sector investment accounts for more than three-quarters of total investment, since 2010 the ratio of private investment to GDP has stagnated. Weaknesses in the banking sector, poor infrastructure, and governance weaknesses remain key bottlenecks. While governance and higher private sector investment were central to government plans and ADB strategies over the CAPE period, achieving results in this area requires ongoing support. ADB has played a key role in capital market development.

242. **The Private Sector Operations Department (PSOD) portfolio is concentrated in the energy sector.** However, in this sector PSOD has a large and ambitious portfolio but there has been little delivery. Of seven transactions, three did not materialize and of the remaining four, only two were rated successful. PSOD did some pioneering work to open the door for private finance, but policy barriers and weaknesses in the policy context and the finance sector meant results were limited. The finance sector lacks depth and sophistication and cannot facilitate larger energy projects.

243. **There has been a decline in ADB's engagement in governance and business regulation.** ADB has made efforts in some sectors to improve governance, e.g., the introduction of e-procurement in the energy sector, which has resulted in fewer procurement issues. Teachers' salaries for non-government schools are now paid online, which has helped to reduce duplication. ADB is supporting decentralization but progress is slow. ADB has also used PPP to deliver training and employment.

B. ADB and Government Assessments

1. ADB Performance

244. **The Bangladesh Resident Mission played a significant role in implementation.** ADB generally provided adequate support both before loan signing and effectiveness and during project implementation. Most projects were delegated to the resident mission after their mid-term review, resulting in good interaction among ADB, cofinanciers, executing and implementing agencies, development partners, consultants, and contractors. During implementation, ADB staff actively monitored projects through regular review missions and advised on project implementation matters as required. Contract awards were dealt with expeditiously and ADB also made disbursements in a timely manner and provided timely interventions to resolve implementation issues. However, performance was not even across all sectors. In ANR, for example, consultations with government officials suggested they had found it increasingly

difficult to get responses from the resident mission and ADB headquarters on project-related issues, and that project review missions were not taking place to the extent required. For projects in the WUS sector, there were indications of slow processing and approvals; each project tended to face numerous queries to respond to.¹⁶⁶ Interviews with government officials suggested that there was a need for more decentralization from headquarters to the resident mission.¹⁶⁷ Since 2014, the resident mission has assumed responsibility for monitoring the performance of all projects, regardless of where the project team leader is based. IED consultations with Ministry of Finance officials revealed that the authorities are pleased with the quality of interactions with ADB and the leadership of the resident mission. The contribution from ADB, which includes direct and close collaboration with the Bangladesh Resident Mission, has been strong. For instance, ADB was one of the first development partners to mobilize support for the government to tackle the COVID-19 pandemic.

245. While ADB's performance in terms of project preparation and processing was satisfactory, some concerns were raised about project implementation and supervision. It is usual to plan for two supervision missions per project per year. Over 2011–2019, the average for transport projects was 1.5 missions per project per year with an average of 8 person-days per mission. The slightly lower number of missions compared to the norm was due to project-related implementation delays and frequent labor unrest and related strikes. Supervision missions per year varied: (i) railway projects (2.4 missions), (ii) urban transport projects (0.7 missions), and (iii) roads and other projects (1.3 missions). Despite the relatively high number of missions for railways, a notable lapse in the quality of supervision occurred with the Railway Sector Investment Program, which did not have a midterm review, delaying the project. For the Greater Dhaka Sustainable Urban Transport Project, start-up delays, long land acquisition processes, and changes of implementing agency staff meant that no official supervision missions were fielded in 2014 and 2015. Even accounting for these delays, the average number of urban transport missions would have been less than one per year, which is not appropriate for such a technically complex and innovative project in Dhaka. ADB was also slow in preparing TA completion reports, and in producing PCRs for its ANR operations. ADB made use of advance contracting in transport, which meant that project design, management, and supervision consultants were usually recruited before loan effectiveness, although the time between loan approval and loan effectiveness increased by about 4 months on average in 2011–2016 compared with the previous CPS period. By the time of the CPS, 2016–2020, the time to loan effectiveness had been reduced significantly.

