

**People's Republic of Bangladesh  
Planning Commission**

**Fact Finding Study on  
Public Investment Management in  
Bangladesh**

**Final Report**

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**IC Net Limited**



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## Acronyms and abbreviations

ADB	Asian Development Bank
ADP	Annual Development Programme
BDT	Bangladesh Taka
BIFF	Bangladesh Infrastructure Finance Fund
CAG	Comptroller Auditor General’s Office
CCEA	Cabinet Committee on Economic Affairs
CPTU	Central Procurement Technical Unit
DAS	Divisional Assessment Sheet
DPEC	Developmental Project Evaluation Committee
DPP	Development Project Proposal
ECNEC	Executive Committee of the National Economic Council
ERD	Economic Relations Division
FAPAD	Foreign Aided Project Audit Directorate
FD	Finance Division
FY	Fiscal Year
GDI	Gross Domestic Investment
GDP	Gross Domestic Product
GED	General Economic Division
IDCOL	Infrastructure Development Company Limited
IIFC	Infrastructure Investment Facilitation Center
IMED	Implementation, Monitoring and Evaluation Division
IPFF	Investment Promotion and Financing Facility
JDCF	Japan Debt Cancellation Fund
JICA	Japan International Cooperation Agency
KPI	Key Performance Indicators
MDGs	Millennium Development Goals
M&E	Monitoring and Evaluation
MIS	Management Information System
MTBF	Medium-Term Budget Framework
NEC	National Economic Council
NSAPR	National Strategy for Accelerated Poverty Reduction
O&M	Operation and Maintenance
PAS	PEC Assessment Sheet
PC	Planning Commission
PEC	Project Evaluation Committee
PFM	Public Financial Management
PIM	Public Investment Management
PPP	Public Private Partnership
PPPAC	Public Private Partnership Advisory Council
PRSP	Poverty Reduction Strategy Paper
PSIG	Private Sector Investment Guidelines

QTEC	Qualification and Tender Evaluation Committee
RADP	Revised Annual Development Programme
RBM	Result-Based Management
RBM&E	Result-Based Monitoring and Evaluation
RDPP	Revised Development Project Proposal
RFP	Request for Proposal
RFQ	Request for Qualification
RTPP	Revised Technical Assistance Project Proposal
SFYP	Sixth Five Year Plan
SPEMP	Strengthening Public Expenditure Management Program
TA	Technical Assistance
TOT	Training of Trainers
TPI	Total Public Investment
TPP	Technical Assistance Project Proposal
VGf	Viability Gap Funding
WB	World Bank

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## **Executive Summary**

The People’s Republic of Bangladesh has achieved remarkable socio-economic development since its independence in 1971. Over the last 40 years, the real per capita income of Bangladesh increased by more than 130%, and the poverty rate was reduced by more than half. In the last decade, the country’s average economic growth reached around 6% per annum, and the headcount poverty rate was reduced from 49% in FY2000 to 31.5% in FY2010.

Building on the robust performance in the last decade, the Government of Bangladesh set the long-term goals, namely, achieving Vision 2021 and joining the class of middle income countries by 2021. Towards these goals, the Perspective Plan and the Sixth Five Year Plan (SFYP) set the following targets of growth and poverty reduction: (i) raise real GDP growth from the current 6% to 8% in FY2015 and 10% in FY2021; and (ii) reduce the headcount poverty rate from the current 31.5% to 22% in FY2015 and 14% in FY2021.

To achieve those targets, public investment should play a catalytic role through the provision of enabling environments for the private sector. However, the available data on public investment management (PIM) in Bangladesh clearly demonstrates that the performance of PIM is far from satisfactory, pointing to the urgent need for action by the Government. For example, public investment as percentage of GDP declined in FY2006–FY2009, although it slightly recovered in FY2010 and FY2011. In FY2006–FY2010, the annual disbursement rate of the Annual Development Programme (ADP) was 76% on average, the cost overrun of the ADP was 42%, and the time overrun was 2.9 years. PIM must be improved urgently if Bangladesh is to achieve Vision 2021.

The Planning Commission (PC) has been recognizing the need to improve PIM as a critical agenda, for which it sought possibility of technical cooperation from the Japan International Cooperation Agency (JICA). Responding to the request of the Commission, JICA dispatched a study team to Bangladesh in January–February 2012.

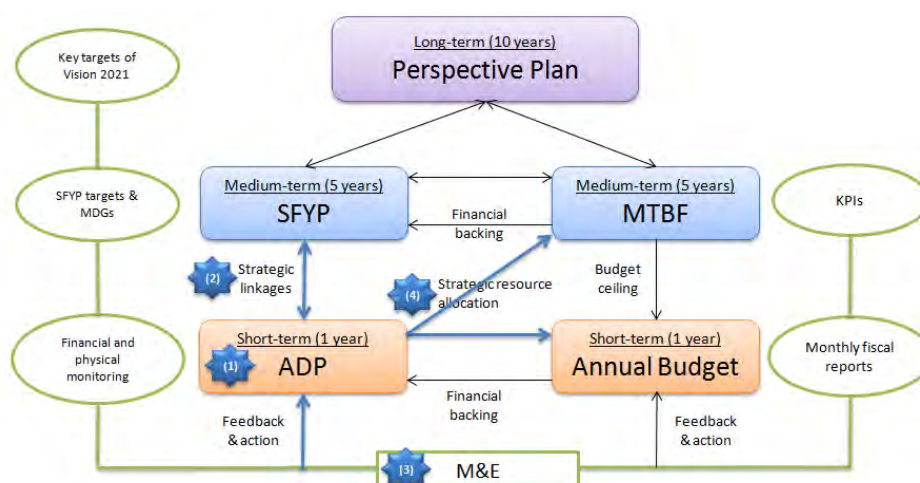
The study team conducted this fact finding study with the following objectives:

- a) Collect and analyze basic information on public investment management (PIM) and related topic areas such as public financial management (PFM) and public private partnership (PPP), identifying legal and institutional frameworks, their application and enforcement, and ongoing and planned support for PIM; and
- b) Recommend future directions of Japan’s cooperation in the area of PIM, considering its consistency and complementarities with PFM and PPP, and make a proposal for the formulation of a new project supported by Japan.

The main findings of the current study are summarized in the following.

### **Key issues on PIM**

The key issues on PIM identified under the current study are grouped into four broad categories: (1) the ADP process; (2) strategic linkages between the SFYP and the ADP; (3) strategic resource allocation; (4) M&E of development plans and projects; and (5) cross-cutting issues. Figure 1 below indicates the groups (1)–(4) of key issues in the context of development planning, budget and PIM systems in Bangladesh.



**Figure 1: Development Planning, Budget and PIM Systems in Bangladesh**

### (1) The ADP process

The ADP plays the central role in PIM in Bangladesh. The PC is responsible for overall management of the ADP process. The Finance Division sets annual budget ceilings on the ADP based on the Medium Term Budget Framework (MTBF), whereas line ministries, divisions and their implementing agencies are responsible for the preparation of the Development Project Proposal and Technical Assistance Project Proposal (DPP/TPP) and the implementation of approved projects. The following key issues must be addressed to improve the ADP process.

- 1) **Insufficient capacity of PC to manage the increasing number and budget amount of projects in ADP.** The number of staff members of the PC has not changed since the 1990s, but the number and budget amount of projects to be reviewed have been soaring rapidly. The PC is already overwhelmed by the increasing number and budget amount of projects in the ADP. This clearly points to the need to strengthen the capacity of the PC to meet the increasing importance and expectation of public investment and thereby achieve Vision 2021.
- 2) **Low quality of DPP/TPP.** The quality of DPP/TPP is compromised because of the following factors: (i) insufficient capacity of implementing agencies to prepare quality DPP/TPP; (ii) insufficient capacity of planning wings of line ministries and divisions to appraise DPP/TPP; (iii) insufficient capacity of the PC to prioritize and select DPP/TPP; and (iv) lack of an established process to train officials who prepare and appraise DPP/TPP. These factors cause delays in approving DPP/TPP, and result in time and cost overruns at the implementation stage of projects.
- 3) **Duplication of tasks in the review process of DPP/TPP.** Tasks among concerned agencies in the process have duplications. This creates confusion and delays in the processing of DPP/TPP. The process of DPP/TPP must be streamlined through such steps as clarification of authority in the process. Furthermore, this should be formalized in the form of regulations or other legal means.

## (2) Strategic linkages between SFYP and ADP

The projects in the ADP are expected to serve as the main tool to implement strategies and achieve targets of the Perspective Plan and the SFYP. However, many of the ongoing projects in the ADP have no clear linkages with the SFYP. Any new projects in the ADP should have clear strategic linkages with the SFYP.

- 4) ***Weak linkages between ADP and SFYP.*** Few projects in the ADP have clear indications as to which strategies in the SFYP they are aligned with, what objectives the projects aim to achieve, and how the objectives contribute to the achievement of SFYP targets. All new projects prepared and appraised in the period of the SFYP should be prioritized and selected, based on the extent to which they contribute to implementing the strategies and achieving the targets of the SFYP. This would require revising DPP/TPP and the ADP.

## (3) M&E of development plans and projects

A fair number of indicators for M&E of development plans and projects are already in place: (i) the Perspective Plan sets the targets by FY2021; (ii) the SFYP and MDGs set the targets by FY2015; (iii) MTBF includes Key Performance Indicators (KPIs) over FY2011–FY2015; (iv) financial and physical monitoring of projects in ADP; and (v) monthly fiscal reports of the Annual Budget. The SFYP also includes indicators for M&E at the sector level.

- 5) ***Transition toward result-based M&E.*** Bangladesh started moving toward a result-based M&E system with the SFYP. Currently, the M&E focuses primarily on financial inputs. The SFYP sets up a Results Framework for the first time in Bangladesh's history of five-year plans, and will conduct annual monitoring of SFYP implementation. The Key Performance Indicators (KPIs) in the MTBF have not been regularly monitored.
- 6) ***Limited capacity of M&E.*** In the M&E of the SFYP, it is imperative to strengthen the General Economic Division (GED) through training staff, setting up a data compilation system, and establishing sound coordination mechanisms to collect information from ministries, divisions, and implementing agencies. In the M&E of the ADP, it is clearly necessary to strengthen the monitoring of outputs and outcomes to make a transition toward result-based M&E at the project level. It is also necessary to strengthen feedback mechanisms to take remedial actions and formulate the ADP.

## (4) Strategic resource allocation

The Perspective Plan and the SFYP are expected to guide the decision making on resource allocations among the sectors in the MTBF and the Annual Budget. The allocation of resources (funds) among projects and programs within the ADP should be also guided by the Perspective Plan and the SFYP. This would improve allocative efficiency of public expenditures towards achieving Vision 2021.

- 7) ***Differences of sector classification between ADP and MTBF/Annual Budget.*** In the ADP, a traditional sector classification (17 sectors) continues to be used since the start of the ADP in the 1970s. By contrast, the MTBF and the Annual Budget use 13 sectors. The difference in sector classification might cause ambiguity and confusion among concerned institutions in negotiating and making decisions on resource allocation among sectors.

- 8) ***Weak strategic linkages between SFYP and MTBF.*** The SFYP and the MTBF are formulated by the Planning Commission and the Finance Division (FD), respectively. Coordination between them has not been satisfactory in the processes to prepare the SFYP and the MTBF, and that there is scope for strengthening the linkages between the SFYP and the MTBF.

#### **(5) Cross-cutting issues**

The following key issues cut across, and therefore influence, all aspects of PIM.

- 9) ***Coordination between the ADP process and PPP initiatives.*** A new policy and procedures on PPP were formulated only recently, and a newly created PPP Office under the Prime Minister's Office just started its operation. The PPP Unit under the Finance Division was also set up and is now operational. It is premature to make any assessment on PPP initiatives, but some key issues related to the ADP were identified: (i) capacity building on management of PPP projects; (ii) wide dissemination on PPP among the private sector; (iii) further clarification of relationships between the ADP and PPP; and (iv) review the existing legal framework to facilitate PPP.
- 10) ***Donor harmonization in implementation rules.*** Among donor agencies, differences in the implementation rules cause occasional delays in donor-supported projects. This is particularly the case in the procurement rules of donor agencies that are generally stricter than the rules of the Government, and there are some variations among donor agencies. As the first step, harmonization of procurement rules among donor agencies would help speed up the implementation and disbursement of donor-funded projects.
- 11) ***Frequent personnel rotation across ministries and divisions.*** The current civil service system in Bangladesh requires frequent personnel rotation across ministries and divisions, which is every 3 years on average. This makes it difficult for officials to accumulate knowledge and experience in specific sectors and perform their assigned tasks efficiently. The limited knowledge and experience in certain sectors among officials at least partly explains the delays in the ADP process.
- 12) ***Need to strengthen computerized information system for ADP.*** All ADP-related documents are communicated among concerned institutions only through hard copies. There is neither an inventory of appraised projects for consideration in the Annual Budget, nor an electronic database of projects in the ADP. It is imperative to introduce a computerized information system. A simple, low cost, locally manageable computerized system would speed up communication among concerned institutions, save storage space, mitigate the risk of losing information, and build staff capacity with low cost.

