Bangladesh

Country Portfolio Performance Review

April 20-21, 1998

Jointly Prepared By
The Government of Bangladesh and The World Bank
BANGLADESH

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Bangladesh
Portfolio at a Glance

Number of Projects
FY98 FY 97 FY 96
25* 29 28

Total Credit
FY98 FY 97 FY 96
2103.0 2628.0 2459.0

Total Disbursement**
FY98 FY 97 FY 96
1017.3 1360.0 1117.0

Percentage Utilized
FY98 FY 97 FY 96
48.4 51.8 45.4

* excluding JSAC
** as of Dec. 1997, for FY98

Sectorwise IDA Credit
FY98 FY 97 FY 96
Social* 20.2 22.2 22.1
Urban Dev. 6.1 11.9 4.5
Energy 26.0 12.3 15.4
Transport & Shipping 18.6 18.8 20.1
Finance 2.4 17.2 18.5
Agrl.Env.Water & Fishenes 26.7 17.6 19.4

* including Poverty Abatwion Micro Finance Project

Opening Balance & Disbursement
FY98 FY 97 FY 96
Total Opening Balance 949.0 1402.0 1588.0
Adjustment Loans 0.0 262.0 280.0
Investment Loans 949.0 1140.0 1308.0
Total Disbursement 134.0 314.0 226.0
Adjustment Loans 0.0 0.0 0.0
Investment Loans 134.0 314.0 226.0
Percentage of Utilization 14.1 22.4 14.2

*as of December 31, 1997

Lending* 1991 to 2000
FY 91 459.7
FY 92 253.0
FY 93 171.5
FY 94 597.2
FY 95 183.8
FY 96 235.4
FY 97 321.2
FY 98 669.4
FY 99 640.0
FY 00 606.0

* Estimated amount for FY98-FY00
**CURRENCY EQUIVALENT**  
US$1.00 = TAKA 46.15 (June 1, 1998)

**GOVERNMENT'S FISCAL YEAR**  
July 1 - June 30

**ACRONYMS AND ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>ADP</td>
<td>Annual Development Plan</td>
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<tr>
<td>APD</td>
<td>Academy for Planning &amp; Development</td>
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<td>ARI</td>
<td>Agricultural Research Institute</td>
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<td>BCS</td>
<td>Bangladesh Civil Service</td>
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<td>BDO</td>
<td>Bangladesh Dhaka Office</td>
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<td>BER</td>
<td>Bid Evaluation Report</td>
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<td>BPDB</td>
<td>Bangladesh Power Development Board</td>
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<td>BWDB</td>
<td>Bangladesh Water Development Board</td>
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<td>BWTA</td>
<td>Bangladesh Water Transport Authority</td>
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<td>C&amp;A</td>
<td>Comptroller &amp; Auditor General</td>
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<td>CAS</td>
<td>Country Assistance Strategy</td>
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<td>CDVAT</td>
<td>Country Duty And Value Added Tax</td>
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<td>CIR</td>
<td>Country Implementation Review</td>
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<td>CONTASA</td>
<td>Convertible Taka Special Account</td>
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<td>CPM</td>
<td>Critical Path Method</td>
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<td>CPPR</td>
<td>Country Portfolio Performance Review</td>
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<td>DAD</td>
<td>Deposit Accounts Department</td>
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<td>DC</td>
<td>Deputy Commissioners</td>
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<td>DESA</td>
<td>Dhaka Electric Supply</td>
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<td>DO</td>
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<td>DOAFAP</td>
<td>Directorate of Audit Foreign Aided Projects</td>
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<td>DPE</td>
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<td>ECNEC</td>
<td>Executive Committee of National Economic Council</td>
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<td>Economic Relations Division</td>
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<td>FPHP</td>
<td>Fourth Population &amp; Health Project</td>
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<td>GOB</td>
<td>Government of Bangladesh</td>
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<td>GTW</td>
<td>Government That Works</td>
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<td>ID</td>
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<td>JAMBA</td>
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<td>LACI</td>
<td>Loan Administration Charge Initiative</td>
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<td>LGED</td>
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<td>MEMR</td>
<td>Ministry of Energy and Mineral Resources</td>
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<td>MIS</td>
<td>Management Information System</td>
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<td>MOE</td>
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<td>NARS</td>
<td>National Agricultural Research System</td>
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<td>PAD</td>
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<td>PATC</td>
<td>Public Academy Training Center</td>
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<td>Union Parishad</td>
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Vice President: Ms. Mieko Nishimizu  
Country Director: Mr. Pierre Landell-Mills  
Task Leader: Mr. Mohsin Alikhan
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This report was prepared by a team comprising Mohsin Alikhan, Shamsuddin Ahmad, Reazul Islam, Khurshid Alam and Tanya Gupta. Valuable contributions were provided by the HQ staff and the BDO staff, specially the PDAT. Pierre Landell-Mills provided overall guidance. Useful comments and excellent cooperation were provided by several GOB officials (particularly the Secretaries of ERD, Finance, Planning, IMED, Land, and Additional Secretary.) The report was processed by Romayne Pereira, Rachel Susan Palmer and Della Sylvia Mendez.
BANGLADESH
Country Portfolio Performance Review

EXECUTIVE SUMMARY

This CPPR exercise was participated by selected Development Partners for the first time. Given the usefulness of this participation, GOB has agreed that in FY99 the Bank and ADB should conduct a joint review of the cross-cutting generic issues affecting portfolio performance.

Introduction and CPPR Objectives

0.1 The improving trend in project implementation performance indicated in the last CPPR continued during FY97 so that the performance of the 29 IDA Credits in Bangladesh has been generally satisfactory. However, the implementation of the IDA portfolio continues to suffer from several generic problems which reduce the development impact on the ground. Primarily because of these problems, eight out of the twenty-nine active IDA projects suffered from disbursement lags of 50% to 80% compared to the SAR estimate, as of December 31, 1997. If the disbursement lag of these projects could have been brought down to even 40%, disbursements would have increased by about US$50 million. Moreover, during FY97 the closure of two Adjustment Credits (PRMAC and JSAC) led to the cancellation of around US$260 million (10% of the total IDA portfolio) representing lost development flows for Bangladesh.

0.2 Portfolio implementation problems, resulting mainly from weak institutional capacity, are the prime reasons for Bangladesh being far behind in achieving the potential IDA allocation (indicative) of around US$1 billion a year. While many IDA countries exceed their indicative allocation, Bangladesh has historically achieved less than 40%. It is for this reason that the CPPR exercise takes on special importance. Its ultimate aim is to expand IDA lending and disbursements so as to increase the rate of development and growth of the economy. Recognizing this fact, President Wolfensohn and Prime Minister Sheikh Hasina agreed in October 1997, to periodically review portfolio performance. This CPPR exercise would contribute to the achievement of the mutually desirable goal of increased development flows and more rapid growth of the economy to reduce poverty in Bangladesh.

0.3 The objectives of this CPPR are to:

- Assess the country portfolio performance as measured by key indicators.
- Discuss government procedures and policies which inhibit portfolio performance.
- Prepare an Action Plan to help resolve generic implementation issues.
- Renew commitment to the unfinished agenda of the FY97 CPPR and come up with a time-bound action plan for FY98.
- Focus on implementation of the agreed actions by assigning the responsibility to a lead GOB agency under an appropriate institutional mechanism.

0.4 Based on the above mentioned objectives the CPPR covers the following main themes: (i) status and performance of the portfolio; (ii) progress in meeting the agreed targets of the last CPPR Action Plan; (iii) cross cutting implementation problems and generic issues; (iv) commitments for FY98; (v) FY98 lending and beyond; and (vi) FY98 Economic and Sector Work.
Status and Performance of the Current Portfolio

0.5 As of June 30, 1997, the Bangladesh IDA portfolio consisted of 29 active projects, representing a total credit amount of US$2.63 billion. Of this total, US$1.36 billion, representing about 52% of the total credit, remains undisbursed. The total IDA portfolio which increased slightly from US$2.4 billion in FY96 to US$2.6 billion in FY97, settled back to US$2.4 billion on December 31, 1997. Disbursements continued to increase during FY97 and reached US$314 million at the end of the fiscal year, which was 8.2% higher than that during FY96. This trend is still continuing and as of March 14, 1998, it stood at US$218.5 million which leads to the expectation that the target of US$300 million set jointly by IDA and GOB for FY98, is likely to be achieved.

0.6 The increase in disbursements under investment loans during FY97 were mainly attributable to four out of the twenty-nine on-going projects. Disbursements under these four projects comprised more than 50% of total IDA disbursements in FY97 and more than 58% of IDA disbursements up to January 1998 in FY98. A common element in their satisfactory disbursement performance is strong borrower ownership and the fact that the project personnel in most of these projects were familiar with IDA guidelines for procurement and selection of consultants, as well as advance planning on various project aspects, particularly on procurement, prior to Board Presentation.

0.7 The improving trend in the key portfolio indicators such as project ratings, age of portfolio, number of problem projects and projects at risk, continued during FY97 and the first half of FY98 as evident from the Portfolio at a Glance. This is mainly due to the intensive supervision, prompt credit closing, cancellation of credit funds and some restructuring and rationalization. The portfolio has one problem project (Power Distribution Project) which is scheduled to close on June 30, 1998. Of the two projects at risk, one has improved substantially and will be upgraded to satisfactory after the current supervision mission ends, while the other is likely to be classified as a problem project.

Assessment of Progress on FY97 Action Plan and Proposed FY98 Action Plan

0.8 To implement the FY97 CPPR Action Plan agreed with GOB in December 1996, ERD issued a Circular on July 23, 1997. (Annex IV). The mere issuance of the Circular cannot be construed as compliance with the agreed Action Plan since the delayed issuance and lack of follow up resulted in very little impact on portfolio performance. Its actual and effective implementation still remains unsatisfactory. It is, therefore, recommended that ERD take a more active role in monitoring its implementation since many of the project preparation and implementation staff of various ministries and agencies are not even aware of the instructions in the Circular and hence are not following them properly.

0.9 An assessment of the actual status of implementation of the agreed FY97 CPPR Action Plan is shown in Matrix 3.1. From that matrix it appears that actual implementation is lagging far behind the agreements reached and leaves much to be desired.

0.10 This CPPR has focused on implementation. It has, therefore, assessed the institutional capacity required for improved portfolio performance and, in particular, for implementing the agreed CPPR Action Plan. This follows from the belief that increased institutional capacity is the key to enhanced client ownership and to a more results-oriented portfolio performance. It is also in line with the central theme of the current Country Assistance Strategy (CAS) which is to promote
institutional development. This involves improving the skill and knowledge base of the relevant officials through learning-by-doing, training, and simplification of processes. The resulting upgrade of their technical capability and its application would ensure effective contribution to project design, preparation, approval and implementation, especially in the long run. Such GOB participation will truly enhance ownership in all projects, a pre-requisite for improved portfolio performance. In line with this theme, the FY98 CPPR Action Plan includes several actions aimed at promoting institutional development.

0.11 To resolve the problems affecting portfolio performance, there is an acute need for expert advisory services in all aspects of the project preparation and implementation activities of the line ministries and agencies. This CPPR, therefore, recommends the provision of advisory services and training to relevant officials in the line ministries and agencies. The recommended actions were discussed and agreed with GOB in meetings held during April 20 and 21, 1998. The outcome of the meeting was the agreed FY98 CPPR Action Plan. The specific actions shown in Matrix 5.1, are grouped under three broad categories focusing on improvements in the capacity for project preparation, project supervision, and implementation monitoring and reporting.

0.12 To arrive at an effective institutional arrangement for the expert advisory services, this CPPR attached the discussion paper in Annex V on a proposed arrangement that IDA felt could be used for this purpose. The IDA-proposed institutional arrangement is modeled around the one being successfully used by the Ministry of Finance for implementing the Reforms in Budgeting and Expenditure Control (RIBEC). The CPPR meeting discussed the proposal and agreed that GOB would deliberate further on this issue and, upon reaching consensus, would inform IDA about the institutional arrangement that it finds the most appropriate. The arrangement would clearly specify: (i) where the experts, to be recruited, would be functionally located to provide the advisory services to the line ministries and agencies; (ii) which GOB agency would take the lead role and responsibility for ensuring the implementation of the agreed actions through the institutional mechanism agreed above; (iii) what would be the time-frame for the effective operationalization of the institutional mechanism; and (iv) how IDA could assist GOB in this partnership to help accomplish the above.

0.13 As indicated earlier, the issues affecting portfolio performance were discussed in depth at the CPPR meetings. Suggested actions to resolve them were also discussed and agreed upon. Some of these agreed actions are straightforward and their implementation would require little effort. The implementation of the other actions would require discussions within different ministries and agencies and would benefit from the assistance provided by the Development Partners. It was also agreed that GOB and selected Development Partners would meet every quarter to monitor the implementation of the Agreed Actions, at which time, changes in those actions may be made, if found necessary.

0.14 The future lending pipeline for Bangladesh could be higher provided the policy framework and portfolio management could be significantly improved. It is hoped that the effective implementation of the agreed FY98 CPPR Action Plan will significantly improve IDA portfolio performance which will move Bangladesh towards the higher IDA lending levels that are necessary to decrease the level of poverty in Bangladesh.
Chapter 1

INTRODUCTION

This chapter discusses the objectives, methodology of the CPPR FY98, and provides a preview of its contents.

1. Preamble

1.1 Since FY89, the Government and IDA have carried out regular portfolio performance reviews, including monthly meetings with BDO staff, mid-term project reviews and annual Country Portfolio Performance Review (CPPR) discussions. The most recent one was discussed during a two-day meeting in Dhaka in December 1996, attended by Senior Officials of the key development Ministries and IDA’s Departmental Management Team. Progress against the previous CPPR Action Plan was reviewed and the FY97 CPPR Action Plan was agreed and issued in February 1997.

1.2 The CPPR seeks to examine factors affecting project performance, from generic issues to project-specific factors. Although the Review is primarily a qualitative assessment of the portfolio, it also includes some quantifiable aspects, such as disbursement data, performance rating trends for projects under implementation, new projects in the pipeline, etc.

1.3 The improving trend in project implementation performance indicated in the last CPPR continued during FY97 so that the performance of the 29 IDA Credits in Bangladesh has been satisfactory. Disbursements continued to increase during FY97 and reached US$314 million at the end of the fiscal year, about 10% short of the projected target of US$350 million. This trend is still continuing and as of March 14, 1998, total IDA disbursements in FY98 stood at US$218.5 million. Similar is the case with classified projects. As of December 31, 1997, the IDA portfolio in Bangladesh had only one “problem” project and two projects “at risk”.

1.4 Despite these improvements, the IDA portfolio in Bangladesh still suffers from several generic problems which reduce the developmental impact on the ground. Most of these problems are responsible for the fact that 8 out of the 29 active IDA projects suffered from disbursement lags of 50% to 80% compared to the SAR estimate, as of December 31, 1997. If the disbursement lag of these projects could have been brought down to around 40%, disbursements would have increased by about US$50 million. Moreover, during FY97 the closure of two Adjustment Credits (PRMAC and JSAC) led to the cancellation of around US$260 million (10% of the total IDA portfolio) representing lost development flows for Bangladesh.

1.5 Portfolio implementation problems, resulting mainly from weak institutional capacity, are the prime reasons for Bangladesh to be still far behind in achieving the potential IDA allocation (indicative) of around US$1 billion a year. While many IDA countries exceed their indicative allocation, Bangladesh has historically achieved less than 40% (of its indicative allocation). It is for this reason that the CPPR exercise takes on special importance. The main goal of the CPPR exercise
is to discuss the problems in portfolio preparation and implementation with the objective of increasing IDA lending and disbursements so as to increase the rate of development and growth of the economy. Taking this into account, President Wolfensohn and Prime Minister Sheikh Hasina agreed in October 1997, to periodically review portfolio performance. This CPPR exercise helps in achieving the mutually desirable goal of increased development flow and more rapid growth of the economy to reduce poverty in Bangladesh.

Objectives:

1.6 The objectives of this CPPR are to:

- Assess the country portfolio performance as measured by key indicators.
- Discuss government procedures and policies which inhibit portfolio performance.
- Prepare an Action Plan to help resolve generic implementation issues.
- Renew commitment to the unfinished agenda of the FY97 CPPR and come up with a time-bound action plan for FY98.
- Focus on implementation of the agreed actions by assigning the responsibility to a lead GOB agency under an appropriate institutional mechanism.

Methodology:

1.7 The main sources of information have been GOB officials and agencies (MOE, IMED, ERD, MOF, PC), donor community (particularly the LCG on implementation headed by ADB), IDA Task Leaders, Team Leaders and project-related documents such as Project Review Sheets, supervision aide-memoires, together with the relevant documents focusing on the implementation of specific projects. Disbursement and procurement data were collected from the PDAT of BDO.

Report Preview:

1.8 Based on the above mentioned objectives, the CPPR covers the following main themes: (i) status and performance of the portfolio; (ii) progress on meeting the agreed targets of the last CPPR Action Plan; (iii) cross cutting implementation problems and generic issues; (iv) commitments for FY98; (v) FY98 lending and beyond; and (vi) FY98 Economic and Sector Work.

II. CPPR 98

Main Theme

1.9 This CPPR focused on implementation. It assessed the institutional capacity required for improved portfolio performance and in particular, for implementing the CPPR Action Plan. This follows from the belief that increased institutional capacity is the key to enhanced client ownership and to a more results-oriented portfolio performance. It is also in line with the central theme of the current Country Assistance Strategy (CAS) which is to promote institutional development. The FY98 CPPR Action Plan includes several actions aimed at promoting institutional development, which would be the primary vehicle for tackling the lingering problems affecting portfolio performance.

1.10 The FY98 CPPR Action Plan includes the provision of advisory services and training to agency and line ministry officials on project preparation, procurement and disbursement skills, through a pilot scheme, to strengthen GOB’s capacity to participate more effectively with IDA in
project preparation, supervision and monitoring. It was agreed that the monitoring of the CPPR Action Plans be carried out jointly by LRD, PC and IMED in partnership with IDA. Moreover, this CPPR proposes that a Technical Assistance (TA) project be processed quickly to provide technical assistance for improving project performance. The focus of the TA would be to implement the CPPR Action Plan backed up by training initiatives to enhance institutional capacity, which in future will facilitate increased client ownership. In the past, recommendations were made and actions agreed to, but implementation remained unsatisfactory.