246. ADB played a leadership role in key sectors, including transport, energy, and education. ADB used to be the lead agency in the ANR sector but during the CAPE period the World Bank overtook it with total lending of \$3.3 billion against ADB's \$383 million. In energy, transport, and education, ADB has worked with other development partners to achieve sector objectives. In primary education, ADB worked in collaboration with the government and other development partners to reorient its program toward a SWAp that has achieved significant results. This approach relied on having significant field presence. However, ADB's support towards policy reform issues, especially in the energy and transport sectors did not materialize as quickly as expected.

247. ADB fulfilled many of its responsibilities as a development partner in Bangladesh. In the finance sector, ADB coordinated well with the Clean Energy Fund, the JFPR, JICA, the Islamic Development Bank, and the World Bank. It also undertook productive policy dialogues to move the Second Capital Market Development Program forward and supported the establishment of a policy framework for PPPs in Bangladesh. ADB agreed to many requests from the government, including the extension of several projects, e.g., the Small and Medium Sized Enterprise

¹⁶⁶ Dhaka Environmentally Sustainable Water Supply Project being one example.

¹⁶⁷ Telephone interview, DWASA, 14 July 2020.

Development Project and the Financing Brick Kiln Efficiency Improvement Project. ADB could have done better in defining a sector strategy for the finance sector, pushing forward PBL and their associated reforms, and producing strong analytical work backing ADB interventions.

248. **Regarding monitoring and evaluation, very few programs had outcome indicators that could be tracked by ADB.** Some outcome indicators were too far removed from the interventions or relied on unrealistic assumptions for the interventions to yield those outcomes. In terms of development impacts, most of the statements made in documents, including this evaluation, are not based on the solid factual foundation that would have been provided by project base lines, end lines, and impact evaluations. On balance, ADB performance was satisfactory.

2. Government Performance

249. **The government's performance in delivering the ADB-supported program varied across the sectors.** In energy, the government demonstrated a strong commitment to the program. During program implementation, it ensured that sufficient counterpart funds were available, and that land was acquired in time. Project management units were, with a few exceptions, established on time with proper resources. Loan covenants were complied with and PCRs were prepared on time. In transport, the capacity of executing agencies and implementing agencies grew and they implemented the physical investments to an adequate quality and without excessive delay. A more comprehensive and far-reaching example of the growth in domestic institutional capacity is represented by the Local Government Engineering Department, which planned, developed, and maintained the rural road network extensively with the support of ADB and other development partners. Similarly, environmental safeguards were implemented satisfactorily, as indicated by the extent of compliance with procurement regulations and reduced delays in implementation.

250. **The government agreed to implement the comprehensive railway and road reforms associated with the investments by ADB and other development partners since the mid-2000s.** However, implementation was slow and incomplete and when reform progress was not linked to the disbursement of funds (as happened when the Railway Sector Investment Program was completed in 2016), reforms appear to have declined even further. The completion report for the Railway Sector Investment Program rated the performance of both ADB and the borrower less than satisfactory, mainly because this led to the non-achievement of two of the project's outcome targets. The roads reform program was also incompletely implemented, although no recent road projects have been evaluated¹⁶⁸

251. **Completed PCRs and their validations for ANR operations generally rated the performance of the borrower and its executing agencies satisfactory.** Interviews with the staff supervising ongoing projects drew a similar conclusion. There were no serious cases of non-compliance with loan covenants. There were no undue delays in completion; the longest was for 2 years, but delays were often for justifiable reasons. Gender plans were implemented as expected, training was undertaken as planned, safeguard activities were carried out effectively, and implementation and benefit monitoring was done. Counterpart funds were provided on time. There have been delays and issues during implementation of the experimental Irrigation Management Improvement Project, but in other projects the main issue seems to have been delays in consultant recruitment at the initiation of some of the projects, resulting in either start-