#### **Recommendations for improvement of PIM**

The study team's recommendations consist of three components that aim to improve PIM in the immediate and medium terms.

##### **Component 1: Streamline the formulation and approval process of public investment projects**

This component aims to achieve improvement of PIM in the immediate term by addressing key issue 2 on low quality of DPP/TPP, and key issue 3 on the duplication of tasks in the review process of DPP/TPP. This can be achieved by streamlining the process for the formulation of

public investment projects through DPP/TPP, while maintaining the quality of each function. The following activities are recommended to be undertaken.

- a) Clarify responsibilities among concerned organizations in the formulation process of the DPP/TPP.
- b) Clarify assessment criteria in the process of approving the DPP/TPP at three critical steps, i.e., Ministry/Division Screening Committee, PEC and ECNEC.
- c) Develop assessment formats that match the assessment criteria for each step in b).
- d) Revise DPP/TPP formats that match the assessment formats in c).
- e) Develop the capacity of officials related to the project formulation and approval process.

## **Component 2: Incorporate strategic features in ADP**

This component aims to achieve medium-term improvements in PIM by strengthening linkages between the ADP and the SFYP on one hand, and linkages between the ADP and the MTBF on the other.

**Linkage between ADP and SFYP.** This aims to improve the ADP so that it would incorporate strategic indicators that link individual projects to the SFYP. These indicators also serve as selection criteria for new projects that are applied through the DPP/TPP process. The following activities are recommended to be taken under this component.

- a) ***Develop a strategic ADP outline that incorporates strategic linkages with the SFYP.*** The strategies and targets in the SFYP would be divided into 17 sectors of the ADP, and compared with approved and unapproved projects for their relevance to SFYP targets. Furthermore, the strategic ADP would include projection of indicative budgets for future ADP using indicative budgets over the project duration of approved DPP/TPP.
- b) ***Incorporate project selection criteria in ADP.*** A strategic ADP will become a viable tool to select public investment projects within the budget ceilings indicated in the MTBF. In the process of approving public investment projects, the ADP will function as a guideline to align them into development targets. The strategic ADP will also become the guideline when selecting projects within limited resources available.
- c) ***Develop the capacity of officials involved in formulating a strategic ADP.*** The capacity of relevant officials for formulating a strategic ADP is developed. The target officials would include those in the Programming Division and Sector Divisions of the Planning Commission, and planning wings of ministries and divisions.

**Linkage between ADP and MTBF.** Resource allocations in the MTBF, Annual Budget, and ADP should be aligned with the strategies and priorities in the SFYP. A key issue in this regard is that the sector classification of the ADP (17 sectors) are currently different from that of MTBF/Annual Budget (13 sectors). Because of this difference, the prioritization and selection of projects in the ADP process may not match precisely with the strategic resource allocations among sectors in the MTBF/Annual Budget. This ambiguity might cause confusion at the time of the decision making in the MTBF/Annual Budget and the ADP.

Two options can be conceived to address this issue: (i) create a simple program in which the sector classification of the ADP can be matched to that of the MTBF/Annual Budget; and (ii) update the sector classification of the ADP to match that of the MTBF/Annual Budget. In the view of the study team, the latter would be better since this update of the ADP could be

undertaken together with other aspects of improvements in the ADP. Based on the discussion above, the following activities are recommended:

- a) Review the issue of sector classification of the ADP within the PC, and discuss and decide which approach the PC wishes to take to address this issue;
- b) Based on the approach chosen by the PC, prepare an action plan to address this issue; and
- c) Implement the action plan.

### **Component 3: Strengthen Result-Based M&E of projects in ADP**

This component aims to achieve improvement of PIM in the medium term by promoting a transition toward result-based M&E (RBM&E) at the project level. This will enhance linkages with the M&E approaches developed for the SFYP. The following activities are recommended to be undertaken.

- a) ***Develop a project-level RBM&E framework for ADP managed by IMED.*** This will be better aligned with the monitoring of the strategies and targets of the 17 sectors in the ADP. The RBM&E approach fits into the direction of improvement of the M&E system of the Implementation Monitoring and Evaluation Division (IMED).
- b) ***Strengthen linkage of RBM&E between SFYP and ADP.*** Since the monitoring scale and subjects at the SFYP and ADP levels are different, the ways to match the two levels need to be articulated.
- c) ***Develop the capacity of officials involved in RBM&E.*** Development of the capacity to conduct RBM&E is not limited to officials at the IMED. Capacity development would be needed for the officials in the Programming Division of PC, ministries/divisions and implementing agencies.
- d) ***Further strengthen linkages of RBM&E with KPI in MTBF.*** Special attention should be paid to the linkages of RBM&E of the ADP with the monitoring of KPI in the MTBF. The linkages with KPI will help the Government to monitor development performance in a holistic way. The following sub-activities are recommended: (i) review the RBM&E (both the SFYP and the ADP) and KPI monitoring process; (ii) prepare an action plan to address this issue; and (iii) implement the action plan.

### **Proposed JICA technical cooperation project**

Based on the findings of the current study, the study team proposes a JICA technical cooperation project that assists the Government in improving PIM in the immediate and medium terms (Table 1).

Two immediate effects in the following are expected to be achieved at pilot organizations within one to two years through Japan's support:

- Speed up the project approval process; and
- Speed up the spending of annual budget.

This project is assumed to begin in mid-2012 with duration of approximately 3 years. This proposal is presented in the form of a logical framework with the Project Purpose, Overall Goal, three Outputs and a set of Activities.

It should be stressed that the proposal in this chapter should be further elaborated in the ex-ante evaluation of the proposed project.

Table 1: Proposed scope of a JICA technical cooperation project

<p><b>Overall Goal:</b> Outcomes of public investment projects are effectively contributing to the achievement of the national targets.</p>
<p><b>Indicators of Achievement:</b></p> <ul style="list-style-type: none"> <li>➤ Cost overrun of public investment projects is reduced.</li> <li>➤ Time overrun of public investment projects is reduced.</li> <li>➤ The disbursement rate of the ADP is reduced.</li> </ul>
<p><b>Project Purpose:</b> Public investment projects are well-managed under the improved ADP framework.</p>
<p><b>Indicators of Achievement:</b></p> <ul style="list-style-type: none"> <li>➤ Procurement delays are reduced through project monitoring.</li> <li>➤ The ratio of budget spending in the first three quarters of the fiscal year increases to xx%.</li> <li>➤ The number of public investment projects listed in the ADP with its annual budget amount aligned with the DPP increases.</li> </ul>
<p><b>Output 1:</b> The process for the formulation and approval of public investment projects is streamlined.</p>
<p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>➤ The project formulation and approval process has reduced from an average of xx days to yy days.</li> <li>➤ The ratio of DPP/TPP returned to ministry/division for reconsideration decreases to xx%.</li> <li>➤ The number of officials capable of conducting project assessment in the PC and ministry/ division planning wings reaches xxx (respectively).</li> </ul>
<p><b>Activities:</b></p> <ol style="list-style-type: none"> <li>1) Review the process of formulation and approval of public investment projects.</li> <li>2) Develop project assessment formats and revise DPP/TPP.</li> <li>3) Clarify division of responsibilities among concerned organizations in the process of formulating and approving public investment projects through DPP/TPP formats.</li> <li>4) Validate new procedures and formats developed through activities 1) to 3) at pilot organizations.</li> <li>5) Develop the capacity of officials in PC, planning wings of ministries/divisions, and implementing agencies, on the new procedures and formats to organizations concerned.</li> </ol>
<p><b>Output 2:</b> The ADP is modified so that strategic features are incorporated.</p>
<p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>➤ The modified ADP with SFYP indicators incorporated in each sector is announced.</li> <li>➤ Agreement is made between the PC and FD concerning the classification of the ADP and MTBF/annual budget.</li> <li>➤ The number of officials capable of developing the strategic ADP model in the Planning Commission and ministry/division planning wings reaches xxx (respectively).</li> </ul>
<p><b>Activities:</b></p> <ol style="list-style-type: none"> <li>1) Study the linkages between the SFYP and the ADP.</li> <li>2) Develop a strategic ADP model in pilot sectors. Validate the revised strategic ADP model by studying the linkages with the SFYP and individual public investment projects.</li> <li>3) Develop the capacity of staff in Planning Commission and planning wings of ministries/division, on the methods in developing a strategic ADP.</li> <li>4) Review with the PC the sector classification of the ADP and that of the MTBF/Annual Budget, and advise the PC about possible options.</li> <li>5) Help the PC prepare an action plan to address the issue of sector classification of ADP.</li> <li>6) Help the PC implement the action plan.</li> <li>7) Develop the capacity of officials in PC, planning wing/budget wing in ministries and divisions, where needed and appropriate.</li> </ol>
<p><b>Output 3:</b> The Result-based monitoring and evaluation of projects in the ADP are strengthened.</p>

**Indicators:**

- xx% of all development projects conduct M&E through the new Result-Based Monitoring and Evaluation (EBM&E) method.
- Agreement to link M&E results among the ADP, SFYP and MTBF is reached.
- The number of officials capable of conducting RBM&E in the IMED and ministry/ division planning wings reaches xxx (respectively).

**Activities:**

- 1) Review the RBM&E framework for the SFYP and the monitoring framework of KPI for the MTBF.
- 2) Review the progress of RBM&E for public investment projects.
- 3) Update formats of monitoring documents in line with RBM&E.
- 4) Incorporate RBM&E methods in project-level monitoring at pilot projects for validation.
- 5) Improve information management in the IMED for RBM&E.
- 6) Develop the capacity of staff at the IMED, planning wings of ministries/divisions, and implementing agencies.
- 7) Review and improve coordination mechanisms among the GED of PC, FD and the IMED on the RBM&E framework.
- 8) Develop capacity of staff in PC and FD, planning wing/budget wing in ministries and divisions based on the coordination mechanism developed in activity 7).



## 1 Introduction

### 1.1 Background and context

The People’s Republic of Bangladesh (hereinafter ‘Bangladesh’) achieved remarkable socio-economic development since its independence in 1971. Over the last 40 years, the real per capita income of Bangladesh increased by more than 130%, and poverty rate was reduced by more than half. In the last decade, the country’s average economic growth reached around 6% per annum, and the headcount poverty rate was reduced from 49% in FY2000 to 31.5% in FY2010.<sup>1</sup>

Building on the robust performance in the last decade, the Government of Bangladesh (hereinafter ‘the Government’) formulated the *Outline Perspective Plan of Bangladesh 2010-2021*, a long-term plan articulating the development vision, mission, goals and objectives towards the *Digital Sonar Bangla* in 2021.<sup>2</sup> The Perspective Plan articulates Vision 2021, and sets the long-term goals, namely, reducing the poverty rate to 15% and transforming Bangladesh into a middle income country by 2021.

To translate the Perspective Plan into action, the Government formulated *The Sixth Five Year Plan FY2011-FY2015: Accelerating Growth and Reducing Poverty* (SFYP). The cornerstone of the overall development strategy of the SFYP is “accelerated growth with equity and social justice.” The SFYP entered into operation in July 2010, and is being implemented to achieve a set of medium-term goals by FY2015.

In the SFYP, it is projected that achieving Vision 2021 and the goals of Perspective Plan would require accelerating economic growth from the current 6% per annum to 8% by FY2015 and 10% by FY2021. This necessitates the country to increase the rate of investment, including both public and private, from the current 24% of GDP to 32-33% in FY2015 and 38-40% by FY2021.<sup>3</sup>

The Government recognizes that public investment should play critical roles in reducing the infrastructure constraints and strengthening human development. The Planning Commission (PC) is the supreme policy institution that oversees public investment management in Bangladesh. The PC advises the National Economic Council (NEC) chaired by the Prime Minister, and assumes broad and critical functions that extend from the formulation of development plans such as the Perspective Plan, Five-Year Plan, and Annual Development Programme (ADP), to the selection, monitoring and evaluation of public investment projects under the ADP.

A recent study on PIM in Bangladesh, however, pointed out a number of issues to be addressed. For instance: (1) limited capacity of implementing departments/agencies at the project formulation stage; (2) the lack of guidelines for project formulation; (3) insufficient capacity of the Planning Commission and the Ministry of Planning on PIM in general, including the

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<sup>1</sup> Government of the People’s Republic of Bangladesh. 2011. *Sixth Five Year Plan FY2011-FY2015 (Part 1, 2 and 3)*. Dhaka: General Economic Division, Planning Commission.