1.11 This CPPR was discussed with GOB and some selected Development Partners during meetings held on April 20 and 21, 1998, and agreements were reached on the FY98 CPPR Action Plan. Some of these agreed actions are straightforward and easy to implement while others would require discussion within different ministries and agencies and would benefit from assistance provided by the Development Partners, particularly the Bank, UNDP and ADB. Keeping this in mind, this CPPR uses the word “would” rather than “will” in the Agreed Actions in Chapters 4 and 5 and in the matrices. It was also agreed that GOB and the selected Development Partners will meet every quarter to monitor the implementation of the Agreed Actions, at which time, changes in those actions may be made, if found necessary. For the effective implementation of the agreed Action Plan, it was decided that an appropriate institutional mechanism would be set up by GOB under the responsibility of a lead agency, to be identified by GOB within May 31, 1998 (Chapter 5).
Chapter 2

THE CURRENT PORTFOLIO, ITS IMPLEMENTATION STATUS AND PERFORMANCE

This chapter reviews the status of the portfolio, its age profile, speed and performance of disbursements. It also reviews the issues affecting the problem projects and projects at risk.

I. An Overview of the Current Portfolio

(a) The Portfolio under Implementation

2.1 As of June 30, 1997, the Bangladesh IDA portfolio consisted of 29 active projects, representing a total credit amount of US$2.63 billion (Table 2.1). Of this total, about US$1.36 billion representing almost 52% of the total credit amount remains undisbursed. The total IDA portfolio which increased slightly from US$2.4 billion in FY96 to US$2.6 billion in FY97, settled back to US$2.4 billion (excluding JSAC) on December 31, 1997. Disbursements during FY97 were higher by about 8.2% compared to FY96, mainly due to better project preparation, supervision and follow-up by IDA and GOB (para 2.7).

2.2 In line with the CAS objective, IDA maintained the same level of resources in the social sector during FY97, as is evident from Tables 2.1 and 2.2. The portfolio share in urban development increased from 4.5% in FY96 to 11.9% in FY97. On the other hand, the share of lending decreased in the energy (3.1%), agriculture, environment, water and fisheries (1.8%), transport (1.3%) and finance (1.3%) sectors.

Table 2.1: Summary of IDA Assisted Portfolio
As of June 30, 1997

<table>
<thead>
<tr>
<th>Ministries</th>
<th>Number of Projects*</th>
<th>IDA Credit</th>
<th>Disbursed</th>
<th>Percentage Unutilized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Finance**</td>
<td>5</td>
<td>558.6</td>
<td>188.7</td>
<td>66.2</td>
</tr>
<tr>
<td>Ministry of Water Resources</td>
<td>3</td>
<td>228.8</td>
<td>60.5</td>
<td>73.6</td>
</tr>
<tr>
<td>Ministry of Fisheries</td>
<td>1</td>
<td>44.6</td>
<td>15.3</td>
<td>65.7</td>
</tr>
<tr>
<td>Ministry of Agriculture</td>
<td>3</td>
<td>139.0</td>
<td>20.7</td>
<td>85.1</td>
</tr>
<tr>
<td>Ministry of Environment</td>
<td>1</td>
<td>49.6</td>
<td>27.5</td>
<td>44.6</td>
</tr>
<tr>
<td>Ministry of Energy</td>
<td>3</td>
<td>312.8</td>
<td>191.3</td>
<td>38.8</td>
</tr>
<tr>
<td>Ministry of Local Govt.</td>
<td>4</td>
<td>323.2</td>
<td>84.8</td>
<td>73.8</td>
</tr>
<tr>
<td>Ministry of Education</td>
<td>3</td>
<td>237.8</td>
<td>157.9</td>
<td>33.6</td>
</tr>
<tr>
<td>Ministry of Health</td>
<td>2</td>
<td>239.8</td>
<td>146.5</td>
<td>38.9</td>
</tr>
<tr>
<td>Ministry of Communication</td>
<td>3</td>
<td>448.8</td>
<td>363.4</td>
<td>19.0</td>
</tr>
<tr>
<td>Ministry of Shipping</td>
<td>1</td>
<td>45.0</td>
<td>11.1</td>
<td>75.3</td>
</tr>
<tr>
<td>Total</td>
<td>29</td>
<td>2628.0</td>
<td>1267.7</td>
<td>51.8</td>
</tr>
</tbody>
</table>

* Includes three closed but still disbursing projects.
** Includes JSAC, PSIC and TAVI under Ministry of Finance of which JSAC and PSIC were closed on June 30, 1997 and September 30, 1997 respectively.
Table 2.2: Sectorwise IDA Credit  
(June 30, 1997)

<table>
<thead>
<tr>
<th>Sectors</th>
<th>% of Total Credit during</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY93</td>
</tr>
<tr>
<td>Social Sector*</td>
<td>24.2</td>
</tr>
<tr>
<td>Urban Development</td>
<td>6.0</td>
</tr>
<tr>
<td>Agr. Env. Water &amp; Fisheries</td>
<td>22.0</td>
</tr>
<tr>
<td>Energy</td>
<td>23.1</td>
</tr>
<tr>
<td>Transport &amp; Shipping</td>
<td>8.7</td>
</tr>
<tr>
<td>Finance</td>
<td>16.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Social Sector comprising all the projects of Ministries of Edn & Health and also the Poverty Al. Micro Fin. proj.

2.3 Since FY96, the Bank has pursued a rigorous policy of adhering to project closing dates so that a realistic project lifespan is established and GOB's commitment to it is obtained at the start of the project. This, together with actions taken before credit approval and effectiveness, in a number of areas such as procurement and recruitment of PDs and consultants, is having a positive impact on the age of the IDA portfolio. An analysis of the age profile of projects during FY96-FY98 (Tables 2.3 and 2.4) shows that the number of projects in FY98 having implementation period beyond the normal average of 5 years, decreased from 14 to 11, which is 44% of the total portfolio, compared to 48% in FY97.

Table 2.3: Age Distribution of Portfolio

<table>
<thead>
<tr>
<th>FY96</th>
<th>FY97</th>
<th>FY98*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under Implementation</td>
<td>Under Implementation</td>
<td>Under Implementation</td>
</tr>
<tr>
<td><strong>Years</strong></td>
<td><strong>No.</strong></td>
<td><strong>%</strong></td>
</tr>
<tr>
<td>10</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>9</td>
<td>2</td>
<td>7</td>
</tr>
<tr>
<td>8</td>
<td>3</td>
<td>18</td>
</tr>
<tr>
<td>7</td>
<td>4</td>
<td>32</td>
</tr>
<tr>
<td>6</td>
<td>5</td>
<td>50</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td>14</td>
<td>50</td>
</tr>
<tr>
<td>5</td>
<td>2</td>
<td>57</td>
</tr>
<tr>
<td>4</td>
<td>3</td>
<td>68</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
<td>75</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
<td>86</td>
</tr>
<tr>
<td>1</td>
<td>6</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>28</strong></td>
<td>-</td>
</tr>
</tbody>
</table>

* Estimates as of end FY98 (June, 1998).  
** Excluding JSAC

2.4 To further improve the age profile, IDA will continue to adhere strictly to the policy of not extending the closing dates of the projects except for force majeure or to compensate for Bank-caused delays. This year two projects were closed and another four projects will be closed by July 1.
1998, in accordance with the original schedule. Only the TA-VI may be extended for selective components in order to avoid an adverse effect on ongoing project preparation work.

Table 2.4: Projects Closing in FY98

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Credit No.</th>
<th>Name of Projects</th>
<th>Age of Project in years</th>
<th>Original Closing Date</th>
<th># of Extensions</th>
<th>Target Closing Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1930 BD</td>
<td>Urban Development</td>
<td>10</td>
<td>June 30, 97</td>
<td>1</td>
<td>June 30, 1998</td>
</tr>
<tr>
<td>2</td>
<td>2016 BD</td>
<td>Power Dist. (16 Towns)</td>
<td>9</td>
<td>June 30, 95</td>
<td>3</td>
<td>June 30, 1998</td>
</tr>
<tr>
<td>3</td>
<td>2099 BD</td>
<td>BWDB System Rehab.</td>
<td>8</td>
<td>Dec. 31, 97</td>
<td>0</td>
<td>Dec. 31, 1997</td>
</tr>
<tr>
<td>4</td>
<td>2233 BD</td>
<td>Agric. Support Services</td>
<td>7</td>
<td>June 30, 98</td>
<td>0</td>
<td>June 30, 1998</td>
</tr>
<tr>
<td>5</td>
<td>2246 BD</td>
<td>Nat'l Minor Irrigation</td>
<td>7</td>
<td>Dec. 31, 97</td>
<td>0</td>
<td>Dec. 31, 1997</td>
</tr>
<tr>
<td>6</td>
<td>2259 BD</td>
<td>Population &amp; Health IV</td>
<td>7</td>
<td>Dec. 31, 97</td>
<td>1</td>
<td>June 30, 1998</td>
</tr>
<tr>
<td>7</td>
<td>2393 BD</td>
<td>Technical Assistance VI</td>
<td>6</td>
<td>June 30, 98</td>
<td>0</td>
<td>June 30, 1998</td>
</tr>
</tbody>
</table>

(c) Disbursements & Performance

2.5 Timely disbursement usually indicates that project implementation is proceeding according to the planned schedule. It is a good indicator of satisfactory procurement in a project. On the other hand, delays in disbursement can be attributed to unsatisfactory project design, poor government commitment to the project, weak institutional capacity, improper selection of the project directors, slow pace of implementation and, most importantly, considerable procurement problems. Lack of knowledge in processing disbursement requests, filing reimbursement claims and submitting replenishment requests for “special account” also affects disbursement performance. Finally, over-optimistic disbursement schedules established during project preparation can also be the cause for lags in actual disbursement. The action plans agreed during supervision aim to correct such mistakes.

Table 2.5: Overall Portfolio - and Disbursement Ratios (US$ million)

<table>
<thead>
<tr>
<th></th>
<th>FY93</th>
<th>FY94</th>
<th>FY95</th>
<th>FY96</th>
<th>FY97</th>
<th>FY98*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening Balance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustment Loans</td>
<td>265</td>
<td>260</td>
<td>362</td>
<td>280</td>
<td>262</td>
<td>-</td>
</tr>
<tr>
<td>Investment Loans</td>
<td>1507</td>
<td>1263</td>
<td>1300</td>
<td>1308</td>
<td>1140</td>
<td>949</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1772</td>
<td>1523</td>
<td>1662</td>
<td>1588</td>
<td>1402</td>
<td>949</td>
</tr>
<tr>
<td><strong>Disbursement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustment Loans</td>
<td>106</td>
<td>156</td>
<td>55</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment Loans</td>
<td>233</td>
<td>204</td>
<td>232</td>
<td>226</td>
<td>314</td>
<td>134</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>339</td>
<td>360</td>
<td>287</td>
<td>226</td>
<td>314</td>
<td>134</td>
</tr>
<tr>
<td><strong>% Utilization</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustment Loans</td>
<td>40.0</td>
<td>60.0</td>
<td>15.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment Loans</td>
<td>13.8</td>
<td>16.2</td>
<td>17.8</td>
<td>17.3</td>
<td>27.5</td>
<td>14.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19.1</td>
<td>23.6</td>
<td>17.3</td>
<td>14.2</td>
<td>22.4</td>
<td>14.1</td>
</tr>
</tbody>
</table>

*For the six month period ending Dec. 31, 1997, and including three closed but disbursing projects.

2.6 Assuming a five or six year implementation cycle, an overall disbursement ratio of 16% to 20% for investment operations may be considered satisfactory. Table 2.5 shows that the disbursement performance of investment loans is improving steadily. It jumped from 17.3% in FY96 to 27.5% in FY97. Disbursement has already reached 14.1% in the first six months of FY98. It is expected to exceed 30% by the end of FY98. Disbursements under adjustment loans ceased from
FY'96 and the entire opening balance of US$262 million in FY'97 (about 10% of the total IDA credit) was canceled during that year representing an equivalent loss in development flows to Bangladesh.

2.7 The significant increase in disbursements under investment loans during FY'97 can be attributed mainly to four out of the 29 on-going projects. Disbursement under these four projects, which are: Jamuna Bridge; River Bank Protection; Second Road Rehabilitation & Maintenance; and Fourth Population and Health; comprised more than 50% of total IDA disbursements in FY'97 and more than 58% of IDA disbursements up to January 1998 in FY'98. A common element in their satisfactory disbursement performance is the fact that the project personnel in most of these projects were familiar with IDA guidelines for procurement and selection of consultants, and had carried out advance planning on various project aspects, particularly on procurement, prior to Board Presentation. Because of the healthy disbursement under these four projects, total disbursements in FY'97 met 90% of the target agreed between IDA and GOB at the start of the year. Disbursement under a few other projects also improved mainly due to: (i) joint follow-up efforts by ERD and BDO through meetings with project/ministry personnel; (ii) IDA's decentralization of the procurement and disbursement function, i.e. creation of PDAT at BDO; (iii) better planning by Task Leaders in arriving at realistic disbursement targets after extensive discussion with project authorities and in assisting project personnel in carrying out advance procurement prior to negotiations; and (iv) more expeditious submission of disbursement claims by the project implementation agencies.

2.8 Since the improvement in the disbursement ratio is mainly due to higher disbursement under a limited number of projects, the development impact of the IDA portfolio is constrained due to the severe disbursement lag experienced by a large number of projects (para 2.9). To increase the disbursement ratio in all projects during FY'99, the recent steps taken by ERD in organizing inter-ministerial review meetings to discuss project implementation and disbursement issues should be intensified. Moreover, implementation of corrective actions identified during the ERD meetings and continuous follow-up by IDA project staff, particularly by PDAT, will be helpful in meeting the disbursement target of US$ 300 million set jointly by IDA and GOB for FY'98. Actual disbursements as of March 14, 1998, under current projects exceed US$ 200 million, which leads to the expectation that the target is likely to be achieved.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Project</th>
<th>Age of Projects (years)</th>
<th>Credit Amount US$</th>
<th>SAR disb. Est. (Dec'97)</th>
<th>Actual Disb. (Dec'98)</th>
<th>Disb. of Total Cr.</th>
<th>Slippage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Fourth Dhaka WASA - 2926</td>
<td>1</td>
<td>80.3</td>
<td>9.2</td>
<td>1.7</td>
<td>2.1</td>
<td>81.5</td>
</tr>
<tr>
<td>2</td>
<td>Agric. Res. Mgmt. - 2815</td>
<td>2</td>
<td>50.0</td>
<td>17.5</td>
<td>3.4</td>
<td>6.8</td>
<td>80.6</td>
</tr>
<tr>
<td>3</td>
<td>Integrated Nutrition Project - 2735</td>
<td>3</td>
<td>59.8</td>
<td>11.5</td>
<td>2.4</td>
<td>4.0</td>
<td>79.1</td>
</tr>
<tr>
<td>4</td>
<td>Coastal Embankment - 2783</td>
<td>3</td>
<td>53.0</td>
<td>41.0</td>
<td>10.9</td>
<td>20.6</td>
<td>73.4</td>
</tr>
<tr>
<td>5</td>
<td>Non-formal Education - 2822</td>
<td>2</td>
<td>10.5</td>
<td>2.5</td>
<td>1.0</td>
<td>9.5</td>
<td>60.0</td>
</tr>
<tr>
<td>6</td>
<td>Third Inland Water Trans. - 2232</td>
<td>7</td>
<td>45.0</td>
<td>36.0</td>
<td>14.4</td>
<td>32.0</td>
<td>60.0</td>
</tr>
<tr>
<td>7</td>
<td>National Minor Irrigation - 2246</td>
<td>7</td>
<td>54.0</td>
<td>4.9</td>
<td>2.1</td>
<td>3.9</td>
<td>57.1</td>
</tr>
<tr>
<td>8</td>
<td>Gas Infrastructure - 2720</td>
<td>3</td>
<td>120.8</td>
<td>85.1</td>
<td>39.7</td>
<td>32.9</td>
<td>53.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>433.40</strong></td>
<td><strong>207.7</strong></td>
<td><strong>55.6</strong></td>
<td><strong>17.1</strong></td>
<td><strong>62.0</strong></td>
</tr>
</tbody>
</table>
2.9 Poorly Disbursing Projects: Despite the improvement in the disbursement rate, at least eight projects out of the 29 on-going projects (about one-third), are experiencing severe disbursement lags (Table 2.6). These projects have disbursement slippages ranging from over 50% to more than 80%, compared to the appraisal disbursement targets. Bringing down the disbursement lag of these projects to around 40% could add another US$50 million to the disbursement figure for FY98. Strong GOB/IDA efforts will be needed in terms of close supervision and monitoring to improve implementation and disbursement performance of these projects. A Note on these poorly disbursing projects is provided in Annex I.

(d) Quality of the Portfolio

2.10 Project portfolio is assessed on the basis of whether individual projects are achieving their development objectives (the DO criterion) and whether implementation progress is satisfactory (the IP criterion). These indicators cover a broad range of factors including procurement, compliance with audit requirements and legal covenants, and overall project rating for a period of three years. Applying these criteria, as of December 31, 1997, only the Power Distribution project is rated as a “problem” project while two other projects, viz., the Forest Resources Management Project and the Agriculture Research Management Project are rated as projects “at risk” (Table 2.7).

Table 2.7: Disbursement Lags of Problem and Projects at Risk

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Project</th>
<th>Age of Projects (years)</th>
<th>Credit Amount (Dec'97)</th>
<th>SAR disb. Est. (Dec'97)</th>
<th>Actual Disb. (Dec'97)</th>
<th>Disb. of Total Cr. %</th>
<th>Slippage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Power Distribution - 2016</td>
<td>8</td>
<td>87.0</td>
<td>87.0</td>
<td>74.8</td>
<td>86.0</td>
<td>14.0</td>
</tr>
<tr>
<td>2</td>
<td>Forest Res. Mgmt. - 2397</td>
<td>5</td>
<td>49.6</td>
<td>40.5</td>
<td>30.2</td>
<td>60.9</td>
<td>25.4</td>
</tr>
<tr>
<td>3</td>
<td>Agric. Res. Mgmt. - 2815</td>
<td>2</td>
<td>50.0</td>
<td>17.5</td>
<td>3.4</td>
<td>6.8</td>
<td>80.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>186.6</strong></td>
<td><strong>145.00</strong></td>
<td><strong>108.4</strong></td>
<td><strong>58.1</strong></td>
<td><strong>25.2</strong></td>
</tr>
</tbody>
</table>

2.11 Using the foregoing criteria, the key portfolio indicators contained in Table 2.8 show an improvement in portfolio performance as of December 31, 1997. This improvement has not been costless for the country. During the year, around US$260 million (representing about 10% of the total IDA portfolio) was canceled due to the closure of the two adjustment credits, PRMAC and JSAC, causing a loss in development flows. Moreover, a number of poorly performing projects were closed, thereby reducing the total number of projects in the IDA portfolio. The implementation performance (IP) in FY98 of this reduced portfolio was found satisfactory, while the development objectives (DO) of only one project was found unsatisfactory, compared to two projects in FY97. What is more encouraging is the significant improvement in portfolio performance between FY96 and FY97 and the continual improvement shown between FY97 and FY98 (up to December 31, 1997). Nevertheless, resolute action is required by GOB and IDA for resolving implementation problems of the projects “at risk”. Implementation problems encountered by the above projects are highlighted in detail in Annex II & III.
Table 2.8: Key Portfolio Indicators

<table>
<thead>
<tr>
<th>No. of Projects in Portfolio</th>
<th>FY96</th>
<th>FY97</th>
<th>FY98*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supervision Outcome Indicators</strong></td>
<td>No. of Projects</td>
<td>% of Portfolio</td>
<td>No. of Projects</td>
</tr>
<tr>
<td>- Unsatisfactory DO</td>
<td>4</td>
<td>15</td>
<td>2</td>
</tr>
<tr>
<td>- DO</td>
<td>6</td>
<td>22</td>
<td>2</td>
</tr>
<tr>
<td>- Non-Compliance With Covenants</td>
<td>5</td>
<td>19</td>
<td>1</td>
</tr>
<tr>
<td>- Weak Project Management</td>
<td>3</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td>- Project with U rating for more than 3 years</td>
<td>3</td>
<td>11</td>
<td>2</td>
</tr>
</tbody>
</table>

* As of December 31, 1997

2.12 A comparison, in Table 2.9, of problem projects and projects at risk shows that the number of problem projects declined from four to one and projects at risk declined from four to two between FY96 and FY97. The continuing problem project, Power Distribution Project, is going to close on June 30, 1998. Of the two projects at risk in FY97, the Forest Resources Management Project has very recently improved its performance and the next bi-annual supervision update is expected to upgrade it to satisfactory, while the Agriculture Research Management Project is being rated as a problem project. Therefore, the “realism index” for Bangladesh will then reach 100%. If the actions recommended in this CPPR are implemented, Bangladesh would be able to sustain a portfolio with the least number of problem projects and projects at risk.