¹⁶⁸ The update of the Institutional Development Action Plan of 2017 that was attached to the RRP for the SASEC Dhaka-Northwest Corridor Road Project: Phase 2 Facility indicated in respect of achievements related to road maintenance and the enabling environment that: (i) a Road Fund Act was approved in 2013, (ii) the road maintenance budget had been increased, and (iii) more weigh bridges had been established to control overloading. However, the Road Maintenance Fund is not currently operational, maintenance resources are about a third of what is needed, and regulations to prevent truck overloading were not fully enforced.

up delays or projects starting without the requisite expertise on hand.¹⁶⁹ Overall, government performance in ANR projects was satisfactory. ADB has worked with the government to address institutional capacity issues in all WUS projects, but sustainability remains an issue due to the underfunding of government agencies. Officials with the Urban Public and Environmental Health Sector Development Program reported that 70% of the relevant project positions responsible for monitoring project activities remained vacant because it had been difficult to find skilled, experienced, and interested candidates.¹⁷⁰

252. For most finance and PSM projects, the government demonstrated program ownership. It managed many of the projects, but the pace of reform was slow. Basic tasks, such as the approval of the organization chart of the SEC, took more than 5 years to be approved. The government's role in aid coordination was limited in some instances. For example, the coordination between the Islamic Development Bank, the World Bank, and ADB on the provision of solar energy for rural areas resulted in an oversupply during the Third Public–Private Infrastructure Development Facility. Similarly, the resources for a critical task intended to reduce the cost of workers' remittances from abroad ended up being diverted to the acquisition of a clearance system for the central bank, Bangladesh Bank. On balance, borrower performance was rated satisfactory.

C. Lessons

253. Capital market development requires significant attention to both supply and demand side issues. ADB supported capital market development by strengthening the legal framework and the capacity of regulatory institutions but the demand and supply side response—who buys stocks and bonds and who sells them—is constrained by a range of behavioral factors that cannot be immediately addressed by policy reform. The development of the capital market requires more than just better regulation and strengthening of the securities exchange. The demand and supply sides have to be built, especially by increasing the number of companies willing to make an initial public offering.

254. Broad public engagement and analytical work are needed to build a strong foundation of demand for improved PSM and good governance. ADB support for PSM and good governance needs to have a stronger analytical basis, to engage more with civil society, and to increase collaboration with the wider partner community.

255. ANR outcomes can improve further if the program is connected to and focused on both productivity and livelihoods. When ADB took a strategic decision to ignore the rural livelihood projects that had been successful in the past, it missed an opportunity to raise rural incomes and address food security concerns. ANR livelihood projects had provided a buffer against threats to food security, especially among the rural poor during crisis periods such as the ongoing COVID-19 pandemic.

256. A reliance on building systems to expand the supply of finance can support greater access to these systems, but ADB needs to have a vision and a strategy for how it plans to transform the financial system. The financial market in Bangladesh remains underdeveloped, despite good attempts by ADB to improve access. ADB lacked an overall strategy to guide its finance sector investments and had no vision of how the market might be developed moving forward.

¹⁶⁹ In interviews, representatives of executing agencies queried the lengthy procedures for consultant recruitment and whether international consultants were needed when equivalent expertise was available among national consultants.

¹⁷⁰ Telephone interview, Urban Public and Environmental Health Sector Development Program officials, 27 July 2020.

257. **If ADB pursues a strategy which responds flexibly to a country’s financing needs, it may risk overinvesting in areas where development returns may not materialize.** A provisional estimate of resource allocations across the sectors would help to avoid this. During the CAPE period, ADB investments were not guided by the strong sector diagnostics or analytical work that would have helped guide ADB support for infrastructure over the medium term. Instead, the approach was highly opportunistic, which reduced its overall effectiveness, especially in the transport sector.

258. **Efforts to improve project readiness can reduce delays.** This has happened since 2011, especially in transport projects. However, subsector reform programs are vital to ensure that infrastructure investment is efficiently operated and maintained so it can provide the intended benefits.