<sup>2</sup> Government of the People’s Republic of Bangladesh. 2010. *Outline Perspective Plan 2010-2021: Making Vision 2021 A Reality*. Dhaka: General Economic Division, Planning Commission.

<sup>3</sup> SFYP Part I, p.48.

approval of individual public investment projects; and (4) weak capacity of implementing departments/agencies in procurement and project management at the implementation stage.<sup>4</sup> These issues have been identified as critical causes of the cost and time overrun, and had negative impacts on efficient project implementation and achievements of project objectives. As a consequence, the average disbursement rate of project funds remained only 74% in 2005-2010.<sup>5</sup> Those key issues identified are also serious concerns of many donor agencies that have been providing support for public investment projects in Bangladesh.

The strengthening of PIM has to do with, and therefore should be undertaken in tandem with, some other important initiatives of the Government.

The first is the ongoing reforms in the planning and budgetary processes through the introduction of the medium-term budget framework (MTBF).<sup>6</sup> The MTBF is intended to support the implementation of development plans by: “(i) ensuring that the government’s fiscal management contributes to macroeconomic stability and support an enabling environment for economic growth and poverty reduction; and (ii) adequate public resources are allocated through a more strategic and policy-led budget planning process directed towards priority programs identified in the context of the approved medium-term development plan.”<sup>7</sup> The most recent MTBF (2011-12 to 2015-16) covers all 57 government ministries/divisions and other institutions over five years that are aligned with the period of the SFYP.

The second initiative of the Government is concerned with public private partnership (PPP) that aims to provide public infrastructure and services through mobilizing private investment. The management and promotion of development projects using PPP falls under the jurisdictions of a newly created PPP Office under the Cabinet of Prime Minister and the PPP Unit under the Ministry of Finance.

The Planning Commission has been recognizing the need to improve PIM as a critical agenda, for which it sought possibility of technical cooperation from the JICA. Responding to the request of the Commission, the JICA and the World Bank have recently launched discussions on the need of technical cooperation for PIM, and examine the possibility of technical cooperation by donor agencies including JICA, in coordination with the SPEMP.

## 1.2 Objectives of the study

The objectives of the current Study are twofold:

- a) Collect and analyze basic information on public investment management (PIM) and related topic areas such as public financial management (PFM) and public private partnership (PPP), identifying legal and institutional frameworks, their application and enforcement, and ongoing and planned support for PIM; and

<sup>4</sup> World Bank. 2011. *The Quality of Public Investment Management in Bangladesh*. Washington, DC: World Bank.

<sup>5</sup> World Bank. 2010. *Public Expenditure and Institutional Review Part I*. Washington, DC: World Bank.

<sup>6</sup> The MTBF was introduced in Bangladesh under the Strengthening Public Expenditure Management Program (SPEMP) with support of the World Bank and other donor agencies. The SPEMP’s mission is: “Deepening and Strengthening of existing public financial management reforms and initiation of new reforms to promote efficiency, accountability and transparency in PFM in Bangladesh (quoted from SPEMP website. <http://www.spemp.com/main.php>). Under this mission, the Government of three branches – the executive, the legislature, and the judiciary – has been working to implement PFM reforms under the SPEMP.

<sup>7</sup> SFYP Part I, p.233.

- b) Recommend future directions of Japan’s cooperation in the area of PIM, considering its consistency and complementarities with PFM and PPP, and make a proposal for the formulation of a new project supported by Japan.

### **1.3 Methodology of the study**

The current study was conducted in the following steps.

First, qualitative and quantitative information was collected from a review of documents and reports on PIM in Bangladesh (see Appendix A1 for the references). Second, based on the information and analysis on PIM, the study team conducted a series of field interviews in January-February 2012 with key officials and experts of public institutions and donor agencies concerned (see Appendix 2 for the list of interviewees). The interviewees were selected to ensure that the views and opinions were collected from all levels of public institutions from the policy to the implementation levels of PIM.

The analytical perspectives on PIM below guided the study team to conduct the current study:

- a) the extent of linkages between development policies/plans and public investment projects;
- b) the methods and procedures to formulate, approve, implement, and monitor and evaluate public investment projects;
- c) the extent of compliance with policy priorities and the processes stipulated in the Policy Guidelines for framing the ADP issued by the PC;
- d) the roles of the PC and six Divisions under the PC, and the gaps between their expected roles and actual activities in PIM;
- e) the level of capacity of the PC, ministries/divisions and implementing agencies, and the extent to which capacity gaps have had negative impact on performance of PIM; and
- f) the scope for improvement in PIM system from the point of views of the ongoing PFM reform and PPP initiative.

At the end of the field work in Bangladesh, the study team held a workshop on February 26, 2012 with participation of key officials and experts who were interviewed in the study process. The team presented main findings of the study and received feedback from the participants in the workshop. The advices, comments and suggestions received at the workshop were fully reflected in the final report of this study.

## 2 National Development Plans

### 2.1 National plans

Following the Bangladesh Constitution, the Governments formulated six Five Year Plans since 1973. After a brief period of the Poverty Reduction Strategy Paper and the National Strategy for Accelerated Poverty Reduction (NSAPR) in the mid 2000s, the present Government decided to switch back to the Five Year Plan system. Currently, the *Outline Perspective Plan of Bangladesh 2010-2021* (Perspective Plan) and the *Sixth Five Year Plan FY2011-FY2015* (SFYP) constitute the national development plans of this country.

#### 2.1.1 Outline Perspective Plans of Bangladesh 2010-2021

The Perspective Plan is the long-term plan published in 2010, articulating the Government’s development vision, mission, goals and objectives to be achieved by 2021.

According to the Perspective Plan, the Government’s Vision 2021 for national development is to “build Bangladesh into a resilient, productive, innovative and prosperous nation with a caring society consisting of healthy, happy, and well-educated people.”<sup>8</sup>

Further articulating the Vision 2021, the Perspective Plan envisions the Bangladesh society in 2021 that possesses the following attributes:

- a) Every citizen has equal opportunities to achieve his/her fullest potential;
- b) All citizens enjoy a quality of life commensurate with the national development stage where quality health care and adequate nutrition are assured for all;
- c) All citizens are assured of a modern, sound, and relevant education tailored to meet the human resource needs of a modern, progressive, and technologically advancing nation;
- d) Sustainable development is ensured, along with optimal use of all resources;
- e) There is respect for the principles of democracy, rule of law, and human rights, ensuring gender equality, the rights of indigenous populations and of all the other disadvantaged people including persons with disability and autism; and
- f) The diversity and creativity of all people are valued and nurtured.

#### 2.1.2 Sixth Five Year Plan FY2011-FY2015

The Perspective Plan is designed to be implemented through two successive five year plans in the periods FY2011-FY2015 and FY2016-FY2020. As the first step, the Government formulated The Sixth Five Year Plan FY2011-FY2015 (SFYP). The SFYP came into operation in July 2010.

In line with the Perspective Plan, the main objective of the SFYP is to reduce and ultimately eradicate poverty to ensure a ‘Sonar Bangla.’ The SFYP identifies two specific paths to achieve this objective: (i) accelerating economic growth and creating productive employment opportunities; and (ii) ensuring distributive justice.

<sup>8</sup> Quote from p.8, The Outline Perspective Plan, *ibid*.

The SFYP provides a comprehensive set of strategies to achieve the objective of the SFYP. The areas of strategies covered in the SFYP include: (i) growth and employment; (ii) human resource development; (iii) poverty, inclusion and social protection; (iv) managing regional disparities for shared growth and sustained poverty reduction; (v) environment, climate change and disaster management for sustainable development; and (vi) addressing the challenge of good governance, administrative capacity, and monitoring and evaluation.

The SFYP has some new features that depart from the past Five Year Plans in Bangladesh. Some of them that are related to PIM are highlighted below:

- a) The Government takes the position in the SFYP that the Government’s role of planning in a market economy should be strategic in nature. Since the private sector is increasingly driving the Bangladesh economy, the SFYP focuses on developing strategies, policies and institutions to guide the private sector in helping Bangladesh achieve the goals set in Vision 2021.<sup>9</sup>
- b) The SFYP provides a medium-term macroeconomic framework to underpin the SFYP using a computable general equilibrium model, and a detailed analysis of financing the SFYP. Both help the Government to ensure that the targets of the SFYP are consistent with macroeconomic conditions and fiscal resource envelopes in the planning period (for more discussion, see Section 2.2 below).
- c) The Government stresses that the SFYP should be considered as a living document, and the implementation of the SFYP will be reviewed on an annual basis. To this end, a results framework has been developed and included to monitor the implementation of the SFYP.<sup>10</sup> Furthermore, the SFYP recognizes the need to upgrade the current Monitoring and Evaluation (M&E) system, and proposes a concrete steps toward strengthening a result-based M&E framework in the period of the SFYP (see Chapter 4 for detailed discussion on this point).<sup>11</sup>

### 2.1.3 Key Targets of the Perspective Plan, MDGs and SFYP

Both the Perspective Plan and the SFYP identify a set of indicators to measure overall achievements of the plans, and set key targets to be achieved in the respective planning periods. The Millennium Development Goals (MDGs) of Bangladesh, which is aimed to achieve by 2015, have been integrated in the both plans.

Table 2.1 below summarizes the key targets of the SFYP, MDGs and the Perspective Plan.

**Table 2.1: Key targets of SFYP, MDGs and Perspective Plan**

Targets	Current situations (2005-2010)	SFYP 2015	MDGs 2015	Vision 2021
<b>A. Production, Income Generation and Poverty</b>				

<sup>9</sup> SFYP, Part I, *ibid*, p.2.

<sup>10</sup> See Annex Table 9.1, SFYP, *ibid*.

<sup>11</sup> SFYP, Part I, *ibid*, pp. 236-242.

Targets	Current situations (2005-2010)	SFYP 2015	MDGs 2015	Vision 2021
1. Real income growth (%)	6.1	8.0		10
2. Head count poverty (%)	31.5	22	29	14
3. Industrial sector employment (%)	17	25		30
4. Contribution of productivity to economic growth (%)	8	10		20
5. Overseas employment of skilled labor (%)	35	50		20
<b>B. Human Resource Development (Education, Health, Population)</b>				
6. Net enrollment at primary level (%)	91	100	100	
7. Enrollment rate in 12 <sup>th</sup> grade (%)		60		100
8. Percentage of cohort reaching grade 5 (%)	55	100	100	
9. Total fertility rate reduction	2.7	2.2		1.8
10. Increase contraceptive prevalence rate (%)	60	72		80
11. Under 5 mortality rate (per 1000)	62	50	50	
12. Immunization, measles (% of children under 12 months)	87	100	100	
13. Maternal mortality ratio (per 100,000 live births)	194	143	143	
14. Birth attended by skilled health staff (percent of total)	24	50	50	
<b>C. Water and Sanitation</b>				
15. Proportion of urban population with access to safe drinking water	99.9	100	100	100
16. Proportion of rural population with access to safe drinking water	79	96.5	96.5	100
17. Proportion of urban population with access to sanitary latrines	88.0	100	85.5	100
18. Proportion of rural population with access to sanitary latrines	85.0	90	55.5	100
<b>D. Energy and Infrastructure</b>				
19. Electricity generation (MW)	5803	15457		2000
20. Electricity coverage (%)	47	68		100
<b>E. Gender Equality and Women Empowerment</b>				
21. Ratio of girls to boys in tertiary education (%)	32	60	100	
22. Ratio of literate females to males (percent of ages 20-24)	85	100		100
23. Female overseas employment rate (%)	5	10		20
<b>F. Environment Sustainability</b>				
24. Productive forest coverage (%) (70% tree density)	13	15	20	20
<b>G. ICT</b>				
25. Research and development spending/GDP (%)	0.6	1.0		1.4
26. Compulsory ICT education (education level-class)		12		5
27. Telecentre/community e-centre with internet facilities at unions (%)		100		100
28. Computer laboratory at the primary government school		5		20
29. Increase tele-density (%)		70		90
30. Expansion of broad band coverage (%)		30		40

Source: Table 1.4 in Sixth Five Year Plan FY2011-FY2015 Part 1 Strategic Directions and Policy Framework.

## 2.2 Macroeconomic Framework, Public Investment and Financing

### 2.2.1 Macroeconomic Framework

To achieve Vision 2021 in the Perspective Plan, the Government formulated a medium-term macroeconomic framework using a computable general equilibrium model, and presented a macroeconomic scenario in the SFYP. The scenario is presented in Table 2.2.

According to this scenario, the real GDP growth is aimed to be accelerated from 6.1% in FY2010 to 8.0% in FY2015. To support the higher economic growth in the planning period, the rate of gross domestic investment is required to be raised from 24.4% in FY2010 to 32.5% in FY2015 (Table 2.2).

