

INDEPENDENT EVALUATION GROUP

Bangladesh: World Bank Engagement on Governance and Anticorruption

IEG Working Paper 2011/7



Clay Wescott and Mary Breeding

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**Bangladesh: World Bank Engagement on Governance and
Anticorruption**

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Abbreviations

AAA	Analytic and advisory activities
ACC	Anticorruption Commission
ADB	Asian Development Bank
ANSA-EAP	Affiliated Network for Social Accountability in East Asia and the Pacific
APL	Adaptable program loan
ASYCUDA	Automated system for customs data
BICF	Bangladesh Investment Climate Fund
BNP	Bangladesh Nationalist Party
BPDB	Bangladesh Power Development Board
CAS	Country Assistance Strategies
CASCR	CAS Completion Report
CFAA	Country Financial Accountability Assessment (World Bank)
CGAC	Country Governance and Anticorruption
CIDA	Canadian International Development Agency
CORBEC	Committee on Reforms in Budgeting and Expenditure Control
CPAR	Country Procurement Assessment Report (World Bank)
CPIA	Country Policy and Institutional Assessment (World Bank)
CPS	Country Partnership Strategy (World Bank)
CPTU	Central procurement technical unit
CSO	Civil society organization
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DfID	Department for International Development (UK)
DPL	Development Policy Loan
DSC	Development Support Credit
EBRD	European Bank for Reconstruction and Development
EMTAP	Economic Management Technical Assistance Program
ESAF	Enhanced Structural Adjustment Facility
ESW	Economic and sector work
EU	European Union
FY	Fiscal year
GAC	Governance and anticorruption
GAVI	Global Alliance for Vaccines and Immunization
GDP	Gross domestic product
GEF	Global Environment Facility
GPF	Governance Partnership Facility
IBRD	International Bank for Reconstruction and Development
ICA	Investment Climate Assessment
ICR	Implementation Completion and Results
IDA	International Development Association
IEG	Independent Evaluation Group (World Bank Group)
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
ILO	International Labor Organization
IMF	International Monetary Fund
INT	Department of Institutional Integrity (World Bank)
IPP	Independent Power Producer
IPFF	Investment Promotion and Financing Facility
IPSAS	International Public Sector Accounting Standards
LGED	Local Government Engineering Department
LGSP	Local Government Support Project
LIL	Learning and Innovation Loan
MTBF	Medium-Term Budget Framework

MTEF	Medium Term Expenditure Framework
NBR	National Bureau of Revenue
NGO	Nongovernment organization
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
ORMAP	Operational risk mitigation action plan
ORA	Operational risk assessment
PDEP	Primary Education Development Project
PEFA	Public Expenditure and Financial Accountability assessment
PER	Public Expenditure Review
PETS	Public Expenditure Tracking Survey
PFM	Public financial management
PIP	Public Investment Program
PIU	Project implementation unit
PPR	Public Procurement Rules
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
RHD	Roads and Highways Department
ROSCP	Reaching Out of School Children Project
RTI	Right to Information
RTIP	Rural Transport Improvement Project
SAF	Structural Adjustment Facility
SPEMP	Strengthening Public Expenditure Management Program
SWaP	Sectorwide Approach (World Bank)
TSC	Transitional Support Credit
TTL	Task team leader (World Bank)
UNAIDS	United Nations Program on HIV/AIDS
UNDP	United Nations Development Program
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNODC	United Nations Office on Drugs and Crime
USAID	United States Agency for International Development
USD	United States Dollar
VAT	Value added tax
WDR	World Development Report (World Bank)
WFP	World Food Program
WTO	World Trade Organization

Preface

This case study summarizes the findings of desk reviews and a country field visit carried out in February 2011 as part of the Independent Evaluation Group's (IEG's) evaluation of the 2007 Governance and Anticorruption (GAC) Strategy. The case study sought to evaluate the relevance and effectiveness of Bank support for governance and anticorruption efforts over the FY2004-10 period, to assess the contributions of 2007 GAC strategy implementation, and to identify early outcomes and lessons.

The Bangladesh case study was prepared by Clay Wescott (lead) and Mary Breeding as a background paper for IEG's GAC evaluation. The report was prepared under the supervision of Navin Girishankar and the overall guidance of Cheryl Gray and Ali Khadr.

The authors are grateful to officials from the Government of Bangladesh and the World Bank's Country Team for constructive discussions. The paper benefitted from comments from the Bank's Dhaka Country Office. The authors are also grateful for comments from the IEG's GAC Evaluation team members. Barbara Balaj provided editorial support and Aimeé Niane provided administrative support.

The findings, interpretations, and conclusions expressed in this paper are entirely those of the authors and do not represent the views of the World Bank, its Executive Directors, or the countries they represent.

Summary

Bangladesh is one of the world's poorest and most densely populated countries, and subject to annual cyclones and flooding. Despite these challenges, it benefits from strong economic growth, good performance on health and education, and poverty reduction— alongside weak governance and pervasive corruption. The reasons include strong macroeconomic policy, pro-poor spending, credible elections, export growth and remittances, improved capacity for managing natural disasters, and a stronger civil society than comparable countries.

After over a decade of intense engagement with the Bank on governance, Bangladesh adopted in 2006 a governance-oriented Country Assistance Strategy (CAS) with four main objectives: to improve implementation capacity; to “tackle corruption” by fully operationalizing the Anti-Corruption Commission; to lay the foundation for comprehensive legal and judicial reform; and to strengthen “voice, empowerment and participation.” The choice of a wide range of instruments and areas of intervention was appropriate, given the political instability at the time of 2006 CAS preparation. The Bank signaled it was ready to engage in all areas, and could scale up or pull back depending on emerging political and bureaucratic commitment. The 2006 CAS yielded mixed results, and the subsequent Country Partnership Strategy (CPS) has been more selective on GAC issues. At the project level, governance has been a key priority, in line with the South Asia region's heavy emphasis on GAC-in-Projects. Investments in GAC-in-primary education, a local government project, anti-corruption efforts in the power sector, and projects strengthening the investment climate have yielded positive results. Investments in GAC-in-roads projects have had mixed results in terms of effectiveness. GAC activities were mainly adopted prior to the 2007 GAC Strategy. Although Bangladesh was a Country Governance and Anticorruption (CGAC) country, the country team chose not to use CGAC funds because the country had already been intensively using GAC approaches well before the GAC strategy was adopted.

Table S.1 Bangladesh—Summary IEG Assessment

GAC Elements	IEG Ratings	
	Relevance	Effectiveness
1. GAC at Country Level:	■■■	■■
2. GAC in Sector Level:		
<i>Core Public Sector</i>		
Public Financial Management	■■■■	■■■
Revenue Management	■■■	■■■
Decentralization	■■■■	■■■
Procurement	■■■■	■■■
Civil Service Reform	■■	■
<i>Basic Service Delivery</i>		
Roads	■■	■■
Primary Education	■■■■	■■■
Power	■■■	■■
<i>Investment Climate</i>	■■■■	■■■
<i>Independent Accountability Mechanisms</i>	■■	■■
3. GAC at Project Level		
Operational Risk Management Plan	■■■	■■
Senior Governance Advisor/Specialist	■■■	■■■
Demand for Good Governance	■■	■
4. 2007 GAC Strategy Implementation		
Staff attitudes towards GAC issues	■■	■■
Enhancing quality of operational response	■■	■■

Ratings: ■ negligible ||| ■■ moderate ||| ■■■ substantial ||| ■■■■ high
 Source: IEG

1. Introduction

Background: 2007 GAC Strategy and Implementation Plan

1.1 The 2007 strategy—a corporate strategy—set forth several objectives relating to the development of capable and accountable states and committed the Bank to seven principles of engagement on GAC issues (Box 1). In response to shareholder concerns about the perceived arbitrariness of senior management decisions to cut off lending to certain countries, the strategy reiterated the Bank’s use of rules-based criteria for allocating resources, as well as its aim to stay engaged even in poorly governed countries to ensure that the “poor do not pay twice.” At the same time, the strategy placed considerable emphasis—more than earlier strategies—on safeguarding Bank funds from fiduciary risks. Early on, it was acknowledged that, to achieve its “vision of success,” the strategy required a more detailed implementation plan.

Box 1.1 The Multiple Objectives and Guiding Principles of the 2007 GAC Strategy

1. The GAC strategy had several objectives:
 - “to support poverty reduction....”
 - “...[by] developing capable and accountable states ...[undertaking] sound policies, improving service delivery, [establishing] rules for markets, combating corruption,” and
 - “...to ensure that its funds are used for their intended purposes.”
2. In addition, the “GAC guiding principles” were as follows:
 - Focus on “[a] capable and accountable state to create opportunities for poor people, provide better services, and improve development outcomes.”
 - Country ownership and leadership are key. Country government is the principal counterpart.
 - Remaining engaged so the poor do not pay twice.
 - Consistent approach across countries, even though one size does not fit all.
 - Engage broad set of stakeholders with focus on transparency, accountability, and participation.
 - Strengthen rather than bypass country systems.
 - Harmonization (the Bank will not act in isolation).

Source: World Bank documents.

1.2 The implementation plan (IP) sought to define concrete steps for “what the World Bank itself will do to support the GAC agenda, and how it will work with governments, domestic stakeholders, and development partners to support country-level governance improvements and regional and global initiatives.” The plan’s success was to be measured by (i) a significant and growing number of countries seriously addressing key governance impediments to development effectiveness and poverty reduction; (ii) Bank-supported projects and programs increasingly addressing GAC impediments; and (iii) countries and global partners valuing and respecting the Bank’s capacity in this area (World Bank 2007a).

It was envisaged that these objectives would eventually be reflected empirically in improvements in country governance performance.

1.3 To this end, the IP proposed to deliver guidance materials, tools, training, incremental resources, and strategic staffing to help deepen Bank engagement in the following areas:

- *GAC-in-Countries.* These initiatives sought to enhance Bank-country engagement on governance and anticorruption issues. Initially, country-GAC (CGAC) processes – comprising joint workshops, peer-to-peer learning events, clinics, and upstream assessment activities – were launched in 27 countries to help Bank teams systematically diagnose governance challenges and identify ways of addressing them through CAS design, sector strategies, and project preparation. The CGAC processes were intended to deepen the Bank’s understanding of what can be done to strengthen GAC in CASs and help identify governance entry points (for example, core public management and accountability institutions, private sector engagement, and demand-side capacities and frameworks). Following the CGACs, a more targeted effort involving 18 countries sought to enhance GAC responsiveness with the help of considerable support provided under the Window One facility of the Governance Partnership Facility (GPF).¹
- *GAC-in-Sectors and GAC-in-Projects.* These efforts aimed to strengthen incentive and accountability frameworks in sector dialogue and project design, as well as systematic risk assessment and management (for example, through the use of political economy analysis, actionable governance indicators, and demand-side measures). Guidance notes and toolkits were designed to advise Bank teams on how to address GAC issues in the sectors and to support cross-cutting concerns, such as social accountability (World Bank 2008b and 2009c). Also included were handbooks, tools, and training to support efforts to prevent fraud and corruption in projects.² A 2009 Quality Assurance Group (QAG) survey of projects approved in FY08 aimed to establish a baseline for incorporation of “generic” GAC elements in projects (World Bank 2009f).
- *Global GAC Efforts.* The Bank proposed to increase its involvement in peer learning networks and collaborative governance initiatives. These included the Extractive Industries Transparency Initiative (EITI) and global and regional legal conventions such as the Stolen Asset Recovery (StAR) Initiative,³ Medicines Transparency Alliance (MeTA), and Construction Sector Transparency (CoST) Initiative. In addition, the Bank sought to harmonize GAC policies (for example, on cross-

¹ World Bank (2008a); IEG, Back-to-Office Report, October 2010.

² Recent efforts included the introduction of new procurement and financial management risk management systems (P-RAMS and PRIMA).

³ Closely related were efforts to help strengthen the integrity of financial sectors in developing countries through a sound Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime. More recently, the Bank helped launch of the International Corruption Hunters’ Network to facilitate closer cooperation among enforcement agencies around the world.

debarment) with other multilateral development banks, and to establish common response principles for high-risk countries under the auspices of Gov-Net.

1.4 *Internal Reforms.* Other important internal reforms were carried out as complements to the GAC agenda, including implementation of Volcker Panel recommendations on strengthening the Integrity Vice Presidency,⁴ launch of a new WBI strategy emphasizing multi-stakeholder engagements (World Bank 2009a), update of the Bank's disclosure policy, launch of a new Operational Risk Assessment Framework (ORAF) for investment lending,⁵ the recruitment of a Chief Risk Officer, an annual integrated risk monitoring report, and other efforts to modernize investment lending (World Bank 2011a).

1.5 *Resourcing the Strategy.* Significant incremental budgetary and donor resources were deployed over the FY08–12 period to support GAC implementation. This comprised \$54 million in incremental Bank budget as well as \$61 million in donor funds allocated through the GPF. The GPF was supported by the United Kingdom, the Netherlands, and Norway.

1.6 *Change Management.* GAC implementation was viewed as a significant change management agenda. Institutional arrangements to support this Bank-wide initiative prominently featured a GAC Council, consisting of the Vice Presidents and chaired by the Managing Directors. The Council was supported by a GAC Secretariat, various other partnership secretariat units, and GAC focal points in Regional and network units. The Bank also periodically sought the advice of a Group of External Advisers, an Independent Advisory Board (that advises the President and Audit Committee on Integrity Vice Presidency performance), and an International Technical Advisory Group (that advises on the Use of Country Systems pilot).

IEG GAC Evaluation and Country Case Studies

1.7 The evaluation aims to help enhance the Bank's approach to governance and anticorruption and to improve its effectiveness in helping countries develop capable and accountable states that create opportunities for the poor. Pursuant to this objective, the evaluation assessed the relevance of the 2007 GAC strategy and implementation plan, as well as the efficiency and effectiveness of implementation efforts in making Bank engagement with countries and other development partners more responsive to GAC concerns. It also sought to identify early lessons about what works and what does not in helping to promote good governance and reduce corruption.

1.8 A key component of the evaluation involved case studies of six country programs over the FY04-10 period: these case studies assessed the quality of Bank country engagement on

⁴ Recommendations included the establishment of an Independent Advisory Board; appointment of an external member of the Sanctions Board as the chairperson; development of a confidentiality protocol; transfer of the responsibility for staff misconduct from the Integrity Vice Presidency to Bank's office of Ethics and Business Conduct; enhancement of selected staff rights to improve fairness of internal investigations; expansion of the Preventive Services Unit; strengthening of communication between the Integrity Vice Presidency and the Regions; and refinement of Integrity Vice Presidency results metrics. See Volcker and others (2007).

⁵ Four out of 11 ORAF risks relate to GAC: country risk, sector/multisector institutional, implementing agency governance risks, and implementing agency fraud, and corruption risks.

GAC issues, and identified what has worked and what has not in implementing GAC efforts. Case studies were selected from a quasi-random sample of twelve candidate countries, which sought to ensure representation across geographic regions and countries that received special GAC support over the FY07-10 period. Based on IEG's desk review of GAC responsiveness, country programs with *documentary evidence of some degree of GAC-responsiveness* over the pre- and post-GAC periods were selected for case studies. Accordingly, case studies were conducted in Azerbaijan, Bangladesh, Cambodia, Guatemala, Liberia, and Moldova. Field missions to these countries were undertaken between December 2010 and February 2011. Case studies were reviews from World Bank country teams and comments were duly incorporated.