Table 2.9: Status of Problem and Projects at Risk in FY96 and FY97

<table>
<thead>
<tr>
<th>CPPR YR</th>
<th>Problem Project</th>
<th>Current Status</th>
<th>Project At Risk</th>
<th>Current Status</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. Integrated Nutrition Project</td>
<td>Implementation is now satisfactory</td>
<td>2. Urban Development Project</td>
<td>No more a project at risk</td>
</tr>
<tr>
<td></td>
<td>3. Power Distribution (16 Towns) Project</td>
<td>Continues to be unsatisfactory</td>
<td>3. Sixth Technical Assistance</td>
<td>No more a project at risk</td>
</tr>
<tr>
<td></td>
<td>4. BWDB Systems Rehabilitation Project</td>
<td>Closed on December 31, 1997</td>
<td>4. Third Water Inland Transport Project</td>
<td>No more a project at risk</td>
</tr>
<tr>
<td>FY97</td>
<td>1. Power Distribution (16 Towns) Project</td>
<td>Continues to be unsatisfactory</td>
<td>2. Agricultural Research Management Project</td>
<td>Project at risk</td>
</tr>
<tr>
<td></td>
<td>Project at risk</td>
<td>2. Forest Resource Management Project</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| | | | |
II. Summary Review of Problem Projects and Projects at Risk

2.13 The detailed review of problem projects and projects at risk, during the current and last CPPR, reveals that these projects suffer from ownership problems, weak management, lack of political commitment, unsatisfactory procurement progress and frequent rotation of the Project Directors. Thus, in the case of the Power Distribution Project, GOB and IDA struggled rather unsuccessfully to resolve their implementation problems while in the case of the Jute Sector Adjustment Credit the lack of GOB commitment was the main barrier towards successful implementation. During FY97, IDA and GOB agreed to take a more radical approach and embark upon a restructuring/cancellation program. Consequently, JSAC, the chronically non-performing project was closed on June 30, 1997. The number of problem projects decreased from four to one and projects at risk decreased from four to two in the current CPPR. A synopsis of the problem project and projects at risk is given in Table 2.10 below:

Table 2.10: Problem Projects and Projects at Risk: Summary of Issues

<table>
<thead>
<tr>
<th>Status of Project</th>
<th>Problem Project</th>
<th>Project at Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Project Name</strong></td>
<td><strong>Power Dist.</strong></td>
<td><strong>Forest Res Mgt</strong></td>
</tr>
<tr>
<td><strong>Key Project Data</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age of Project (years)</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>Prob. Proj. since (years)</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Ratings : DO- Development Objective</td>
<td>U</td>
<td>S</td>
</tr>
<tr>
<td>IP- Implementation Progress</td>
<td>S</td>
<td>S</td>
</tr>
<tr>
<td><strong>Type of Problem</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrower Commitment</td>
<td>Inadequate</td>
<td>Good</td>
</tr>
<tr>
<td>Project Management</td>
<td>Average</td>
<td>Good</td>
</tr>
<tr>
<td>Competence of Project Director</td>
<td>U*</td>
<td>S</td>
</tr>
<tr>
<td>Duration of Project Director</td>
<td>U**</td>
<td>S</td>
</tr>
<tr>
<td>Procurement Progress</td>
<td>U</td>
<td>S</td>
</tr>
<tr>
<td>Project Restructuring Completion</td>
<td>N/A</td>
<td>Completed</td>
</tr>
<tr>
<td>Date of Restructuring</td>
<td>September, 1997</td>
<td>July, 1996</td>
</tr>
</tbody>
</table>

* U = Unsatisfactory  S = Satisfactory
* U = Unsuccessful  S = Successful
* A new Project Coordinator (PC) has been appointed and has been in office for only 3 months

a) Summary Situation of Problem Project

Power Distribution (16 Towns) Project (Cr.2016-BD)

2.14 This nine year old project was downgraded to “problem project” status in 1991. Ever since, progress towards meeting the development objectives has remained unsatisfactory. The poor performance is attributed to the lack of continuous improvement in the key performance indicators. It is particularly disappointing to note that collections of BPDB dropped to 81% from 87% in the first half of 1997. Moreover, BPDB has a very high accounts receivable, a large portion of which is from GOB, autonomous bodies, DESA and private large consumers. A one-year extension of the closing date was granted for the third time on an exception basis to enable procurement of distribution materials for the cyclone damaged towns and for facilitation of disbursements for some project components like Kaptai rehabilitation.
2.15 In view of the upcoming closing date, which is June 30, 1998, the main concerns are: (i) completion of remaining disbursement of Kaptai rehabilitation and material for system loss reduction; (ii) resolution of accounting differences with DESA; and (iii) completion of supply and disbursement of material for cyclone damaged network.

As of December 31, 1997, USS 16.3 million remains undisbursed. If vigorous action is taken by BPDB the amount to be canceled could be reduced to only about US $2.0 million by June 30, 1998, when it will be closed (details provided in Annex II.)

b) Summary Situation of Projects “At Risk”

Forest Resources Management Project (Cr.2397-BD)

2.16 The project has been operational for five years out of a total of eight. After initial disbursement delays due to slow start-up, the pace of implementation accelerated in recent months. Disbursement has picked up to 78% of the original SAR estimate in February 1998. However, in order to achieve project objectives more effectively, certain primary issues need to be addressed. The actions that need to be expedited are: (i) expediting the recruitment process of vacant cadre positions; (ii) mobilizing the pilot initiative on location specific, annual programming, budgeting, cost accounts and monitoring system; and (iii) completion of NGO recruitment for the Participatory Forestry Development Component. Follow up action by ERD and the line ministry is needed. Recently, with the amendments to the DCA, all the legal covenants have been complied with and given the strong disbursement performance this project is expected to be upgraded to satisfactory after completion of the current mission’s work.

Overall, the project is coming back on course but continued special efforts to ensure improved performance are still needed (details provided in Annex III.)

Agricultural Research Management Project (Cr.2815-BD)

2.17 This project has been under implementation for two years out of a total of five. The project aims at increasing the efficiency and relevance of the national agricultural research system through: (a) improving research organization and management; and (b) improving research resource allocation. Project implementation has been set back significantly due to initial delays in procurement and delays with concluding contracts for training services, technical assistance, and contract research which has resulted in disbursements being behind schedule (10% compared to an appraisal estimate of 20%).

2.18 Because of the poor implementation performance, the main areas in which actions have to be completed are: (i) compliance with legal covenants; (ii) hiring of research management expert to assist the Agricultural Research Institute (ARIs) in setting research priorities; and (iii) to advise on further restructuring of the NARS. A general framework for restructuring and re-evaluation is under discussion. It is expected that prospects for improved implementation will increase with the re-focused approach.

The project continues to face difficulties and will be rated as a problem project (details provided in Annex III.)
Chapter 3

ASSESSMENT OF PROGRESS ON FY97 CPPR ACTION PLAN

This chapter assesses the progress made on the FY97 agreed Action Plan

I. Overview

3.1 The FY97 CPPR recommended an Action Plan for implementation to improve portfolio performance. That Action Plan was agreed with GOB during the final CPPR discussions in December 1996. No substantive action was taken to implement the agreed Action Plan for the next six months, except for the issuance of a Circular by ERD on July 23, 1997 (copy in Annex IV), explaining the simplified process under the agreed actions and instructing all the Ministries, Divisions and implementing Agencies to follow the new processes with immediate effect. The mere issuance of the Circular cannot be construed as compliance with the agreed Action Plan since the delayed issuance and lack of follow up resulted in very little impact on portfolio performance. Its actual and effective implementation still remains unsatisfactory. It is therefore, recommended that ERD take a more active role in monitoring its implementation since many of the project preparation and implementation staff of various ministries and agencies are not even aware of the Circular and hence have not taken any corrective actions. To assist ERD in the implementation of the Circular, the Task Leaders of the various IDA projects will be provided copies of that Circular so that they can assist the relevant ministries and agencies in following the instructions contained therein. Such a concerted effort by GOB and IDA could lead to better project performance in the future. However, a much more focused approach with specific responsibility for ensuring implementation will be needed to make a more meaningful contribution to improving portfolio performance.

3.2 The actual implementation of the FY97 Agreed Action Plan is lagging behind and leaves much to be desired. Greater impact on portfolio performance would be achieved if ERD could ensure wider compliance of its Circular and the implementation of the non-complied actions. The areas where much more needs to be done are in: streamlining GOB approval process through the adoption of the new DPP format and procedures; simplifying the approval process for PHRD grants; avoiding the frequent rotation of PDs and key project personnel; increasing the financial and administrative authorities of PDs; effective implementation reporting; and institutionalizing CPPR monitoring. This CPPR has reviewed these problems and recommends additional actions in Chapters 4 and 5 for resolving these issues.

3.3 The following matrix provides a brief review of the current assessments in the three main areas identified in the FY97 CPPR, viz., Quality at Entry, Quality of Implementation and Portfolio Monitoring Arrangements.
II Matrix 3.1: Status of Compliance of Agreed FY97 CPPR Action Plan

### A. QUALITY AT ENTRY

<table>
<thead>
<tr>
<th>Issues</th>
<th>Required Actions</th>
<th>Status of Compliance</th>
</tr>
</thead>
</table>
| 1. Creating Ownership | a) Develop and agree on suitable project preparation arrangements with full GOB involvement e.g. setting up Project Preparation Committee including, where applicable, stakeholders.  
  b) Prepare Project Preparation Plan and monitorable targets at identification.  
  c) Ensure stakeholder participation at project design stage and agree explicitly on form and extent of participation. | a) **Partially Implemented**: ERD issued a circular on July 23, 1997 with guidelines for creating an Inter-Ministerial Project Preparation Committee to increase ownership of projects which is yet to be fully implemented by all the concerned ministries and executing agencies. While the sponsoring Ministry and the executing agency formally participate in project preparation, it is difficult, in many cases, to ensure the involvement of other ministries. Formation of the Project Preparation Committee with participation of stakeholders as per the ERD circular (Annex IV), is a right step in creating ownership, and should be mandatory for all IDA projects.  
  b) **Implemented**: Project Preparation Plan is prepared and monitorable targets are set in a consultative manner and is reflected in the IDA’s PAD and GOB’s PP.  
  c) **Partially Implemented**: PCP/PP contains mechanism for beneficiary participation. Stakeholder participation as agreed and reflected in PAD has been successfully followed in some projects, such as, Second Rural Roads & Markets Project, and HAPPS but not in all projects. It should be followed in all cases where participation is feasible. |
<p>| 2. Streamlining PP and PCP Processing | a) Revise existing PCP/PP format to develop simplified version. Draft to be shared with IDA. | a) <strong>Not Implemented</strong>: PCP/PP formats are to be replaced by a comprehensive format and renamed as Development Project Proposal (DPP) which is awaiting approval. The proposed DPP and the simplified processing system should be shared with the Bank, and put in use from the beginning of the new fiscal year. (para 4.5-6). |</p>
<table>
<thead>
<tr>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td><strong>3. Streamlining PHRD Grants approval and execution procedures.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>a)</strong> Simplify approval process for PHRD Grants.</td>
<td><strong>a)</strong> Not Implemented: Guidelines for approval of PHRD Grants have been issued in the ERD Circular of July 23, 1997, but this is not helping to expedite approval. The existing TAPP format and the same approval process is followed for PHRD grants also. Planning Commission was requested to simplify TAPP approval procedure. The revision is yet to take place. Revision of TAPP approval process including increased financial authority to the Ministries needs to be done (para 4.11-12).</td>
<td></td>
</tr>
<tr>
<td><strong>b)</strong> Initial PHRD request letter prepared in consultation with GOB.</td>
<td><strong>b)</strong> Generally Implemented.</td>
<td></td>
</tr>
<tr>
<td><strong>c)</strong> Agree to share TOR and consultant shortlist with GOB.</td>
<td><strong>c)</strong> Implemented with some exceptions. IDA should strictly adhere to this on a continuous basis.</td>
<td></td>
</tr>
<tr>
<td><strong>b)</strong> Draft PP to be prepared and shared with IDA before project appraisal.</td>
<td><strong>b)</strong> Implemented. Draft PP is finalized in line with the PAD and shared with IDA before submission to the Planning Commission.</td>
<td></td>
</tr>
<tr>
<td><strong>c)</strong> Delegate more power to line ministries for project approval.</td>
<td><strong>c)</strong> Not Implemented.</td>
<td></td>
</tr>
<tr>
<td><strong>d)</strong> Monitor and track approval process and report to ECNEC to ensure observance of deadline for approval of PCP/PP.</td>
<td><strong>d)</strong> Not Implemented: IMED’s responsibility for monitoring projects starts with the inclusion of projects in the ADP. The concerned ministry and ERD should monitor and track approval process of PCP/PP or the DPP prior to inclusion in the ADP. This pending action should be implemented by July 1, 1998.</td>
<td></td>
</tr>
<tr>
<td>B. QUALITY OF IMPLEMENTATION</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Decentralizing Procurement and Disbursement by the Bank</td>
<td>a) Fully establish PDAT and equip it for handling project procurement.</td>
<td>a) PDAT established in January 1997. and project procurement decisions by IDA being expedited to ensure quick response for timely procurement.</td>
</tr>
<tr>
<td>5. Reducing procurement and disbursement delays.</td>
<td>a) Prepare quarterly reports on procurement status and place before Council Committee on Purchases.</td>
<td>a) <strong>Partially Implemented:</strong> Preparation of quarterly progress report covering number of procurement cases, time required in different stages of processing and issuing work orders, problems encountered etc. has been initiated by IMED and the report for the quarter ended December 31, 1997, is under preparation for submission to the Council Committee on Purchases by the end of February 1998.</td>
</tr>
<tr>
<td></td>
<td>b) Increase financial and administrative authorities of PDs.</td>
<td>b) <strong>Not Implemented:</strong> Planning Commission and IMED should initiate action immediately.</td>
</tr>
<tr>
<td></td>
<td>c) PDAT and IMED to develop appropriate procurement training plan for GOB staff.</td>
<td>c) <strong>Partially Implemented:</strong> Six courses of six days duration each were organized in 1997 and 167 officials (Project Directors/project officials/other officials) concerned with procurement planning and management were trained in 1997. But the inappropriate selection of candidates and frequent rotation of staff diluted the positive impact on project implementation.</td>
</tr>
<tr>
<td></td>
<td>d) Review constraints in decision making relating to procurement processing, including increase in financial thresholds.</td>
<td>d) <strong>Not Implemented:</strong> The Council Committee on Purchases was expected to review the procurement status report to be submitted by IMED by the end of February 1998, and take appropriate decisions to resolve problems encountered in procurement. The Parliamentary Committee on Estimates could carry out ex-post evaluation.</td>
</tr>
<tr>
<td>6. Resolving disbursement and audit issues.</td>
<td>a) Eliminate the requirement for obtaining expenditure authorization once budget provision is made in ADP for approved projects (except SA and CONTASA where relevant procedures would apply). b) Appoint external auditors where permitted by legal agreement. c) Periodically monitor timely completion of audits.</td>
<td>a) <strong>Implemented:</strong> ERD’s July 1997 Circular clearly stipulates that, for approved projects, Ministries are authorized to release funds up to 3rd quarter without reference to the Finance Division. Concurrence of the Finance Division is required only for release of funds for the 4th quarter in order to match release of funds under the revised ADP allocation. b) <strong>Not Implemented:</strong> Theoretically no problem is anticipated in appointing external auditors where permitted by legal agreement. In reality however, appointment of external auditors is delayed for procedural reasons. Advance recruitment planning, including shortlisting of external auditors/audit firms, preparation of TOR and cost estimates, before negotiation/Board presentation would have to be pursued to improve the situation. c) <strong>Not Implemented:</strong> Timely completion of audit is not closely monitored by C&amp;AG. A move is required to improve audit standards through introduction of performance oriented audit and gradual introduction of performance budgeting system. PDAT is assisting C&amp;AG to institute a system to monitor compliance.</td>
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<tr>
<td>7. Strengthening implementation monitoring</td>
<td>a) Prepare and adopt standard guidelines for project supervision.</td>
<td>a) <strong>Partially Implemented:</strong> A new project monitoring/inspection format devised by IMED in consultation with Ministries and PDs was introduced in July 1997. IMED should ensure strict adherence to the format to improve implementation monitoring.</td>
</tr>
</tbody>
</table>
b) **Prepare comprehensive quarterly reports on project implementation status for discussion and decisions.**

The progress report for FY96 implementation status was prepared by IMED and submitted to the ECNEC for discussions and decisions. The report contained financial and physical progress of different projects during the financial year and highlighted the problems encountered in project implementation with remedial measures. However, no feedback has been received by IMED on that report. It is currently preparing the report for the quarter ended December 31, 1997.

c) **Set-up inter-ministerial committee to assess MIS requirement in the key spending ministries.**

**Not Implemented:** Implementation status of 16 key spending Ministries and 47 top priority projects is closely monitored by IMED. No inter-ministerial committee to assess MIS requirements has been set-up as yet. The Committee should be set up without further delay.