**Table 2.2: Macroeconomic scenario of SFYP**

Macro indicator	FY10 <sup>(a)</sup>	FY11 <sup>(b)</sup>	FY12	FY13	FY14	FY15
Growth of real GDP (%)	6.1	6.7	7.0	7.2	8.6	8.0
CPI inflation (%)	7.3	8.0	7.5	7.0	6.5	6.0
Gross domestic investment (% of GDP)	24.4	24.7	26.8	29.6	31.0	32.5
-Private investment (% of GDP)	19.4	19.5	22.2	22.7	23.8	25.0
-Infrastructure investment (% of GDP)	2.0	2.0	3.5	4.5	5.0	6.0
-Public investment (% of GDP)	5.0	5.3	6.6	6.9	7.2	7.5
National savings (% of GDP)	30.0	28.4	26.7	29.4	30.7	32.1
Consumption (% of GDP)	83.2	85.0	83.7	80.5	78.9	76.6

Source: Table 3.1 in Sixth Five Year Plan FY2011-FY2015 Part 1 Strategic Directions and Policy Framework.  
a. Actual.  
b. Estimated.

The Government recognizes that “this target is ambitious, and would require adopting bold strategies to break away from the recent moderate growth outcomes.”<sup>12</sup> Furthermore, the Government identifies stagnant gross domestic investment that has been hovering around 24-25% of GDP in FY2005-FY2010 as a major challenge.

### 2.2.2 Pubic investment

The stagnating gross domestic investment in the period FY2005-FY2010 was caused primarily by a decline in public investment relative to GDP that largely offset the increasing trend of private investment. The SFYP points out that “the past difficulties in ADP implementation prevented the Government from investing in many critical areas such as infrastructure and agriculture.”<sup>13</sup>

Table 2.3 shows the recent trend of ADP allocation and actual spending in FY2005-FY2011.

**Table 2.3: Budget ADP allocation and actual spending FY2005-FY2011**

Fiscal Year	Budget (in billion Taka)	Actual (in billion Taka)	Disbursement rate (actual as % of budget)	% increase over the previous year
FY05	227	194	85.3	1.8
FY06	246	175	71.0	-9.6
FY07	260	176	67.5	0.5
FY08	250	184	73.8	4.8
FY09	256	193.7	75.7	5.3
FY10	305	255.4	83.7	31.8
FY11 <sup>(a)</sup>	385	358.3	93.1	40.2

Source: Table 3.6 in Sixth Five Year Plan FY2011-FY2015 Part 1 Strategic Directions and Policy Framework.  
a. Estimate.

The following points can be observed regarding the trend of the ADP in Table 2.3.

- a) The actual amount of public spending under the ADP increased considerably from 194 to 358 billion taka between FY2005 and FY2011. It should be hastily pointed out, however, that the amount of public spending should be increased at an even faster pace in the period of the SFYP. This is because the ratio of public investment relative to

<sup>12</sup> SFYP Part 1, p.74.

<sup>13</sup> SFYP Part 1, p.81.

GDP must be increased from 5.0% in FY10 to 7.5% in FY15 if the country is to achieve the objective of the SFYP as analyzed in the macroeconomic scenario (Table 2.2).

- b) The disbursement rate of public spending in the ADP, as measured by the percentage of actual spending in budgeted amount, was considerably below 100% on average throughout FY05-FY11, ranging between 68% and 93% (Table 2.3). Recognizing the urgent need to address this issue, the Government has taken measures to raise disbursement rate in FY10 budget. This effort yielded positive results in FY10 and FY11 in which the disbursement rate was raised to 83.7% and 93.1%, respectively.

### 2.2.3 Public Private Partnership

While the improvement in the quantity and quality of public investment in the ADP should be continued vigorously, the SFYP envisages expanding the use of PPP as a means to increase domestic investment by tapping private investment for the provision of public goods and services. The SFYP identifies the transport and energy sectors as the priority to utilize PPP in the SFYP period.

According to the macroeconomic scenario in the SFYP, PPP-financed investment is targeted to increase from 2% of GDP in FY2011 to 6% of GDP by FY2015. Among the PPP-financed investment, the Government's contribution to PPP is expected to increase from 0.2% in FY2011 to 1.0% in FY2015 (Table 2.4). Chapter 5 below provides more discussions about PPP.

**Table 2.4: Public investment breakdown in macroeconomic scenario FY2011-FY2015**

Category <sup>(a)</sup>	FY11	FY12	FY13	FY14	FY15
Total public investment (TPI) <sup>(b)</sup>	41,579	59,339	70,797	84,590	99,781
-Government PPP contribution (GPPP)	1,964	8,698	11,177	11,507	12,833
-Public investment excluding GPPP <sup>(c)</sup>	39,615	50,641	59,620	73,083	86,948
TPI/GDP ratio (%)	5.3	6.6	6.9	7.2	7.5
GPPP/GDP ratio (%)	0.2	1.0	1.1	1.0	1.0
PI/GDP ratio (%)	5.0	5.6	5.8	6.3	6.5
Nominal GDP (crore Taka)	787,500	899,900	1,024,500	1,168,500	1,335,100

Source: Adopted from Box 4.2 in Sixth Five Year Plan FY2011-FY2015 Part 1 Strategic Directions and Policy Framework.

a. All investment figures are in crore taka at Current Price.

b. Total public investment (TPI) consists of three components: (i) ADP; (ii) non-ADP; and (iii) government PPP contribution (GPPP).

c. Public investment excluding GPPP (PI) includes ADP and non-ADP.

### 2.2.4 Resources to finance investment

The SFYP makes clear that, although the private sector plays a dominant role in the market economy in Bangladesh, public investment is also mobilized to “foster economic environment more conducive to private sector production, investment, consumption and savings.”<sup>14</sup> Total public investment, most of which is through the ADP, would amount to 3.1 trillion Taka in FY2011 constant prices. Among them, 73% would be financed from domestic resources,

<sup>14</sup> SFYP Part 1, p.98.



whereas the remaining 27% would be finance from external resources, such as international donor agencies.

**Table 2.5: Breakdown of financing resources for investment (FY2011 prices)**

Financing source	Total investment		Public investment		Private investment	
	Amount (bill. Taka)	Share (%)	Amount (bill. Taka)	Share (%)	Amount (bill. Taka)	Share (%)
Domestic resources	12,215.3	90.7	2,239.6	72.8	9,975.7	96.0
External resources <sup>(a)</sup>	1,254.1	9.3	836.2	27.2	417.9	4.0
Total	13,469.4	100	3,075.8	100	10,393.6	100

Source: Table 4.1 in Sixth Five Year Plan FY2011-FY2015 Part 1 Strategic Directions and Policy Framework.  
a. Net amount.

## 2.3 ADP, RADP and DPP/TPP

### 2.3.1 Annual Development Programme (ADP)

The ADP is a list of public investment projects that are financed through the annual development budget. It also includes estimates of allocations and expenditure of donor-supported projects, including associated counterpart contributions by the Government. The ADP is issued every year.

The public investment projects in the ADP are categorized into 17 sectors. Since each sector is categorized based on outputs of projects, ministries and divisions could be responsible for projects in many sectors. Each project in the ADP is formulated by departments, divisions or implementing agencies under the guidance of ministries or divisions. The projects are categorized based on the following status:

- Approved investment projects** that have allocation of budget ('white pages');
- Approved technical assistance projects** that have allocation of budget ('yellow pages');
- Projects financed by the Annual Japan Debt Cancellation Fund** ('red pages'); and
- Unapproved investment projects** that are accepted to be listed in the ADP, but do not have budget allocation ('green pages').

The ADP in FY2011-2012 lists up 1,039 projects with the total amount 460 billion Taka. Table 2.6 below indicates the number of the projects and the amount of budget allocated for respective sectors and programmes and development assistance areas.

**Table 2.6: ADP FY2011-FY2012 by sector**

Amount in crore (or 10 million) Taka				
Sector/Programme	No. of projects	Ratio %	Amount	
			Amount	Ratio %
1 Agriculture	147	14.1%	2,734.64	5.9%
2 Rural Development & Institutions	68	6.5%	4,402.85	9.6%
3 Water Resource	51	4.9%	1,374.82	3.0%
4 Industries	36	3.5%	665.64	1.4%
5 Power	48	4.6%	7,172.47	15.6%
6 Oil, Gas & Natural Resources	37	3.6%	1,114.00	2.4%
7 Transport	234	22.5%	7,749.79	16.8%
8 Communication	10	1.0%	304.63	0.7%
9 Physical Planning, Water Supply and Housing	124	11.9%	5,651.06	12.3%
10 Education & Religious Affairs	99	9.5%	6,124.67	13.3%
11 Sports & Culture	20	1.9%	266.56	0.6%
12 Health, Nutrition, Population & Family Welfare	36	3.5%	3,942.53	8.6%
13 Mass Media	12	1.2%	116.36	0.3%
14 Social Welfare, Woman Affairs & Youth Development	37	3.6%	445.12	1.0%
15 Public Administration	48	4.6%	1,085.62	2.4%
16 Science, Information & Communication Technology	24	2.3%	237.02	0.5%
17 Labour & Employment	8	0.8%	175.05	0.4%
Sub Total of 17 Sectors	1,039	100%	43,562.83	94.7%
Development Assistance			Amount	Ratio %
18 (a) Development Assistance to Upazila			400.00	0.9%
(b) Development Assistance to Union Parishad			40.00	0.1%
19 Development Assistance to Municipalities			320.00	0.7%
20 Development Assistance to Chittagong Hill Tracts			85.00	0.2%
21 Development Assistance to Chittagong Hill Tracts Local Govt.			30.00	0.1%
22 Development Assistance to Chittagong Hill Tracts Dev't Board			35.00	0.1%
23 Development Assistance for Development of Special Areas (Except Chittagong Hill)			15.00	0.0%
24 Development Assistance to Zilla Parishad			300.00	0.7%
25 Development Assistance to City Corporations			135.00	0.3%
26 Development Assistance in Special needs			1077.17	2.3%
Sub Total of Development Assistance			2437.17	5.3%
<b>Grand Total</b>			<b>46,000.00</b>	<b>100%</b>

It should be noted that public investment by the Government is highly centralized since almost 95% of the development budget is allocated for sectors and programmes that are managed by central government organizations.

Table 2.7 below summarizes the number and budget amount of projects by project classification, namely, investment programmes, technical assistance, JDCF and unapproved projects.

**Table 2.7: ADP FY2011-2012 by project classification**

Classification	No. of projects		Amount in crore (or 10 million) Taka	
	No. of projects	Ratio %	Amount	Ratio %
Investment Programme	834	80.3%	35,575.19	81.7%
Technical Assistance	143	13.8%	1,327.90	3.0%
JDCF	62	6.0%	1,850.60	4.2%
Unapproved Projects Allocation	-	-	4,809.14	11.0%
<b>17 Sector Total</b>	<b>1,039</b>	<b>100%</b>	<b>43,562.83</b>	<b>100%</b>

The investment programme (infrastructure-based) is the largest group of public investment, comprising 80% of the total number of projects and 82% of the total amount of development budget. The number of technical assistance projects accounted for 143 or 13.8% of the total number of projects. Its amount, however, consists of only 3% in total amount of development budget. This indicates that technical assistance projects are relatively small in budgetary terms in comparison with projects in investment programme. In the ‘green pages’ of the ADP FY2011-2012, 702 projects are listed as unapproved new projects without budgetary allocation.

### **Revised Annual Development Programme (RADP)**

The Revised Annual Development Programme (RADP) is a list of public investment projects that is issued in the middle of the fiscal year. The RADP updates the contents of the ADP in the end of January by incorporating an updated project list that consists of the following changes from the ADP:

- a) Newly approved projects in FY2011-2012 that were categorized as ‘unapproved (green pages)’ at the time the ADP was formulated;
- b) Projects that were approved for FY2011-2012, but was not included in the ADP;
- c) The budgets for projects with low disbursement rates are reduced, which creates a fiscal space called ‘block fund.’ This block fund is re-allocated to prioritized projects with high disbursement rates; and
- d) Adjustments are made to secure budget for projects that have project completion dates in FY2011-2012.

Table 2.8 below indicates the differences between the ADP and RADP in FY2010-2011.

**Table 2.8: The differences of ADP and RADP in FY2010-2011**

	Amount in crore (10 million Taka)		
	ADP	RADP	%
Number of projects	916	1,185	129.4%
Amount	38,500	35,130	91.2%

Many of the projects in the ADP experience low disbursement rates by mid-year. Therefore, many projects reduce their disbursement estimates in the second half of the fiscal year, which results in the reduced total amount of budget in RADP as compared with that in the original ADP (Table 2.8). At the same time, many projects are newly included in the first half of a fiscal year, which results in the increased number of projects in the RADP.