1.9 The Bangladesh case study is based on an extensive desk review as well as a field visit to Dhaka from February 6-15, 2011. It evaluates the relevance and effectiveness of Bank support for governance and anticorruption efforts since the launch of the Bank's Governance and Anticorruption (GAC) Strategy in 2007. It elaborates on a desk review of the GAC responsiveness of the Bank's Bangladesh program and reviews the following GAC entry points: core public sector reform (public financial management and procurement); GAC in sectors (roads, education, and electric power); investment climate; and accountability institutions. The case study also examined the extent to which the Bank's GAC Strategy has made a difference in staff attitudes toward addressing GAC issues in their operational work. The mission interviewed development partners, nongovernmental organizations (NGOs), government officials, and staff of project implementation units (PIUs), and the Bank Country Office to better understand how the Bank has responded to the governance challenges.

1.10 The mission reviewed work by the Bank and other development partners in core public sector areas and the possible links with improvements in service delivery. Also reviewed were opportunities for using country systems, third-party monitoring mechanisms, enhanced donor coordination, and other processes that are part of the GAC agenda. The mission also examined strategic elements that might affect the willingness of the government to reform, and the leverage that the Bank and other donors might have in promoting reform.

1.11 This evaluation reviewed the work by the Bank and other donors in core public sector areas and possible links with improvements in service delivery. The mission looked at the opportunities for using country systems, third-party monitoring mechanisms, enhanced donor coordination, and other processes that are part of the GAC agenda. Also examined were geographic effects and other strategic elements that might affect the willingness of the government to reform, and the leverage that the Bank and other donors might have in promoting reform. Finally, the mission assessed whether opportunistic responses to governance challenges might contribute to a future portfolio-wide approach to improving governance.

2. Bangladesh Country Context

2.1 Bangladesh is one of the world's poorest and most densely populated countries with an annual per capita income of \$652 (Atlas method), and 160 million inhabitants living in a landmass area of 147,570 square kilometers. The geography of Bangladesh is especially relevant to its political and socioeconomic background. The topography of the country consists of five major river systems that drain over 700 rivers, mostly into the Bay of Bengal. This includes three major rivers: the Ganges, Brahmaputra, and Meghna. Bangladesh forms only a small part of a large regional hydrologic system—less than 10 percent of the river basin falls within the national territory. The land consists of alluvial plain. Given the country's geographic location it is subject to annual cyclones and flooding. Bangladesh consists of primarily one ethnic group, Bengalis, who comprise 98 percent of the population, and a small minority tribal population comprising approximately 2 percent of the population.

2.2 Bangladesh, formerly known as East Pakistan and before that as the East Bengal region of British India, gained its independence from Pakistan following a civil war in December 1971. The country has experienced a variety of forms of government since independence. The current system is the outcome of a parliamentary system that was re-introduced in 1991. Democratic elections in 1991, 1996, and 2001 followed two decades of authoritarian rule. A Caretaker Government was instituted for 90 days in late 2006 to oversee an election. Due to civil unrest, it stayed in office through the end of 2008, backed by the military, with the aim of restoring peace and democracy. Elections were held in 2008 and were deemed free and fair by international observers. The election outcomes resulted in a peaceful transfer of power to an Awami League government led by Prime Minister Sheikh Hasina Wajed. The Awami League won 230 out of a possible 300 seats in the Parliament, granting it an absolute majority.

2.3 Although Bangladesh has a multi-party parliamentary system, the government alternates between the two major parties—the Bangladesh Awami League and the Bangladesh Nationalist Party (BNP)—with smaller parties joining coalitions to support them. The political system is characterized by divisive party politics. Rivalrous political discourse between the parties creates a fragile and contentious political environment. When in opposition, both parties have sought to regain political control through parliamentary boycotts, political demonstrations, *hartals* (labor strikes), and transport blockades. These activities have often succeeded in disrupting economic activities and immobilizing the government.

2.4 At first glance Bangladesh is a paradox, with strong economic growth (real gross domestic product (GDP) growth about 6 percent since 2003, up from an average 4.2 percent from 1986-96), good performance on health and education, poverty reduction (from 60 percent in 1990 to 40 percent in 2005), and a reduction in official development assistance to less than 2 percent of GDP— alongside weak governance and pervasive corruption. The reasons include strong macroeconomic policy, pro-poor spending, credible elections, export growth and remittances, improved capacity for managing natural disasters, and a stronger

civil society than comparable countries, including nongovernmental organizations (NGOs) such as Grameen and Brac delivering world-class services to the poor.⁶

2.5 Institutional oversight is weak in Bangladesh. Competition between political parties has hindered development of strong mechanisms for domestic accountability, although there has been some progress in recent years. The transfer of power at the time of elections in Bangladesh creates a “winner-take-all” system. The last election has resulted in a state driven by party interests, in which the ruling party uses state institutions for its own interests rather than building institutions with appropriate checks and balances. Public institutions have very few formal oversight mechanisms that the opposition can use to hold the government accountable. Parliament and the judiciary do not provide significant oversight of executive power. Nongovernmental organizations, professional associations, and the media provide alternative checks and oversight on Parliament and the executive, but most are allied with partisan interests, and there are other major constraints.

2.6 Parliament is regularly brought to a halt by actions of the opposition. Three years before Bangladesh’s next election, the BNP opposition party is regularly holding political demonstrations, actively seeking to dislodge the Awami League. *Hartals* regularly disrupt businesses and slow progress. Many external development partners have adopted a “wait-and-see” attitude while actively encouraging better governance and involvement from local stakeholders.

PUBLIC SECTOR GOVERNANCE

2.7 **Public Financial Management.** The strengths of public financial management include fiscal discipline and funds allocation to sectoral priorities, despite a low revenue-to-GDP ratio of approximately 10 percent. Improved budget classification and computerization of some accounting transactions and reporting processes has improved reporting on budget execution. A 2006 assessment by the U.K. Department for International Development (DfID) based on the Public Expenditure and Financial Accountability (PEFA) methodology found an orderly budget calendar, linking overall expenditure outturns, and expenditure composition, to budgets. There was also effective monitoring of arrears, minimal use of extra-budgetary funds, and use of independent review panels to handle procurement complaints. However, efforts to increase revenues are constrained by continuing reliance on import-based taxes (45 percent), along with leakages and weak tax administration. Development spending declined from 6.6 percent of GDP in FY01⁷ to 3.4 percent in FY08, with 20-25 percent under-spending of budgeted amounts each year. Inter-sectoral spending allocations and usage often are not aligned with sector policy. Centralized processes, coupled with weak administrative and personnel practices in spending ministries, limit operational efficiency. Contingent liabilities are building up through off-budget mechanisms such as bank and enterprise borrowings. Weaknesses in both internal and external audit limit accountability (Bangladesh Government and DfID 2007, World Bank 2010a: 153-164).

⁶ Of five countries closely rated on UNDP’s human development index, Bangladesh rates significantly higher on voice and accountability than Nepal, Pakistan, and Sudan; only Ghana rates higher. World Bank, 2008b. *World Governance Indicators, 2007*.

⁷ Refers to the Government of Bangladesh’s fiscal year, July 1 to June 30.

2.8 At independence, the civil service had reasonable capacity, including a core of capable professionals able to implement national priorities, such as disaster relief and mitigation, and, unusually for the region, land reform. Over the past 15 years, this core has diminished in strength, leading to capacity decline as a result of increasing political interference and uncompetitive compensation. Also, the government has been resistant to working with development partners for civil service reform (Wescott, Siddique and Rahman, 2007).

2.9 The government now has 41 ministries and divisions and a large number of directorates, departments, autonomous bodies, boards, commissions, and the like. An extensive, central public administration system reaches down to the subdistrict (Upazila) level. Total public sector employment is around 1.2 million, of which about 70 percent are employed in the civil service, 20 percent in state-owned enterprises, and 10 percent in the armed forces. Although expenditure on the civil service is not excessive by international standards (average 2.5 percent of GDP, FY07-FY10), its effectiveness is held back by over-employment at lower levels of staff, many of whom are not hired on merit, and outdated management practices, including lack of authority to carry out assigned tasks properly. Although basic pay is low, there are extensive fringe benefits, particularly for higher-level staff. Survey data (World Bank 2000) indicate that only 8 percent of civil servants are actively looking for a job in the private sector.

2.10 The Public Service Commission is the central recruiting body for civil servants, and the Establishment Division sets civil service regulations. Most of the laws, rules, and regulations pertaining to the civil service are old and need to be amended and updated. The army acts with more restraint and with a more modest claim on budgetary resources than in neighboring countries, held in check by the prospect of lucrative, overseas postings on United Nations peacekeeping missions.

2.11 Public administration challenges include monopolization of the government, political parties, and means of production by a small, tightly knit elite; a weak human resource management system and a limited management information system, including lack of career planning, irregularities in performance measurement, irregularities in promotions, poor training, excessive transfers, lack of effective implementation of and contradictions in administrative rules and regulations, and widespread corruption. In addition, there has been a decline in routine oversight and inspection functions because of weak supervision, distraction from protocol duties, and a lack of resources to undertake inspection visits (Schiavo-Campo, Tommaso, and Mukherjee 1997; World Bank 2000: Chapter 6; People's Participation Research Centre 2007; World Bank 2010; IMF 2010).

2.12 Although successive governments routinely call for reform (see, for example, Bangladesh Government 2002), progress is hindered by various constraints. First, some ministries pursued reforms led by technocrats and without political consensus, and progress was therefore slow. Second, in these and other ministries, many civil servants focused on collecting rents to cover the debts they had incurred in securing their positions, their campaign expenses, and their personal needs. Senior posts can sell for \$10,000 and ministerial posts for \$1 million. Any reforms that would hinder such rent-seeking were opposed (Wescott Siddique and Rahman 2007).

2.13 The system of local government is made up of 64 district jurisdictions, with no direct political representation. These are divided into 482 *Upazilas* (subdistricts), with elected officers since 2009. Further subdivisions include 4,498 *Union Parishads* (unions) with elected members, and 68,000 *gram sarkar* (village) committees with no direct political representation (each has a council chaired by a union member). There are also 6 municipal corporations with elected mayors and corporators, and within these, 309 *pourashavas* (towns) responsible for water supply, solid waste, sanitation, public health, roads, drains, tree plantation, community development, and poverty reduction. The *pourashavas* also include elected chairpersons and councilors. Although quality of governance varies across these multiple jurisdictional levels, weaknesses in democratic accountability are pervasive often stemming from low levels of citizen participation and weak management of revenue, expenditure, audit, and procurement (World Bank 2006c and 2008c).

2.14 Audit reporting by the Comptroller and Auditor General is improving, but is subject to long delays. Technical work is dependent on external support because the budget for hiring staff rests with the executive branch of government. As for February 2011, the Public Accounts Committee of Parliament has reviewed annual audited accounts through 2006. In cases of audit objections, auditors and auditees come together to agree on steps to be taken. In about 5 percent of cases, recommendations are made for disciplinary action. No public debate issues are reported by the Comptroller and Auditor General, and the Independent Evaluation Group (IEG) was unable to determine whether any subsequent action was taken to resolve these issues.

2.15 The Anti Corruption Commission (ACC), created by Parliamentary Act in 2004, is an independent body reporting to Parliament with wide support from the development partner community and civil society. The ACC took some time to get established, facing many challenges, including an unclear mandate in relation to other agencies. The ACC gained considerable momentum under the Caretaker Government. With full support from the Chief Adviser (equivalent to the Prime Minister), the ACC conducted unprecedented investigations leading to tens of thousands of arrests, including more than 200 government and business leaders, as well as the two previous prime ministers. It successfully prosecuted prominent officials and politicians. However, following the election of the current government, many convictions were overturned by the courts. Parliament has taken steps to reduce the independence and authority of the ACC and is considering further such steps.

2.16 Since the 1990s, many *civil society organizations* have become active in addressing local and national governance issues and have lobbied state agencies, promoted transparency, advocated election reform, supported activities aimed at protecting human rights, stimulated public debate, and created constituencies for governance reforms. An estimated 2,000 development NGOs are working in Bangladesh, and a few of them are among the largest such organizations in the world. The NGOs' activities are recognized globally for the scale of their work, and for their ability to develop innovative services for the poor in both rural and urban areas. Think tanks, advocacy organizations, and research organizations also undertake various activities pertaining to raising awareness about various issues, including creating demand for good governance. They undertake advocacy activities to help people understand their political, economic, and social rights and responsibilities and play an important role in

democratization through election campaigning and monitoring. Many work at the grassroots level to help give the poor a voice in community affairs.

2.17 However, many civil society organizations have significant weaknesses. For example, many are politicized and are not credible to carry out independent third-party monitoring. NGOs that receive funding from donors are accused of carrying out donor agendas, and NGOs that are involved in service delivery obtained with funding from the government find it difficult to criticize the government. Good governance is also an issue for NGO finances, recruitment, and management. In some cases, NGOs engage in various profit-making activities but are exempt from paying taxes. Numerous professional associations represent private sector interests, but they tend to be dominated by powerful business leaders, and do not necessarily represent the interests of the small businesses that make up the majority of Bangladesh's private sector.

BASIC SERVICE DELIVERY

2.18 One reason for Bangladesh's comparatively good performance in growth and poverty reduction has been the effective delivery of pro-poor services, adequately resourced by government, and delivered both by government and civil society. As with public sector management, maintaining a balance between basic service delivery and high fiduciary risks has been a challenge across different sectors.

2.19 As of 2007, the *roads* sector in Bangladesh covered 270,565 kilometers and consisted of 20,735 roads, 30 percent of which were paved and 39 percent of which were all-season-access roads (World Bank Bangladesh Website 2010). The roads network has been substantially expanded and improved upon since reforms in 1991, but the lack of maintenance and resource allocation threatens sustainability. Also, growth in the urban population has surpassed the capacity for existing urban roads and highways, and there is a considerable need for reducing congestion and regulating transportation services in Dhaka. Statistics reveal that the fatality rate is more than 100 deaths per 10,000 registered motor vehicles each year (Government of Bangladesh 2011).

2.20 Improvement of roads and highways is a struggle in Bangladesh largely due to weak governance and lack of transparency both in the government and the private sector.⁸ Two executive bodies, the Roads and Highways Department (RHD) and the Local Government Engineering Department (LGED) maintain roads and highways. RHD manages major highways and urban areas, and LGED is responsible for the rural roads network.

2.21 The two agencies have different reputations. RHD has a reputation for being corrupt, particularly in the awarding of large contracts for road construction and maintenance. An Operational Risk Assessment conducted by the World Bank in 2007 found serious allegations and mismanagement of government funds in RHD. Problems reported include lack of coordination across government bodies, labor unions, and corruption and lack of

⁸<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/SOUTHASIAEXT/EXTSARREGTOPTRANSPORT/0,,contentMDK:20674801~menuPK:868784~pagePK:34004173~piPK:34003707~theSitePK:579598,0.html>

transparency in bidding for contracts (World Bank 2007a). LGED has a more favorable reputation (World Bank 2009a). LGED has district-level offices throughout the country and manages a large number of databases, including detailed geographic information system and mapping data. LGED's work in the roads sector is largely managing small contracts, and according to audit reports it is one of the best-managed agencies in the country.