<table>
<thead>
<tr>
<th>a) Institutionalize CPPR monitoring in BDO and GOB.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Partially Implemented:</strong> Focal points have been identified in ERD and BDO to monitor the CPPR Action Plans. Ad-hoc meetings have been held between ERD, line ministries and IDA. A more formal mechanism needs to be established to monitor the CPPR action plan. GOB and IDA should formally review progress of agreed CPPR action plan on a quarterly basis. Key agencies like the PC and IMED together with the concerned ministry, should be present in the quarterly meetings.</td>
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<thead>
<tr>
<th>b) Arrange quarterly meetings between IDA /GOB and monitor progress.</th>
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<tbody>
<tr>
<td><strong>Partially Implemented:</strong> Quarterly meetings are not held regularly. Only one meeting was held and some actions were agreed. Implementation of the agreed actions has not been followed up rigorously.</td>
</tr>
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</table>
Chapter 4

KEY GENERIC ISSUES AFFECTING IMPLEMENTATION

This chapter discusses some key generic issues which have adversely affected portfolio performance over the past few years. Some of these issues like procurement, disbursement, PCP/PP and TAPP processing delays, were identified and discussed during the last CPPR, and corrective actions are to be undertaken. Given the potential benefits in resolving these issues, this CPPR recommends that the corrective actions agreed with GOB last year should be fully implemented. Along with those issues, some new actions relating to recruitment of PDs, land acquisition and resettlement, improvement of accounting and auditing of projects, and more importantly, specific measures aimed at institution building have been identified in this CPPR. Technical Assistance is proposed to provide assistance for effective implementation of the agreed actions.

4.1 As indicated in the last CPPR, the inability of the ministries, agencies and Project Directors to resolve systemic problems remains a stumbling block toward better performance of Bangladesh’s project portfolio. These cross-cutting generic issues, many identified in the last CPPR, undermine the implementation performance at large. While limited actions have been taken to resolve some of these generic issues, the full and effective implementation of the recommended actions are expected to have a substantial positive impact on the current and future portfolio performance. The actions agreed in the FY97 CPPR to resolve the generic issues should be strictly enforced wherever appropriate. In cases where new procedures have evolved (such as the DPP), those should be implemented under the FY98 Action Plan.

4.2 To resolve the lingering generic issues, special efforts have to be made to strengthen the institutional capacity of the implementing agencies involved with project implementation. This would mean improving the skill and knowledge base of the relevant officials through learning-by-doing, training, and simplifying processes. The resulting upgradation of their technical capability and application would ensure effective contribution to project design, preparation, approval and implementation, especially in the long run. Such GOB participation will truly enhance ownership in all projects, which is a pre-requisite for improved portfolio performance. In line with this theme, this CPPR recommends several actions aimed at promoting institutional development – the main theme of the current CAS. The actions agreed at the CPPR meeting for resolving the cross-cutting generic issues discussed below are noted against each. GOB also agreed to inform the Bank regarding the lead agency which will take responsibility for implementing the agreed actions and the institutional mechanism it would put in place to assist the lead agency. TA has been suggested to finance the implementation of the agreed actions.

(a) Approving and implementing the DPP for streamlining GOB’s approval process.
(b) Strengthening GOB’s procurement and disbursement capabilities.
(c) Resolving specific disbursement issues.
(d) Strengthening the C&AG for better financial management.
(e) Implementing LACI for better financial management.
(f) Initiating joint supervision of IDA projects.
(g) Continuity of Project Directors for enhancing government ownership.
(h) Streamlining PHRD grant fund approvals.
(i) Strengthening the monitoring cell at IMED to improve implementation monitoring.
(j) Streamlining preparation of Resettlement Action Plans.

(a) **Approving and Implementing the DPP for Streamlining GOB’s Approval Process**

4.3 A two-stage approval process, comprising the Project Concept Paper (PCP) and the Project Proforma (PP), is followed by GOB for foreign-aided and locally financed projects. Their impact on IDA’s portfolio is felt at the initial processing and approval of projects, and during implementation. The rigid nature of the PCP/PP documentation prevents the flexibility which is needed to cope with emerging needs relating to change in scope and restructuring of project in response to changed development priorities. The approval process is just one impediment. Deviations from and variations in the approved format also create problems. The PP continues to exert a negative influence on the ADP budget formulation which zealously follows the “fixed expenditure” plans contained in the approved PP. The only way that implementation needs could be met is through the revision of the PP, the processing and approval of which involves delays sometimes exceeding even a year. To resolve these problems, a Task Force was appointed by GOB which prepared a package of recommendations in its report called “Revised Approval Procedure for Development Projects”. The package included the draft of a new Development Project Proposal (DPP) format, which combines the PCP and PP documents. *The proposal is awaiting GOB approval.*

**Box 4.1: Strong Political Commitment Ensures Project Success**

1. The Jamuna Bridge will be the 11th longest bridge in the world that will span, for the first time, the world’s 5th largest river. This 4.8 kilometer multipurpose bridge, with its network of roads, highways, railway as well as power and gas supply grids, will integrate the economy, commerce and communication of Bangladesh and her population of 120 million, more than perhaps any other physical investment has ever done before.

   Funded by the GOB, IDA, ADB, and the Japanese Overseas Economic Cooperation Fund, the preparation and execution of the US$ 700 million megaproject covers both *physical works* - bridge design & construction, river training, & land reclamation, construction of approach roads, and *resettlement* of project affected people (over 15,000 households).

   Building the bridge demonstrates what can be achieved through close alignment of client ownership, political commitment, public support, stakeholder and NGO participation, foreign donor partnership and government institutional strengths. Having approved and signed the Project in February, 1994, it got effective in Oct, 1994. The physical construction commenced from Oct, 1994 and is expected to be completed in time. GOB funds are released in time and as required. It only had a modest 6% increase in the total project cost from US$ 696 million to US$ 740 million. This exemplary endeavor clearly shows the importance of borrowers commitment to ensure successful project implementation. All IDA projects should be treated with the same priority as this project to ensure successful portfolio performance.

2. On the other hand, weak borrower commitment manifests itself in many ways affecting a project adversely. At the beginning, it leads to delays in project approval. The National Minor Irrigation Project took as many as 234 days from the submission of the PP to its final approval.
4.4 Key Issues:

- The PCP/PP is overly detailed, fairly complex, has a complicated format and requires inordinate time to process.
- Capacity of the Planning Cells in some ministries is severely limited thus limiting their ability to prepare proper PCP/PP.
- Approval authority for PCP/PP is centralized at the Planning Commission and prescribed deadlines for the various steps are not observed leading to substantial delays.
- The draft DPP format should be reviewed carefully to see if it resolves the problems encountered with the existing PCP and PP.

Agreed Actions:

- The Planning Commission would re-examine the issue whether the existing PPs and PCPs with simplified format could remain instead of moving to a new draft DPP format. PC would also review the approval powers of line ministries and make necessary amendments/modifications. A joint meeting between GOB, WB and ADB would then be held by May 31, 1998, to discuss the findings and finalize the recommendations for implementation from July 1, 1998.
- A training program would be organized by GOB for the concerned staff in the line ministries and the PC to implement the new format and process for project preparation and approval. This activity could be financed under the proposed TA.

(b) Strengthening Procurement and Disbursement Capabilities

4.5 Delays in procurement continue to plague implementation of projects. Analysis of 70 procurement cases in 1995-96 shows that the time required from invitation of bid to signing of contract/LC opening varied from 6 months to about 23 months while in a recent analysis of 13 cases it was 4 months to 18 months. The FY97 CPPR Action Plan made several specific recommendations on expediting procurement processing. To augment the ongoing measures, this CPPR recommends the recruitment of a group of experts on procurement and disbursement whose prime responsibility would be to assist and train up project staff in line ministries and agencies so that they can carry out the procurement and disbursement function within the deadlines set in the project. This will facilitate implementation, as project staff will not have to come to donors all the time for assistance. Moreover, projects with large civil works components should utilize IDA's procurement methods to move projects to a greater state of readiness. Since the procurement and disbursement activities are interrelated and face similar problems, the recommendations that follow apply to both activities.

Box 4.2: A Few typical cases of delay in Procurement

- Agriculture Support Services Project (Cr. 2233-BD) - In the procurement process of this project the implementing agency took 116 days from the date of receiving the draft bid documents to submitting bid evaluation / recommendations to IDA. By that time the original bid validity had already expired. IDA gave no objection to award the contract within 7 days and it was awarded after delay of another 12 days. The winning bidder declined to sign the contract on the plea that bid validity had expired. IDA issued no objection to the second lowest bidder within ten days. Then the agency did not award the contract due to a change of beneficiary which it communicated to IDA with clarification after about 4 months. IDA took three days to concur. In all 308 days elapsed and the contract is yet to be awarded while the original bid validity was 90 days only.
- For the Fourth Population and Health Project (FPHP), the procuring agency took 505 days in finalizing the contract for ultrasonography machine and 749 days for an anesthesia machine.
4.6 **Key Issues:**

- Procurement and disbursement problems constitute 80% of implementation delays and the line ministries and agencies are heavily dependent on donors for assistance in resolving the problems affecting these two functions.
- Project staff at line ministries are ill-versed with procurement guidelines and procedures resulting in ill-prepared bid documents and poor quality of bid evaluation.
- Selection of staff for procurement and disbursement training, need specific criteria to ensure effective training and the rapid turnover of trained staff is also a serious problem.
- Weak procurement planning and inadequate monitoring and follow-up actions by ministries/agencies.

**Agreed Actions:**

- The concerned officials of the line ministries dealing with procurement and disbursement would be trained to strengthen institutional capacity. This training could be financed under the proposed TA.
- APD, IMED and PATC would strengthen their training courses and continue to provide basic training on procurement skills to all GOB officials.
- Greater use of IDA’s advance procurement methods would be made for almost all civil works components of projects.

(c) **Resolving Specific Disbursement Issues**

4.7 While the less than satisfactory disbursement rate for many projects in the Bangladesh portfolio can be attributed in part to procurement related problems, a significant cause is the faulty disbursement mechanisms and discrepancy in allocation of local currency funds between the PP and the ADP. These issues are discussed below along with some remedial measures.

**Box 4.3: Discrepancy in Local Currency Allocation**

1. As per PP provision, Fourth Dhaka Water Supply Project (IDA Credit 2926-BD) was to be allocated Tk. 598 million (of which CDVAT Tk. 524.1 million) in local currency in 1997-98. However, the local currency allocation in the ADP for FY98 is only Tk. 300 million (Tk. 217.5 million as CDVAT). This reflects a shortfall of Tk. 298 million in local currency allocation.

4.8 **Key Issues:**

- Between the period of project approval and credit effectiveness, the project funds cannot be disbursed which seriously delays project implementation. To facilitate project implementation the creation of a Central Revolving fund was proposed to meet the project expenditure during this period. The revolving fund could be reimbursed as soon as a credit is declared effective. At the CPPR meeting the Finance Ministry suggested a quicker method which involved the sponsoring ministry in making a provision in the PP to spend GOB funds for IDA-reimbursable costs till reimbursement is obtained from Credit funds after Effectiveness.
A critical disbursement bottleneck is the requirement for the implementing agency to obtain "administrative approval" for most expenditures even though they may already be in the approved PP and ADP. Moreover, no expenditure can be incurred from the SA without MOF authorization. Since the ADP allocation is already approved by MOF and the PC, it is quite unnecessary to seek further clearance which delays the disbursement process by 2-3 months.

At the Credit Effectiveness stage the GOB is required to open a SA with an assigned bank. The implementing agency needs to designate the official/officials authorized to sign withdrawal applications and submit their specimen signatures to IDA through ERD. In most cases, delays are experienced in meeting these conditions since multi-ministerial/agency approvals are required.

According to the provision of the Credit/Grant Agreement, IDA is required to start recovering the initial deposit in SA six months before the Credit Closing Date. In most cases, the bunching of activities during the last year of the project poses special problems for the SA drawdown since it is limited to about 3-4 months of estimated average expenditure.

Disbursements are delayed due to untimely release of GOB's counterpart funds. Whereas most of the donor funded projects have a provision for a Special Account to make the donor funds easily available, no such provision exists in respect of the GOB counterpart funds.

Due to unnecessary procedural delays in the Bangladesh Bank, often a local currency payment from the US Dollar Special Account takes more than a month, if the beneficiary's account is outside the Dhaka metropolitan area. This is also true for opening of Letters of Credit under Special Account. Therefore, the overall objective of making the Special Account funds available to PDs for effecting quick payments, when due, is defeated.

Agreed Actions:

- The idea of a relatively small revolving fund (US$5 million) created by GOB to meet the financial expenses of IDA projects between Board approval and Credit effectiveness was not found feasible. It was agreed therefore, that the sponsoring ministry would make a provision in the PP to spend GOB funds for IDA-reimbursable costs till reimbursement is obtained from Credit funds after Effectiveness. ERD would inform all concerned by June 30, 1998, about this new procedure.
- To avoid the problem of seeking "administrative approval" for each expenditure, all implementing agencies would write to their ministries for one Administrative Order for all the expenditures of the project approved in the ADP. This would be supported by an annual procurement-work plan based on PP provisions, so that the implementation can also be monitored by the concerned ministries when reviewing future ADP allocations. If the procurement plan changes, the Administrative Order can be amended accordingly. The Ministry of Finance would issue a Circular by June 30, 1998, informing all agencies/ministries about this new procedure.
- Prior to project start up, the Ministry would issue instructions to all the concerned implementation agencies to submit specimen signatures for clearance.
- For all ongoing projects, the implementing ministry would carefully review, at the beginning of the FY, the investment plan to avoid bunching of expenditures in the last project year and in case such bunching is unavoidable it would arrange funds to pre-finance the expenditure from its own resources, which will be reimbursed by IDA.
- To eliminate time lags for quick payments to the beneficiaries through the Special Accounts, the Ministry of Finance would discuss with the C&AG and BB about opening Special Accounts in US Dollars with designated commercial banks on a case by case basis.
- The proposed TA would be used to assist in the implementation of the above mentioned issues and for any other issues affecting disbursements.
4.9 Financial management refers to proper accounting, financial reporting and timely submission of audit reports of the projects financed by the Bank. As in the past, weak institutional capacity in accounting and auditing continues to persist in the implementing agencies. Out of 90 audits, about 24 reports were received beyond the due date. This recurring non-compliance has caused the Bank to insist on the following requirements: (a) submission of audit reports within 6 months (down from 9 months) of the end of the borrower’s fiscal year for all new projects; and (b) invoking the Bank’s recourse to suspend all disbursements due to lack of audits. To enhance the C & AG’s audit capacity, IDA and UNDP has recently provided technical assistance for an Audit Manual to be developed to improve method and quality of audit. This Manual is still at the implementation stage. This has delayed audit compliance. Accountability in financial reporting/auditing is also poor. When audit exceptions are pointed out by the auditors they are not acted upon for long periods. In FY97, of the 98 qualified audit observations on the IDA portfolio only 10 were settled. The C&AG is responsible for compiling unsettled qualified audit observations for the Public Accounts Committee (PAC) of the Parliament. The hearing process of PAC involves more than 20 steps and it is not effective in settling qualified audit observations. At present, PAC has a backlog of more than 12 years to complete hearing of the unsettled qualified audit observations and is currently reviewing the 1986 audit reports. This delay effectively renders the exercise futile.

Box 4.4: Delays in Settling Audit Observations

Audit reports on the Fourth Population and Health Project (FPHP) are received (like for almost all other aided projects) from the office of the Director General (DG) of Audit, Foreign Aided Projects. These are then reviewed by the PDAT Team and PHN Team at BDO to identify the audit observations and concerns, and the results are shared with the Ministry of Health and Family Welfare (MOHFW) as well as the DG-Audit for early resolution. The MOHFW then holds meetings with concerned Project Directors and representatives of DG-Audit to work out the necessary steps for addressing the observations. In spite of the above existing mechanism, the observation are usually addressed at a very slow pace. In the case of FPHP, out of 64 observations identified for first three years (FY92-93, FY93-94, FY94-95), only 38 were settled as of December, 1997. In FY96, 74 qualified audit observations were identified in the FPHP and the Integrated Nutrition Project of which one issue of integrated Nutrition Project was resolved. In view of the importance of addressing past audit observations, particularly in the context of renewed emphasis by IDA on financial management and accountability, there is an urgent need to revisit the mechanism for addressing audit objections and establishing a tracking system.

4.10 Key Issues:

- Audit of a project or of project components depends on timely completion of the accounts for the financial year. Experience has shown that the accounts are not ready even 4-6 months after the closure of the fiscal year and as a consequence the audit is delayed. The quality of audit is often poor. This is mainly due to weak institutional capacity and the absence of properly trained accounting personnel. In the past limited attention was paid at the design stage, to the accounting capacity of the implementing agencies.
- The Comptroller and Auditor General (C&AG) is responsible for ensuring timely audits of the foreign aided projects. Some auditors and the senior officers who were trained to use the Audit
Manual have been transferred from the Directorate of Audit, Foreign Aided Project under C&AG to specific projects. Recognizing the extent of the problems, the IDA and GOB have recommended the appointment of private auditors.

- Audit observations are not resolved in a timely manner as there has been no systematic follow-up on these observations with the implementing agencies by C&AG because of lack of institutional capacity.

**Agreed Actions:**

- More attention would be paid in the project preparation stage to ensure adequate institutional capacity in the implementing agency to maintain proper accounts to facilitate timely and quality audits.
- The C&AG would increase the use of Audit Manuals to audit foreign aided projects (80% in FY98) and to complete quality audits in time.
- Project Directors would promptly appoint independent private auditors where permitted by legal agreement from a shortlist of auditors agreed to between the line ministry/agency and IDA; the TOR for private auditors would be agreed prior to or at negotiations.
- The Bank / ERD/ C&AG would closely monitor the completion of audits within the prescribed time and the settlement of qualified audit observations. To build C&AG’s capacity the proposed TA would be utilized to complement the UNDP-TA program under implementation.

(e) **Implementing LACI for Better Financial Management**

4.11 Financial management in the Bank and other donor financed projects is still very weak. Project personnel are not accustomed to use financial information as a management tool. The periodic financial reporting is yet to be established. To strengthen financial management in the Bank financed projects, a new reporting system called the Loan Administration Change Initiative (LACI) has been initiated. Under LACI, accounting, procurement, disbursement and audit are integrated together to contribute to good project financial management, reduce the administrative burden on the Borrower, and ensure better client service. LACI is now being tested by the Bank in 25 projects worldwide. Under LACI, eleven periodical financial reporting forms have been designed of which four are on procurement and the remaining seven on quarterly financial reporting. LACI will be implemented primarily for all new projects and will become mandatory for IDA projects in the near future. The existing projects will be brought under LACI gradually. With the implementation of LACI, disbursement will be linked up with the project achievement and this will help in ensuring that the Borrowers’ project attains the development goals through regular monitoring of project achievements.