### **Development Project Proposal (DPP) and Technical Project Proposal (TPP)**

Implementing agencies under ministries and divisions prepare and submit proposals for development projects through standard formats as stipulated in the *Procedure for Implementation, processing, approval and revision of Development Project in the Government Sector* (issued by the Planning Division of the Ministry of Planning in May 2008). The different types of formats are prepared for different status and situations of the projects (Table 2.9).

**Table 2.9: Type of format for DPP and TPP**

Format	Remarks
Development Project Proposal (DPP)	Format for requesting approval of investment projects.
Revised Development Project Proposal (RDPP)	Format for requesting approval of investment projects that require revisions in the project contents.
Proposal for Project for Scrutiny of Survey/ Contingency	Format for requesting approval of Scrutiny of Survey/Contingency, funded by the Government and/or foreign aid.
Preliminary Development Project Proposal for foreign aid (PDPP)	Format for requesting foreign aid projects. This is submitted to both the Planning Commission and the Economic Relation Division (ERD).
Technical Assistance Project Proposal (TPP)	Format for requesting approval of technical assistance projects.
Revised Technical Assistance Project Proposal (RTPP)	Format for requesting approval of technical assistance projects that require revisions in the project contents.

Among those formats, DPP and TPP are used when requesting approval for new projects. The DPP and TPP formats are very similar in their structure and contents, divided in two parts and six annexes (Table 2.10). The project approval procedures with the DPP/TPP are indicated in Section 3.3.

**Table 2.10: Formats of DPP and TPP**

Structure	DPP	TPP
Part A: Project Summary	<ul style="list-style-type: none"> <li>• 16 items related to the basic information of the project including its cost resource and breakdown.</li> <li>• A signature of officer(s) responsible for the preparation of the DPP with seal and date is required at the end of Part A.</li> </ul>	<ul style="list-style-type: none"> <li>• 13 items related to the basic information of the project including its log frame.</li> <li>• A signature of the officer responsible for the preparation, along with the Head of the Executing Agency with seal and date are required at the end of Part A.</li> </ul>
Part B: Project Details	<ul style="list-style-type: none"> <li>• 16 items mostly related to the background of the project, and its relevance, effectiveness, efficiency, impact, risk management and sustainability.</li> <li>• A signature of the officer.</li> </ul>	<ul style="list-style-type: none"> <li>• 7 items related to the background of the project, and its relevance, effectiveness, efficiency, impact, risk management and sustainability.</li> <li>• A signature of the Head of the Executing Agency with seal and date, along with the recommendation and signature of the Secretary of the sponsoring Ministry/Division with seal and date are required.</li> </ul>
Annex 1	Cost breakdown by location (cost breakdown by Division/District and Sub-District/Upazila)	Cost breakdown by location (cost breakdown by Division/District and Sub-District/Upazila)
Annex 2	Project management setup (organizational setup of the project management team)	Project management setup (organizational setup of the project management team)
Annex 3	Total procurement plan for development project/programme (divided into 3 forms; goods, work and services)	Total procurement plan for development project/programme (divided into 3 forms; goods, work and services)
Annex 4	Financial and physical target plans by year (breakdown by revenue/capital components)	Financial and physical target plans by year (breakdown by revenue/capital components)
Annex 5	Detailed annual phasing of cost	Detailed annual phasing of cost
Annex 6	Amortization schedule	Amortization schedule

### 3 ADP as the Main Instrument for Public Investment Management

#### 3.1 The processes to plan and formulate ADP

The Planning Commission (PC) is tasked to formulate the ADP by compiling project information collected from and negotiated with line ministries and divisions.

Figure 3.1 summarizes the planning and formulation process of ADP. First, the PC analyses the indicative resource ceilings in the *Budget Call Circulars* under the MTBF issued by the Finance Division in September and December. This was followed by the formulation of the *Guidelines for ADP Preparation* by the Planning Commission in February. Based on the Guidelines, each ministry and division provides the project list within its own budget ceiling as indicated in the MTBF, and submits them to the Planning Commission for further negotiation, or compilation within the own categorization of 17 sectors/programmes.

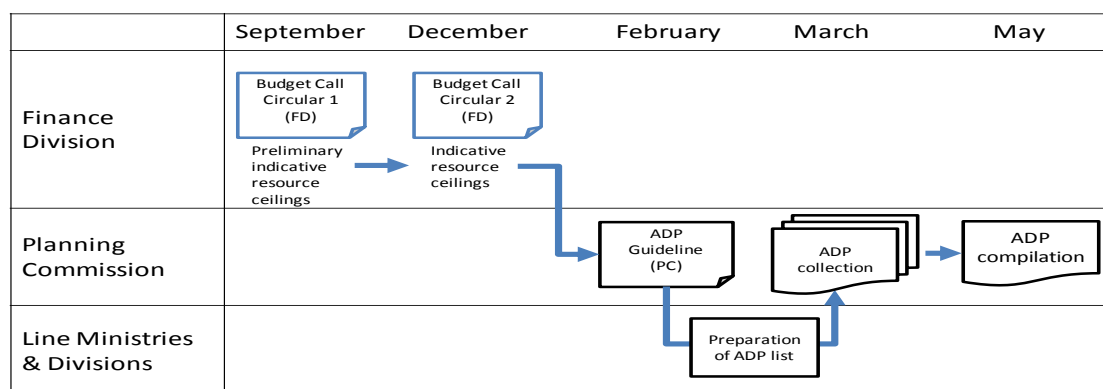


Figure 3.1: Workflow of ADP formulation

The PC also formulates the Revised ADP (RADP) by revising the ADP based on the results of financial monitoring on the one hand, and revised budget requests collected from, and negotiated with, line ministries and divisions.

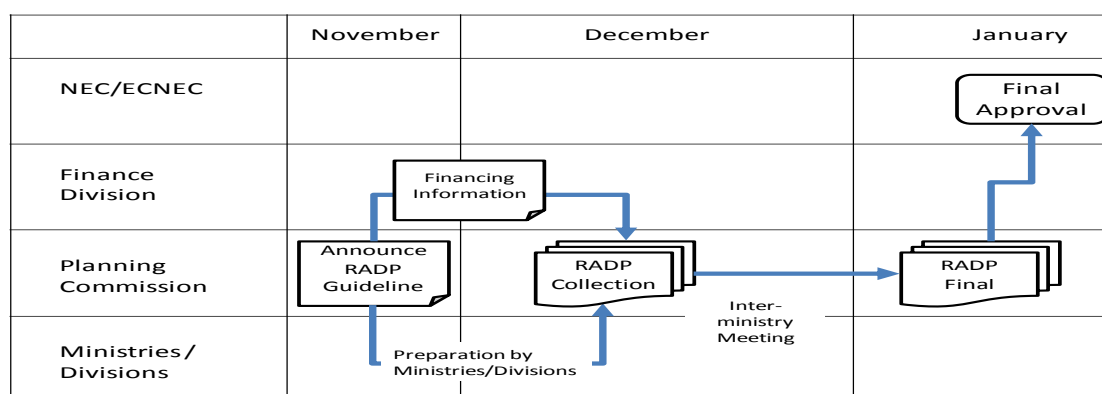


Figure 3.2: Workflow of RADP formulation

Figure 3.2 shows the workflow of RADP formulation. The PC issues the *Guidelines for RADP formulation* for all concerned government organizations in November. Following the Guidelines, line ministries and divisions send the proposal for RADP with the inclusion of new projects formulated on the basis of the Guidelines by early December. The Finance Division issues a letter regarding the revised financing for the RADP. After a series of inter-ministry meetings, the Minister of Planning approves the RADP, and submits it for final approval at the Meeting of National Economic Council (NEC).

### 3.2 Linkages of ADP with SFYP and MTBF

If the ADP is to serve as the main instrument for PIM effectively and efficiently, it should have strong linkages with development plans and budget of the country. Figure 3.3 below illustrates those linkages.

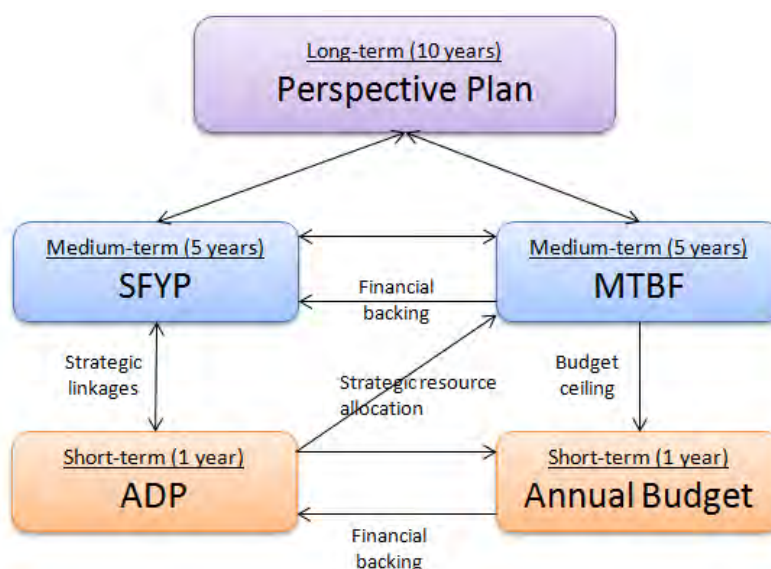


Figure 3.3: Linkages of ADP with SFYP and MTBF

#### 3.2.1 Linkages of ADP with SFYP

As discussed in Chapter 2, the Outline Perspective Plan 2010-2021 sets out *Vision 2021*, the long-term goal of Bangladesh, and provides overall strategies to achieve this Vision. This Perspective Plan is implemented by two five year plans, namely, Sixth Five Year Plan FY2011-FY2015 (SFYP), and Seventh Five Year Plan (to be formulated for FY2016-FY2020).

The MTBF is expected to play crucial roles in the implementation of the SFYP by: (i) ensuring macroeconomic stability; ii) allocating financial resources among sectors in line with the strategies and priorities in SFYP; and iii) providing financial backing for the implementation of the SFYP in the medium-term.

In the national planning and budget frameworks above, the ADP can be positioned as the main instrument to translate the Perspective Plan and the SFYP into action. This is to be achieved through the formulation, appraisal, implementation, and monitoring and evaluation of development projects in the ADP. The ADP should thus have clear strategic linkages with the

SFYP, indicating which strategies in the SFYP are to be implemented by which projects in the ADP (see the ‘strategic linkage’ line between the ADP and the SFYP in Figure 3.3). The Annual Budget provides financial backing for the implementation of the ADP.

Furthermore, all development projects in the ADP should be formulated and appraised according to the extent to which the respective projects contribute to implementing strategies and achieving objectives in the SFYP. If no such linkages exist, the Perspective Plan and the SFYP would remain on paper without any means to implement them, whereas the ADP would spend development budget without clear strategies or objectives.

### 3.2.2 Linkages of ADP with MTBF/Annual Budget

As discussed in Section 3.1, the ADP process has significant implications for national budget over extended fiscal years. For example, the ECNEC’s decision making on the approval of DPP and TPP has obvious financial implications in annual budgets in the medium-term. Although listing up potential projects in ‘green pages’ of the ADP does not provide resource allocation in this fiscal year, they do have financial implications in the following fiscal years. Moreover, the allocation of block fund among projects in RADP has clear financial implications in the budgets in the medium-term. Therefore, decision making in the ADP process does have a significant impact on resource allocation in the national budget in the medium term.

It is important to ask whether the decision making in the ADP process is actually made with sufficiently taking into account its financial implications in the current and future fiscal years. The introduction of the MTBF in the late 2000s was aimed partly to ensure that decision making in the current fiscal year is made within the perspective of resource availabilities in the medium-term. This objective of the MTBF would not be satisfactorily achieved if decision making in the ADP process does not pay due attention to their financial implications and strategic resource allocations in the medium term.

### 3.3 Linkages between ADP and DPP/TPP

Line ministries and divisions work with their implementing agencies to prepare new development projects that are expected to implement the Five-Year Plan. It is important to note at the outset that the approval processes vary depending on the type and total cost of development projects (see Table 3.1).

Line ministries and divisions submit proposals of development projects to the Planning Commission for listing in the ADP under the unapproved project list called ‘green pages’. After checking the relevance with the Five Year Plan, they are listed as potential projects without budget allocation at this stage. Once the projects are listed in the green pages, however, they have high potentials that development budget would be allocated for the listed projects in the following fiscal year.