D. Issues

259. **Projects approved during the CAPE period continued to be single sector-focused; ADB missed opportunities to apply more holistic solutions to increasingly complex issues, climate change foremost among these.** ADB now needs to apply Strategy 2030 perspectives to its work in Bangladesh on such issues as sustainability, governance, inclusiveness, and accelerating gender equity. It has to employ a broader multi-sector approach that can only be based on a deeper and more complete understanding of the challenges being tackled. Limited or missing sector analytical work during the period meant that critical aspects were overlooked in some ADB projects during the period, undermining their effectiveness, efficiency, and sustainability and hampering efforts to encourage private investment (which also suffered from some market imperfections). Little sector diagnostic and analytical work appears to have been done in areas that pose possible future risks to the country, e.g., the impact of climate change on future water sources. Initial steps are being taken with projects such as the Flood and Riverbank Erosion Risk Management Investment Program, which has adopted a more holistic approach to management in the water sector and to flooding, while also addressing a few climate change issues.

260. **On the environmental front, ADB did not take a proactive, holistic, or multisector approach to helping Bangladesh tackle climate change.** Various combinations of sea level rise, increasingly severe and unpredictable storm and precipitation events, water-logging, and increased salinity in water resources directly impact development initiatives across Bangladesh and require much more attention than they are currently receiving. People displaced by climate change may add to urban stress as more lands become uninhabitable.

261. **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.** While ADB was responsive to Bangladesh’s national plans and sector policies, these need to be complemented by sector diagnostic and analytical work that identifies where investment is likely to yield the greatest benefit. Because ADB did not produce such work, IED used publications from other organizations to find sector-related contextual information and sector performance data.

262. **Policy-based lending could be more effectively used to tackle the range of critical policy constraints facing Bangladesh.** Aside from the countercyclical facility, ADB PBL focused on capital market development and good governance. While there were strong arguments for the Second Capital Markets Development Program, the justification for using PBL to support a third program was weaker. Stand-alone TA may have been sufficient to support the necessary capacity development. Implementation of the reforms also took longer than expected which delayed the disbursement of finance that was needed for budget support purposes. Given the range of other macroeconomic policy issues—low tax collections, low-quality public investment, and frail

structures for the provision of health and social safety nets—PBL may have been better used elsewhere. However, it may not be appropriate to use PBL to tackle the acute rise in NPLs at state-owned banks. This segment of the financial sector needs to be reformed. Any remedy that does not tackle sector governance issue head on will most likely lead to future crises, as experience elsewhere has shown. PBL could also help address other public policy issues such as the underinvestment in public health, which, as a share of GDP, is one of the lowest in the world. In addition, there is no official national pension safety net and social protection is fragmented. These are issues that concern public policy choices, and it would have been more appropriate for ADB to have used PBL to address them rather than capital market development, which would benefit more from long-term standalone technical assistance.

263. The health sector has suffered decades of underinvestment, and the full impact of the COVID-19 pandemic on essential public services is not yet known. While ADB has supported access to primary health care for the urban poor, it has not engaged directly with the Ministry of Health or considered becoming involved more formally in health and social protection. ADB could build on its success in improving health care services for the urban poor in Dhaka and other cities by providing broader support for national health and social protection systems in Bangladesh. ADB did explore the potential for primary health care insurance but did not build on the initial pilot. In a country without formal national pension safety nets for its growing workforce, ADB could consider, with other partners, helping Bangladesh structure a viable safety net that covers a broader range of the population.

264. The CPS, 2016–2020, did not specify the resource envelope for each sector. While ADB was criticized by IED for not following the investment plan in the CPS, 2011–2015, the solution was not to remove resource estimates for 2016–2020 entirely. ADB wanted to be flexible and respond to country demands, but this has resulted in high investment in railways, where results have not materialized as quickly as expected. A key function of the CPS is to make difficult strategic decisions on how best to allocate the limited country resource envelope. Without these estimates, the CPS provides limited overall strategic direction.

265. ADB's investment in the railway subsector is not achieving results as quickly as anticipated. While investment in railways is a national and regional priority, this mode of transport carries a relatively small share of total land passengers and freight. The government worked closely with ADB in formulating the reform programs for the rail and road subsectors, but implementation took longer than expected. An immediate challenge for ADB is to build on the government's commitment to reforms to ensure that ADB-supported and other transport infrastructure is sustainably financed and efficiently operated. Issues such as the effective coordination of freight and passenger modes, the facilitation of efficient multi-modal logistics, the efficient management of urban public transport, and easing urban traffic congestion are critical and remain to be addressed on a comprehensive basis.