4.12 **Key Issue:**

- To improve financial management and reporting of the Bank financed projects, the importance of adopting LACI by the recipient country is important as it will become a Board requirement.
- Active participation by Bangladesh on the LACI pilot project will help in implementing the improved financial management system (LACI) which would be beneficial to the borrower and the Bank.
Agreed Action:

- The IMED, together with RIBEC, would study the format designed under LACI and facilitate its integration in their reporting formats or, alternatively, they would collect financial and procurement reports designed under LACI as additional information and facilitate in introducing LACI in all new Bank financed projects. The TA would be used to facilitate implementation.

(f) Joint Supervision of IDA Projects

4.13 Greater GOB participation in project supervision will lead to improved portfolio performance. Selected project personnel from IMED, who are responsible for supervision of projects, should join IDA’s supervision missions on a regular basis with specific responsibilities assigned in the TOR. Greater participation of project personnel staff in joint supervision of IDA projects would increase borrower ownership and also be cost effective.

4.14 Key Issues:

- This new initiative would require coordination between IMED management and IDA project teams responsible for supervision.
- Training would be needed for IMED supervision personnel.

Agreed Actions:

- Joint supervision by selected IMED officials and IDA would begin from July 1, 1998, on a pilot basis. This will ensure better project implementation, enable mutual transfer of skills between IMED project personnel and IDA staff and would be cost effective.
- IMED personnel would be given specific responsibilities in the mission TOR and IDA staff would pay particular attention to facilitate teamwork and transfer of skills
- To build up capacity, training of IMED counterparts would be financed under the proposed TA.

(g) Continuity of Project Directors and Key Project Personnel for Enhancing Government Ownership

4.15 The creation of Government ownership is critical for ensuring the quality of projects at entry and speedy implementation. GOB initiatives taken so far include close consultation by key government agencies and major stakeholders with IDA in developing Project Concept Documents, constitution of a Task Force by GOB for project preparation, steering committee for implementation of some key projects, involvement of stakeholders for identification of monitorable targets at the project design stage, and use of local consultants to conduct sector studies pertinent to the project. A current practice that undermines an individual’s commitment to a particular project is the frequent rotation of Project Directors (PDs) and other key project personnel. The quality of a project is determined from the design stage through identification of staffing needs, implementation schedule, procurement plan, financing management and audit requirements. In order to achieve these, the appointment of a PD, wherever required, and key project personnel with adequate knowledge, skills and experience, at the pre-design stage is likely to ensure a project with good design and
implementation arrangement and continuity of ownership. Once such a PD and key personnel are appointed, they should be made truly effective with adequate financial and administrative authority.

4.16 Key Issues:

- PDs and key project personnel are often appointed only during implementation of the project. In many cases the PDs do not stay for the life of the project. Moreover, other project personnel also change frequently. In the case of the Third Inland Water Transport Project, five Project Coordinators were appointed within a span of four years.
- At times, the PDs and key project personnel do not have adequate knowledge, experience and management skills to successfully implement the project.
- In most cases the PDs are not delegated enough autonomy and adequate administrative and financial authority. Often autonomy given to PDs is not executed simply because of a lack of clarity in the delegated authority and confused accountability.
- Training provided to PDs and key project personnel does not help in those cases where they are transferred or retired soon after the training.
- The pay scale of PDs continue to pose problem in attracting candidates with the required qualification and experience.

Agreed Actions:

In those cases where a PD is required for a project, the following criteria and the terms and conditions of contract would be reviewed by the Ministry of Establishment in participation with other concerned ministries to arrive at a decision by October 31, 1998, based on which the relevant GOB policy would be revised:

- The selection of the PD and key project personnel would be carried out by the line ministry using the agreed criteria, such as age, experience, qualification, grade, retirement date, which should be specified and agreed with the borrower before negotiations.
- The tenure of the PD, who would be appointed on a full-time basis, and key project personnel would be fixed before the appointment and the hiring process would be competitive and the compensation structure would be market-based.
- Once appointed, the PD would normally be kept for the life of the project. This provision would be explicitly agreed at the time of appointment and vigorously respected.
- In-situ promotion of PDs and key project personnel would be considered.
- The PD would be delegated with sufficient financial and administrative powers which they would be required to exercise.

(h) Streamlining PHRD Grant Fund Approvals

4.17 The Policy and Human Resources Development Fund (PHRD), funded by the Government of Japan and administered by the World Bank, has been the largest and the most important source of grant funds for project preparation, environmental assessments and for economic sector work.
4.18 **Key Issues:**

- GOB’s main concerns are: lack of reporting; lack of consultation; qualifications of consultants; and questions about auditing.
- IDA’s main concern is that while GOB currently requires that a TAPP be prepared before the trust fund agreement is signed, in practice the slow processing of the TAPP is a chronic systemic problem.
- Only a minority of the PHRD funds are executed by the recipient, whereas the PHRD policy states that IDA should execute these funds only in extenuating circumstances. More ownership of the trust funds, particularly the PHRD trust funds, by the recipient is needed to resolve these issues.
- Until GOB simplifies its own procedures there is little likelihood that the recipient will assume increased responsibility for execution of the PHRD funds.

**Agreed Actions:**

- The TAPP for PHRD grants would be prepared by the line ministry in a timely manner, and submitted to ERD for approval.
- ERD would send a proposal to the Planning Commission, by June 30, 1998, seeking to form a Committee headed by the ERD Secretary which would approve all PHRD related TAPPs.
- The ERD would act as a central point for monitoring the implementation. If successful, this procedure would be adopted for all trust funds and bi-lateral grant processing.

(i) **Strengthening the Monitoring Capabilities at IMED to improve Implementation Monitoring**

4.19 The GOB has already established a fairly elaborate system of monitoring and evaluating development projects under the Ministry of Planning through the Implementation Monitoring and Evaluation Division (IMED). The structural and institutional problems with the current M & E system have been discussed in the Bank’s sector report “Government That Works (GTW)” and specific recommendations have been made in this and the last CPPR.

4.20 **Key Issues:**

- The Current monitoring system puts excessive emphasis on expenditure targets without adequate consideration to physical achievement, qualitative aspects, misuse of authority and resources, and to problems which may call for change in implementation schedule or design of projects.
- IMED’s monitoring is dependent on the secondary nature of information coming from ministries and agencies and periodical inspection. MIS system within ministries are not developed and as such ministries can not provide quality data.
- IMED is not mandated to enforce its recommendations or to ensure overall effectiveness of public spending. Consequently there is lack of follow up of recommendations.
- Institutional capacity of IMED, particularly with regard to quality of staff and trained manpower, is limited. On the other hand too many projects are to be monitored.
- Monthly review meetings in the ministries give inadequate attention to IMED reports, findings and recommendations. Moreover, lack of adequate attention to the IMED quarterly and annual reports presented to the ECNEC and the NEC makes such reports ineffective.
Agreed Actions:

- The institutional capacity of IMED and the Planning Cells in the ministries would be strengthened with trained manpower. The BCS Economic cadre will be trained on project preparation skills under the proposed TA.
- IMED would take the lead in resolving interministerial conflicts arising during implementation of projects.
- To ensure ‘value for money’, IMED’s reporting would concentrate more on physical and qualitative aspect keeping in view: (a) timely project start up; (b) meeting procurement deadlines; (c) timely disbursement; (d) timely submission of reimbursement claims; and (e) revealing implementation hindrances and solutions. IMED’s reporting format would be made consistent with the information required by IDA, particularly under LACI.
- MIS within ministries and agencies which serve as an important and reliable data base for IMED would be strengthened. To assess the MIS needs of the ministries the proposed TA would be utilized.
- Monthly monitoring and review meetings in the ministries would devote more time for discussion of IMED reports on physical and financial progress and procurement.
- In addition to quarterly monitoring of procurement reports to the Council Committee on Purchase, special ECNEC meetings would be organized for discussion and decision on project implementation, particularly procurement by major ministries.
- Special monitoring and evaluation functions would be contracted out to the NGO’s and consulting firms. This would be built in the project design, whenever needed.
- IMED would continue to submit monthly reports to the PM highlighting the most serious cases of delayed or inadequate project implementation. This report would have a very focused format.
- Since the issues affecting IMED are numerous and far reaching, their implementation would be assisted under the proposed TA.

(j) Streamlining Preparation of Resettlement Action Plans

4.21 One of the issues remaining extremely critical to timely implementation of land-based projects is land acquisition and resettlement of the people affected by it. Under the present legal framework of the country, the essence of this issue is the time required to prepare and implement the Resettlement Action Plans (RAPs). As the provisions in land acquisition law fall short of those required under the Bank’s resettlement guidelines, a great deal of time is spent to propose, debate and agree upon compensation and other entitlement policies for new projects. Even though GOB has formally approved, since 1994, a variety of such policies, covering almost all conceivable impact categories of property acquisition, the RAPs preparation procedure still has to go through the same time-consuming inter-ministerial process to debate and agree on essentially the same policies and entitlements.

4.22 Key Issues:

- Implementation of the RAPs, which requires invoking the legal acquisition process by the Deputy Commissioners (DCs) and compensation payment by DCs and project executing agencies, is now extremely complicated and takes an enormous amount of time, persistently resulting in costly delays in civil works.
Lack of proper documentation of ownership, fraudulent sales and purchases of lands, and the DCs' use of the projects as an opportunity to collect arrear land taxes, also prolong the resettlement process.

Agreed Actions:
- To expedite the RAP preparation and implementation, GOB would form a Committee, headed by the Secretary, Ministry of Law, to draft a basic Resettlement Framework (RF) and a compensation matrix for all categories of affected persons which would be utilized for all projects. Changes, if required, could then be introduced to adapt the RF to suit project-specific requirements. The proposed TA would be used to assist in developing the RF & compensation matrix.
- The above Committee would submit the draft RF to GOB by October 31, 1998, along with suggested legal and administrative amendments that may be required.
- The Ministry of Land will formulate a Land-Use policy with the assistance provided under the proposed TA.
- A strict time-limit for approval by District Land Acquisition Committee/MOL of the land acquisition proposals would be fixed and the DCs would be authorized to go ahead with acquisition after its expiration.
- The time for issuance of the Notices by DCs under the different sections of the acquisition law would be fixed and maintained.
- The property valuation process would be simplified by waiving exclusive participation of PWD and allowing any other ministry having an engineering department to determine the market/replacement value of the acquired properties.
- The projects’ executing agencies would be authorized to use a specialized set of procurement guidelines to recruit NGOs to assist with the implementation of the RAPs.
- The proposed Resettlement Framework would be updated and refined periodically, based on the experience forthcoming from new projects.

4.23 The implementation of the agreed actions for resolving the cross-cutting issues discussed in Chapter 3 and 4 would require a focused approach with specific responsibility. More significantly, a lead agency with specific responsibility, an agreed institutional mechanism and sufficient resources are needed for effective implementation. These concerns are highlighted in Chapter 5 and a possible institutional mechanism as well as a financing source (through a proposed TA) are suggested. GOB would inform the Bank, by May 31, 1998, the lead agency and the institutional mechanism it has chosen and the resources it will require for the implementation of the agreed Action Plan.
Chapter 5

AGREED FY98 CPPR ACTION PLAN SUMMARY AND MATRIX

This chapter outlines the FY98 CPPR issues, strategies and actions agreed during the CPPR discussions to further improve the quality of Bangladesh’s Project Portfolio.

1. Summary

5.1 The FY97 CPPR focused on ensuring the quality of projects at entry, improving the portfolio implementation process and monitoring portfolio implementation to ensure timely completion and achievement of the development objectives of IDA funded Projects. It also discussed the generic issues plaguing portfolio performance and the FY97 CPPR Action Plan listed all the identified issues, and suggested the actions required for improvements. While it also identified the ministry or agency responsible for implementing the recommendations, the need for assistance to any of those ministries or agencies to implement the recommendations effectively was not recognized. Moreover, ERD’s capacity to monitor the implementation of those recommendations was not assessed to determine whether it could effectively monitor implementation without external assistance. In the event, ERD issued instructions for implementation but could not monitor actual compliance. The end result is that most of the recommended actions have not been complied with.

5.2 This CPPR recognizes the institutional constraints limiting effective implementation of the agreed actions. Therefore, in line with the current CAS, the main theme of this CPPR is to promote institutional development, which would be the primary focus for effective implementation of the CPPR Action Plans. Moreover, this CPPR proposes a TA project to assist in the implementation of the FY98 CPPR Action Plan and all other pending actions agreed under previous CPPRs, and to monitor their compliance.

5.3 In line with the theme of strengthening institutional capacity for better project preparation, implementation and monitoring, the FY98 CPPR Action Plan includes the following specific actions, grouped under three categories, which have been agreed with GOB during the CPPR discussions on April 20-21, 1998 (minutes of the CPPR discussions are attached as Annex VI):

- Improving the Capacity for Project Preparation
- Improving the Capacity for Project Supervision
- Improving the Capacity for Implementation Monitoring and Reporting.
(a) **Improving the Capacity for Project Preparation**

5.4  **Participation in Project Preparation:** Meaningful GOB participation in project preparation is one of the most effective ways of enhancing borrower’s ownership and improving the quality at entry of projects. Such meaningful participation can only be achieved by increasing the skill and knowledge base of the relevant GOB officials, through learning-by-doing and training to upgrade their technical capability. Enhanced technical capability of the concerned GOB officials will not only make their participation in project preparation more meaningful, but would also heighten their interest in the project thereby increasing project ownership. Recognizing this fact, it was agreed that a group of experts on project preparation activities and beneficiary participation methods would be recruited, whose primary responsibility would be to provide advisory assistance and training to the Planning Cell officials in the line ministries and agencies. The training would be focused on the officials in the economic cadre (para 4.20).

5.5  **Effective Communication for Greater Ownership:** It is now well recognized that greater ownership has a positive influence on project performance. Ownership can be increased by effective communication with all stakeholders. For creating greater awareness and consensus of the project within GOB, it was agreed that, prior to Board presentation, the project would be presented to three main levels of GOB. The top level would include the relevant ministers, the second level would include the bureaucracy and the third level would include technical staff. The presentation would be made by the Project Director with the assistance of the IDA mission.

5.6  **PHRD and Trust Fund-Financed Projects:** PHRD funds are the largest source of grant funds for project preparation, environmental assessments and economic sector work. However, the approval and execution of PHRD funded projects are facing problems at the GOB level. To avoid delays in obtaining approval of PHRD grants, it was agreed that TAPP proposals would be prepared by the line ministry and passed on to ERD for approval. ERD would obtain the authority to approve the TAPPs through a Committee headed by the ERD Secretary. Once PHRD funds are approved, ERD would provide a central focal point for monitoring their implementation. This pilot scheme would be evaluated after the first year to see whether it leads to increasing the efficiency and the utility of the PHRD grant funds. If so, it could be adopted for all trust funds and bi-lateral grant processing as well (para 4.17-4.18).

5.7  **DPP for prompt GOB Approval:** To streamline GOB’s project approval process it was agreed that the PC would re-examine the issue whether the existing PPs and PCPs with simplified format could remain instead of moving to the new draft DPP format and approval process. PC would also review the approval powers of the line ministries and finalize the new format and revised approval process by May 31, 1998, for implementation from July 1, 1998 (para 4.3-4.4).

5.8  **Continuity of Project Directors:** Another action to enhance borrower ownership is to appoint Project Directors (if required under the project) and key project personnel from the pre-design stage of the projects. The selected PDs and key project personnel should be trained and they should be committed to remain with the project from its design stage until the closing of the project. This would help ensure good project design and implementation arrangements leading to satisfactory project performance. Moreover, PDs should be given greater autonomy and adequate administrative and financial authority and their promotions should be considered in-situ. It was agreed that the recommended terms and conditions for hiring PDs would be reviewed by the Establishment Ministry by October 31, 1998, and the revised policy in this matter issued soon thereafter (para 4.15-4.16).
5.9 **Land Acquisition and Resettlement:** A critical issue for timely implementation of land-intensive projects is land acquisition and resettlement of the affected people. It was agreed that GOB would form a Committee headed by the Land Secretary to draft a basic Resettlement Framework (RF) under which Resettlement Action Plans (RAPs) can be prepared and implemented for individual projects. The framework would also include a compensation matrix for all categories of affected persons. The proposed TA would be used for this purpose as well as for the formulation of a Land-use policy by the Ministry of Land (para 4.21-4.22).

(b) **Improving the Capacity for Project Supervision**

5.10 **Supervision:** Greater GOB participation in project supervision will lead to improved portfolio implementation. It was agreed that joint IDA and GOB supervision of IDA projects would be initiated on a pilot basis. Selected IMED personnel, who are responsible for the supervision of projects, would be included in the IDA mission TORs with specific responsibilities. Such joint-supervisions would be mutually beneficial to both GOB and IDA staff. If the arrangement works out it would be replicated in more and more projects which would facilitate increased client ownership and, as a byproduct, reduce IDA resource requirements for the supervision of projects (para 4.13-4.14).

5.11 **Procurement and Disbursement:** To expedite procurement and disbursement processing, it was agreed that relevant officials in the line ministries and agencies would be trained by a group of experts on procurement and disbursement skills on a pilot basis. The experts would be assisted by the PDAT at BDO. The primary responsibility of the experts would be to assist project officials in handling procurement so that those officials do not need to come to the donors all the time for assistance. If this pilot arrangement works out it would be expanded so that the experts can provide advisory services to more and more line ministries having IDA assisted projects for expediting the procurement and disbursement tasks. Simultaneously, regular training courses would be offered at APD, IMED and PATC for all officials (para 4.5-4.6). These activities could be financed under the proposed TA.

5.12 **Specific Disbursement Issues:** Slow disbursement hampers smooth implementation of projects. It was agreed that to avoid the problem of seeking administrative approval for each expenditure, all implementing agencies would write to their ministries for one Administrative Order for all expenditures of the project approved in the ADP. The other recommendations for resolving disbursement issues (para 4.7-4.8) were also accepted for implementation. To assist in the implementation of the agreed actions the proposed TA could be used.

5.13 **Creating a Revolving Fund:** To ensure an uninterrupted flow of expenditures for the implementation of a project it was recommended that a small Revolving Fund financed by GOB be created to meet project expenditures between Board approval and Credit effectiveness. However, the Revolving Fund was not found feasible and it was agreed that the sponsoring ministry would make a provision in the PP to spend GOB funds for IDA-reimbursable costs till the Credit becomes effective (para 4.8). ERD would inform all concerned about this new process by June 30, 1998.