**Table 3.1: Approval process by project type**

Project type	Project Status	Final Approval
Investment Projects	Total cost of under BDT 25 crore (250mil.)	Minister of Planning.
	Total cost of over BDT 25 crore	ECNEC
Technical Assistance Projects	Total cost of under BDT 7 crore (70mil.)	Departmental Special Project Evaluation Committee (DSPEC)



	Total cost of over BDT 7 crore	Special Project Evaluation Committee (SPEC)
Project for Scrutiny of Survey/Contingency	Total cost of under BDT 2 crore (20mil.)	DPEC
	Total cost of over BDT 2 crore	Minister in charge of ministry/ division with recommendations of the PEC

### 3.3.1 Approval procedures of DPP/TPP

Figure 3.4 summarizes the procedure for approval of investment projects exceeding BDT 25 crore (or 250 million).

First, line ministries and divisions submit a request for the PC to enlist their projects in green pages of the ADP (the list of unapproved projects without budget). After enlisted in the green pages, line ministries and divisions prepare DPPs that specify full details of the projects including budgets. Further steps are explained in Figure 3.4.

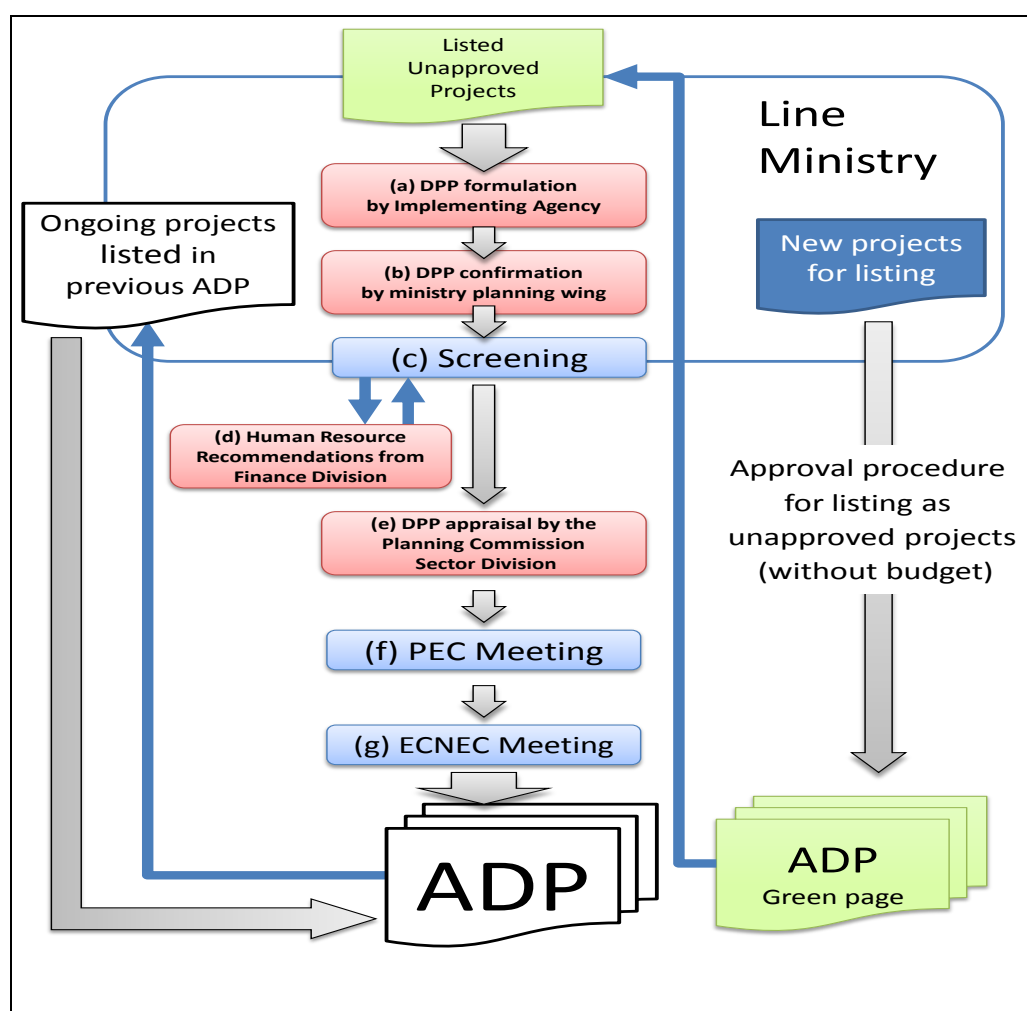


Figure 3.4: Approval procedures of ADP

- a) **DPP formulation by implementing agency:** The proposal of a new project is made by implementing agencies. They are required to complete the DPP format for investment projects or the TPP format for technical assistance projects).
- b) **DPP confirmation by ministry planning wing:** The DPP format is submitted to the planning wing of the ministry/division that supervises implementing agencies for preliminary examination and consultation.
- c) **Ministry/Division Project Screening Committee Meeting:** The DPP is then submitted to the Ministry/Division Project Screening Committee. This is the official meeting to examine the main features of the project proposals, and obtain suggestions on necessary amendments or modification. It is chaired by the Secretary of the concerned ministry/division.
- d) **Human Resource Recommendations from Finance Division:** The DPP is then sent to the Special Human Resource Evaluation Committee in the Finance Division for recommendation of human resources.
- e) **DPP appraisal by the Planning Commission Sector Division:** After the ministry planning wing submits the DPP with recommendations on human resources from the Finance Division, a concerned Sector Division in the Planning Commission appraises the DPP in detail. The PC prepares a working paper for the following Project Evaluation Committee (PEC) Meeting. In case the Sector Division in the PC is not satisfied with the DPP, the PC sends back the DPP to the planning wing of ministry for amendment and resubmission.
- f) **Project Evaluation Committee (PEC) Meeting:** The PEC Meeting is the official meeting to appraise DPPs, and examines financial, economic, environmental and technical viability of the DPPs. This meeting is chaired by the Member of the concerned Division of the PC.
- g) **Executive Committee of the National Economic Council (ECNEC) Meeting:** The ECNEC Meeting provides final approval of the DPP.

### 3.3.2 Contents of Screening Committee, PEC, and ECNEC

The three decisive points in the project approval process are: Ministry/Division Screening Committee Meeting; PEC Meeting; and ECNEC Meeting. The following section explains the specific contents and procedures of these three points.

#### (1) Ministry/Division Screening Committee Meeting

The objective of the Ministry/Division Screening Committee Meeting is to examine the DPP under the responsibility of the concerned ministry and division, and submit it to the PC after certain requirements are assured. The composition of the committee is shown in Table 3.2.

**Table 3.2: Composition of ministry/division screening committee meeting**

Member	Position
Chairperson	<ul style="list-style-type: none"> <li>• Secretary of concerned Ministry/Division</li> </ul>
Members	<ul style="list-style-type: none"> <li>• Head of concerned organizations</li> <li>• Senior members and staff of the planning wing in the ministry/division</li> <li>• Senior members and staff of the budget wing in the ministry/division</li> <li>• Senior member and staff of the development wing in the ministry/ division</li> </ul>

The Ministry/Division Planning Wing is responsible for organizing the Screening Committee Meeting. As mentioned earlier, the objective of the appraisal by Screening Committee is to

assess the acceptability of DPPs in the ministry and division, and forward them to the PC. The Screening Committee assesses DPPs based on the following criteria.

- a) The basic premises of the DPP/TPP in terms of national and ministerial strategic policies, PRS, Five Year Plan, and so on.
- b) Project position in the agency's priority list.
- c) Justification of the project in the context of overall national economic conditions.
- d) Experience from similar projects implemented and/or under implementation.
- e) Possibility of duplication with any programmes under revenue budget.
- f) Institutionalization and sustainability of human resources of the project after completion. Technical issues and financial sustainability also need to be covered.
- g) Possible risks in the implementation of the project and means for mitigation.
- h) Land acquisition plan, if land acquisition is needed.
- i) Contribution of the project to achieving short-, medium-, and long-term national policies, MDGs, poverty reduction of the target group, and so on.
- j) Justification of cost of each component and total cost estimates of the project.
- k) Rationalization of the costs of consultancy, human resources, seminar, training and other costs such as vehicle and office rental costs.
- l) Realistic financial and economic analysis.
- m) Realistic analysis of the benefits of undertaking the project and impact of not taking it.
- n) Consistency of the project with ministerial allocation of budget.

The DPEC Meeting concludes this stage with recommendations for the PC and PEC.

## (2) PEC Meeting

The objective of the PEC Meeting is to examine DPP under the responsibility of Sector Divisions in the PC, and forward the DPP to the Minister of Planning and the ECNEC after certain requirements are assured. The composition of the PEC Meeting is shown in Table 3.3.

**Table 3.3: Composition of PEC meeting**

Member	Position
Chairperson	<ul style="list-style-type: none"> <li>• Member of the concerned Division of the Planning Commission</li> </ul>
Members	<ul style="list-style-type: none"> <li>• Division Chief of the concerned Division of PC</li> <li>• Representative of the Programming Division, PC</li> <li>• Representative of the General Economic Division, PC</li> <li>• Representative of the Sponsoring Ministry/Division</li> <li>• Representative of the Finance Division</li> <li>• Representative of the Economic Relations Division</li> <li>• Representative of the Ministry of Establishment</li> <li>• Representative of the concerned sector of the IMED</li> <li>• Representative of the Ministry of Environment and Forest</li> <li>• Representative of the Ministry of Women and Children Affairs</li> <li>• Head of the concerned Executing Agency</li> </ul>

The PC is responsible for organizing the PEC meeting. The objective of the PEC appraisal is to appraise the acceptability of DPP within the sector division of PC, and forward them to the Minister of Planning and the ECNEC. The PEC Meeting evaluates DPP/TPP based on the following criteria.

- a) Inter and intra-sectoral coordination.
- b) Consideration of the overall sectoral allocation.
- c) Appraisal of the project outcome within national priority list.
- d) Examination of the capacity of implementing agency in terms of project management.
- e) Appraisal of the impact on revenue budget after completion of the project such as O&M.
- f) Obligation of the sector for ongoing projects, including the proposed ones.
- g) Examination of justification of project period.
- h) Consideration of necessary fund mobilization after approval.
- i) Consideration of procurement of vehicle and equipment under the current situations of the entity.
- j) Consideration of recommendations by Finance Division regarding human resources.
- k) Careful examination of the completion report in the case of continuing project.
- l) Consideration of price and physical contingencies.

The PEC Meeting concludes the examination with recommendations for Minister of Planning and ECNEC Members.

### (3) ECNEC Meeting

The ECNEC is chaired by the Prime Minister. It considers and approves the DPP based on recommendations of the PEC on projects with estimated costs of more than BDT250 crore (250 million). After the project is approved, the ECNEC will issue a Letter of Approval, stating the authorization to include the project in the ADP list with budget allocations.

When projects require any revision, there are no more than two chances for both investment and technical assistance projects. Table 3.4 shows the conditions and procedures to revise DPP and TPP.

**Table 3.4: Conditions and procedures to revise DPP/TPP**

Project Type	Revision	Conditions and Procedures
Investment Project	First Revision	<ul style="list-style-type: none"> <li>• The RDPP format is used to request for revision of 10% of project cost. Objectives and financing mode may not be changed. Changes are discussed at the DPEC.</li> <li>• The Minister of the ministry/division approves the changes.</li> </ul>
	Second Revision	<ul style="list-style-type: none"> <li>• In case of projects that require revision of more than 20% of the projects cost, including changes in objectives, implementation of more than one year, etc., the 2<sup>nd</sup> RDPP is prepared.</li> <li>• The Minister of the ministry/division approves the changes.</li> </ul>
Technical Assistance Project	First Revision	<ul style="list-style-type: none"> <li>• The RTPP format is used to request for revision of 25% of the project cost. Objectives, financing more etc. may not be changed.</li> <li>• The Minister of the ministry/division approves the changes.</li> </ul>

	Second Revision	<ul style="list-style-type: none"><li>• In case of total cost increase of more than 25% of the total approved allocation for the project, extension of more than one year, change of target etc., the 2<sup>nd</sup> RTPP is prepared.</li><li>• The sector division of the Planning Commission will process the appraisal before approval by the minister of the ministry/ division.</li></ul>
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## **4 Monitoring and Evaluation of Public Investment**

The monitoring and evaluation (M&E) consists of a critical component of public investment management. This chapter discusses the current situations of monitoring and evaluation (M&E) of public investment and its related areas such as national development plan and budget in Bangladesh.

It is important to note that the Government is keen to introduce result-based management approaches into the planning, budgeting and public investment systems in Bangladesh. This implies that Bangladesh needs to make a transition from the current M&E system that focuses on inputs at the project level toward the one that focuses on outputs and outcomes at the multiple levels.