2.22 Bangladesh's *primary education* is comparable to that of other nations in the region. The expected years of schooling for children is 8.1, compared to 6.8 in Pakistan and 10.3 in India (United Nations Development Programme (UNDP) 2010 Human Development Report).⁹ Learning outcomes are poor, particularly for minority groups. The primary school completion rate is only 52 percent, with only 20 percent at the secondary level (World Bank 2010b). Transition rates are also low, at 44 percent for primary to lower secondary, 27 percent from lower to upper secondary, and only 6 percent to tertiary. The opportunity costs of schooling remain high for many families who can otherwise send their children to work or for marriage. As a result there are many out-of-school children.

2.23 Several factors potentially contribute to poor schooling outcomes: underperforming public sector institutions, public management constraints, participation and accountability at the school level, and weak checks and balances. Public sector institutions for primary education have improved in recent years, but they still perform well below their potential (World Bank 2010c). Two ministries manage education, the Ministry of Primary and Mass Education and the Ministry of Education. The former is responsible for primary and informal education, and the latter handles all post-primary and university-level education. These ministries have worked closely with development partners to improve the education environment. However, two weaknesses persist within the ministries: poor information management systems and low investments in workforce development. At present, the government maintains limited information on schools and pupils, and information tracking is weak. Although there have been investments in workforce development—setting minimum standards for teachers—teacher training and oversight over teacher quality are limited.

2.24 Two public management constraints appear to further slow progress in primary education: teachers' wages and centralized decision making. In addition to little oversight, teachers' wages are low and teachers lack incentives for performance and attendance. As with other sectors, development partners have tried to make headway on civil service reform issues with little success. Teacher absenteeism and poor performance pose challenges to school quality (Chaudhury 2006). Equally problematic, decision-making for primary education remains highly centralized. There is little transparency in the appointment of teachers to schools, and as a result, there is rent-seeking for teacher positions—although the government has been working to make this process more transparent. Schools are managed by established School Management Committees. These committees are in turn managed by lay community members and overseen by a government official (assistant *Upazila* officers). As of 2009, each *Upazila* officer was to manage 15 to 20 schools, but in reality they were managing as many as 40 schools (World Bank 2010c, 57).

⁹ <http://hdrstats.undp.org/en/indicators/69706.html>

2.25 Participation, accountability, and transparency at the school level are low, though there is a recognized need for demand-side pressures at the facility level. Both the Ministry of Primary and Mass Education and the Ministry of Education have worked with development partners to create demand-driven policies and to improve participation and accountability. These have had success since the mid-1990s—particularly for school enrollment and girls’ participation in school.

2.26 The gross enrollment rate for primary school increased from 76 percent in 1991 to 98 percent in 2008 (with net enrollment at 91 percent). At the secondary level, gross enrollment was 57 percent in 2008, representing a threefold increase since 1980. Much of the gain at the secondary level was due to a sevenfold increase in girls’ enrollments since 1980. Demand-side interventions since the early 1990s, including a gender-targeted secondary stipend program, have been met with expanded supply, particularly through private channels. The share of girls in total enrollments is now 52 percent in primary and 55 percent in secondary education, compared to fewer than 40 percent in the early 1990s. The substantial improvement in access to education, however, has not been accompanied by similar improvements in the quality of education.

2.27 **Power.** The *electric power* sector is overseen by the Power Division of the Ministry of Power, Energy, and Mineral Resources, with support from other bodies in gas production and distribution, electric power generation and distribution, and regulatory issues. The country has 5,719 megawatts of installed capacity producing 4,162 megawatts of available generation in 2008-09, compared with a peak demand of 5,500-5,800 megawatts. Shortfalls are due to inadequate supplies of natural gas, the principal fuel, and inadequate maintenance of facilities. The present government has promised to add 7,000 megawatts of new generating capacity during its five-year term, relying mainly on public-private partnerships.

2.28 The Bangladesh Power Development Board (BPDB) is the main aggregator of bulk power. Its costs to purchase power from suppliers considerably exceed its revenues from retail customers, with estimated accumulated losses of Tk 101 billion (\$1.56 billion) as of June 2009. The BPDB is only able to meet payments to power generators through a receipt of loans from the Ministry of Finance, but these are a weight on BPDB’s balance sheet with no possibility of repayment.

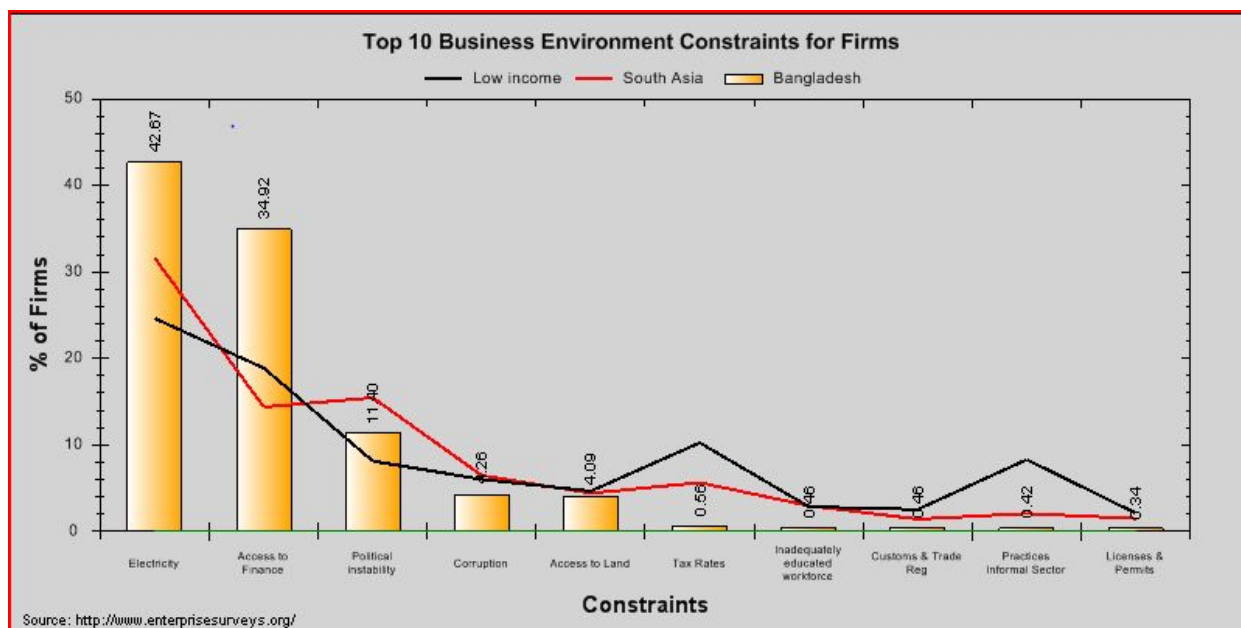
2.29 There have been some positive advances in the sector; for example, the Power Grid Company of Bangladesh, Ltd., a company owned by the BPDB and established in 1996 to operate, maintain, and develop power transmission systems, has become one of the country’s best-run state-owned enterprises. Likewise, the Dhaka Electric Supply Company, Ltd., established in 1996, and since 2006 listed on the Dhaka and Chittagong stock exchanges, has done better than its comparators due to its accountability to private shareholders, successful management of its outsourcing contracts, and low tolerance for poor service among Dhaka’s elite customers. There have also been advances in rural connections, supported by 70 rural power cooperatives and financed by the Rural Electricity Board. Another institutional development has been the establishment in 2007 of the Bangladesh Energy Regulatory Commission, which is responsible for setting power tariffs.

INVESTMENT CLIMATE

2.30 Since independence, Bangladesh has made respectable progress in improving its macroeconomic, trade, and investment climate. A major area of success has been the readymade garments sector, which accounts for about 75 percent of exports and more than 40 percent of manufacturing employment. This sector started taking off in the late 1970s because of a combination of deliberate and accidental factors, including financing instruments, trade liberalization, and political factors that ensured the transfer of tacit knowledge to, and high levels of effort by, early investors. Yet, the challenges to achieving further improvements in this and other sectors are considerable.

2.31 Foreign direct investment in Bangladesh in 2009 is estimated at only \$716 million, or about 3 percent of gross fixed capital formation. This is less than one-third of foreign direct investment in Pakistan (over 8 percent of gross fixed capital formation) and less than half of that in Ghana (over 36 percent of gross fixed capital formation) over the same period (UNCTAD 2010). Regarding global competitiveness, Bangladesh ranks 106 out of 133 countries (World Economic Forum 2009), and it ranks 134 out of 178 countries on Transparency International's (2010) corruption perception index (compared to 87 for India and 62 for Ghana). Analytic work by the World Bank Group highlights many constraints affecting Bangladesh's competitiveness, with unreliability of electricity the most often-mentioned constraint (Figure 2.1; see also World Bank 2003, 2007b, 2008a).

Figure 2.1 Bangladesh-Key Investment Climate Constraints and Comparisons with Other Regional and Low-Income Countries



3. Relevance of World Bank Engagement on GAC Issues

Country-Level Relevance

3.1 Bangladesh had an innovative and ambitious governance agenda, which was in place well before the introduction of the 2007 GAC Strategy. World Bank support to improving core public sector management goes back to the early 1990s, and specifically to two Institutional and Governance Reviews (World Bank 1996, 2000). The importance of cross-cutting governance improvements was featured in the CAS for the period 2001-03, both because of the importance of sound governance to development results and because of the requirements of the Bank for consideration of increased lending. Governance became the focal point in the CAS for the period 2006-09. Indeed, this CAS is often referred to as the “governance CAS” (World Bank 2006b).

3.2 The governance CAS had four main objectives: to improve implementation capacity; to “tackle corruption” by fully operationalizing the ACC; to lay the foundation for comprehensive legal and judicial reform; and to strengthen “voice, empowerment, and participation” (World Bank 2006b; World Bank 2010c).

3.3 This approach is judged to be substantially relevant. The choice of a wide range of instruments and areas of intervention was appropriate, given the political instability at the time of 2006 CAS preparation. The Bank signaled it was ready to engage in all areas, and could scale up or pull back depending on emerging political and bureaucratic commitment.

3.4 A deeper understanding of how formal and informal institutions have evolved in Bangladesh would have given the Bank’s program greater relevance. On the one hand, the program led to some GAC improvements in public financial management, procurement, local government, investment climate, rural roads, and primary education. On the other hand, the program was less successful in attaining GAC improvements in national highways and independent accountability institutions. The strict approach to fiduciary risk increased the confidence of the Bank’s shareholders, helping to enable a tenfold increase in Bank lending since 2001 and the creation of new trust funds under the Bank’s management. Yet, the same strict fiduciary standards led to the Bank’s withdrawal from support to national highways, meaning that the Bank now has little influence over a binding constraint for economic development and poverty reduction.

3.5 The preparation of the 2006 CAS also signaled the imperative of harmonizing the Bank’s governance support with the work of other development partners, including the creation of a joint strategic framework with DfID, the Asian Development Bank (ADB), and Japan.

3.6 The current Country Partnership Strategy, adopted in July 2010, was prepared in a more stable political environment, with a government elected in 2009 following substantial, internationally acclaimed electoral reforms. The CPS proposes to focus on areas where there is political commitment from the current government: public financial management (PFM), procurement, local government and service delivery, and civil society, for example, its

demand for good governance. However, the CPS lacks contextually sensitive analytics that could answer questions such as: Why should political commitment evidenced over the last few years in areas such as PFM and procurement continue over the next few years? Might this strategy run into greater resistance to change? Why is there an opportunity for scaling up demand for good governance from civil society when it has not been a prominent feature in Bangladesh to date? Why has there been no response to the Integrity unit's (INT's) referrals of the findings of its investigations on corruption which implicated government officials?

Sector-Level Relevance

3.7 **Public Sector Reform.** Core public sector reform—comprising PFM and procurement—served as key GAC entry points for the Bank's engagement in Bangladesh between 2004 and 2010. The PFM work built on 15 years of engagement, starting with the work beginning in 1990 of the Committee on Reforms in Budgeting and Expenditure Control, led by the Ministry of Finance, to address weaknesses in PFM. Building on its recommendations, and the government's need for budgetary support, the Public Resource Management Adjustment Credit was approved in FY92, had as its goal institutional strengthening for budgeting, accounting, investment programming, tax administration (including introduction of value-added tax, or VAT), and debt management. This work was expanded through DfID technical assistance beginning in 1996 and sustained to the present.

3.8 The Bank provided Public Expenditure Reviews (PERs) in FY91, FY96, FY97 (update), FY02 (joint with ADB), FY03, and FY10. Initially focusing on allocation of resources consistent with policy priorities and improving fiscal discipline, each subsequent PER provided more detailed institutional analysis and recommendations. However, the FY03 PER pointed out¹⁰ that most of the key institutional recommendations of the previous PER and update had not been adopted, including measures needed to: (i) restore fiscal sustainability; (ii) adopt a strategic medium-term framework; (iii) strengthen participation by line ministries in budget preparation; (iv) ensure better estimation of project-related operating and maintenance costs, and their inclusion in the revenue budget, and; (v) strengthening public procurement practices, budget accounting, budget oversight, monitoring, and evaluation.

3.9 Building on a 15-year foundation of analytical work and technical support, the Economic Management Technical Assistance Program (EMTAP; FY04, \$20 million) supported improvements in tax and customs administration through organizational improvement, use of information and communications technology, and improved training and citizen awareness. Public financial management diagnostics were improved through publication of Bangladesh's PFM indicators based on the PEFA framework.¹¹ Bank support has complemented support from DfID and other development partners, and has helped to lay the groundwork in 2006 for the government to adopt its public finance management vision and a medium-term rolling action plan with these objectives:

¹⁰ FY03 PER: 25.

¹¹ For example, World Bank, 2006b: Attachment 4; World Bank 2010: Appendix 5.

- To formulate budgets consistent with the medium-term macroeconomic framework, and to provide greater predictability of resources to executing agencies
- To formulate budgets consistent with both national and sectoral policy, and to gradually enhance delegation of financial management to line ministries
- To ensure financial accountability throughout line ministries by using suitably qualified financial managers; to establish a government financial management information system consistent with international standards that operates in real time and encompasses all government revenues and expenditures, to enhance the quality of financial management information, and to establish a treasury single account
- To raise the standard of auditing practices to international standards and to improve the quality of audits (World Bank 2008b: 6).

3.10 PFM reforms were also supported through policy conditions in the Second Development Support Credit (FY05, \$200 million), the Third Development Support Credit (FY06, \$200 million), the Fourth Development Support Credit (FY07-08, \$375 million including supplementary financing), and the Transitional Support Credit (FY08, \$200 million), covering, among other things, improved budget classification, improved alignment between recurrent and capital spending, support to program budgeting in pilot ministries, reducing the backlog of responses to audit objections by the Public Accounts Committee of Parliament, and introducing the Automated System for Customs Data (ASYCUDA), a system for improved customs administration.

3.11 All of this work has been underpinned by extensive analytical work (such as World Bank 2005a, 2005b, 2005c, 2007, and 2010). Finally, the Bank is administering the Strengthening Public Expenditure Management Program (SPEMP; FY09, \$95 million)¹² financed by a multi-donor trust fund (DfID, European Union, and the Danish International Development Agency), intending to strengthen system and human capacity for the Ministry of Finance, line ministries, the Comptroller and Auditor General and Parliamentary committees (the Public Accounts, Public Undertaking, and Estimate Committees; see World Bank 2008).