(c) **Improving the Capacity for Implementation Monitoring**

5.14 **Implementation Reporting:** For strengthening the monitoring capability of IMED, it was agreed that the implementation monitoring staff at IMED would be strengthened. A selected group would be trained under the proposed TA to carry out effective monitoring of projects and reporting.
them to higher levels. The monitoring and reporting systems would be reviewed and revised to make them more effective along the lines of the agreed actions (para 4.19-4.20). This group would work closely with the focal point at BDO for periodic monitoring of the IDA portfolio and for implementing the actions agreed under this CPPR. IMED would also prepare a monthly report for the PM which will cover issues that merit the highest level of attention.

5.15 **Financial Management:** Financial Management in most projects is still unsatisfactory due to weaknesses in the institutional capacity for accounting and audit. It was agreed that the Office of the Comptroller and Auditor General would be strengthened to resolve accounting and auditing issues (para 4.9-4.12).

5.16 **Monitoring the CPPR Agreed Action Plan:** The review of implementation of the agreed actions under previous CPPRs was done on an ad-hoc basis. As a result, there has been little progress in their implementation. Actions taken on certain issues, have not been adequately communicated to project personnel. In order to improve the quality of review, it was agreed that joint meetings with GOB and other development partners would be held regularly. The first meeting, which would be participated by ERD, MOF, IMED, PC, the concerned ministries and agencies as required, IDA and ADB, would be held in the first week of August 1998. Each meeting would review the implementation status of the agreed actions and recommend corrective measures to ensure satisfactory progress in implementation of the actions agreed to by GOB and IDA under this CPPR. The minutes of the meeting would be used to prepare a joint GOB and IDA quarterly report. It was noted that the FY98 CPPR Action Plan did not include the actions already agreed in the FY97 Action Plan since those agreed actions, which are vital for the continued improvement of the portfolio, are considered to be under implementation. It was, therefore agreed that ERD would continue to monitor strictly the full compliance of the entire FY97 CPPR Action Plan. The proposed TA would be utilized also for strengthening ERD’s capacity to monitor compliance.

5.17 **Implementation Plan:** This CPPR identified a number of issues and problems that stood in the way of improved portfolio management. To resolve the problems associated with those issues, it was agreed that there was an acute need for expert advisory services in all aspects of the project preparation and implementation activities of the line ministries and agencies. To meet this need, expert advisory services and training to relevant officials in the line ministries and agencies would be provided. However, to arrive at an effective institutional arrangement for implementation, GOB would inform IDA, by May 31, 1998, its decision on the following questions:

i. What institutional mechanism would be appropriate for GOB to implement the agreed action plans?

ii. Where would the experts, to be recruited, be functionally located to provide the advisory services to the line ministries and agencies?

iii. Which GOB agency would take the lead role and responsibility for ensuring the implementation of the agreed actions through the institutional mechanism agreed at (i) above?

iv. What would be the time-frame for the effective operationalization of the institutional mechanism?
v. How could IDA, ADB and other donors assist GOB in this partnership to help accomplish the above?

5.18 The key to improved portfolio management and thus to increased development flows, particularly to higher IDA lending levels, lies in the effective implementation of the actions agreed for resolving the highlighted issues that have been lingering on for a number of years. This CPPR and the discussions on April 20-21, 1998, succeeded in creating this awareness amongst all the stakeholders. While IDA remained committed to assist in the implementation of the agreed actions, it was recognized that their effective implementation required an efficient and effective institutional mechanism to spearhead the process. While no definite institutional mechanism could ensure success, IDA invited GOB to suggest a mechanism to assist in the implementation of the agreed actions. To assist GOB in this regard, a proposed mechanism modeled around the one being successfully used by the Ministry of Finance for implementing the Reforms in Budgeting and Expenditure Control (RIBEC) is indicated in Annex-V. GOB agreed to consider the suggested approach as well as the option to expand the scope of RIBEC’s responsibilities to cover the implementation of the agreed FY98 CPPR Action Plan and inform its decision to IDA by May 31, 1998.
## II. MATRIX 5.1: AGREED FY98 CPPR ACTION PLAN

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<tr>
<td><strong>A. Improving the Capacity for Project Preparation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Greater GOB participation in Project Preparation</td>
<td>Train GOB officials in planning cells of key economic ministries and agencies on project preparation and analysis techniques. In selecting the trainees, the BCS Economic Cadre will be preferred (para 5.4).</td>
<td>Greater GOB input in project preparation.</td>
<td>To be decided by GOB.</td>
<td>Starting from July 1, 1998.</td>
</tr>
<tr>
<td>2. Effective communication for greater ownership</td>
<td>Initiate joint project &amp; IDA/ADB presentation to three levels at GOB: cabinet level; bureaucratic level; and project level (para 5.5).</td>
<td>Enhanced GOB ownership of Projects leading to better portfolio implementation.</td>
<td>IDA/Implementing Ministry/ERD</td>
<td>Starting from July 1, 1998.</td>
</tr>
<tr>
<td>3. PHRD and Trust Fund-financed Projects</td>
<td>Line ministry to prepare TAPP for PHRD and ADB-TA projects and submit it to ERD for approval according to new procedures (para 5.6).</td>
<td>Speedy approval of TAPP for PHRD and ADB-TA projects</td>
<td>Implementing Ministry/ERD</td>
<td>July 1, 1998</td>
</tr>
<tr>
<td>4. DPP for prompt GOB approval</td>
<td>Share DPP format with IDA and ADB. Review, approve and implement new format and process for project approvals (para 5.7).</td>
<td>Efficient DPP format Speedy processing and approval.</td>
<td>PC and ERD</td>
<td>May 31, 1998 By July 31, 1998</td>
</tr>
<tr>
<td>5. Continuity of Project Directors</td>
<td>Implement actions agreed in para 4.4 Review financial and administrative approval powers of PD and increase as required (para 5.8).</td>
<td>Fix PD for the life of the project with greater financial and administrative powers.</td>
<td>ERD and PC</td>
<td>October 31, 1998</td>
</tr>
</tbody>
</table>
### B. Improving the Capacity for Project Supervision

<table>
<thead>
<tr>
<th>ISSUES</th>
<th>REQUIRED ACTIONS</th>
<th>MONITORING INDICATOR</th>
<th>RESPONSIBILITY</th>
<th>TIMING</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Supervision</td>
<td>Initiate joint (IDA/ADB &amp; GOB) supervision of IDA/ADB projects (para 5.10)</td>
<td>Project personnel included in supervision TOR of IDA projects</td>
<td>IDA/ADB/IMED &amp; respective ministry or agency</td>
<td>Starting from July 1, 1998</td>
</tr>
<tr>
<td>2. Procurement and Disbursement</td>
<td>Train GOB officials on Procurement &amp; Disbursement skills, on a pilot basis specially in the 16 economic ministries identified by IMED. ERD to request Establishment Ministry to include mid level courses on procurement in PATC (para 5.11).</td>
<td>Speedy procurement &amp; higher disbursement</td>
<td>To be decided by GOB.</td>
<td>By December 31, 1998</td>
</tr>
<tr>
<td>3. Resolving Disbursement issues</td>
<td>Implement actions agreed in para 4.8. GOB to consider allowing DOSA to be opened in commercial banks (para 5.12).</td>
<td>Higher disbursement</td>
<td>ERD/IDA/ADB and the agreed institutional mechanism.</td>
<td>By December 31, 1998</td>
</tr>
<tr>
<td>ISSUES</td>
<td>REQUIRED ACTIONS</td>
<td>MONITORING INDICATOR</td>
<td>RESPONSIBILITY</td>
<td>TIMING</td>
</tr>
<tr>
<td>--------</td>
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<td>--------</td>
</tr>
<tr>
<td>C. Improving the Capacity for Implementation Monitoring</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Implementation Reporting</td>
<td>Train a core group at IMED to prepare better and effective implementation reports and implement all recommendations in para 4.20. IMED to hold approving authority accountable for contract award delays (para 5.14).</td>
<td>Better &amp; timely implementation reports</td>
<td>IMED</td>
<td>Quarterly starting from July 1, 1998</td>
</tr>
<tr>
<td>2. Financial Management</td>
<td>Implement the agreed actions (para 4.9 to 4.12) for strengthening C &amp; AG and integrating LACI in IMED reports (para 5.15).</td>
<td>Timely &amp; better quality audits. LACI introduced in all Bank financed projects</td>
<td>C &amp; AG and IMED</td>
<td>By December 31, 1998</td>
</tr>
<tr>
<td>3. Monitoring the CPPR Agreed Action Plan</td>
<td>Quarterly meetings to review implementation of FY98 CPPR Action Plan (para 5.16).</td>
<td>Timely implementation of FY98 CPPR Action Plan.</td>
<td>ERD/IDA/ADB</td>
<td>First meeting on August 1, 1998</td>
</tr>
<tr>
<td>4. Decision on the most effective institutional mechanism for implementing the agreed actions.</td>
<td>Discussion with the various Ministries and Divisions to arrive at a consensus. Inform IDA about the agreed mechanism (para 5.18 &amp; 5.19) and request for TA.</td>
<td>Agreed institutional mechanism in place and functioning properly.</td>
<td>ERD</td>
<td>May 31, 1998.</td>
</tr>
</tbody>
</table>
Chapter 6

QUALITY AT ENTRY - FY98 AND BEYOND

This chapter discusses the lending pipeline of IDA projects in FY98 and beyond.

I. Historical Lending

6.1 The volume of IDA lending to Bangladesh declined in the early 90s (with the exception of 1994) mainly due to poor implementation performance, stalled reforms and political unrest. However, due to efforts to streamline project preparation and implementation by GOB and the Bank, lending has increased steadily from US$180 million in FY95 to over US$300 million in FY97. The projected lending in FY98 is likely to be around US$670 million considering the “base case”. However, to maintain this level and to avoid the decline which took place during the early nineties, it is imperative to put key reforms in place and to continue improving project implementation.

Table 6.1:

Historical Lending - 1990 to 1997

II. Quality at Entry

6.2 The Bank-wide benchmark for lending i.e. the overall Lending Services Composite Index\(^1\) has been 51% while that for the South Asian region has been 39%. Bangladesh’s

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\(^1\) The composite index is calculated on the basis of Lending Indicators. The Lending Indicators with available data are included in the calculation with the exception of Implementation period - Adjustment operations. The lending indicators are: Elapsed time from: (a) Appraisal Departure - Board (b) Board - Effectiveness (c) Implementation period (new entrants) Adjustment operations and Investment operations.
performance has been improving steadily. The Lending Services Composite Index for Bangladesh improved from 63% in the second quarter of FY98 to 90% in the third quarter, which is above both the Bank and the South Asian standards. This is due to the fact that 50% of the projects met the standard of five months from appraisal to Board presentation and also because Bangladesh met 100% of the implementation period requirements (new entrants) for investment operations.

III. Perspective on Future Lending

6.3 The fundamental lending strategy is based on CAS objectives. Within these objectives greater flexibility and selectivity will be applied. This is in line with OED’s recommendations, based on the recent 15 year review, that flexibility helped progress in reform areas and in initiation of projects in new areas, such as nutrition, microfinance and non-formal education. These are successful projects and have positive impact in improving literacy and alleviating poverty. New activities in arsenic control, judicial reforms, and institutional capacity building will enhance government capacity to improve project implementation and facilitate private sector-led development. Overall, new emphasis on increased lending is largely dedicated towards social sectors including infrastructure and economic and financial reforms. As the table below shows, in FY98, the total volume of loans expected to be processed could be around $670 million.

<table>
<thead>
<tr>
<th>FY98 Project</th>
<th>$ (MIL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SILK DEVELOPMENT (Approved)</td>
<td>11.4</td>
</tr>
<tr>
<td>PRIVATE SECTOR INFRASTRUCTURE (Approved)</td>
<td>235.0</td>
</tr>
<tr>
<td>PRIMARY EDUCATION (Approved)</td>
<td>150.0</td>
</tr>
<tr>
<td>ROAD REHABILITATION AND MAINTENANCE III (under preparation)</td>
<td>273.0</td>
</tr>
<tr>
<td>Total</td>
<td>669.4*</td>
</tr>
</tbody>
</table>

* This does not include HAPPV (US$235) which may be presented to the Board in FY98

IV. FY99 Lending and Beyond

6.4 The future lending pipeline estimated for Bangladesh could be significantly higher as indicated in the table below. The total pipeline for FY99 could be US$640 million, that for FY00 could be US$606 million while that for FY01 could reach US$1,025 million. While the actual number of projects and the individual credit amount committed in a particular year would depend heavily on the implementation of the reform program, it would also be influenced by the successful resolution of the generic problems identified in this report. Already, the indicative amounts shown in the table below are higher than that of the past few years and this amount can go even higher provided the policy framework and portfolio management could be significantly improved. An important contribution of this CPPR exercise is the identification of the problems and obstacles towards achieving higher development flows, and the recommendation of measures to overcome those obstacles. It is hoped that with the joint GOB-IDA partnership, the effective implementation of the agreed FY98 CPPR Action Plan will improve the IDA portfolio
performance significantly so as to move Bangladesh towards the higher IDA lending levels that are necessary to decrease the level of poverty in the country.

Table 6.3:
Proposed Lending FY99-01

<table>
<thead>
<tr>
<th>FY99</th>
<th>$(MIL)</th>
<th>FY00</th>
<th>$(MIL)</th>
<th>FY01</th>
<th>$(MIL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARSENIC CONTROL</td>
<td>40</td>
<td>SOCIAL DEVT FUND</td>
<td>50</td>
<td>DHAKA BYPASS</td>
<td>200</td>
</tr>
<tr>
<td>POP AND HEALTH V</td>
<td>250</td>
<td>WATER SECTOR IMP</td>
<td>100</td>
<td>INT COASTAL</td>
<td>50</td>
</tr>
<tr>
<td>DHAKA URBAN TRANSPORT</td>
<td>135</td>
<td>NON FORMAL EDU II</td>
<td>50</td>
<td>POWER DEV</td>
<td>250</td>
</tr>
<tr>
<td>TELECOM SEC REF</td>
<td>55</td>
<td>EXPORT DIVERSIFICATION</td>
<td>21</td>
<td>GORAI AUGMENTATION</td>
<td>100</td>
</tr>
<tr>
<td>JUDICIAL/LEGAL</td>
<td>45</td>
<td>NON-BANK FINANCIAL</td>
<td>75</td>
<td>URBAN DEV-SLUM IMPROVEMENT</td>
<td>150</td>
</tr>
<tr>
<td>SCHOOL AND COMM. SAN.</td>
<td>100</td>
<td>POST-PRIMARY EDUC</td>
<td>100</td>
<td>PORTS EFF ENHANC</td>
<td>50</td>
</tr>
<tr>
<td>AIR QUALITY MGMT (LIL)</td>
<td>5</td>
<td>FISHERIES SECTOR IV</td>
<td>50</td>
<td>AGRICULTURAL SECTOR INVESTMENT</td>
<td>75</td>
</tr>
<tr>
<td>RESEARCH &amp; TEACHING (LIL)</td>
<td>5</td>
<td>PSMP</td>
<td>30</td>
<td>MUNICIPAL SERVICES</td>
<td>150</td>
</tr>
<tr>
<td>CULTURAL HERITAGE (LIL)</td>
<td>5</td>
<td>CENTRAL BANKING TA</td>
<td>30</td>
<td>SUSTAINABLE WETLANDS GEF</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>NUTRITION/HEALTH</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$ 640.00</td>
<td></td>
<td>$ 606.00</td>
<td></td>
<td>$ 1025.00</td>
</tr>
</tbody>
</table>
Chapter 7

FY98 ECONOMIC AND SECTOR WORK

This chapter discusses the status of the economic and sector work undertaken by IDA, and other non-lending services provided, in order to respond to Government’s need for relevant policy and technical advice.

I. Completed Tasks

7.1 Bangladesh: Annual Economic Update 1997 - Economic Performances, Policy Issues and Priority Reforms: This report was issued in October 1997 and was one of the background documents discussed at the Meeting of Donor Representatives, held in Dhaka in November 1997. The document reviewed recent economic developments in FY97 and highlighted priority areas for policy reform.

7.2 Bangladesh: Public Expenditure Review 1997 Update - Making the Best Use of Public Resources: This report presented an update of the 1996 benchmark Public Expenditure Review (PER). This PER update reviewed fiscal documents and presented a detailed analysis of the development projects contained in the Annual Development Plan. It highlighted other priority expenditure management issues needing urgent attention. The report was issued in August 1997.

7.3 Bangladesh: Periodic Economic Updates (PEU): The Periodic Economic Updates are designed to keep interested readers abreast of recent developments in the Bangladeshi Economy. During FY98, it is intended that 5 such updates will be issued, three of which have already been issued.

7.4 Bangladesh: Health and Population Sector Strategy (HPSS): HPSS was completed in January 1997. It was presented to a well-attended meeting of government officials, the NGOs, the private sector, technical agencies and the donors. It has also evoked discussion in the newspapers. The HPSS has since been approved by the Government. The Fifth Health and Population Program (HAPP-5) has been prepared, based on the HPSS, and is due for appraisal in February-March 1998. HAPP-5 will be implemented from July 1998.

7.5 Bangladesh: An Agenda for Action, Status Report 1997: This report reviews progress with respect to the implementation of the reform agenda identified in the World Bank’s 1996 document, An Agenda for Action (AGFA). The report was prepared for the new government which took office in June 1996. The AGFA update was issued in February 1998.

II. Ongoing Tasks

7.6 Bangladesh: Establishing a Sound and Competitive Banking Structure: This report proposes a strategy to reform the entire Banking Structure in Bangladesh. It also includes a matrix of actions for implementation by GOB. The draft report is already ready and will be finalized by March, 1998.

7.7 Bangladesh: Country Assistance Strategy: The 1998-2000 Country Assistance Strategy sets the direction for the Bank’s lending and non-lending services to Bangladesh for this period. It will be presented to the Board of the World Bank at the end of March.
7.8 **Bangladesh 2020: A Long-Run Perspective Study:** This report sets out a broad vision for Bangladesh 25 years from now, with a more detailed focus on the next 10 years. It is expected that a draft of the report will be discussed at a round-table meeting in March and the report will be issued in June 1998.

7.9 **Rural Development Strategy Study:** This study is aimed at formulating a consistent framework within which priorities, sequencing, synergies or trade-offs among complementary or contradictory policies in different sectors will be analyzed. It will build upon a number of investigative studies that are being undertaken on agriculture, rural non-farm, external market prospects, basic services (health, education and rural infrastructure) to the rural poor, decentralization and the participation of the rural poor in development programs and the quality of governance. It is expected to be completed by May 1998.

7.10 **Selected Issues in Agricultural Growth:** This activity will include short policy notes on selected issues of Agricultural Growth in Bangladesh. These issues will include: Is Agricultural Growth Stagnating in Bangladesh? What are the Remedies and Causes? What are the problems and Prospects of Market-led Diversification? How can the weaknesses of Rural Institutions and Infrastructure be Addressed? This activity is planned to be completed by June 1998.