266. ICT is an important growth sector in Bangladesh, but, as in other sectors, ADB does not have an underlying sector strategy to guide potential support. A World Bank study has shown that ICT could help increase female participation in the labor force, an important component of Bangladesh's growth strategy. ADB had only one project during the period, a regional integration project, although it also used ICT approaches to solve taxation and land management issues. ADB provided no nonsovereign support for this sector. ADB's thin support for ICT in the period was probably a missed opportunity, given the growth potential of this sector.

267. While remarkable progress has been made in primary education and other education subsectors, quality remains low. About 2.5 million children have either never enrolled in school or dropped out before completing primary school. Primary dropout rates have declined but remain high. Given that learning outcomes in Bangladesh are still poor, ADB needs to maintain

its presence in primary education and to build on and sustain achievements. Barriers at the secondary level persist for poor families. Access to technical education and skills development is limited, especially for older girls. For sector programs that involve a wide range of development partners, as in primary education, ADB needs to have staff with strong technical skills based in Bangladesh who can readily engage with the government and bring together development partners and a range of stakeholders. However, ADB declared Bangladesh a non-minor duty station in 2016, which has made the posting of ADB in-country international staff to the resident mission difficult.

268. **Private sector investment in Bangladesh takes place within a challenging context.** ADB needs to carry out more dedicated preparatory work and to develop a deeper understanding of the business environment. The CPS, 2016–2020 stated that ADB would expand private sector operations by helping to improve the business climate and strengthen financial markets. The CPS identified several factors hindering the business climate, including the regulatory environment, the costs of doing business, tax policies, weak land acquisition and land use policies, an inadequate banking system, and lack of capital and bond markets. For ADB support for private sector investment to be successful, sector governance challenges need to be tackled at project, sector, and overall country levels. However, ADB governance interventions in the latter half of the CAPE period were limited. While private sector operations represented only a small share of the overall program, ADB was Bangladesh’s main partner in energy nonsovereign operations and has had some success in establishing agriculture value chains.

E. Recommendations

269. The evaluation recommends that ADB should:

270. **Recommendation 1. 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.** This in turn calls for ADB to bring together its sectoral teams in order to structure these holistic projects, identifying the synergies and co-dependencies of the different teams. ADB needs these teams to design well rounded holistic projects on a foundation of deeper and broader sector analytical work. A “One ADB” approach should be the norm in Bangladesh and, as part of this, helping Bangladesh invest in preventing and mitigating the negative consequences of climate change should be a priority.

271. **Recommendation 2. Ensure climate change and the environment are the overall strategic priority in CPS, 2021–2025.** The outcomes of individual sector projects, e.g., in energy and transport, must extend beyond the sector itself. These projects should include climate change, gender equity, livable cities, rural livelihoods, and other Strategy 2030 outcomes as their starting point. They should be justified by with strong evidence underpinning the link between the sectoral, climate change, and other objectives.

272. **Recommendation 3. 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.** Over the CAPE period, ADB committed itself to removing constraints on infrastructure investment, private sector development, and financial market development. These and other development objectives need to be supported by scaling up economic and sector analytical work to better inform policy change alongside future infrastructure investments. ADB should seek opportunities to join with other development partners to undertake detailed sector economic and analytical work wherever possible.