3.12 The Bank's support to improved *revenue management* included the International Finance Corporation's (IFC's) Bangladesh Investment Climate Fund (BICF; \$54 million DFID trust fund¹³), components of the EMTAP, and policy conditions of the development support credits (DSCs) and Transitional Support Credit (TSC) mentioned above. EMTAP provided support to the National Bureau of Revenue in information and communications technology, and improved customs processing and training. BICF has supported analysis of comparative experience in the use of alternative dispute mechanisms for taxpayer issues—rather than courts—leading to a draft proposal for adoption. A DSC3-supported policy trigger supported the National Bureau of Review modernization, and a policy condition supported expanding the base of income tax and the VAT.

¹² For documentation and updates, see <http://www.spemp.com/main.php>

¹³ This trust fund is being rolled out in a series of projects

3.13 The Bank's support to *procurement* built on a Country Procurement Assessment Report (CPAR)(World Bank 1999). The CPAR found that the lack of a unified procurement regime, complex bureaucratic procedures, delays in the bidding processes, inadequate contract administration, and other constraints led to procurement weaknesses that were the most significant issue affecting public sector performance. These constraints were addressed through the Public Procurement Reform Project (FY02, \$4.5 million), the Public Procurement Reform 2 (FY08, \$23.6 million), a Procurement Capacity Building Policy Note (2008), the Procurement Monitoring and Evaluation Technical Assistance (2008), and policy conditions in the DSCs and TSC.

3.14 The Bank also supported civil service reform, local government, development of the ACC, the Parliamentary Accounts Committee, and the External Audit functions through policy conditions in the DSCs and TSC. Two policy notes were also prepared with recommendations on the civil service: one on Class 1 officers and the other on reforming the Public Service Commission (2008). The 2006 CAS set out to agree on a new personnel management system that included merit-based promotions and improved transfers, compensation, and training.

3.15 A World Bank (2006a) study identifies the following actions as helpful to modernize the domestic accountability role of civil society: improving the regulatory framework, including that governing microfinance activities; establishing a process for certifying NGOs; and having NGOs themselves take steps to tackle their governance weaknesses. DCS policy conditions supported, among other things, setting up an independent NGO foundation to improve the financing of NGOs, stakeholder consultation on police reform, preparation of a Freedom of Information Act, appointment of a Board and chief executive for the ACC, and publication of a time-bound anticorruption action plan endorsed by the Cabinet. In addition, the Bank supported government efforts to seek the return of stolen public assets through an international mechanism working with foreign banks and regulators. The Bank has also undertaken demand for good governance analysis for nine projects and intends to extend it across the entire portfolio during the present CPS period.

3.16 *Relevance.* The Bank's engagement on public sector reform was highly relevant.

3.17 The Bank's *public financial management* analytical work, technical assistance, and policy reform conditions built on a history of engagement since the early 1990s, in close partnership with DfID, the International Monetary Fund (IMF), and other development partners. For much of this period, the government chose to rely on DfID for a leading role in supporting reform efforts because of a desire to use grant funds to support technical assistance, among other reasons.

3.18 Since 2008, with the approval of trust fund support under the Strengthening Public Sector Management Program (SPEMP), the Bank has led the effort by development partners to help advance PFM reforms, with strong commitment from the Finance Minister and other key stakeholders. Bank support to improve other aspects of public sector reform through analytical work, technical assistance, and policy conditions was also highly relevant. *Procurement* reform was launched with the full support of the previous BNP government and had been a key plank of the "good governance" platform that had swept them to power in

2001. The procurement reforms were deepened during the Caretaker Government, and have been mainly preserved under the current regime.

3.19 The government's (2005) commitment to a Poverty Reduction Strategy highlighted the need for improved *revenue management* to increase funding for essential investment in improved services and infrastructure. The strategy also reiterated the commitment of previous assessments by the government and the Bank (in 1996 and 2001) that the modernization of the *civil service* was crucial for the success of reforms in financial management, procurement, and improvements in service delivery.

3.20 Support to local government was highly relevant. The provision of block grants, and support for annual audits, open budget consultations, and citizen satisfaction surveys under the Local Government Support Project all addressed key constraints to meaningful local governance.

3.21 Support to non-executive *accountability institutions* and *civil society* organizations was moderately relevant in addressing binding constraints to the effectiveness of public institutions and the investment climate. Support was built on a tradition of strong citizen participation in public affairs. There has been modest support to civil society, media, and Parliament through the World Bank Institute's Affiliated Network for Social Accountability—South Asia Region (ANSA). There has also been some support to the Anti-Corruption Commission. Bank teams in other weak integrity environments have previously raised doubts about creating such an institution, noting the risks that the ACC will only selectively investigate corrupt acts based on partisan factors, and that even a sound investigation will not be supported by other parts of the system (prosecution, trial, punishment; see for example World Bank 2004a). These challenges were encountered in Bangladesh, as will be discussed below.

3.22 **Basic Service Delivery.** The Bank has supported one major *roads* project in Bangladesh, the Rural Transport Improvement Project (RTIP; P071435, FY03, \$255 million) since 2007. A second project, the Padma Bridge Project (\$1.2 billion), was approved in February 2011. The RTIP design included three related elements with GAC measures: a public procurement program with the RHD; the creation of an institutional development plan; and the preparation and implementation of a financial management project. The project has worked with both the RHD and LGED.

3.23 The RTIP had a component to enhance the capacity of relevant government institutions to better manage rural transport infrastructure. It used and sought to strengthen country systems through procurement. The civil works under this component of the project had been procured under both international and national competitive bidding procedures, implemented in multiple phases. An Operational Risk Assessment (ORA) carried out in 2007 rated the procurement risks in RHD as high, and the report found the project implementation and client engagement unsatisfactory (World Bank 2007d). The release of this report coincided with the release of the outcomes of four investigations with RHD by the Bank's Institutional Integrity Department (INT) and a decision by DfID to withdraw funds supporting the roads sector in Bangladesh. Given the ORA results, Bank management decided to disengage from this component of the RTIP and to stop engagement with RHD.

3.24 In October 2009, the Bank had to decide how to proceed. The decision was taken that RHD would have to show improvement in at least two projects before the Bank would re-engage. Currently the RHD is piloting two smaller projects, and the Bank is providing some technical assistance and monitoring progress of the projects. A Public Expenditure Tracking Survey (PETS) carried out by Ernst and Young India is currently underway and preliminary results are expected in March 2011.

3.25 Implementation with the LGED has been more satisfactory (World Bank 2007d). This project is scheduled to close in FY11. An ORA carried out with funding from a DfID trust fund found that there is no real oversight of roads (World Bank 2007d). At present there is no internal control mechanism in LGED. It is not clear why technical audit and oversight were not picked up in the Bank's project but were left to the government. It was noted in discussions with Bank staff that a failure to incorporate a technical audit is one flaw of the RTIP. The other two project components and work with LGED were reported to be operating in a satisfactory manner.

3.26 The Caretaker Government created a window of opportunity for making some progress on procurement in roads with the RTIP. Under the Caretaker Government, 60 road contracts were cancelled for not performing, and more transparency was introduced. This has continued under the current government. Drawing on the GAC strategy and the option of disengagement, a decision was taken in this particular project to disengage on component one of the project. Four years of initial work on the component were lost after disengagement.

3.27 The RHD ORA coincided with four concurrent INT investigations. The INT investigations created a particularly tense environment in Bank-client relations. Harmonization and alignment issues arose after the Bank's decision to disengage. The ADB had also been working with RHD and picked up some of the work that the Bank left in disengaging. There have been negative reputational effects in the sector following the Bank's disengagement.

3.28 *Relevance.* The Bank's engagement in the roads sector was moderately relevant. The objectives of the RTIP are relevant. However, the fit to country context in the RHD component was questionable in balancing service delivery and management of fiduciary risks. The high fiduciary risks involved with the project were made apparent in the ORA of RHD and in the outcomes of the INT investigations. The decision to withdraw has sent a strong signal that fundamental reforms are needed in RHD, while the Bank continues to provide some support through a PETS, and a piloting of e-procurement through the Public Procurement Reform Project. However, it is valid to ask whether the Bank could have taken an alternative path to focus on more fundamental institutional reforms in this crucial sector rather than the carrot-and-stick approach presented with the analytic and advisory activities and the requirement for RHD to show progress before continuing engagement.

3.29 **Education.** The Bank supports GAC issues in five education projects, two of which address primary education, the Primary Education Development Project (PDEP) II (P074966, FY04, \$1,815 million) and the Reaching Out of School Children (ROSC) Project (FY04). PDEP II is a large multi-donor coordinated sector-wide approach (SWAp) working to help

Bangladesh reach the Millennium Development Goals.¹⁴ The project has three objectives: to improve the quality of teaching and learning and raise student achievement; to increase access to schooling for the disadvantaged; and to strengthen planning and management of primary education, including establishing a national monitoring and evaluation system for primary education. The project introduced an annual school census covering schools that 80 percent of children are estimated to attend. This is part of an effort to help improve the quality of schools and better target the neediest areas. Also the project consists of a large subsidy scheme to households providing Tk 100 (\$1.50) to households that enroll children in school (World Bank 2004b).

3.30 GAC issues include management and information tracking systems, demand for good governance, and harmonization and alignment. The project has worked to strengthen the management and information systems in the country. Positive lessons were adapted from the Sindh and Punjab education projects in Pakistan (World Bank 2009c). In addition, the project relies on a conditional cash transfer to stimulate demand and get parents to enroll their children in school. The project, being a larger multi-partner SWAp requires harmonization and alignment across 10 development partners and the government.

3.31 The ROSC project is funded by a supplemental grant. It provides basic education to out-of-school children. ROSC is a conditional cash transfer program that rewards the households of children who attend ROSC schools. The schools are established by qualified NGOs that work with trained community members. The community members lead a Learning Center Management Committee responsible for working with the NGOs and teachers in the ROSC project. The project involves coordination between the Ministry of Primary and Mass Education, NGOs providing school services, a large national Bank (Sonali Bank), district LGEDs, and households to collect data on school attendance and to provide cash transfers to Bank accounts belonging to children's mothers. School services are provided in *fagelas* (lowest administrative unit in Bangladesh) to the neediest children. LGED offices are responsible for collecting information about children's attendance at the school. ROSC has achieved some degree of success in meeting results indicators. The next phase of ROSC is currently under consideration at Bangladesh's National Planning Commission and is slotted to be a scheme in the next five-year plan. The World Bank has also proposed to incorporate ROSC into the PDEP III.

3.32 *Relevance.* The Bank's engagement in the education sector was highly relevant. Components of both the PDEP II and ROSC projects were relevant to country needs in primary education. The strategies reflected in the design of both projects were reasonable. The FY06 CAS outlined several objectives for improved governance in primary education: establishing quality assurance mechanisms for monitoring study learning and carrying out impact assessments; ensuring teachers are selected through a merit-based transparent process; providing public subsidies to schools linked to learning outcomes; and continuing an ongoing subsidy scheme to girls for attending and staying in school (World Bank 2006b). PDEP II and ROSC were closely aligned with these objectives.

¹⁴ <http://web.worldbank.org/external/projects/main?Projectid=P074966&theSitePK=40941&piPK=64302772&pagePK=64330670&menuPK=64282135&Type=Financial>

3.33 **Power Sector.** In addition to investment climate support, the Bank supported the Power Sector Development Technical Assistance (FY04, \$15.6 million), Siddhirganj Peaking Power Project (FY09, \$350 million), and policy conditions in the Power Sector Development Policy Loan (FY08, \$120 million). Bank support also helped ensure government transfers for prompt payment to independent power producers. It supported the registration of the South Zone Power Distribution Company as a public limited company, strengthened the Bangladesh Energy Regulatory Commission, and supported increases in electricity tariffs to reduce the gap with the cost of supply.

3.34 *Relevance.* The relevance of the World Bank's work in power sector development is substantial, given that power shortages cost the economy an estimated 2 percent of GDP. Since the Bank's Power Policy was adopted by the Board in 1993, the Bank's approach to the sector in many countries has focused on unbundling, arm's length regulation, competition, and privatization or corporatization. The Bank's work in Bangladesh was consistent with this approach. Helping spin off corporate entities from ministries in the power sector was a relevant response to inefficiency. Yet, poor service and persistent losses continue. Regulatory improvements were relevant as a step toward reducing the burden of subsidies on the budget, and the risk of financial insolvency of entities such as the BPDB.

3.35 Giving the private sector leadership in power generation is contestable. By 2010, 38 percent of the country's electricity was generated by privately-owned firms, in part as a result of the country accepting advice from the World Bank and other development partners regarding the desirability of private participation in the sector¹⁵. Yet, by comparison, although private firms in India generated less than 15 percent of electricity, there is a closer match between demand and supply as a result of considerable public investment in the sector. Given the risks inherent in the sector, particularly in large generating plants with expected lives of 20 to 30 years, it may not be reasonable for the Government to be planning such a large and expanding role for private financing of investment in the sector in Bangladesh.

3.36 **Investment Climate.** World Bank Group support to improve the investment climate was a priority. Operations approved earlier, but continuing during the period between 2004 and 2010 include: Financial Institutions Development (closed FY06), Private Sector Infrastructure Development (closed FY07), Microfinance II (additional financing in FY07, \$15 million), Financial Services for the Poorest (closed FY08), and Central Bank Strengthening Project (active, \$46 million). New operations approved during the period include: EMTAP (listed above), Enterprise Growth and Bank Modernization (FY04, \$250 million), Investment Promotion Financing Facility (FY06, \$50 million), and policy conditions in the DSCs and TSC. Among the objectives of this wide-ranging support was to finance the Infrastructure Development Company, Ltd., which provided subordinated foreign currency debt to priority infrastructure projects, and the Infrastructure Investment Facilitation Center. It provided transactions support to line ministries and private infrastructure developers in competitive bidding, marketing subprojects, and managing the process of structuring, documenting, bidding, negotiating, and awarding concessions. Bank support also

¹⁵ The Bank supports both small privately-owned power plants through its Investment Promotion and Financing Facility Project, and large schemes such as Bibiyana, for which the Bank has provided advisory support. The Bank's largest engagement is under the Siddhirganj Power project, which is a government-owned facility.

helped to strengthen the accounting and audit profession. The Bank also supported these and other objectives through economic and sector work (ESW), including an Investment Climate Assessment (2008), a Pharmaceutical Competitiveness report (2008), and technical assistance on pricing reforms in oil and gas (2006).¹⁶

3.37 *Relevance.* The World Bank's support to improving the investment climate was a highly relevant response to policy, regulatory, financing, and infrastructure constraints that hampered the private sector. Streamlining tax and customs administration, expanding the private banking network, better management of the container terminal, and streamlining processes at the Board of Investment, Export Processing Zone Authority, and Registrar of Joint Stock Companies were all relevant responses to facilitate trade and investment.

Project-Level Relevance

3.38 Since the 2006-09 CAS was adopted, the Bank has taken a number of steps to strengthen GAC responsiveness across the portfolio. These were motivated by a regional approach taken following the India Detailed Implementation Review (DIR) and reflected its findings. In addition, it reflected a long-standing commitment from 1996 with the first of two country governance assessments and a desire to heighten fiduciary processes as a step toward building stakeholder support for major increases in the Bank's lending. The measures include strengthening the operational risk management framework, appointing a senior governance advisor to the Country Office, and heightening demand for good governance measures within projects.