### **4.1 Monitoring the progresses of Sixth Five Year Plan**

One of the innovative features of the SFYP is the development of the Results Framework to monitor the implementation of the Plan. This is intended to achieve two objectives: (i) assist the Government in monitoring the progresses towards the achievements of targets of the Plan; and (ii) serve as a tool to mobilize external resources around their core development priorities.<sup>15</sup> The Results Framework is viewed as the first step toward introducing result-based management approaches across all levels of the Government.

The Results Framework has some key features. First, the Results Framework provides a ‘big picture’ by identifying and monitoring a set of measurable indicators that monitor progresses towards a set of development outcomes. This gives a snapshot of macro-level results that the SFYP aims to achieve. Second, the Results Framework will be monitored annually. The annual review will serve to assess the progress towards the targets of the Plan, and advise the Government to take corrective measures if needed. Finally, the Results Framework will play an important role as a tool for the Government to provide information to citizens and key stakeholders.

The SFYP envisages that overall responsibility of monitoring the Results Framework be assigned to the General Economic Division (GED) of the PC, whereas the overall responsibility to organize annual development forum to discuss progresses towards the targets of the SFYP be assigned to the Economic Relations Division (ERD).

In the SFYP, the Government also expresses its intention to introduce third party monitoring of the SFYP by civil society organizations. The effective monitoring of the SFYP by third parties will be instrumental in strengthening accountability and transparency, and helping the Government to take corrective actions to improve development results.

The Results Framework, which was prepared by joint effort of the Government and development partners, is presented in Table 4.1.

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<sup>15</sup> SFYP, Part 1, p.240.

Table 4.1: Results framework for SFYP

DRF	Outcomes		Indicators	Baseline	Target 2012	Target 2015	Source	#
Income and Poverty	Macro economy	Prudent macroeconomic environment conducive to growth and poverty reduction, boosted by private sector development and trade	Tax revenue as % of GDP	9.0% (2010)	10%	12.4%	NBR and MoF	1
			Average annual CPI inflation rate	7.3% (2010)	8%	6%	BBS	2
	Private sector and trade		Annual amount of remittances (in USD)	10.9 billion (2010)	11.54 billion	17.83 billion	Bangladesh Bank	3
			Private investment as % of GDP	19.4% (2010)	19.5%	25%	BBS, National Accounts	4
			Total export as % of GDP	16.2% (2010)	20.3%	23.9%	Export Statistics, EPB	5
	Poverty		Government spending on social protection (excluding pensions) as % of GDP	1.7% (2010 est.)	2.0%	3.0%	BBS, MoF	6
			Poverty headcount ratio (CBN Basis) <sup>(i)</sup>	31.5% (2010)	29.7%	22.5%	Sim SIP (annual projections) <sup>(ii)</sup>	7
	Agriculture, food security and rural development		Rate of growth of agricultural GDP (constant)	5.20% (2010)	5%	4.3%	BBS, National Accounts	8
			Average growth of wages in Kg of rice <sup>(iii)</sup>	6.4% (07/08- /9/10)	≥GDP growth + 0.5	≥GDP growth + 0.5	BBS, National Accounts	9
			Prevalence of underweight in children under 5 years of age	41% (2007)	TBD <sup>(iv)</sup>	33%	BDHS/NIPORT <sup>(v)</sup>	10
Human resource development	Education	Quality education for all to reduce poverty and increase economic growth	Grade V completion rate, by gender	Total: 60.2% (2010) Girls: 57% Boys: 53%	59% (Gender parity)	75% (Gender parity)	BANBEIS	11
			Net enrollment rate in secondary education, by gender	Total: 44.8% (2009) Girls: 50.8% Boys: 39.5%	50% (Gender parity)	75% (Gender parity)	BANBEIS	12
	Health	Sustainable improvements in health, including family planning, particularly of vulnerable groups	% of births attended by skilled health personnel	26% (2010)	31%	50%	MMHS (BMMS)	13
			% of people using modern contraceptives in HPNSDP low performing areas, by gender	Women: Sylhet: 35.7%, Chitt: 46.8% Male: Sylhet: 4.7%, Chitt: 3.1% (2010)	Women: Sylhet: 38%, Chitt: 48% Male: Sylhet: n/a, Chitt: n/a	Women: Sylhet and Chitt: 65% Male: Sylhet and Chitt: n/a.	UESD	14
Water and sanitation	Increased availability of safe water and good sanitation facilities, particularly of the poor	% of population using improved drinking water sources (urban/rural)	Urban: 93.3% Rural: 83.8% (2009)	Urban: 95% Rural: 85%	Urban: 100% Rural: 96.5%	UN JMP	15	
		% of population using improved sanitary facilities (urban/rural)	Urban: 53.5% Rural: 54.3% (2009)	Urban: 60% Rural: 65%	Urban: 100% Rural: 90%	UN JMP	16	
Energy and infrastructure	Transport	Improved infrastructure for	% of road network in “Good to Fair” condition	66% (2010)	80%	95%	Roads Condition Survey	17

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DRF	Outcomes		Indicators	Baseline	Target 2012	Target 2015	Source	#
re		higher economic growth	Kms of railway in usable condition	2835.04 km (2010)	2857 km	4237.04 km	BR	18
			Energy	Per capita consumption of electricity	170 KWh (2010)	196 KWh	390 KWh	Power Cell
			Access to electricity	47% (2010)	48.5%	65%	Power Cell	20
Gender equality	Women and men enjoy equal opportunities		% of women employed in the formal sector	24% (2009)	29%	49%	BBS (LFS)	21
Environmental sustainability	Environment and climate change	The environment is preserved from degradation and a disaster management strategy exists	Hectare of forest coverage	13.14% (2010)	13.84%	15%	Forest Department	22
	Water management		Km of waterways navigable year round	3800 km (2010)	3810 km	3910 km	BIWT	23
	Disaster management		Number of usable cyclone shelters	2,852 shelters (2010)	3,352 shelters	5,352 shelters	MoFDM	24
			Number of rural communities with disaster resilient habitats and community assets	90 (2010)	100	300	MoFDM Survey	25
ICT	Increased access to telephone and broadband services		% of people with phone	46% (2010)	55%	70%	ITU Annual Report	26
			% of people with broadband connection	2% (2010)	5%	30%	ITU Annual Report	27
Urban	Reduced urban poverty and improved living conditions through better city governance and service improvements		% of City Corporation's expenditure raised autonomously	38.5% (2009-10)	41%	51%	CC Budgets	28
			% of urban population with regular employment	55.7% (2006)	77%	100%	LFS and Wage Survey	29
Governance	Democratic governance	Good governance reforms institutionalized at all levels and institutional capacity of public institutions enhanced	Number of ministry oversight hearings held by the Parliament	0 (2010)	TBD	TBD	TBC	30
	Service delivery		% difference between actual primary expenditure and budgeted primary expenditure in real terms	9.6% (2010)	8%	5%	CGA	31
			% of contracts awarded within the initial bid validity period for key agencies (RHD, LGED, BWDB, REB)	30% (2010)	40%	60%	Agency's M&E report	32
			% of local government institutions' share of public expenditures	0% (2010)	0.5%	2%	LG Annual Audits	33
	Justice and human rights		Number of case backlogs in the formal justice system (lower and upper judiciary)	1.8 million (2010)	TBD	TBD	Supreme Court, MoLJPA	34
			Number of UPR agreed human rights principles institutionalized in national policy frameworks	0 (2010)	0	6	TBC	35

Source: SFYP Part I, Annex Table 9.1, pp.242-245.

Notes:

- (i) Poverty refers to upper poverty line.
- (ii) Actual data is available through HIES every five years.
- (iii) A rice wage growth greater than the growth of GDP would entail an increased access to food by wage earners which include the poorest both in urban and rural areas. The average GDP growth was 0.5% higher than the rice wage growth over the last 3 years. This difference has been taken as the target to ensure increased purchasing power of wage earners over the next five years.
- (iv) A target for 2011 is not available. Given the proposal to utilize a different source compared to the baseline year – i.e., more accurate and produced on a yearly basis (see note 5 below), the reference year for the baseline will most likely be 2011. Despite the difficulty in determining these values at the moment of formulation of the results framework, the indicator has a large consensus as very appropriate to measure nutritional levels and is among those chosen by the SFYP.
- (v) These data are only available every three years through the BDHS. However, BBS/HKI will shortly produce indicators that are nationally representative on an at least bi-annual basis. As soon as this is available, this will become the new source of information.



## 4.2 Monitoring and evaluation of public investment projects in ADP

### 4.2.1 Mission and function of IMED

The monitoring and evaluation of public investment projects in the ADP is the tasks of the Implementation Monitoring and Evaluation Division (IMED) under the Ministry of Planning. According to the official website, the mission of the IMED is to monitor and evaluate the performance of revenue and development investment by collecting and analyzing information on project and programme results originating from implementing organizations. The analysis of the performance of ministries and sectors against agreed targets is provided to the ECNEC, line ministries and other concerned parties whenever necessary. If the targets are not achieved, the IMED provides concerned entities with the analysis to improve their performance.<sup>16</sup>

The main functions of the IMED stipulated in the Rules of Business are as follows:

- a) Monitoring and Evaluation of the implementation of development projects included in the ADP;
- b) Collection and compilation of project-wise data for preparing quarterly, annual and periodical progress reports for information of the President, NEC, ECNEC, Ministries and other concerned;
- c) Rendering such advisory or consultancy services to Line Ministries/Implementing Agencies concerned on implementation of projects as and when necessary;
- d) Field inspection of projects for on the spot verification of implementation status and such other coordination works as may be necessary for the removal of implementation problems, if any, with the assistance of related Line Ministries/Implementing Agencies;
- e) Submission of project inspection reports to the President and Line Ministers concerned when attention at such levels are considered necessary;
- f) Matters relating to Central Procurement Technical Unit (CPTU);
- g) Matters relating to the Public Procurement Regulations, 2003; and
- h) Such other functions as may be assigned to the Division by the Prime Minister from time to time.

### 4.2.2 Organizational Structure of IMED

In order to fulfill the tasks and roles, the IMED is divided into the following eight Sectors, Units, and Wings.

- a) Agriculture and Rural Development Sector
- b) Industry and Power Sector
- c) Local Government and Transport Sector
- d) Education and Social Sector
- e) Co-ordination and MIS Sector
- f) Evaluation Sector
- g) Central Procurement Technical Unit (CPTU)
- h) Administration Wing

The four Sectors—Agricultural and Rural Development, Industry and Power, Local Government and Transport, and Education and Social—have their respective ministries and divisions in charge and monitor development projects of their assigned ministries and divisions. Line ministries and implementing agencies hold monthly review meetings with participation of

<sup>16</sup> Official website of IMED: <http://www.imed.gov.bd/>

staff of those sectors to review financial and physical progress of ongoing projects, especially on procurement, land acquisition, appointment and other managerial issues.

The main roles of the Co-ordination and MIS Sector is to collect and compile data from the four Sectors to produce quarterly, annual and periodical progress reports which are submitted to the NEC and the ECNEC. The Co-ordination and MIS Sector also publishes annual evaluation report of completed ADP projects. The Evaluation Sector is a specialized office tasked to conduct impact evaluation of selected projects two to five years after their completion. The CPTU is responsible for policy formulation, co-ordination, monitoring and improvement of public procurement, whereas Administration Wing is in charge of general administration and provision of general services and logistics.

#### 4.2.3 Output of IMED

The IMED collects the information of project implementation through five types of reporting formats<sup>17</sup> (IMED-01/2003 to IMED-05/2003) from line ministries and implementing agencies on a regular basis. The sectors under the IMED carry out field visits to inspect physical progress of ongoing projects. The following reports are produced at the stages of implementation monitoring and evaluation:

- a) Implementation Monitoring
  - Monthly Progress Report
  - Quarterly Progress Review Report
  - Annual Progress Review Report
  - Field Visit Report (with recommendations and suggestions)
  - Annual Progress Review Report (inter-ministerial and inter-year comparison)
- b) Evaluation
  - Terminal Evaluation (for all completed projects)
  - Impact Evaluation (for selected completed projects after 2-5 years)
  - In-depth Monitoring (Mid-term Evaluation of ongoing large-scale projects)

#### 4.2.4 Donor Assistance to IMED

The Asian Development Bank (ADB) supported a Technical Assistance project, entitled “Strengthening Results-Based Monitoring and Evaluation Project”, with the total budget of US\$ 1 million from December 2006. The outcome of TA was to strengthen organizational capacity of the IMED through qualitative changes in their structure, functions, reporting relationships, Monitoring & Evaluation (M&E) based on the principles of Results-Based Management (RBM). A team of international and national consultants were fielded in July 2007 and the project was completed in October 2009. The project provided technical assistance for the IMED and the Foreign Aided Project Audit Directorate (FAPAD) of the Comptroller and Auditor General’s Office (CAG).<sup>18</sup>

With the support of ADB technical assistance, the five-year Strategic Plan that incorporates the Results-Based Monitoring and Evaluation (RBM&E) elements into the IMED’s M&E functions

<sup>17</sup> Implementation Monitoring and Evaluation Division (IMED). December 2004. *IMED Reporting Formats & User Guide (Revised & Approved in 2003)*.