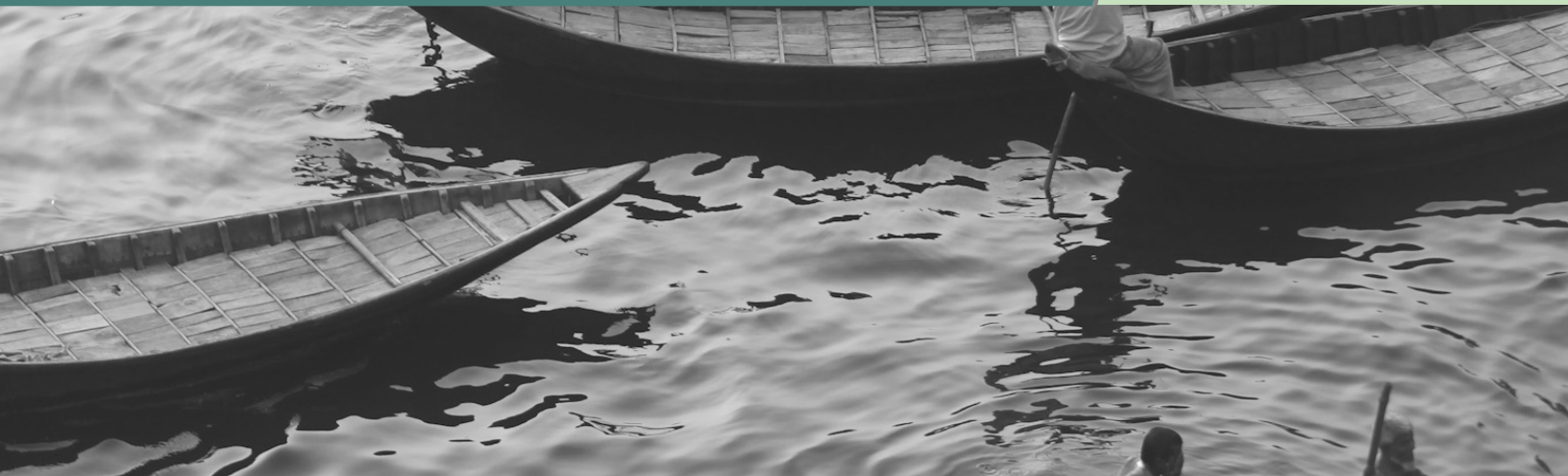
273. **Recommendation 4. Target the use of programmatic PBL at the most critical and relevant policy issues where government reform commitment is strong, and where governance can be strengthened.** The potential policy reform agenda in Bangladesh is wide, especially with regard to the provision of health and social safety nets. However, implementation of reforms takes much longer than planned. ADB should consider the use of programmatic PBL, so that country financing is not delayed. Future ADB support should be based on robust policy analytical work and should be relevant, country-owned, programmatic, and supported by TA.

274. **Recommendation 5. 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 COVID-19.** As the recent pandemic has shown, neglect of essential public services such as basic health care comes with a high cost. ADB should explore how best to work with other partners in the social sectors and to build on its successes, including in education, with SWAps. 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.





Appendix



APPENDIX: LIST OF LINKED DOCUMENTS

- A. Loans, Grants, and Technical Assistance, January 2011–September 2020
<https://www.adb.org/sites/default/files/linked-documents/LD-A-List-of-Loans-Grants-TA.pdf>
- B. Portfolio Analysis
<https://www.adb.org/sites/default/files/linked-documents/LD-B-Portfolio-Analysis.pdf>
- C. Sector Assessment: Energy
<https://www.adb.org/sites/default/files/linked-documents/LD-C-Energy-Operations-Assessment.pdf>
- D. Sector Assessment: Transport
<https://www.adb.org/sites/default/files/linked-documents/LD-D-Transport-Sector-Assessment.pdf>
- E. Sector Assessment: Water and Other Urban Infrastructure and Services
<https://www.adb.org/sites/default/files/linked-documents/LD-E-WUS-Operations-Assessment.pdf>
- F. Sector Assessment: Agriculture, Natural Resources, and Rural Development
<https://www.adb.org/sites/default/files/linked-documents/LD-F-ANR-Operations-Assessment.pdf>
- G. Sector Assessment: Education
<https://www.adb.org/sites/default/files/linked-documents/LD-G-Education-Operations-Assessment.pdf>
- H. Sector Assessment: Finance
<https://www.adb.org/sites/default/files/linked-documents/LD-H-Finance-Sector-Operations-Assessment.pdf>