3.39 **Operational Risk Management Framework.** First, the Bank's country team set up an Operational Risk Mitigation Team to guide the process of implementing a rolling Operational Risk Mitigation Action Plan (ORMAP) to manage risk systematically throughout the portfolio. The ORMAP consisted of a systematic analysis of corruption risk through analytical work and heightened attention during project preparation, smart project design, stronger supervision, more rigorous identification of red flags, and enhanced information disclosure. A shortcoming is that in the case of the Padma Bridge, the largest project currently being implemented by the government, and the largest International Development Association (IDA) project in the country, no Governance and Accountability Plan (GAAP) was prepared during three years of project preparation until it was recommended by the Integrity Unit (INT) at the Operations Committee meeting —although there were fiduciary measures and risk mitigation actions in the procurement framework that had been developed during implementation that were later given a special focus and strengthened in the separate GAAP. This initial omission of a GAAP raises concerns given evidence of corruption in the Ministry of Communications. A more general shortcoming was that many risk mitigation measures took effect after project effectiveness, thereby exposing the project to risks of inappropriate advance procurement and mobilization payments to contractors. Furthermore, plans to use supervision consultants hired by the government agency risked undermining

¹⁶ Although the IFC is not being evaluated here, it played an important complementary role to IDA support for investment climate reforms, mainly through a DfID trust fund, BICF, to provide advisory services on improving business regulations, enhancing economic zones, and building capacity through, among other things, public private consultative forums.

independence of their assessments. It remains to be seen whether the subsequent efforts strengthen the GAAP address these concerns.¹⁷

3.40 In 2009, a version of ORMAP was rolled out Bank-wide in the format of the Operational Risk Assessment Framework. The Bangladesh country team then reconstituted ORMAP as an Operations Leadership Team to provide cross-support to task teams in navigating operational risks prevalent in Bangladesh.

3.41 **In-country Senior Governance Advisor/Specialists.** Bangladesh was one of the first Country Offices to appoint a senior staff member to provide support on GAC issues. The role of the Governance Advisor/Specialist has varied to respond to the demands of the three different country directors since 2006 and has included building analytical capacity for GAC work in a local university, supporting government efforts to work with U.K. banks to return stolen government assets,¹⁸ and providing GAC-related support to Bank task teams, including support in implementing the Governance and Anticorruption Plan for the Padma Bridge project. The Advisor/Specialist has not acted as team leader for large public sector projects. That role has been filled by a Senior Public Sector Specialist in the office.

3.42 **Demand for Good Governance.** Features to promote transparency, participation, and accountability (stakeholder consultation, community involvement in planning and monitoring, information disclosure) have been built into projects in some sectors, including education, local government, and rural roads. . These features have also been a part of procurement reforms supported by the Bank (complaints mechanism), and land acquisition and resettlement associated with Bank investments. However, these features have not been as well accepted by client ministries as the enhanced procurement and financial management measures that have been the focus of the ORMAP.

¹⁷ Although reported on here, the Padma Multipurpose Bridge Project was approved in FY2011, and was therefore not evaluated by IEG in this evaluation of the Bank's country engagement through FY2010.

¹⁸ Although this work was ongoing as the Bank was creating its Stolen Assets Recovery Initiative (StAR), Bangladesh never formally asked to join this initiative.

4. Effectiveness of World Bank Efforts

Country-Level Effectiveness

4.1 Overall, Bank efforts from 2004 to 2010 had a moderate impact on governance in Bangladesh. There has been progress in select GAC reform areas, including PFM, procurement, the investment climate, rural roads, and primary education.

4.2 The effectiveness of the joint programming with the ADB, Japan, and DfID carried out for the 2006 CAS was somewhat reduced by the lack of robust joint monitoring and follow-up mechanisms among the partners. There has been good progress on GAC aid coordination in PFM, but more work is needed in better coordinating aid to local governance, justice, and women's empowerment. Although there was a Governance Sub-Group of the Local Consultative Group that met regularly to share information on project status and other processes, there was no up-to-date joint program status database maintained, no joint portfolio reviews, and no strategy for joint policy dialogue with authorities to address key constraints in governance reforms (The Policy Practice and others 2010).

4.3 The current CPS is more selective after mixed results in implementation of the 2006 CAS (World Bank 2010c). Although governance remains a pillar, the emphasis is narrower—supporting procurement, public financial management, and GAC in selected sectors where there is thought to be possibilities for progress.

Sector-Level Effectiveness

4.4 **Core Public Sector Reform.** The effectiveness of Bank support in PFM was substantial. A 2006 assessment based on the PEFA methodology found eight of 28 indicators rated as “B”¹⁹ providing a good foundation to build on. Recommendations are given on how to improve Bangladesh's ratings for the lagging indicators (World Bank 2006b). Since then, there has been further progress in meeting the objectives of the government's 2006 PFM reform program, including a new budget system now used by 20 ministries. Many remaining challenges are being addressed under the SPEMP, including: (i) the consolidation and amendment of the PFM regulatory framework; (ii) the computerization of the budget process and introduction of a new budget classification system; (iii) the introduction of new laws to ensure the accountability of public resources to Parliament; and (vi) the development and piloting of strengthened expenditure management through a Medium-Term Budget Framework (MTBF) (World Bank 2010a).

4.5 A shortcoming in the Bank's work was the initial application of PEFA in 2005, which had limited ownership. The government was reportedly concerned that there were unique considerations in Bangladesh's PFM system that were not captured by the standard PEFA methodology. After much discussion, the government agreed to a modified PEFA methodology, but concerns remained about the validity of scores, so the report was not published except for a summary table as an annex to the 2006 CAS. Since then, PFM

¹⁹ On an “A” to “D” scale, with “A” the highest rating.

diagnostics have been carried out covering some of the same ground as the PEFA (such as Government of Bangladesh and DfID 2007 and DfID 2009). The government recently agreed to a full PEFA to provide baseline information for implementation of the SPEMP, and as an input to donors considering potential budget support. However, cognizant of the government's lingering doubts about the methodology, the Bank team does not plan to use PEFA as a key part of the PFM policy dialogue. These difficulties might have been avoided or mitigated by better communicating the purpose, strengths, and weaknesses of the PEFA methodology to key stakeholders.

4.6 *Procurement* support was highly effective. Initial procurement reforms supported by the Bank included the creation of a Central Procurement Technical Unit of the Ministry of Planning and public procurement regulations effective from 2003. These were enacted as law in 2006, and expanded in the Public Procurement Rules (PPR) in 2008. The rules establish public procurement processing and approval procedures, including the bid evaluation committees, checklists, and a timetable for the procurement procedures. The time required for awarding contracts has been reduced. Competition and publicity have increased, and complainants are encouraged to address any shortcomings in the process.

4.7 A six-tiered training program has been successfully rolled out, and 3000 staff trained (featured as a best practice case in IEG's 2008 Training Evaluation). A procurement performance monitoring system is being piloted in four government bodies comprising 60-70 percent of the value of all government procurements. Online connectivity has been established with 300 procurement entities in these bodies, facilitating real-time monitoring. E-procurement is being piloted and will be formally launched in 70 entities in February 2011. A communications and awareness strategy is being implemented countrywide, using radio, television, billboards, and community meetings, and supported by media training. The Bank continues to focus support on implementation and monitoring of the procurement law in key sector ministries, including the operation of a recently established Public-Private Stakeholders Committee.

4.8 Since the current administration came to power in 2009, there has been some backsliding on procurement reforms, including an end to the requirement for prior qualifications for bidding on small contracts. The government had initially sought 40 changes, but these demands were significantly reduced following the consideration of objections raised by the Central Procurement Technical Unit, development partners including the Bank, and other stakeholders.

4.9 The effectiveness of support to *revenue management* is rated as substantial. The Bank worked over the review period with DfID and the IMF to prepare a strategic development plan for the National Bureau of Review, and a large Taxpayer Unit was created. There has been progress in customs automation in Chittagong, Dhaka, Khulna, and one of the land ports, but this work has mainly resulted from support from the relevant Chambers of Commerce. BICF support to alternative dispute resolution seems promising, but it is too early to judge its outcome. Extensive training has been carried out, though selection of trainees could have been more rigorous. Automation of income tax has been done on a pilot basis and in two VAT offices. Taxpayer identification numbers have been introduced, and they are being linked with the voter identifications (IDs) that all Bangladeshi adult citizens

were given in 2008. Software has been developed for online registration and submission of monthly VAT returns. As a result of these and other reforms, as well as improved VAT and income tax collections, the tax-to-GDP ratio rose from 8.6 percent to 9.4 percent from FY09 to FY10 (World Bank 2010d).

4.10 Progress on local governance was substantial. All *Union Parishads* now undertake annual audits, and 1,187 carried out quality assurance reviews in FY10, exceeding the target of 860. Transparency was improved with notice boards in 75 percent of Local Government Support Project *Union Parishads*, where all expenditures are disclosed. Seventy-five percent of *Union Parishads* received block grants, with the average amount doubled from FY07-08 to FY09-10. About 60,000 officials and other stakeholders have been trained to facilitate these improvements (World Bank 2010e).

4.11 Progress on *civil service* reform is rated as negligible. Working with DFID and the United Nations Development Programme (UNDP), policy notes were prepared, and high-level dialogue with the Caretaker Government was pursued. However, there was no interest in reform.

4.12 The effectiveness of support to *independent accountability mechanisms* is rated as moderate. The enactment of the Right to Information Act in 2009 is a major achievement, although progress on implementation has been very slow. Although the ACC sent a strong signal of the risks of corrupt acts, this message has been blurred by the draconian methods used, shortcomings in legal process, and the overturning of most convictions. Partly in response, the powers of the ACC are being reduced under the current government. Support to the Comptroller and Auditor General under SPEMP has been well coordinated with ongoing support from the Canadian International Development Agency (CIDA), but has yet to get underway. Support to the parliamentary Public Accounts Committee has reduced the backlog of audit reports under consideration, but the extent to which audit recommendations have been implemented by auditees is unknown. The work of ANSA to support domestic accountability has been restricted to direct support to two NGOs, completion of an international workshop on implementing social accountability programs (including strategies, approaches and methodologies), and a domestic workshop on engaging with citizens for improving service delivery (for 50 mid-career civil servants). There was also a theatrical performance in Dhaka entitled “Information is Everyone’s Right.”

4.13 Bangladesh has the smallest number of NGO grant recipients of participating countries, in part because most of the targeted NGOs focus on much larger service delivery contracts. In addition, the project has faced serious delays. Although the ANSA grant agreement was signed in February 2009, implementation was held up by cumbersome administrative procedures of the grant recipient, BRAC University. The ANSA Network was only officially launched in March 2010, and it is too early to judge achievements. The secretariat role of BRAC University is expected to be transferred to another contractor in a different country in the region due to administrative challenges working with BRAC; this is expected to further delay implementation of ANSA work in Bangladesh.

4.14 **Basic Service Delivery. Education.** Effectiveness of support to GAC in primary education is rated as substantial. Outcomes from the FY06-09 CAS and project

Implementation Status and Results reports highlight that there has been modest achievement in governance and institutional reforms and continued effort toward achievement (World Bank 2010c: 61). Improving the quality of education reforms is the main focus of the governance in the primary education agenda, but most of the governance issues addressed are outside of the purview of school quality. As a result, many of the proposed governance reforms in PDEP II have yet to be fully addressed, though there have been improvements in some areas, such as transparency in teacher placement. Education remains highly centralized despite existing management committees at the school level and government oversight at the district (*Upazila*) level.

4.15 During the 2006-09 CAS period the Bank's investments in reforming teacher selection were successful. Teachers are now selected through a merit-based process. Improvements in teacher registration and recruitment have resulted in more transparent allocation of teachers to schools (World Bank 2010b). This has reduced opportunities for corruption in teacher deployment, but it has not resulted in observed improvement in teacher quality. The proposed PDEP III takes further steps toward improving teacher quality using more of a results-based financing model. It includes development-lending indicators for teacher performance. Funding for schools will not be disbursed unless schools can demonstrate improvements in teacher performance.

4.16 The PDEP II has made some progress in linking subsidies to schools based on learning outcomes of children through stipend programs. It has been somewhat successful. However, findings suggest that school attendance and examination pass rates of children are not always enforced in delivering subsidies.

4.17 *Roads.* The effectiveness of support to GAC in roads is rated as moderate. By 2006, 70 percent of roads were considered to be in good condition, but road maintenance needed improvement (World Bank 2006b). The performance of Bank-funded projects in rural roads has been more successful than that of urban roads under the RHD. Governance objectives related to roads that were outlined in the FY06-09 CAS have had negligible outcomes and have been streamlined in the current CPS. These areas included reducing administrative barriers and improving governance and efficiency of infrastructure services.

4.18 There is no apparent progress in administrative reforms in RHD, but good progress has been made with the Operational Risk Assessment (ORA) implementation plan in the Local Government Engineering Department (LGED). In the area of improving governance, the Bank contributed to improved efficiency and maintenance and private sector participation in the Social Investment Program Project (now closed). However, with only 1,939 kilometers of roads supported by the program, the contribution of the Bank to this sub-objective was deemed marginal by IEG (World Bank 2010c: 41).

4.19 The sequencing of three concurrent INT investigations in the roads sector at the same time as an RHD ORA appears to have had an impact on the ability of project teams to implement the RTIP and other projects. Although RHD is one of four agencies piloting the implementation of new procurement rules, the organizational constraints are so severe that progress has been slow. Instances of mis-procurement, fraud, and corruption in projects

created an environment that was difficult for the Bank to operate in, although other donors continued to work with RHD.

4.20 IEG questions whether disengagement from RHD was the best option for the Bank. The decision to disengage was taken by senior management and not by the Bank team or Country Director. Although a strong signal was sent regarding the Bank's zero tolerance for corruption, the Bank now has little leverage in a sector that is a binding constraint to economic development and poverty reduction. There is discussion of sectoral reengagement in FY15, but this would create a gap of more than eight years between projects and would require substantial investments in client relations and analytical work.

4.21 *Power.* Energy prices have been increased, but without automatic pricing adjustment mechanisms. The Bangladesh Energy Regulatory Commission was strengthened by the appointment of a full board and complementary staffing. The average bulk supply tariff was increased by 10 percent and the retail tariff by 5 percent. The commission also carried out public hearings on retail price increases and issued operating licenses to six distribution companies. However, many challenges remain. Powertek and Siemens submitted the only qualified bid for the Bibiyana Independent Power Producer (IPP) contract, leading to a retendering process that is still ongoing. Moreover, the current government has changed the leadership and staffing of the Bangladesh Energy Regulatory Commission, leading to a loss of independence and effectiveness. In addition, the goal of installing meters for 35 percent of all customers has not been reached, nor has the contract for the supply and installation of meters been awarded.

4.22 The Investment Promotion and Financing Facility project supported IPPs (11 to 44 megawatts) that have added 178 megawatts of electricity generation capacity to the national grid and to two special economic zones—the Dhaka Export Processing Zone, and the Chittagong Export Processing Zone—increasing national electricity generation capacity by about 5 percent.

4.23 The overall effectiveness of GAC in the power sector is rated as moderate. There has been progress in corporatizing utilities. For example, the Dhaka Electric Supply Company, Ltd., initially wholly owned by the Dhaka Electric Supply Authority, known as the Dhaka Power Distribution Company since 2006, is now one-quarter privately owned and is listed on the Dhaka and Chittagong stock exchanges. Although the initial public offering was reportedly tainted by corruption, the Dhaka Electric Supply Company is viewed as far less corrupt than the Dhaka Power Distribution Company. Reasons include successful management of its outsourcing contracts, accountability to private shareholders, and low tolerance by Dhaka's elite customers for poor service. The BPDB has never missed a payment to an IPP, although payments are sometimes late. It covers the difference between the cost and price received for electricity through loans from the government, making it technically insolvent. Discussions are underway on recapitalizing BPDB, corporatizing its business units, and converting it into a holding company, but the outcome of these efforts is uncertain.