7.11 **Water Resource Management:** The purpose of this study is to help the newly established Water Resource Planning Organization (WARPO) of GOB with the guidelines and lessons from other countries in the preparation of a comprehensive, integrated national water management plan. It is expected to be ready by June 1998.

7.12 **Key Energy Issues:** This will be a comprehensive study of the overall energy sector in Bangladesh. The concept paper of this is expected to be prepared by March 1998.

7.13 **Documenting Experiences on Water Supply for the Urban Poor:** This report will provide the experience gathered and the lessons learnt from the project Water Supply for the Urban Poor and is expected to be ready by April 1998.

7.14 **Gas Strategy Note:** This paper has been prepared with the twin objective of formulating a consistent development vision for the gas sub-sector and preparing a strategy and a plan of action for Bangladesh to meet the development challenges in an economically optimal and politically sustainable fashion. The first draft of this report has already been prepared and is under reviewing. The final version is expected to be issued in March, 1998.

7.15 **Urban Strategy:** This report will review the overall strategy of the Bank for the urban sector in Bangladesh. A preliminary mission was held in November 1997, and the next mission is scheduled for February 1998.

7.16 **Education Sector:** This will be a sector wide review of the education sector in Bangladesh. A concept paper for this was issued in December 1997, and had been distributed within the Bank and also sent to a number of counterparts for comment. The first mission is scheduled for April 1998 and the work is expected to be completed by October 1998. This will be the basis for developing a comprehensive lending and non lending work program.

7.17 **Poverty Assessment:** The poverty assessment will present a comprehensive poverty profile, assess the impact of growth on the patterns of poverty and review selected government interventions and
NGO programs. The study will build upon the long-term collaboration between the World Bank and the Bangladesh Bureau of Statistics for the design of the 1995/96 Household Budget Survey. The assessment will be released in April 1998 and will be one of the background documents for the May 12 Meeting of Donor Representatives, to be held in Dhaka.

7.18 **Municipal Solid Waste Management:** This is an informal sector work carried out with TWURD. A national Solid Waste Management assessment study was undertaken in Sept-Oct, 1997, and workshops with stakeholders and GOB/LGED were held at the beginning and conclusion of the study. A draft report has been prepared and is being reviewed.
Notes On Poorly Disbursing Projects

(As of Jan 31, 1998)

(a) Fourth Dhaka WASA Project, Cr. 2926-BD: Only US$2.4 has been disbursed in FY98 against GOB's projection of US$20.0 M. Although the Credit became effective in July 1997, GOB has been unable to hire the key consultants, including the construction supervision consultant, during the last six months. Civil works cannot start before hiring the construction supervision consultant. Consultant appointments need to be expedited.

(b) Agricultural Research Management Project, Cr. 2815-BD: Only US$1.06 has been disbursed in this FY98 against GOB's projection of US$9.90 M. It is quite unlikely that there will be any improvement in disbursement under this project unless procurement problems are resolved by GOB in consultation with PDAT.

(c) Integrated Nutrition Project, Cr. 2783-BD: Only US$0.85 disbursed in FY98 against GOB's projection of US$8.0 M. It may be possible to improve disbursement performance, provided project staff are more proactive and the Team Leader continues his intensive monitoring.

(d) Coastal Embankment Rehabilitation Project, Cr. 2783-BD: Only US$2.85 has been disbursed in this FY98 against GOB's projection of US$25.0 M. One reason for this poor performance is the failure of BWDB to submit withdrawal applications in a timely manner with proper documentation. For example, the replenishment claim against November expenditure (US$0.51 M) was submitted on January 27, 1998 with inadequate supporting documents and another claim against December expenditure (US$1.49 M) was submitted only on February 3, 1998. Secondly, since the construction season is only December to June, disbursements during the first half of the fiscal year is low. BWDB should ensure that disbursement claims are submitted in a timely manner, with proper documentation.

(e) Non-Formal Education, Cr. 2822-BD: Only US$0.29 has been disbursed in FY98 against GOB's projection of US$2.32 M. The slippage is attributable to procurement related activities and payment to the Supplier/NGOs as well as timely submission of withdrawal application. However, disbursement is expected to improve over the next few months due to the procurement of vehicles and payment to NGOs (about US$0.58M expected to be disbursed by April).

(f) Third Inland Water Transport, Cr. 2232-BD: Only US$3.72 has been disbursed in FY98 against GOB's projection of US$10.50 M. Project disbursements are well behind appraisal estimates due to late submission of claims and procurement delays.

(g) National Minor Irrigation, Cr. 2246-BD: The project was closed on December 31, 1997.

(h) Gas Infrastructure Development, Cr. 2720-BD: Only US$7.13 M has been disbursed in FY98 against GOB's projection of US$15.00 M. Disbursement has been much slower than projected because the award of contracts for drilling and surface facilities were delayed. However, it is expected that another US$3.00 will be disbursed within the next few months.

Total disbursement has been lower than SAR estimate mainly because the actual cost of the A-B pipeline was lower (by US$27 million) than the SAR estimate.
Problem Project Brief

Power Distribution (16 Towns) Project
IDA Cr. 2016-BD

Basic Data

Credit Amount : SDR 64.7 Million
Board Approval : May 16, 1989
Effective date : February 12, 1990
Current closing date : June 30, 1998
Original closing date : June 30, 1995
Balance disbursement : SDR 12.6009
Total disbursed (Feb.98) : SDR 52.099

Current Performance Rating -
First rated problem project : 01/91
No. of extensions : 3
Current extension : September, 1997
Achievement of Development Objectives : Unsatisfactory
Implementation Progress : Satisfactory

Project Development Objectives:

The project provides for: (i) expanding and strengthening the local power distribution system in 16 towns; (ii) stabilizing the system voltage and increasing system reliability; (iii) reducing power system losses; and (iv) strengthening BPDB’s organizational and institutional performance.

Current Status:

Procurement of all materials and equipment under the original project plan has been almost completed. The Ishurdi substation augmentation work was completed on a successful note. Rehabilitation works for Kaptai Units 1 and 2 have been completed and both the Units are running at full load for the last couple of months. More than 70% of the extent of work identified in the original Project Performa has been completed.

However, BPDB has so far not been able to utilise the opportunities effectively, offered under the current extension. Hence, project implementation is slow in particular areas of procurement; out of the five distribution items for the cyclone damaged networks only three were finalized, two have just been sent to IDA for clearance after re-evaluation by BPDB; disputes with two suppliers are not resolved; bottleneck was created on a contract for supply of cables and conductors due to change of contract currency executed by BPDB without IDA’s concurrence. The signing of consultants contract for Kaptai Units 1 & 2 rehabilitation has not yet been approved though IDA cleared the same.
more than seven months ago. This has created a bottleneck to settle payment with the consultants though the Units are in operation for a couple of months.

Moreover, there is a lack of continuous improvement in the key performance indicators (system loss, collection and CG ratio) of BPDB and collection has dropped to 81% from 87% in the first half of 1997. The covenanted CG ratio has never been achieved. BPDB has a very high account receivable, a large portion of which is from the government, autonomous bodies, DESA and private large consumers.

Key Issues:

- Key elements of the project that have repeatedly been highlighted by the IDA supervision missions over the years which have hardly made any progress are:
  
  (1) reconciliation of consumer accounts maintained at ESUs;
  (2) recovery of arrears from govt./semi-govt., DESA, autonomous bodies and private consumers;
  (3) resolution of accounting differences with DESA.

- Very recently, BPDB has transferred the Project Coordinator (PC) of the Project without informing the IDA and the new PC has hardly any experience in managing any donor funded project.

Next Key Steps:

<table>
<thead>
<tr>
<th>Actions</th>
<th>Expected Completion Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completion of supply of materials for cyclone damaged networks and disbursement thereof</td>
<td>June 30, 1998</td>
</tr>
<tr>
<td>Logistic support for PGCB and related disbursement</td>
<td>June 30, 1998</td>
</tr>
</tbody>
</table>
| Completion of remaining disbursement of following items:  
  1. Kaptai rehabilitation (for erection)  
  2. Consultancy for Kaptai rehabilitation (signing of the contract amendment to be arranged without any further delay)  
  3. Material for loss reduction  
  4. Logistic support for PGCB | June 30, 1998 |
| BPDB/DESA to intensify its program to recover arrears from government agencies, autonomous bodies and private consumers. | June 30, 1998 |
| BPDB to submit to IDA a program to test all the remaining single phase meters by the credit closing date | June 30, 1998 |
| BPDB should resolve the disputes with 2 suppliers | June 30, 1998 |
Problems Projects Brief

Forest Resources Management Project (FRMP)
IDA Cr. 2397-BD

Basic Data

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Amount</td>
<td>SDR 36.40 Million</td>
</tr>
<tr>
<td>Approval Date</td>
<td>June 23, 1992</td>
</tr>
<tr>
<td>Effective Date</td>
<td>July 10, 1992</td>
</tr>
<tr>
<td>Current closing date</td>
<td>December 31, 2000</td>
</tr>
<tr>
<td>Original closing date</td>
<td>December 31, 2000</td>
</tr>
<tr>
<td>Total disbursed (Feb.98)</td>
<td>SDR 21.33 Million</td>
</tr>
</tbody>
</table>

Current Performance Rating -
Achievement of Development Objectives: Satisfactory
Implementation progress: Satisfactory

Project Development Objectives:

The project’s primary objectives are to: (a) establish and maintain a forest management system fully responsive to the economic, environmental and social goals of Bangladesh; (b) improve the productivity of government-owned forests to meet, as much as possible, the country’s wood and energy needs; (c) develop participatory forest plantations involving communities; and (d) protect the country’s environment.

Current Status:

The project implementation is satisfactory. The project is in its sixth year of operation out of a total of eight (1992-2000). The project was under potential risk because of its initial disbursement delays due to the delay in start-up and unsatisfactory IP ratings in 1993-94, and also due to delay in compliance with legal covenants. However, in recent years the disbursement has picked up to 78% of the original SAR estimate to February 1998. Moreover, formal revision of the SAR estimate is under process, and once it is competed the disbursement lag will be significantly improved. Following recent amendment of para 3(b) and 3(c), Schedule 4 of DCA, all the covenants have been complied with.

Forest resources expansion component is on target. About 18,000 ha of new mangrove plantation and 19,600 ha of industrial plantation (65% of the total target of SAR) have been established till FY97. About 7,000 ha of new plantations are expected to be completed in FY98. Preparation of the new Forest management Plan is on track and is expected to be completed by March 31, 1998. Preparation of plans for the management and conservation of all protected areas, including the three newly established sanctuaries in the Sunderbans, is on schedule. In infrastructure development is progressing in tandem with the preparation of the plan, procurement of vehicles and
equipment, and staff recruitment. The plan should be completed and integrated with the new Forest Management Plan by March 1998. IFES is expected to produce 34 BS, 10 MS and at least 2 Ph.D. in FY98. IFES teaching capacity will improve when three out of eight long term trainees sent abroad will return on completion of their course in December 1997. IFES intends to further upgrade its curriculum for BS and M.S courses. BFRI has revised its mangrove research programs and formed a task force for its implementation.

**Key Issues:**

- A pilot initiative on the introduction of a need-based, i.e. location specific, annual programming, budgeting, cost accounting and monitoring system has yet to start. FD agreed to proceed with hiring the consultants, immediately.

- Recruitment of the NGO for the Participatory Forestry Development Component which is expected to be completed by March, 1998.

- Vacant teacher positions at the Forest Academy need to be filled to implement the in-service training programs. Also, 28 teaching and 19 non-teaching staff positions at the Forester’s School need to be recruited to pave the way to start a 3-year foresters’ diploma course.

**Next Key Steps:**

<table>
<thead>
<tr>
<th>Actions</th>
<th>Expected Completion Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expedite the recruitment process and fill the vacant positions</td>
<td>March 31, 1998</td>
</tr>
<tr>
<td>Complete the New Forest Management Plan</td>
<td>March 31, 1998</td>
</tr>
<tr>
<td>Start the work of programming, planning budgeting and monitoring system</td>
<td>August 31, 1998</td>
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<tr>
<td>Start participatory pilot plantation</td>
<td>March 31, 1998</td>
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Agricultural Research Management Project (ARMP)
IDA Cr. 2815-BD

Basic Data

Credit Amount : SDR 33.60 Million
Approval Date : February 8, 1996
Effective Date : July 31, 1996
Current closing date : December 31, 2001
Original closing date : December 31, 2001
Total disbursed (Feb. 98) : SDR 2.78 Million

Current Performance Rating -
Achievement of Development Objectives: : Satisfactory
Implementation progress : : Satisfactory

Project Development Objectives:

The project’s objective is to increase the efficiency and relevance of the national agricultural research system through: (a) improving research organization and management; (b) supporting priority research programs in promising areas; (c) strengthening client orientation; and (d) improving research resource allocation.

Current Status:

The project implementation status is marginally satisfactory. The Project Performas (PPs) for each of the ARIs and BARC have been revised, which has facilitated disbursements for incremental operating expenditures and thus helped expand research activities, although the revolving funds to be created are yet to be made operational. The contract research component appears to date an excellent response with 437 proposals received, of which 397 have been evaluated, have received and 141 (38%) rejected. However, only 32 contracts have been signed out of 104 approved by the Governing Body of BARC for an average of US$25 thousand. The Priority and Farming Systems Research Programs are in progress. The requests for proposals (RFPs) for training services and technical assistance were issued on January 15, 1998, which should lead to contract signing by April 1998. Local long-term training programs are in progress with 63 out of the 70 scholarships for national universities being granted and scientists starting their program. In addition, 11 international long-term trainees (M.S., Ph.D and post-doctoral fellows), out of 69, are already in place in foreign universities. However, attempts to send scientists for Ph.D and M.S. training abroad may be further delayed because of the cumbersome bureaucratic procedures involved including the approval of the Prime Minister of all overseas training exceeding 15 days. Very limited progress is being made with the institutional restructuring of the National Agricultural Research System (NARS), to which Government committed was given in its January 1996 policy letter and the time table agreed during Negotiations. Initial delays in procurement and further delays in concluding contracts for training services and technical assistance, the ISNAR contract and contract research, have resulted in disbursements being far behind schedule (10% compared to an appraisal estimate of 20%). To
meet these concerns, the Ministry of Agriculture has recently taken the initiative to create an inter-ministerial Steering Committee for the Implementation of ARMP. This Committee is now operational and is intended to assist the implementing agencies in finding concrete solutions to the problems they are facing.

**Key Issues:**

- There have been significant disbursement delays. Only US$ 0.6 M has been disbursed in this FY against a projection of US$ 12.0 M. Moreover, realistic improvements in disbursements are not expected before the end of FY 98. A possible re-evaluation/restructuring of the project is under discussion. However, the steps leading to such a restructuring are not yet included among the agreed actions below.

- The transfer of staff from the Annual Development to the Revenue Budget, expected prior to Credit Negotiations, is still to be completed. All vacant (member) Director/Director positions which were filled as a condition of appraisal, have reappeared. The ex-ante economic analysis of the draft Research Master Plans of the ARIs to determine research priorities has yet to be completed. The ISNAR contract, which inter alia would provide support to the institutional reform process is yet to be signed. The limited autonomy granted to the ARIs and BARC under the 1996 Acts has yet to be put in place (adoption and implementation of rules and regulations). The Policy Reform Coordinator (PRC), recruited by the Ministry of Agriculture, has yet to come up with concrete proposals for a further restructuring of (i.e. beyond the 1996 Acts, rendering greater autonomy to) the National Agricultural Research System (NARS), putting into doubt that the timetable for further reform of BARC and the ARIs agreed at Negotiations can be maintained.

- The project is not in compliance with the following legal covenants: (i) completion of Research Master Plans acceptable to IDA by December 31, 1996; (ii) hiring of research management expert (ISNAR contract) by July 1, 1996; (iii) action plan to eliminate research duplication across the ARIs by December 31, 1996 (will be presented to BARC Governing Board by April 30, 1998); and (iv) carrying out of a study on private financing alternatives for agricultural research by December 31, 1996 (has started, expected by February 28, 1998).

**Next Key Steps:**

<table>
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<tr>
<th>Actions</th>
<th>Expected Completion Dates</th>
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<tr>
<td>Implement the new financial management system at FRI on a pilot basis</td>
<td>March 31, 1998</td>
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<tr>
<td>Present and review the report on additional reforms for BARC and ARI's at a seminar involving the relevant agencies</td>
<td>February 28, 1998</td>
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<tr>
<td>Complete the master plans with priority setting</td>
<td>August 31, 1998</td>
</tr>
<tr>
<td>Fill up vacant senior positions at BARC and the ARIs</td>
<td>February 28, 1998</td>
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</table>
1) **Project Preparation:**

a) From the initiation of IDA funded projects, all concerned GOB agencies will be involved and a Project Preparation Committee will be formed which will consist of the concerned line ministry, the Finance Division, the Planning Commission, the ERD, related GOB agencies and any other concerned agencies.

b) This committee will come into agreement with WB on different aspects of project preparation. Furthermore, it will give decisions only on technical issues, as policy issues are discussed with other agencies.

c) At the time of project preparation, its implementation and monitoring mechanism will be determined. At the time of negotiation, it will be finalized.

d) During the preparation stage, stakeholders could be made members of the Committee.

2) **Project Preparation & Approval:**

a) The existing PCP/PP and TAPP preparation and approval process remains unchanged.

3) **PHRD Grants:**

a) The sector priority should be determined for a particular period.

b) Based on the financial status & priority, the proposals of the ministries & agencies (who are using IDA fund) will be considered.

c) Only the most critical information and analysis should be included in the TAPP and unnecessary information should be excluded.

d) PC will take steps, in consultation with major development ministries, to amend the present TAPP process.
4) Procurement & Contract

a) IMED will prepare quarterly reports and submit them to Cabinet Committee on Purchases.

b) Training on procurement for officials involved in procurement and contracts will continue.

c) Due to more regular meetings by Cabinet Committee on Purchases and for the quick decisions made by them, there is no need to increase financial and administrative authority of PDs. But necessary action will be taken after reviewing the third and fourth quarter performance of FY 97.

5) Fund Release & Expenditure:

a) The Ministries and PDs are authorized to spend on the basis of annual development program and budget approved by Parliament. No further administrative approval by MOF will be required in this respect.

b) For revised projects, no approval will be required for use of foreign-aid; if there is fund available under credit agreement and if concerned ministry and WB agree, then money can be spent for components under the revised ADP.

c) The process of 4th quarter fund release/expenditure & process for SAFE/CONTASA/DOSA will remain unchanged.

d) There are no recommendations regarding unapproved projects; GOB will take decisions later on.

6) Timely Completion of Audit & Appointment of External Audit:

a) Every year, projects are audited. Within 6 months of completion of project, audit has to be completed. In order to complete overdue audit reports and to complete audit of new projects in time, decision on appointment of external auditor can be taken after due consideration and after discussion with the Finance Minister.