4.24 Despite these and many other achievements, the World Bank Group has not successfully resolved the electric power challenges facing businesses. For example, although

the government has ambitious plans of adding 9,000 megawatts of generating capacity by 2015, requiring a large number of 300 megawatt and larger power plants, the World Bank Group has been unable to finance one since the 360 megawatt Haripur plant more than 10 years ago. The only Bank financing to the power sector since then has been of small IPPs supported by the Investment Promotion and Financing Facility (IPFF). Political economy and other diagnostic work is ongoing to understand how the World Bank Group might be more helpful, but the impact is unknown (World Bank 2010b, 2010c).

4.25 Investment Climate. The effectiveness of World Bank Group support to improving the *investment climate* is rated as substantial. Macrostability has been maintained. State-owned enterprise losses and public debt have been reduced. There has been substantial progress on reducing trade restrictions and administrative barriers, including a reduction in average nominal protection, progress in improving the efficiency of customs and port administration, and a reduction in administrative barriers. Private sector banks now hold a majority of assets. Public sector banks have not been privatized, although three have been corporatized. Public-private partnership guidelines were adopted in 2010, and an institutional framework is being rolled out to implement them, including a new Public-Private Partnership Unit in the Prime Minister's Office. The Bangladesh Economic Zone Bill adopted in 2010 will facilitate the creation of special economic zones in Feni, Khulna, and Sylhet districts. The Bangladesh Infrastructure Finance Fund, Ltd., was approved by the Cabinet in 2010 to issue bonds, debt instruments, and equity offerings (World Bank 2010d).

4.26 Many reforms have come about through dialogue between the public and private sectors that has been supported by the World Bank Group since 2005. The Bangladesh Better Business Forum, which started in 2007, was constituted with 21 private and 20 public members and chaired by the Prime Minister. In slightly more than a year, the forum held six meetings that included 46 sessions by five working groups. These deliberations resulted in 290 recommendations of which 209 were approved, 8 were not approved, and 73 are awaiting decision. Of those approved, 94 have been fully implemented and 115 are being implemented. However, the forum did not meet once the present government took office and was formally dissolved in 2010. Another example of dialogue was the Regulatory Reforms Commission, set up in 2007 with 17 members to prepare recommendations to modernize government rules and regulations, some of which have been adopted. The Board of Investment acted as the secretariat of the commission.

Project-Level Effectiveness

4.27 During its first year, the Operational Risk Mitigation Team advised seven project teams on financial management and procurement risks. During 2007-08, country management relied on it to vet project concept notes and appraisal packages. The team lacked a formal terms of reference or allocated staff and financial resources. This, combined with the difficulty of meeting as a team with key staff split between Dhaka and Washington, resulted in challenges for implementing the ORMAPP. The team helped to sharpen risk management frameworks but did not contribute to major, strategic go-or-no-go decisions or to decisions on instrument choice, for example between investment lending and development policy loans.

4.28 The work of the Senior Governance Advisor/Specialist has helped pioneer a new approach to analytic and advisory activities (AAA) by partnering with a local institution, BRAC University's Institute of Governance Studies, where it staged workshops that pulled together the key stakeholders in different "institutions of accountability" series. The State of Governance Report has been published each year since 2007. The report is of high quality, but its impact is difficult to judge.

4.29 Work relating to the return of stolen assets is inconclusive. Seven seminars and an exposure visit regarding anti-money laundering work was carried out. A Mutual Legal Assistance unit was set up in the Attorney General's Office, with support from the United States Agency for International Development (USAID). Seven requests received by the unit were being pursued in the United Kingdom as of December 2008. Progress since then is unknown.

4.30 The work with the Padma Bridge task team has led to a number of innovative measures, including compulsory asset disclosures by all principals involved in the project and appointment of an Integrity Advisor reporting directly to the Prime Minister. These measures apply to all components of the project, not just those funded by the Bank.

4.31 In addition, an assessment of the effectiveness of GAC in projects was recently completed by the Bank's Country Office. Based on a 2010 survey of task teams, approximately one-third of the 67 GAC mechanisms embedded in active projects were judged to be fully implemented. Others were partially implemented. Education (67 percent) and rural roads (43 percent) had the highest rates of fully implemented measures. The work of the Senior Governance Advisor/Specialist has been flexible in responding to opportunities and challenges facing the Bank, and to the demands of the three Country Directors. This flexibility is appropriate given the uncertainties inherent in working in this field.

4.32 The demand for good governance measures, including those supported under the Local Government Support Project, made some progress at the community level in roads and education. Other successful experiences include the use of NGOs in the solar power component of the Rural Electrification Project and the use of NGOs in the Padma Bridge Project to carry out social benefit and resettlement programs.

4.33 Making additional progress in the future will be a complex process. As discussed above, civil society organizations focus much more on service delivery than advocacy, both because the former helps to generate income, and because the latter can put livelihoods and lives at risk. Government ministries are also accustomed to a directive approach and resist the extra effort, time, and risks of expanding transparency and participation. Demand for good governance measures has also been constrained by weak NGO capacity, the co-opting of NGO partners by political interests, and government interference in subcontracting NGOs.

5. Impact of the 2007 GAC Strategy Implementation

5.1 This evaluation sought to assess the impact of the 2007 GAC strategy implementation efforts on the country program. In particular, Bank staff were interviewed about their attitudes toward and awareness of GAC issues. The evaluation also sought to determine whether support provided under the GAC Strategy has made a difference in the Bank's responsiveness to GAC issues. As discussed above, the Bank's work on GAC issues goes back to the 1990s. This evaluation found the Bank's portfolio in Bangladesh to be GAC-responsive to a great extent over the entire 2004-10 review period.

5.2 The relevance and effectiveness of strategy implementation are rated as moderate. Neither the Second GAC Progress Report, nor the independent GAC stocktaking report cited Bangladesh as a successful CGAC effort (World Bank 2009b, Lateef 2010). The GAC in country, sectors, and projects measures reported were mainly adopted before the 2007 GAC Strategy. Although Bangladesh was a CGAC country, the team chose not to use CGAC funds because the country had already been intensively using GAC approaches well before the GAC strategy was adopted.

5.3 Bangladesh is eligible for funding under the regional Implementing RTI (Right to Information) in South Asia Window 1 project managed from the New Delhi office. An August-September 2010 diagnostic mission led by the team leader of that project made some initial recommendations to the RTI Commission, but the outcome is unknown. One informant reported a lack of coordination between approaches from the New Delhi office to the Bangladesh RTI Commission, and from the Dhaka office of the ANSA, which is also interested in providing support. Efforts by either entity have yet to provide any meaningful support to the Commission, although ANSA has conducted an awareness-raising workshop for other government stakeholders. A matrix of planned and approved activities and corresponding counterparts has been circulated among all Bank entities involved.

6. Lessons Learned

6.1 Based on this review of the Bangladesh program, the following lessons have been identified:

- ❖ **Changes in governments – in particular, transitional governments – can create windows of opportunity to advance Bank-supported reforms over the short-run. How the Bank responds to these opportunities can affect its longer term relationship with clients.** In Bangladesh, the 2007-2008 military-backed government created a more stable political environment for advancing PFM and procurement reform. The Bank capitalized on this opportunity to help strengthen fiduciary controls on its projects, and to promote deeper reforms in country systems. Although the pace of reforms increased in some areas, some delays in reform occurred when a popularly elected government returned in 2008. This has also resulted in some reputational consequences for the World Bank in Bangladesh, including the perception that the Bank was too close to the military-backed regime.
- ❖ **Anti-corruption Commissions in weak-integrity environments have a poor track record. Bank-country agreements to support such institutions should not be seen as an automatic sign of success in fighting corruption.** In Bangladesh, increased support to the ACC has not resulted in improvements in the corruption environment. Rather the ACC often only appears to selectively investigate corrupt acts based on partisan factors. Often even sound investigations are not supported by other parts of the system (that is, prosecution, trial, and punishment).
- ❖ **Narrow project fiduciary risk management objectives can be at odds with service delivery objectives.** In Bangladesh a strict approach to fiduciary risk management increased the confidence of the Bank's shareholders, and facilitated important increases in Bank lending. Yet, the same strict fiduciary standards led to the Bank's withdrawal from national highways, a very important sector for service delivery given the current development needs in Bangladesh.
- ❖ **Support for strengthening private sector power generation in a country with a weak investment climate can be a risky strategy.** The Bank has not succeeded in bringing a Bank-financed large power generation project to successful tender for over a decade in Bangladesh, although it has successfully promoted a number of small generation projects. It is questionable whether Bank efforts to promote such a large (and expanding) role for private financing of investment in the sector is the right strategy, particularly given the risks inherent in obtaining investments for large generating plants with expected lives of 20 to 30 years.
- ❖ **Setting up a team—with sufficient staff and financial resources allocated to allow it to function-- to coordinate enhanced work on risk mitigation can help to sharpen risk management frameworks.** In Bangladesh, the Operational Risk Mitigation Team advised seven project teams on financial management and procurement risks. During 2007-08, country management relied on it to vet project concept notes and appraisal

packages. The team lacked a formal terms of reference or allocated staff and financial resources. This, combined with the difficulty of meeting as a team undermined its effectiveness. However, it should be noted that the posting of a Senior Governance Specialist/Advisor in the Country office, in particular to advise projects and sectors—helped to enhance the quality of GAC at the project and sector levels.

- ❖ **Supporting reforms in policy, regulatory, financing, and infrastructure constraints that hamper the private sector can be highly relevant for GAC intervention by the Bank.** Such reforms include streamlining tax and customs administration, expanding the private banking network, better management of the container terminal, and streamlining processes at key regulatory institutions.
- ❖ **As a transitional measure, Country Management Units can benefit from extra resources in Country Offices to enhance quality at the country, sector, and project levels.** Country Directors should use this resource in a flexible manner to address both emerging and persistent GAC constraints.

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Appendix A. Persons Interviewed

Name	Title/Organization
GOVERNMENT OFFICIALS	
Chowdhury Mufad Ahmed	Joint Project Director, Primary Education Development Program (PEDP) II
Dr. Nasir Uddin Ahmed	Chairman and Secretary, Internal Resources Division, National Board of Revenue
Muhiuddin Khan Alamgir	Chairman, Public Accounts Committee
Md. Abul Kalam Azad	Secretary Power Division, Ministry of Power, Energy and Mineral Resources
Sohela Begum	Secretary to CEO, Infrastructure Investment Facilitation Center
Ranjit Kumar Chakraborty	Additional Secretary, Finance Division
Dr. Kamal Abdul Naser Chowdhury	Secretary, Ministry of Education
Shahad Chowdhury	Controller General of Accounts (CGA), Office of the Controller General of Accounts
Amulya Kumar Debnath	Director General, Central Procurement Technical Unit, Ministry of Planning
Shyamal Kanti Ghosh	Director General, Ministry of Primary Education, PEDP II
Ahmed Ataul Hakeem	Comptroller and Auditor General of Bangladesh
Monzur Hossain	Planning Secretary, Planning Division, Ministry of Planning
Md. Ghulam Hossain	Secretary, Ministry of Commerce
Nazrul Islam	Executive Director and CEO, Infrastructure Investment Facilitation Center
Arastoo Khan	Additional Secretary, Economic Relations Division (ERD)
Md. Mozammel Haque Khan	Secretary, Ministry of Communications
A K M Abdul Awal Mazumder	Secretary, Ministry of Primary and Mass Education
Swapan Kumer Sarkar	Project Director, Local Governance Support Project (LGSP)
Ghulam Rahman	Chairman, Anticorruption Commission
Md. Wahidur Rahman	Chief Engineer, Local Government Engineering Department (LGED)
Hussain Ahmed	Member, National Board of Revenue
M. Shahabuddin	Chief Engineer, Roads and Highway Department Sarak Bhaban
DONOR OFFICIALS	
Firoz Ahmed	Senior Public Management Officer, Asian Development Bank Bangladesh Resident Mission
Mr. Ashrafuzzaman	Program Officer, Danish International Development Agency (DANIDA)
Daniel Davis	Senior Program Manager, Governance and Human Development, UK Development for International Development
Amulya Kumar Debnath	Director General, Central Procurement Technical Unit
Francis Delaey	Head of Office, European Bank for Reconstruction and Development (EBRD)
Henny de Vries	First Secretary, Governance and Gender, Embassy of the Netherlands
Young Hong	Assistant Country Director, Democratic Governance Cluster, UNDP
Nazrul Islam	Governance Advisor, DANIDA
Julia Jacoby	Attaché, Coordination and Aid Effectiveness, European Union
Muhd. Rafiquzzaman	UK Development for International development
Sherina Tabassum	Governance Advisor, USAID
Doris Voorbraak	Deputy Chief of Mission Netherlands Embassy

CIVIL SOCIETY REPRESENTATIVES

Shaheen Anam	Executive Director, Manusher Jonno Foundation
Rizwan Khair	Academic Coordinator, Bangladesh Institute of Development Studies (BIDS)
Arif Hossain Khan	Governance Manager, Manusher Jonno Foundation
Binayek Sen	Research Director, Bangladesh Insitutte of Development Studies (BIDS)
Gopa Kumer Thampi	Chief Operating Officer, IGS-BRAC University

OTHER

Bangladesh

Shitangshu Kumar Sur Chowdhury	General Manager, Bangladesh Bank
Husne Ara Shikha,	Joint Director, Bangladesh Bank

FORMER AND CURRENT WORLD BANK STAFF

Istiaque Ahmed	Transport Specialist, ASDT
Joel Hellman	Sector Manager, SASGP
Yoko Onizuka	Senior Resource Management Officer, SARRM
Mohi Uz Zaman Quazi	Consultant, SASDT
Md. Mokhlesur Rahman	Senior Operations Officer, SASSED
Dhushyanth Raju	Senior Economist, SASSED
Naseer Rana	Advisor, SASGP
Catherine Revels	Lead Water and Sanitation Specialist, SASDI
Tahseen Sayed	Operations Adviser, SACBD
Sofia Shakil	Senior Education Specialist, SASSED
Rafeet Sultana	Transport Specialist, SASDT
Charles Underland	Senior Governance Specialist, SASGP
Christine Wallich	Director, IEGDG

Appendix B. GAC in Projects Incidence Mapping Based on Desk Review

Project	Sector	Board date	GAAP	Demand for good governance mechanisms			Enhanced procurement	Enhanced FM
				Transparency	Accountability	Participation		
CLOSED PROJECTS								
HIV/AIDS Prevention	Health	2000	n/a	N	N	Y		
Legal and Judicial Capacity Building	Legal	2001	n/a	N	N	N		
Post-Literacy and Continuing Education for Human Development	Education	Feb/01	n/a	N	Y	N		
Female Secondary School Assistance	Education	Mar/02	n/a	N	Y	Y		
Financial Services for the Poorest	Finance	Jun/02	n/a	Y	N	Y		
ONGOING PROJECTS								
Rural Electric Renewable Energy Development	Energy	Jun/02	n/a	Y	Y	Y		
Social Investment Program I (SIPP I)	ARD	Mar/03	n/a	Y	Y	Y	Y	
Rural Transport Improvement (RTIP)	Transport	June/03	n/a	N	Y	N	Y	
Primary Education Development Program (PEDP II)	Education	Feb/04	n/a	Y	Y	Y	Y	Y
Reaching Out-of-School Children (ROSC)	Education	Jun/04	n/a	Y	Y	Y		Y
Health, Nutrition and Population Sector Program	Health	Apr/05	n/a	N	Y	Y	Y	Y
Local Governance Support Program (LGSP)	Urban	Jun/06	n/a	Y	Y	Y		Y
Public Procurement Reform (PPRP II)	Procurement	Jul/07	N	Y	N	Y		
Water Management Improvement (WMIP)	ARD	Sep/07	Y	Y	Y	Y	Y	
National Agriculture Technology (NATP)	ARD	Feb/08	N	N	Y	Y	Y	Y
Disability and Children at Risk	Human Development	Jul/08	N	N	Y	N		
Secondary Education Quality and Access (SEQAEP)	Education	Jul/08	N	Y	Y	N		
Emergency 2007 Cyclone Recovery (ECRRP)	ARD	Nov/08	N	Y	Y	Y		
Dhaka Water Supply and Sanitation (DWSSP)	Water	Dec/08	N	N	N	Y	Y	
Higher Education Quality Enhancement (HEQEAP)	Education	Mar/09	N	Y	N	N		
Clean Air and Sustainable Environment (CASE)	Social	May/09	N	Y	Y	Y		
Chittagong Water Supply (CWSP)	Water	Jun/10	N	N	N	Y	Y	
TOTALS	22		2	12Y 10N	15Y 7N	16Y 6N	8Y	5Y

Source: World Bank, Bangladesh Country Office; Notes: ARD = Agriculture and Rural Development

Note: **Transparency Mechanisms** include: Project Websites/Newsletters/Notice Boards, Information Disclosure Policy/Practices, Public/Stakeholder Information Meetings; Communication Strategy/Outreach Activities.

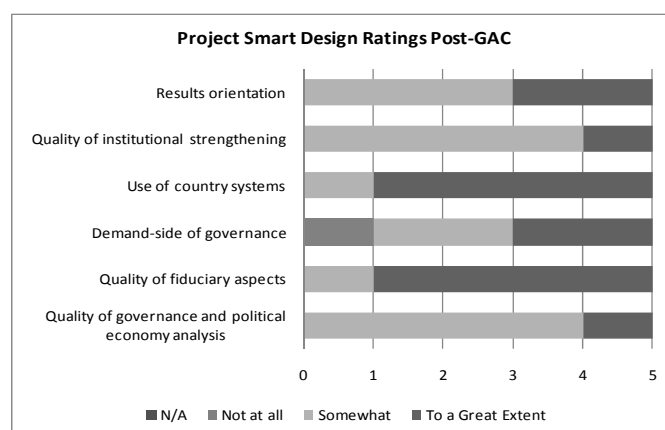
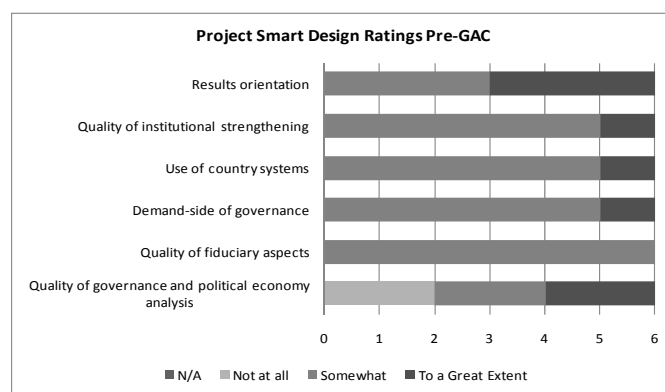
Accountability Mechanisms include: External/Independent Monitoring, Complaints Handling, Citizen/Community Oversight (for example, Scorecards); Expenditure Tracking; 3rd Party Enhanced Procurement and FM Measures; Minimal Service Standards, Ombudsmen.

Appendix C. Bangladesh—Country Data Sheet, IEG Ratings of GAC Responsiveness, 2004-2010

CAS Desk Review Results

Selectivity		
	Pre-GAC (04-07)	Post-GAC (08-10)
Explicit assessments of GPE constraints	Highly Incorporates	Highly Incorporates
Explicit choice of governance entry points	Somewhat Incorporates	Highly Incorporates
Mix of financial and knowledge instruments	Highly Incorporates	Highly Incorporates
Results measures	Highly Incorporates	Highly Incorporates
Overall rating of country strengthening		
	Pre-GAC (04-07)	Post-GAC (08-10)
Core public sector institutions	To a great extent	To a great extent
Sectoral state institutions	To a great extent	To a great extent
Domestic accountability institutions	To a great extent	To a great extent
Civil society	Somewhat	To a great extent
Investment climate	To a great extent	To a great extent
Overall rating of signaling of GAC concerns and risks through Bank portfolio processes		
	Pre-GAC (04-07)	Post-GAC (08-10)
Portfolio risks are regularly monitored by the Bank	To a great extent	To a great extent
Portfolio processes track the progress of governance reforms at sector and project levels	To a great extent	To a great extent
Portfolio reviews and results monitoring are regularly disclosed	To a great extent	To a great extent
Overall rating on results		
	Pre-GAC (04-07)	Post-GAC (08-10)
Quality of indicators	Satisfactory	Satisfactory
Collection of data	Satisfactory	N/A
Disclosure of data collected	Satisfactory	N/A
Overall rating of GAC responsiveness in the CAS		
	Pre-GAC (04-07)	Post-GAC (08-10)
Minimized fiduciary risk	To a great extent	To a great extent
Selectivity of Bank country strategies and programs	To a great extent	To a great extent
Signaling of GAC concerns and risks through Bank portfolio processes	To a great extent	To a great extent
Incorporated smart design of programs and projects by countries	To a great extent	To a great extent
System strengthening	To a great extent	To a great extent

Projects: Smart Design Overall Rating



2009 Country Policy and Institutional Assessment Ratings for Bangladesh and Comparative

Country	NIGERIA	VIETN AM	BANGL ADESH	INDIA	PAKIST AN	SRI LANKA
Property rights and rule-based government	2.5	3.5	3.0	3.5	2.5	3.5
Quality of budget and financial management	3.0	4.0	3.0	4.0	3.5	4.0
Efficiency of revenue mobilization	3.0	4.0	3.0	4.0	3.0	3.5
Quality of public administration	3.0	3.5	3.0	3.5	3.5	3.0
Transparency, accountability, and corruption in public sector	3.0	3.0	3.0	3.5	2.5	3.0
Cluster average	2.9	3.6	3.0	3.7	3.0	3.4
Overall rating	3.5	3.8	3.5	3.8	3.2	3.5

Appendix D. Statistical Tables

ICR and IEG Project Ratings for Bangladesh FY2004-10

Country	CAE Period of evaluation	Date of review (FY)	CAE Rating
Bangladesh	(2001-2008)	2010	Moderately Satisfactory
	CAS Period	CASCR Review Period	IEG CASCR-R Rating
	(FY06-00)	(FY06-00)	Moderately Unsatisfactory

EXIT FY	Project ID	Project name	Total evaluated (US\$M)	Lending instrument	ICR outcome rating	ICR risk to development outcome rating	ICR sustainability rating	ICR overall bank performance rating	ICR overall borrower performance rating	IEG outcome rating	IEG sustainability rating	IEG overall bank performance rating	IEG overall borrower performance rating
FY04	P009550	Primary Education Development	91.0	SIL	S	#	L	S	#	MS	L	S	S
FY04	P049790	Export Diversification	29.6	TAL	S	#	L	S	#	MS	#	S	S
FY05	P049587	Aquatic Biodiversity Conservation	0.0	SIL	MS	S	#	MS	MS	MS	#	#	#
FY05	P009524	Dhaka Urban Transport	87.1	SIL	S	#	L	S	#	MU	#	U	U
FY05	P037857	Health and Population Program	222.3	SIL	U	#	L	S	#	U	L	U	U
FY05	P077789	Education Sector Dev. Support Credit	100.8	SAD	S	#	#	S	S	S	L	S	S
FY06	P009468	Fourth Fisheries	16.6	SIL	MS	S	#	#	#	MS	#	#	#
FY06	P037294	Third Road Rehabilitation and Maintenance	223.9	SIL	S	#	L	S	#	MS	L	S	S
FY06	P044811	Financial Institutions Development	46.5	SIL	S	M	#	S	MS	MS	#	S	#
FY06	P050745	Arsenic Mitigation Water Supply	22.9	SIL	MS	M	#	S	MS	MS	#	#	#
FY06	P084567	Education Sector Dev. Support Credit II	99.6	DPL	S	M	#	S	S	S	#	S	#
FY06	P090832	Bangladesh Development Support Cr. III	197.8	DPL	S	M	#	S	S	S	#	S	#
FY07	P044789	BD Private Sector Infrastructure Dev	188.1	SIL	MU	S	#	MU	MU	MU	#	#	#
FY07	P050751	National Nutrition Program	67.9	SIL	MU	M	#	MU	MU	MU	#	#	#
FY07	P100330	BD Railway Reform Programmatic DevPolicy	41.1	DPL	MU	H	#	S	MS	U	#	#	#
FY07	P102541	Education Sector Dev. Support Credit III	99.1	DPL	S	M	#	S	S	S	#	S	#
FY08	P044876	Female Secondary School Assis. II	101.1	SIL	S	M	#	S	S	MS	#	#	#
FY08	P050752	Post-Literacy and Continuing Education	41.6	SIL	MU	S	#	S	MU	MU	#	#	U
FY08	P057833	Air Quality Management Project	3.8	LIL	S	M	#	S	MS	S	#	#	#
FY08	P069933	HIV/AIDS Prevention	21.7	SIL	MU	M	#	MU	MU	U	#	U	U
FY08	P074731	Financial Services for the Poorest	5.7	LIL	HS	N	#	S	S	MS	#	#	S
FY08	P074801	BD DSC IV/DPL	299.5	DPL	HS	M	#	S	HS	S	#	S	S
FY08	P075016	Public Procurement Reform Project	5.0	TAL	MS	S	#	MS	MS	MS	#	S	S
FY08	P107797	Power Sector DPL	118.9	DPL	MS	N	#	S	S	MU	#	#	#
FY08	P110167	BD Transitional Support Credit	196.0	DPL	S	S	#	S	S	MS	#	S	#
FY09	P044810	Legal and Judicial Capacity Building	22.1	SIL	U	H	#	U	U	U	#	U	U
FY09	P059143	Microfinance II	163.1	FIL	S	N	#	S	S	S	#	S	S
FY09	P112761	Bangladesh Food Crisis DSC	0.0	DPL	S	M	#	S	S	S	#	S	S

Source: World Bank data as of 11.23.10.

Note: CAE= Country Assistance Evaluation; CASCR= Country Assistance Strategy Completion Report; DPL = Development Policy Loan; FIL=Financial Intermediary Loan; ICR= Implementation Completion and Results; IEG= Independent Evaluation Group; LIL= Learning and Innovation Loan; SAD= Sector Adjustment Loan; SIL=Specific Investment Loan; TAL= Technical Assistance Loan.
Ratings: H= High; HS= Highly Satisfactory; MS= Mostly Satisfactory; MU= Mostly Unsatisfactory; N= Negligible to Low; S= Satisfactory; U= Unsatisfactory.

IEG Project Ratings for Bangladesh and Comparators, FY2004-10

Region	Total evaluated (US\$ million)	Total evaluated (number)	Outcome % satisfactory (\$)	Outcome % satisfactory (number)	RDO % moderate or lower (\$) *	RDO % moderate or lower (number) *
Bangladesh	2,512.9	28.00	67.7	67.86	63.84	63.64
India	10,165.2	61.00	85.0	85.25	71.44	77.42
Sri Lanka	349.9	12.00	40.0	41.67	44.02	33.33
Nigeria	244.0	5.00	52.8	60.00	31.86	50.00
Pakistan	2,411.5	18.00	88.7	94.44	39.81	55.56
Vietnam	1,679.7	24.00	100.0	100.00	85.82	73.68
Region	16,608.8	149.00	81.9	78.52	62.22	57.30
World Bank	96,831.8	1,507.00	85.2	77.79	73.66	63.72

Source: World Bank data as of 11.23.10.

Note: RDO= Risk to Development Outcome.

* With IEG new methodology for evaluating projects, institutional development impact, and sustainability are no longer rated separately.

Portfolio Status for Bangladesh and Comparators, FY2004-10

Fiscal year	2004	2005	2006	2007	2008	2009	2010
Bangladesh							
# Proj	28	26	24	24	21	26	27
Net Comm Amt	2,530.5	2,318.1	2,043.6	1,966.3	1,997.2	2,766.7	3,561.7
# Prob Proj	5	3	4	6	2	1	4
# Proj At Risk	5	3	7	6	3	1	5
% At Risk	17.9	11.5	29.2	25.0	14.3	3.8	18.5
Comm At Risk	597.7	325.3	782.5	463.8	338.6	16.0	741.3
% Commit at Risk	23.6	14.0	38.3	23.6	17.0	0.6	20.8
India							
# Proj	60	61	53	65	57	58	70
Net Comm Amt	11,911.1	12,638.7	11,129.2	14,123.4	13,564.3	14,754.8	21,155.6
# Prob Proj	9	9	5	7	13	9	7
# Proj At Risk	10	9	6	8	14	9	8
% At Risk	16.7	14.8	11.3	12.3	24.6	15.5	11.4
Comm At Risk	2,621.2	1,102.0	1,735.9	2,555.2	3,174.1	2,153.1	2,522.1
% Commit at Risk	22.0	8.7	15.6	18.1	23.4	14.6	11.9
Sri Lanka							
# Proj	17	18	16	13	14	13	16
Net Comm Amt	693.4	867.4	806.6	778.4	906.6	953.8	1,187.7
# Prob Proj	2	1	1	2	0	1	1
# Proj At Risk	2	1	1	2	1	1	1
% At Risk	11.8	5.6	6.3	15.4	7.1	7.7	6.3
Comm At Risk	30.8	5.0	64.7	65.6	74.9	32.0	32.0
% Commit at Risk	4.4	0.6	8.0	8.4	8.3	3.4	2.7
Nigeria							
# Proj	15	17	19	23	24	27	25
Net Comm Amt	1,228.3	1,503.1	1,824.1	2,574.1	2,944.1	4,049.1	3,953.9
# Prob Proj	5	6	2	1	3	0	1
# Proj At Risk	8	7	8	7	9	9	12
% At Risk	53.3	41.2	42.1	30.4	37.5	33.3	48.0
Comm At Risk	812.6	643.3	480.5	420.1	789.4	1,224.4	1,835.8
% Commit at Risk	66.2	42.8	26.3	16.3	26.8	30.2	46.4
Vietnam							
# Proj	27	34	37	36	39	43	46
Net Comm Amt	2,983.2	3,514.7	3,949.5	3,931.0	4,582.0	5,428.0	6,308.2
# Prob Proj	2	0	3	4	4	5	3
# Proj At Risk	2	0	3	4	4	5	4
% At Risk	7.4	-	8.1	11.1	10.3	11.6	8.7
Comm At Risk	220.0	-	285.0	662.0	388.2	601.0	421.5
% Commit at Risk	7.4	-	7.2	16.8	8.5	11.1	6.7
SAR							
# Proj	149	156	145	161	160	171	183
Net Comm Amt	17,562.0	18,041.1	17,190.0	20,473.8	20,768.0	24,030.7	31,679.2
# Prob Proj	18	16	15	20	23	24	26
# Proj At Risk	20	18	19	24	32	30	40
% At Risk	13.4	11.5	13.1	14.9	20.0	17.5	21.9
Comm At Risk	3,625.0	1,745.0	2,858.3	3,366.3	4,162.6	3,120.0	4,807.0
% Commit at Risk	20.6	9.7	16.6	16.4	20.0	13.0	15.2

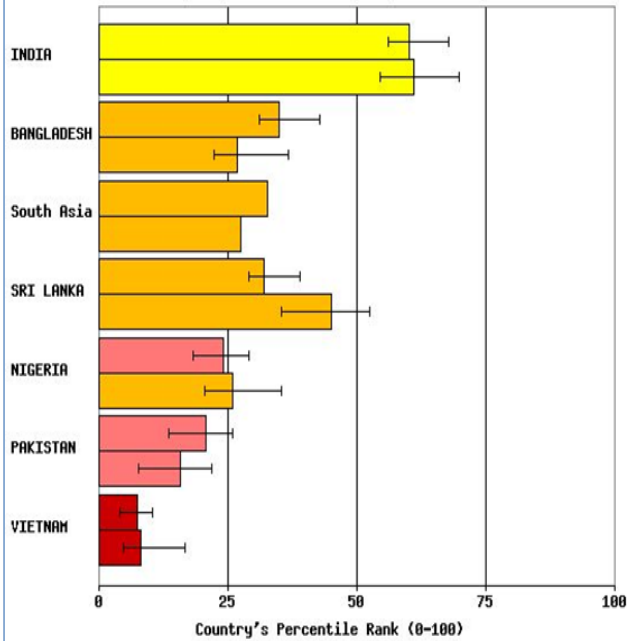
Source: World Bank data as of 11/24/2010.