7) All WB projects will follow the above procedures

8) This order is issued on the basis of the Cabinet Division’s letter dated 2nd March 1997.
Annex V

Discussion Paper
Possible Institutional Mechanism for Implementation of the Agreed FY98 CPPR Action Plan

In 1989 the Government of Bangladesh formed a Committee to examine reforms in Budgeting and Expenditure Control (CORBEC) in the Ministry of Finance to examine the existing budgeting, accounting and expenditure control systems of the Government and recommended improvements on them. The recommendations of CORBEC were accepted by the Government for implementation in phases. Since the recommendations were far reaching affecting a large number of line ministries a focused approach was adopted with specific responsibility assigned for implementation of the recommendations. Also, technical assistance funding was sought. An institutional mechanism was created in the form of Reforms in Budgeting and Expenditure Control Project (RIBEC) to accomplish the task. It is being financed by DFID (formerly ODA) UK. The project is being executed in partnership between GOB and DFID.

In the initial phase of implementation, through the RIBEC, GOB is trying to achieve the following four outputs: (i) classification of budgetary accounts; (ii) improved and quicker monitoring of expenditure through computerization; (iii) decentralized budgeting responsibility to line ministries; and (iv) integration of revenue and development budgets.

The RIBEC project implementation is being carried out through a Project Director, a Government official, supported by other staff and group of consultants, both local and expatriate. Many of the local consultants are Government officials working on lien (3 to 5 year period) from the government and will be returning back to the government service on completion of their tasks. Other experts working for RIBEC are retired Government officers and from the private sector. The project implementation is satisfactory and the first two outputs, that is, budget classification and improved monitoring through computerization, has almost been achieved and the new System will be operational from next year. RIBEC experts are now assisting the Ministry of Health, on a pilot basis, in the preparation of budgets under the new System.

RIBEC reports directly to the Secretary MOF, which is the key to its effective implementation. The work it does is demand driven and we were also advised that interest on the part of Government employees to join RIBEC on lien is considerable. An institutional mechanism similar to RIBEC could be created or RIBEC itself could be assigned with expanded responsibility to cover implementation of the agreed actions under this CPPR.
Agreed Minutes of the meeting on the draft
“Bangladesh: Country Portfolio Performance Review (CPPR)” report
held on April 20-21, 1998, in
Economics Relations Division (ERD)

1. Draft “Bangladesh: Country Portfolio Performance Review” report prepared by the World Bank was discussed in the meetings held in ERD during 20-21 April, 1998 between the GOB and the representatives of Development Partners. Mr. Abdul Hamid Chowdhury, Secretary, Planning Division, Dr. Masihur Rahman, Secretary, ERD, Mr. M. Saiful Islam, Secretary, IMED, and Dr. Akbar Ali Khan, Secretary, Finance Division presided over the different sessions of the two day annual event. List of participants is annexed. On invitation from GOB, representatives from ADB, OECF and UNDP participated in the deliberations of the World Bank’s CPPR. Participation by some key development partners proved useful and a consensus was reached to have WB and ADB jointly review the generic issues affecting portfolio performance in Bangladesh from next year. It was also agreed that donors and GOB would meet quarterly to review progress on implementation of agreed action plan.

2. The Chairman of the opening session, Secretary Planning Division welcomed the participants and requested the World Bank representative to present the salient features of the report. The World Bank representative mentioned the following objectives of CPPR:

- Assess the country portfolio performance as measured by key indicators. Discuss government procedures and policies which inhibit portfolio performance.
- Prepare an Action Plan to help resolve generic implementation issues.
- Renew commitment to the unfinished agenda of the FY97 CPPR and come up with a time-bound action plan for FY98.

3. Presenting an overview of the CPPR, the World Bank representative suggested that the meeting focus its discussions on generic issues like:

(a) weak project management
(b) prolonged procurement process
(c) slow disbursement
(d) delays in project preparation
(e) processing of PCP/PP/TAPP
(f) frequent changes of Project Directors
(g) lack of ownership and delegation of financial and administrative powers.
These have been identified among others as the core issues affecting Portfolio Performance over the last several years. It was pointed out that cancellation of large amount (about US$ 260 million) from two IDA credits resulted from delay in project implementation. The key issue affecting portfolio performance, it was noted, was the need to strengthen the institutional capacity of the agencies involved with project preparation and implementation. Ironically, the issues identified in the CPPR Report have been discussed in previous CPPRs, but no tangible result was achieved during preceding years. GOB recognized the problems highlighted by the World Bank and agreed to vigorously pursue the issue of strengthening the institutional capacity for speedy/timely implementation of projects. The ADB representative opined that a number of issues reflected in the World Bank CPPR are similar to the issues mentioned in the ADB study. As such it was proposed that in future, generic issues affecting portfolio performance may be reviewed jointly by the World Bank and Asian Development Bank.

4. After the initial remarks from GOB and the development partners, issue based discussion followed. The key areas covered were:

- **Project preparation & processing**
- **New format(s) of Project document**
- **Communications for greater ownership**
- **Joint Supervision (IMED, Planning Commission & ERD)**
- IMED Implementation Monitoring
- **Policy & Human Resource Development Fund (PHRD-Grant Japan)**
- **Land Resettlement**
- Environmental Issues-Impact Assessment
- **Selection of Project Director**
- **Delegation of Authority**
- **Revolving Fund and DOSA**
  (Special Account in Foreign Currency)
  (Convertible Taka Special Account)
  (Second Generation Special Account)
- **Procurement and Disbursement**
- **Financial Management and Auditing**
- **Implementation of LACI**
- **Assessment of progress on FY97 CPPR Action Plan**
- **CPPR Action Plan for FY98**

4.1 **Project Preparation & Processing:** Meaningful GOB participation in project preparation is one of the most effective ways of enhancing GOB’s ownership and improving the quality at entry of the projects. It was recognized that such participation can only be possible and achieved by increasing the skill and knowledge base of the relevant GOB officials, through learning-by-doing and training to upgrade their technical
capability. Enhanced technical competence of the concerned GOB officials will not only make their participation in project preparation more meaningful, but would also increase their interest in the project, leading to visible commitment to project ownership.

It was agreed that the GOB officials involved at the project preparation and implementation monitoring stages, particularly the Planning Cell Officials working with the various line Ministries should be provided training in and outside the country for upgrading their skills and knowledge. It was also agreed that the Planning Commission will take initiative for organizing training programmes for Planning Cell Officials of the line ministries to be financed under a proposed CPPR TA along with its own sector officials in the Planning Commission.

4.2 New Format(s) of Project Documents: It was opined that the existing system of PP processing and revision of PPs take more time which cause substantial delays in project implementation resulting in time and cost over-runs. Revisions of the PP become inevitable during project implementation, but due to the inflexibility of the PP document lengthy procedural delays occur. For streamlining project processing, existing PCP/PP formats are to be replaced by a comprehensive format and renamed as Development Project Proforma (DPP) which is awaiting approval. Currently Planning Commission is working to finalize DPP format. The Planning Commission representative informed that they had received various suggestions from the line Ministries on the draft of the new format which was circulated for eliciting opinion. The proposal regarding new format (DPP) will be submitted to ECNEC for consideration and approval.

ERD held the view that combining the existing format of PCP and PP into one DPP will not result in resolving the processing and approval delays. Rather delegating authority to the line ministries to modify scope of work upto a reasonable threshold would be having more far reaching positive results. What is needed is more flexibility which authorizes the line Ministries to bring in changes at the time of implementation. The World Bank emphasized that the present format of the PCP is overly complex and detailed and at the initial concept stage of project, a short and simple document is needed, providing an overview of the project, for policy makers to make a decision to ‘go’ or ‘no go’. Similarly, PP format/procedures would need some modifications. It was agreed that the Planning Commission would re-examine the issue whether the existing PPs and PCPs could remain with increased authority/power to the line Ministries to make amendments/modifications. Planning Commission would take initiative to resolve this issue and inform about the development in this regard by 31 May 1998. The proposed DPP and the simplified processing system should be shared with the World Bank and ADB before finalization.

4.3 Communications: It is recognized that greater ownership has a positive influence on project performance. Ownership can be increased by effective communication with all stakeholders. For creating greater awareness and consensus for the project within GOB, prior to submission to the Planning Commission the project should be discussed at three levels. The top level should include the concerned ministers, the second level should
include the Planning Cell and the line Ministry officials and the third level should include operational and management staff of the initiating/implementing agency in addition to the Planning Staff who would prepare the project. This modality could be practiced, on a pilot basis, from July 1, 1998.

4.4 Joint Supervision: It was recognized that greater participation by GOB officials in project supervision with Bank staff on IDA project would be mutually beneficial and increase institutional capacity. It was agreed that selected project personnel from IMED, who are responsible for supervision of projects, should join IDA’s supervision missions on a regular basis. It was also agreed that joint supervision strategy by GOB and IDA should begin immediately on a pilot basis. This will ensure better monitoring of project implementation, enable mutual transfer of skills between GOB project personnel and IDA staff and would be cost effective. IMED officials should be trained to carry out joint supervisions in future.

4.5 Implementation Monitoring: It was pointed out in the CPPR Report that the current monitoring system puts excessive emphasis on expenditure targets without adequate consideration to physical achievement, qualitative aspects, misuse of authority and resources, and to problems which may call for changes in implementation schedule or design of the project. IMED is not mandated to enforce its recommendations or to ensure overall effectiveness of public spending. Consequently there is a lack of follow up on IMED recommendations. Institutional capacity of IMED, particularly with regard to quality of staff and trained manpower, is limited. The meeting was informed that for qualitative monitoring of the projects, IMED had identified 16 core Ministries who spend majority of the ADP allocations requiring regular supervision. But IMED’s field supervision reports are not acted upon by the line Ministries during their ADP review meeting. It was recognized that line Ministries should seriously consider IMED report presented during regular ADP review meetings.

It was recognized that for effective project monitoring the institutional capacity of IMED should be strengthened with streamlined reporting formats and training provided to IMED staff. Similarly, during the discussion of this topic it was noted that institutional capacity of the Planning Cells in line ministries are in dire need of strengthening. Training to Planning Cell personnel is essential and should also be provided. On the recommendation for locating IMED in the PM’s office, it was the consensus that the PM’s office is already overloaded with different initiatives and it was not necessary to relocate IMED at the moment. The recommendation for contracting out monitoring and evaluation functions to the NGO’s and consulting firms should be dropped. Training of IMED and Planning Cell officials could be financed under the proposed CPPR-TA.

4.6 PHRD Grant Fund: It was recognized that the existing approval procedure of the TAPP under PHRD Grant Fund was slowing approval and hence expeditious utilization of the grant funds. It was opined that PHRD funded projects could be approved by ERD like UNDP funded TA projects. Since this would need a policy decision for the changes in the approval procedure, it was agreed that a proposal would be sent to the
Planning Commission for simplification of the PHRD funded TA project approval. ERD opined that the success of utilizing the PHRD grants depended critically on the identification, selection and prompt hiring of consultants, both international and local. However, GOB wishes to benefit from the facility available at the World Bank for identifying and selecting the most suitable international consultants. GOB, therefore, proposed that all PHRD grants be executed by the WB/ADB unless requested otherwise.

4.7 Land Resettlement: A critical issue for timely implementation of Physical Infrastructure projects relates to land acquisition and resettlement of the affected people. World Bank stressed the need to compensate the affected people either by resettling the PAPs or compensating with sufficient monetary support based on market price of the land acquired. It was recognized that for paucity of land in Bangladesh, resettlement with land for land cannot be a viable proposition. Only other alternative was to pay adequate compensation to ensure that PAPs are not worse off than before the involuntary acquisition. It was agreed that participation of PWD and other organization should continue for effective valuation process. For implementation of Resettlement Action Plans (RAPs) local bodies should be involved along with NGOs wherever necessary.

After detailed discussion it was agreed that for addressing the resettlement issue on each of the new project individually, GOB would frame a resettlement policy guideline which could be implemented with minimum adjustments reflecting the specific requirement of the particular project. In this perspective, it was agreed that for addressing the resettlement issue objectively some rules/existing laws may have to be amended. It was therefore, agreed to form a Committee headed by Secretary, Ministry of Land and representatives from major development ministries like Water Resources, Roads & Railways, Energy & Mineral Resources and LG Division, Planning Commission and NGO representatives. It was also decided to authorize Secretary, Ministry of Land to co-opt any other member for technical support. The Committee would submit for GOB's consideration a Resettlement Policy Guideline along with suggested legal/administrative amendment if required.

4.8 Environment Issues Impact Assessment: It was noted in the CPPR Report that in any development project, particularly physical infrastructure project, environmental issues are of paramount importance. As such the Government could adopt a standard guideline for environmental impact assessment. It was agreed to form a committee headed by Secretary, Ministry of Environment and Forest for preparation of a guideline for environment impact assessment with the representatives from the Stakeholders and NGO. The draft guidelines should be ready by October 31, 1998.

4.9 Selection of Project Directors: It was pointed out in the CPPR Report that project Directors and key project personnel in a good number of ongoing development/TA project, do not have adequate knowledge, skills and experience to implement the project successfully. The pay scale of PDs continue to pose problem in attracting candidates with the required qualification and experience. In many cases Government officials are given additional duties as Project Directors but they do not get
extra remuneration for their additional jobs; neither they can allocate a reasonable amount of time for the project works outside their normal work load. When a PD is promoted, his transfer is unavoidable in the existing procedure. It was also opined that the post of PDs selected from Govt. officials may be upgraded in situ, if their turn comes up for promotion in the hierarchy. For continuity of project personnel, the posts could be upgraded for accommodating the incumbents to their present posts after promotion and a provision could be made in the PP in this respect. It was also noted that the current practice that undermines an individual’s commitment to a particular project is the frequent transfer of PDs and other key project personnel. The tenure of PD and key project personnel should be fixed before their appointment and the hiring process should be competitive and the compensation structure should be market-based. Once appointed, the PD should normally be kept for the total duration of the project. This provision should be explicitly agreed to at the time of appointment and sustained. It was agreed that PDs could be employed on deputation on a full-time basis, on contract, and on a market-oriented remuneration package.

All these recommendations need to be carefully reviewed with the Ministry of Establishment with participation from other concerned Ministries in order to arrive at a decision to improve the current practices which are adversely affecting project implementation. Based on the review, to be completed by October 31, 1998, GOB will revise its policy accordingly.

4.10 Delegation of Authority: It was opined that the administrative and financial authority of the PDs in the Govt. department do not pose a serious problem. But the PDs in the Govt. Departments quite often seek approval from their higher authority on issues which are well under the authority given to them. The meeting stressed the need to make PDs responsible for taking decisions within the authority delegated. In case of autonomous bodies, it was mentioned that the Board has sufficient authority which is not re-delegated downwards. The present level of administrative and financial power given by Ministry of Finance’s circular needs to be updated. Finance Secretary assured that the issue will be looked into on a priority basis as soon as the budget exercise was completed.

4.11 Revolving Fund and DOSA: It was proposed to create a revolving Fund to meet bridge financing the initial project expenses between signing and effectiveness of the credit. It was opined that the creation of such fund would not be feasible because its operation could be complex. As an alternative it was agreed that a provision would be made in the PP to spend a specific amount of money initially from GOB’s own resources against payments which would have otherwise been part of PA to facilitate (a) appointment of consultant and (b) mobilization expenses for the civil work components. Reimbursement for these expenditures will be made when the credit is declared effective. The meeting opined that this procedure would be easier.

ERD opined that the DOSA has a serious problem in disbursing local taka to innumerable beneficiaries through Central Bank. It was pointed out that the bank accounts located outside Dhaka take more time for payment of local currency by Bangladesh Bank. It was
agreed that the Finance Secretary would discuss the matter with Bangladesh Bank and C&AG whether the US Dollar Special Account (DOSA) could be opened in commercial banks to overcome the present impasse and to avoid opening of second generation Special Accounts on a case to case basis. It was agreed that this issue would be discussed after the budget exercise and a decision reached by August 31, 1998. To resolve the problems faced by the Agriculture Research Project regarding Special Accounts, Finance Secretary asked the Bank staff to meet with him to find an appropriate solution. To facilitate the release of funds, it was agreed that each Ministry would issue an administrative order specifying the expenses under the project included in the ADP. The PDs and ministries would be informed about this through a MOF circular.

4.12 **Procurement and Disbursement**: It was recognized that delay in procurement caused slow disbursement which hampered smooth implementation of the project. It was agreed that the concerned policy level officials of the line ministries related with procurement processing should be given extensive training in the BPATC by including in the curriculum a subject on procurement. Simultaneously APD and IMED could continue with the present mode of imparting training to the project officials. The meeting also agreed that greater use of IDA’s advance procurement methods should be made for almost all civil works components of projects.

4.13 **Financial Management and Auditing**: It was recognized that the lack of proper accounting of the projects delayed audit in most of the cases. It was mentioned that the audit office of the Director General for foreign aided project is capable of performing audit of the foreign aided projects in time if proper accounts are maintained. There would be no need of hiring private auditors. The Audit manual which has recently been introduced will be used to audit the Aided Project from the present FY. A question was raised regarding transfer of 4 senior officers who were trained to use the Audit Manual. The meeting was informed that 19 officers were trained of which 4 were transferred due to administrative requirements. However, this transfer would not affect the overall performance of the audit office as they are performing similar functions in the C & AG offices elsewhere. It was also agreed to extend the scope of audit to assess the impact of the project on a pilot basis.

4.14 **Implementation of LACI**: The World Bank proposed to introduce a new reporting system namely Loan Administration Change Initiative (LACI) which would ensure better client service and quick disbursement. However, it was opined that the new system should not be mandatory. The World Bank representative pointed out that for the new Bank projects in FY99 this would become mandatory for Board approval of World Bank projects. This system could be used for some specific project on a test basis. IMED would study the format of LACI and provide an opinion. It was recognized that training will have to be provided to accounting staff in projects, which may be arranged under the proposed technical assistance.

4.15 **CPPR Action Plan**: To ensure implementation of the agreed actions, it was agreed that joint meetings between GOB and donors will be held regularly. In line with
this, a meeting will be held in the first week of August 1998, to review the progress of agreed actions. It was also agreed that in future Portfolio Performance Review will be undertaken jointly by the World Bank and the ADB for tackling the cross cutting generic issues affecting project implementation.

The World Bank stressed the need to identify a focal point government agency for implementation monitoring of the CPPR agreed actions. It was also opined that the existing TA cell of ERD could be given this responsibility which would need further Technical Assistance to help in the implementation of the activities mentioned in the list of the agreed actions.

The meeting ended with a vote of thanks to and from the chair.

(Dr. Masihur Rahman)
Secretary, ERD
The World Bank
South Asia Region