IBRD/IDA Net Disbursements and Charges Summary Report for Bangladesh (in US\$ Mil)

FY	Disb. Amt.	Repay Amt.	Net Amt.	Charges	Fees	Net Transfer
2004	228.34	137.22	91.11	60.07	3.99	27.06
2005	691.58	153.18	538.39	63.42	6.18	468.80
2006	560.45	160.52	399.93	63.08	4.25	332.60
2007	630.29	181.53	448.76	69.56	2.93	376.26
2008	729.81	205.77	524.03	35.27	40.57	448.19
2009	375.66	220.68	154.98	0.00	75.81	79.16
2010	374.68	239.28	135.40	0.00	81.46	53.94
Total (2004-10)	3,590.8	1,298.2	2,292.6	291.4	215.2	1,786.0
<i>Source: World Bank Loan Kiosk, Net Disbursement and Charges Report as of 11/24/10.</i>						

Voice and Accountability (2009)

Comparison between 2009,2004 (top-bottom order)

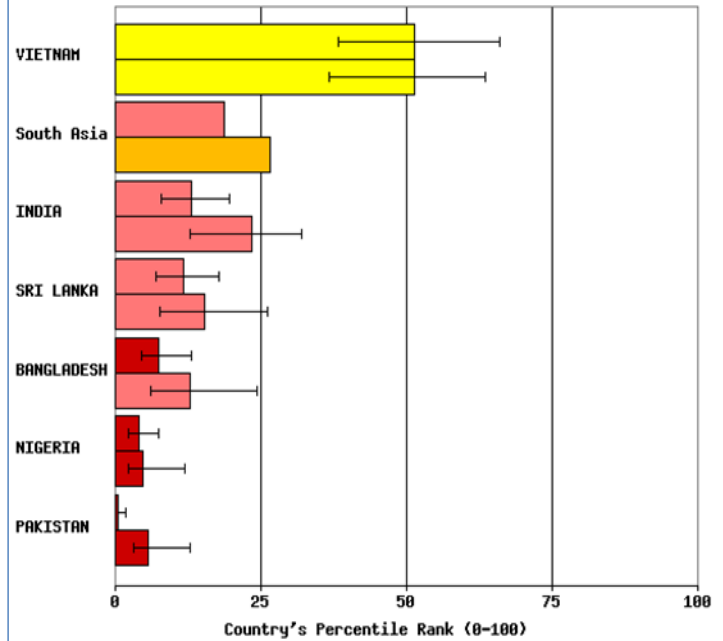


Source: Kaufmann D., A. Kraay, and M. Mastruzzi (2010), The Worldwide Governance Indicators: Methodology and Analytical Issues

Note: The governance indicators presented here aggregate the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, and international organizations. The WGI do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources.

Political Stability (2009)

Comparison between 2009,2004 (top-bottom order)

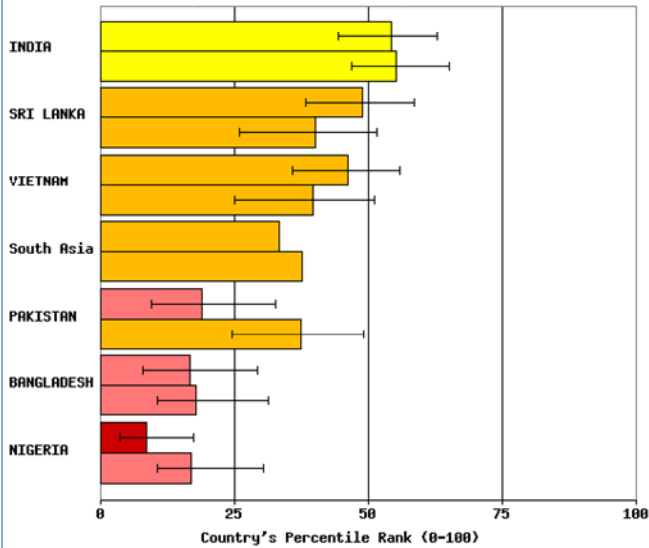


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Government Effectiveness (2009)

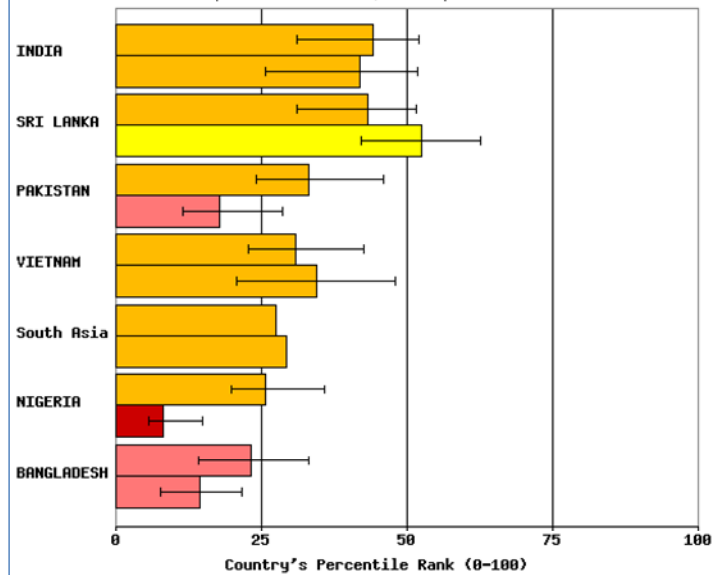
Comparison between 2009,2004 (top-bottom order)



Source: Kaufmann D., A. Kraay, and M. Mastruzzi (2010), The Worldwide Governance Indicators: Methodology and Analytical Issues
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Regulatory Quality (2009)

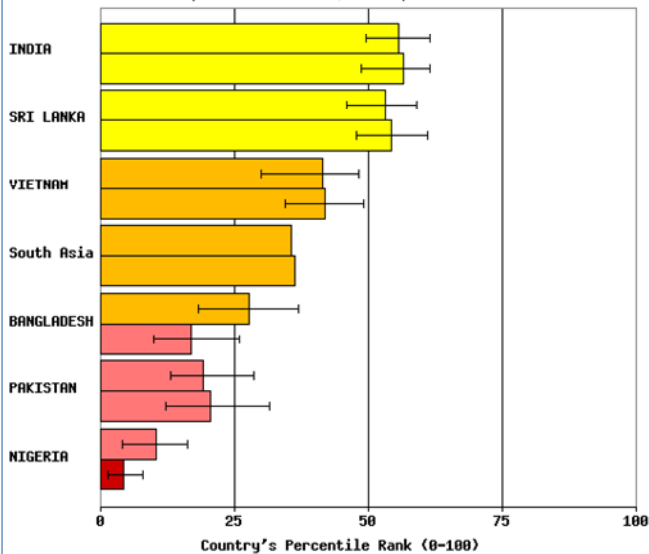
Comparison between 2009,2004 (top-bottom order)



Source: Kaufmann D., A. Kraay, and M. Mastruzzi (2010), The Worldwide Governance Indicators: Methodology and Analytical Issues
 Note: The governance indicators presented here aggregate the views on the quality of governance provided by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, non-governmental organizations, and international organizations. The WGI do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources.

Rule of Law (2009)

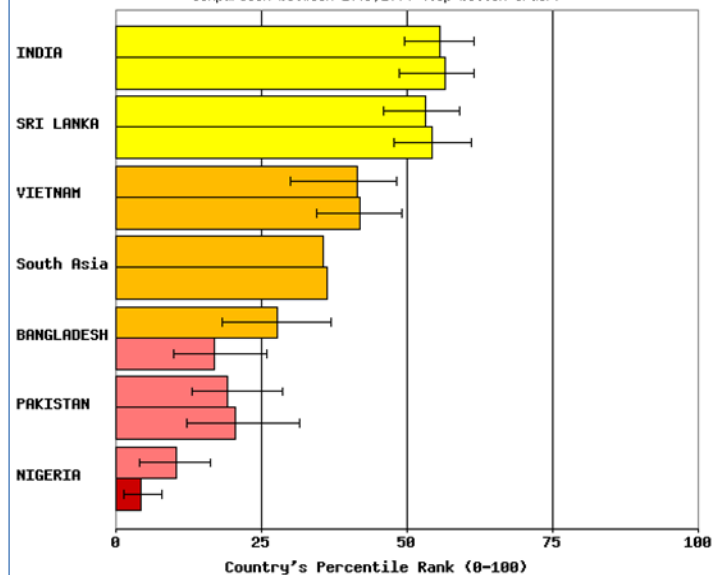
Comparison between 2009,2004 (top-bottom order)



Source: Kaufmann D., A. Kraay, and M. Mastruzzi (2010), The Worldwide Governance Indicators: Methodology and Analytical Issues
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Rule of Law (2009)

Comparison between 2009,2004 (top-bottom order)



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ODA Disbursement Amount type		Current Prices (USD millions)						
Year		2003	2004	2005	2006	2007	2008	2009
Donor								
All Donors, Total		1392.15	1413.78	1317.65	1219.83	1514.59	2061.4	381.24
DAC Countries, Total		705.05	656.21	580.33	478.51	673.88	822.54	198.47
Multilateral Agencies, Total		685.31	750.51	735.07	740.23	823.4	1224.06	182.77
Non-DAC Countries, Total		1.79	7.06	2.25	1.09	17.31	14.8	..
G7, Total		510.4	429.51	348.31	257.22	393.32	537.93	67.3
DAC EU Members, Total		448.97	421.33	389.88	320.72	464.29	510.81	183.61
Australia		11.95	24.6	15.09	9.06	35.15	45.14	..
Austria		1.84	1.15	2.75	0.6	0.65	0.66	0.58
Belgium		1.26	-0.1	-0.32	-0.64	-0.43	3.61	-2.65
Canada		38.42	48.92	50.75	56.74	60.24	82.06	..
Denmark		45.27	45.67	50.36	44.05	41.96	47.2	47.41
Finland		0.71	0.67	0.98	0.81	1.17	1.39	..
France		7.16	0.87	-1.79	-2.19	-0.87	-3.68	..
Germany		32.37	25.2	46.07	29.14	43.06	65.89	67.3
Greece		0.5	0.1	0.03	0.07	0.41	0.35	..
Ireland		1.29	1.77	1.58	2.22	6.16	3.19	..
Italy		0.1	0.72	1.87	0.14	2.77	6.81	..
Japan		115.27	38.23	-1.01	-7.45	-6.59	41.13	..
Korea		10.07	23.51	31.94	22.19	10	8.05	13.55
Luxembourg		0.24	0.61	0.3	0.22	0.45	0.57	0.62
Netherlands		57.45	65.23	60.68	67.45	99.45	84.74	70.35
New Zealand		0.74	1	0.92	0.67	1.69	1.08	1.31
Norway		12.15	23.94	32.91	21.41	39.83	23.2	..
Spain		5.25	0.09	0.21	1.4	12.15	9.44	..
Sweden		35.06	26.63	23.89	38.38	11.79	38.11	..
Switzerland		10.87	11.83	10.7	13.4	20.13	17.88	..
United Kingdom		260.47	252.72	203.27	139.07	245.57	252.53	..
United States		56.61	62.85	49.15	41.77	49.14	93.19	..
EU Institutions		52.33	58.19	78.31	100.88	101.45	194.48	..
Czech Republic		0.16	0.22	0.01	0.07	0.17	0.01	..
Hungary		..	..	..	..	..	0.03	..
Poland		0	..	0.01	0.02	0.3	0.07	..
Slovak Republic		..	0.26	..	..	0.08	..	..
Turkey		..	0.11	0.07	1.92	2.14	1.44	..
Arab Countries		1.63	6.47	2.16	-1.07	14.23	12.93	..
Other Donor Countries, Total		..	..	..	0.15	0.39	0.32	..
Arab Agencies		-7.34	2.75	8.96	0.32	-6.51	-6.2	..
AsDF (Asian Dev. Fund)		96.08	-4.47	68.81	195.07	204.38	305.07	..
GEF		..	..	0.22	..	3.35	1.09	..
GAVI		..	..	..	..	8.99	28.28	27.1
Global Fund		0.1	9.25	9.42	12.29	24.93	33.82	24.04
IDA		394.74	474.33	397.83	231.47	420.53	623.52	94.3
IFAD		8.43	8.37	8.54	3.03	6.26	5.83	9.01
IMF (SAF,ESAF,PRGF)		65.28	146.6	99.37	148.5	..	-7.82	..
Nordic Dev. Fund		0.8	1.44	2.62	8.22	0.2	1.23	-0.2
UNAIDS		..	..	0.4	0.14	0.8	0.37	..
UNDP		15.89	19.59	16	11.83	16.42	5.9	..
UNFPA		22.31	6.31	4.71	6.25	6.12	6.56	6.33
UNHCR		2.17	..	0.08	0.27	0.49	0.21	..
UNICEF		10.86	10.95	11.55	11.77	16.04	20.75	22.19
UNTA		7.54	7.26	10.07	4.65	7.65	0.81	..
WFP		16.12	9.94	18.18	5.07	11.6	9.63	..
IDA as share of ODA		28%	34%	30%	19%	28%	30%	25%

Data extracted on 02 Dec 2010 21:13 UTC (GMT) from OECD.Sta

Note: Note: DAC= Development Assistance Committee; ESAF= Enhanced Structural Adjustment Facility; EU= European Union; GAVI=Global Alliance for Vaccines and Immunization; GEF= Global Environmental Fund; IDA= International Development Association; IFAD= International Fund for Agricultural Development; IMF= International Monetary Fund; ODA= official development assistance; PRGF= Poverty Reduction and Growth Facility; SAF= Structural Adjustment Facility; UNAIDS=United Nations Program on HIV/AIDS; UNDP= United Nations Development Programme; UNFPA= United Nations Population Fund; UNHCR= United Nations High Commissioner for Refugees; UNICEF= United Nations Children's Fund; UNTA=United Nations Program for Technical Assistance; WFP= World Food Programme.