<sup>18</sup> Asian Development Bank. December 2006. *Technical Assistance Report: Strengthening Results-Based Monitoring and Evaluation Project (Financed by the Japan Special Fund)*.

was approved by the government. For the introduction and development of RBM&E mechanism, the Strategic Plan sets ten Goals which are divided into three different time frames, short-, medium-, and long-terms.<sup>19</sup>

- a) Short-Term Goals (July 2008 to June 2009)
  - Ensure proper Design and Monitoring Frameworks (Logical Frameworks) are included in all DPPs
  - Outline monitoring framework and evaluation framework for projects and programmes
  - Collect data on project inputs, outputs, outcomes and impacts according to Design and Monitoring Frameworks
  - Verify project information supplied by executing agencies
  - Produce analytical reports (i.e. reports explaining progress or lack of progress) to NEC, ECNEC (special meetings dedicated to monitoring and evaluation issues) and ministries
- b) Medium-Term Goals (July 2009 to June 2011)
  - Participate in the formulation and review of MTBF targets, ADP sector plan indicators, National Strategy for Accelerated Poverty Reduction (NSAPR) monitoring indicators
  - Prepare and implement evaluations strategy for programmes and sectors/ministries
  - Provide public sector investment performance reports
- c) Long-Term Goals (July 2011 to June 2013)
  - Policy on public performance (results based) management implemented by June 2013
  - Formulation of communications strategy on public sector results (to media, public, development partners)

In order to support the Strategic Plan, ADB conducted capacity development training on RBM&E for more than 100 officials of the IMED, line ministries, and implementing agencies. Also, to facilitate communication and information exchange with line ministries and implementing agencies, the project management information system of the IMED was upgraded.<sup>20</sup>

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<sup>19</sup> Implementation Monitoring and Evaluation Division (IMED). 2008. *Strategic Plan 2008-2013*.

<sup>20</sup> Asian Development Bank. January 2010. *Technical Assistance Consultant's Report: Strengthening Results-Based Monitoring and Evaluation Project (Special Fund Resources of Japan)*.

## 5 Public Private Partnership: A New Initiative to Mobilize Private Investment

Public-Private Partnership (PPP) is an alternative way of financing, designing, implementing and operating public sector facilities and services with the partnership of the private sector. Since the beginning of 1990s, PPP has been introduced in developed countries such as UK, aiming to encourage private investment in infrastructure under the pressure of public debt. Since then, an increasing number of governments in developing countries are interested in applying this new modality to fill the gap between investment needs and the availability of public fund.

According to the United Nations Economic Commissions for Europe (UNECE), PPP is defined as “innovative methods used by the public sector to contract with the private sector, who bring their capital and their ability to deliver projects on time and to budget, while the public sector retains the responsibility to provide these services to the public in a way that benefits the public and delivers economic development and an improvement in the quality of life.”<sup>21</sup> Depending on the degree of private sector participation, there are different types of PPP options, ranging from service contracts and management contracts to BOT (Build-Operate-Transfer) and BOO (Build-Own-Operate).

The Government has recently announced a new PPP initiative to provide necessary infrastructure and public services and set up a framework by establishing specialized governmental offices and allocating budgets dedicated to PPP projects. In the following section, the policies, institutions, and processes regarding PPP in Bangladesh are reviewed.

The Government has long encouraged the private sector participation particularly in the area of power and energy. Since 1997, government organizations such as Infrastructure Development Company Ltd (IDCOL) and Infrastructure Investment Facilitation Center (IIFC) have been established for the purpose of promoting private investment and facilitating project formulation. In 2004, Bangladesh Private Sector Investment Guidelines (PSIG) were issued under PPP initiative, which constituted the foundation to implement PPP projects. Until June 2009, 27 PPP projects were implemented in Bangladesh, and more than half of them (18 projects) are in the power and energy sectors.<sup>22</sup>

In June 2009, a Position Paper entitled “Invigorating Investment Initiative through Public Private Partnership” was published by Finance Division, Ministry of Finance, to examine issues surrounding the current PPP framework in Bangladesh by undertaking cross-country comparison with India and the Philippines. Based on the analysis, the Government has set the following action plans to make PPP a national priority.

- a) Reform of the guidelines and institutional framework stated in PSIG in 2004;
- b) Set up of a dedicated unit for PPP budget formulation and implementation;
- c) Significant budgetary allocation for PPP;
- d) Provision of tax incentives to investors; and
- e) Extensive and continuous publicity of the new PPP initiative.

<sup>21</sup> United Nations Economic Commission for Europe. 2008. *Guidebook on Promoting Good Governance in Public-Private Partnerships*.

<sup>22</sup> Finance Division, Ministry of Finance. June 2009. *Invigorating Investment Initiative through Public Private Partnership – A Position Paper*.

## 5.1 New Policy and Strategy

As the first step towards new PPP initiative, the Government issued the “Policy and Strategy for Public-Private Partnership (PPP)” in August 2010. This document stipulates the creation of two new PPP-specialized organizations—Office for Public-Private Partnership under the Prime Minister’s Office and PPP Unit under the Ministry of Finance. The functions of these PPP organizations are detailed in the later section. The former guideline, PSIG in 2004, was rescinded after adoption of this Policy and Strategy document. In addition to issuance of the policy and guidelines, the Government allocated budgets solely for development and financing of PPP projects in the fiscal year 2009-2010. This shows a strong commitment of the Government to the advancement of PPP initiative in Bangladesh.

The Policy and Strategy document attempts to clarify the procedures to identify, formulate, appraise and approve PPP projects and eliminate inconsistency and ambiguity that were pointed out in the former guidelines. First, the following conditions are listed, and if at least one of the elements exists in a project, it may be considered as PPP project:

- a) The implementation of the project is difficult with the financial resources or expertise of the government alone;
- b) Private investment would increase the quality or level of service or reduce the time to implement compared to what the government could accomplish on its own;
- c) There is an opportunity for competition, where possible, among prospective private investors, which may reduce the cost of providing a public service;
- d) Private investment in public service provides an opportunity for innovation; and
- e) There are no regulatory or legislative restrictions in taking private investment in the delivery of public service.

However, the following activities are not considered as a PPP project: (i) outsourcing of a simple function of public service; (ii) creating a government owned enterprise (State Owned Company); and (iii) borrowing by government from the private sector.

Regarding the eligibility of the private sector, “any for-profit or not-for-profit entity legally registered in Bangladesh or abroad at the time of submission of proposals in response to Request for Qualification or unsolicited proposals is eligible for participation in PPP projects. However, at the time of contract awarding, the foreign entity is required to be registered as a legal entity in Bangladesh.”<sup>23</sup> Further, the Government is prepared to provide varied forms of fiscal as well as non-fiscal incentives in order to attract private investors in priority sectors. As fiscal incentives, PPP projects will receive reduced import tax on capital items, and tax exemption or reduced tax on profit from operating/managing for a certain period.

The PPP projects are classified into three categories—large, medium, and small—depending on the monetary value of estimated investment:

- a) Large Project: above BDT 2.5 billion
- b) Medium Project: between BDT 500 million and 2.5 billion
- c) Small Project: below BDT 500 million

<sup>23</sup> Government of Bangladesh. August 2010. *Policy and Strategy for Public-Private Partnership (PPP)*, 2010.

To expedite the approval and implementation process, the three types of PPP projects are subject to different flows of formulation, appraisal, and approval. The most distinct part is the final authority to approve each PPP project. Institutional framework and procedures of formulation, appraisal, and approval of PPP projects are explained in detail in the following section.

- a) Large: Final approval authority is Cabinet Committee on Economic Affairs
- b) Medium: Final approval authority is Finance Minister
- c) Small: Final approval authority is respective Minister of Line Ministry.

## 5.2 Institutional Framework and Guidelines

### 5.2.1 Institutional framework

In order to ensure a simplified and dedicated institutional framework and streamline the approval process of PPP projects, the Policy and Strategy document explains the tasks and roles of the following six government organizations with regard to strategy development, identification, formulation, appraisal, approval, monitoring and evaluation of PPP projects.

- a) Public-Private Partnership Advisory Council (PPPAC)
- b) Cabinet Committee on Economic Affairs (CCEA)
- c) Office for Public-Private Partnership
- d) Line Ministry/Implementing Agency
- e) Finance Division
- f) Planning Commission

The **Public-Private Partnership Advisory Council (PPPAC)** is a supreme organ in charge of advising on the overall PPP policy and giving guidance to accelerate PPP projects. PPPAC is chaired by Prime Minister and consisted of 23 members including 15 Ministers, Governor of Bangladesh Bank, and Presidents of Chamber of Commerce and Industry. The PPPAC members meet at least once every year.

The **Cabinet Committee on Economic Affairs (CCEA)**, which was created under Clause 18 of the Rules of Business in 1996, is in charge of approving guidelines and procedures on PPP project formulation and implementation prepared by Office for PPP and also approving financial schemes issued by Finance Division. CCEA is also the final approval authority of large projects.

The Policy and Strategy document states the creation of a new governmental organization dedicated to the promotion and efficient handling of PPP projects. In order to give autonomous authority on administrative and financial issues, the **Office for Public-Private Partnership (PPP)** is established under the Prime Minister's Office. The Office for PPP plays a central role under the new PPP initiative, and assists line ministries in identifying, formulating, selecting, contracting and monitoring implementation of PPP projects. The expected roles of the Office for PPP are as follows:

- a) Initiate, develop, formulate PPP projects;
- b) Actively promote PPP to various potential investors;
- c) Maintain a panel of experts for PPP projects;

- d) Conduct pre-feasibility, feasibility studies and prepare relevant bidding documents, when necessary;
- e) Secure annual technical assistance financing for conducting pre-feasibility, feasibility studies and preparation of relevant bidding documents;
- f) Seek appraisal for VGF for PPP projects;
- g) Propose for approval of various laws, rules, regulations, model documents, guidelines, procedures for general use and use for specific types of PPP projects;
- h) Support line ministries and implementing agencies in tendering and selection of investors;
- i) Undertake awareness raising activities and build capacity in line ministries and implementing agencies on PPP affairs;
- j) Monitor PPP projects including the linked components;
- k) Facilitate risk mitigation measures for private investment; and
- l) Maintain an up-to-date internet portal with public access to laws, rules, regulations, model documents, and short description and scope of negotiated PPP projects, and secure access to private participants for tracking progress of processing of specific PPP projects.

The **line ministries and implementing agencies** are the main vehicle in the processes of identification and formulation of PPP projects, tendering and contracting with private investors, and monitoring of implementation. The Policy and Strategy document suggests the establishment of a Qualification and Tender Evaluation Committee (QTEC) in each PPP project to facilitate the decision-making process in the ministry. The capacity of line ministries and implementing agencies will be strengthened for the identification of high-priority projects and timely implementation.

The **Finance Division** is responsible for managing financial aspects of PPP projects and arranging budgetary allocations for different financing schemes. A specialized PPP Unit is to be created, and there are three types of financing schemes to be administered by Finance Division.

- a) **Technical Assistance Financing** is designed for the following purposes:
  - Pre-feasibility and feasibility study for projects;
  - Preparation of RFQ and RFP documents for projects;
  - Preparation of concession contracts for projects;
  - PPP related capacity building in the Line Ministries/implementing agencies and other relevant agencies; and
  - PPP related awareness building such as road show, exhibition etc...
- b) **Viability Gap Financing (VGF)** is utilized to compensate the gap for PPP projects in which economic and social viability is high, although their financial viability is not ensured. VGF could be in the form of capital grant or annuity payment or in both forms. VGF in the form of capital grant shall be disbursed only after the private sector company has subscribed and expended the equity contribution required for the project.
- c) **Infrastructure Financing** is an arrangement for extending financing facilities for the PPP projects in the form of debt or equity through specialized financial institutions such as Bangladesh Infrastructure Finance Fund (BIFF) and Infrastructure Development Company Limited (IDCOL). The Government may participate in such financing arrangements through necessary budget provision.

Finally, the tasks and roles of **Planning Commission** are defined in the Policy and Strategy document. In the PPP institutional framework, the Planning Commission is responsible for inclusion of linked components of PPP projects into the ADP. For the successful implementation of a PPP project, line ministries and implementing agencies may require supplementary activities such as acquisition of land, rehabilitation and resettlement, provision of utility services, construction of approach roads to the main highways. If those linked components are financed by the Government, necessary budgetary provision is kept in the ADP.

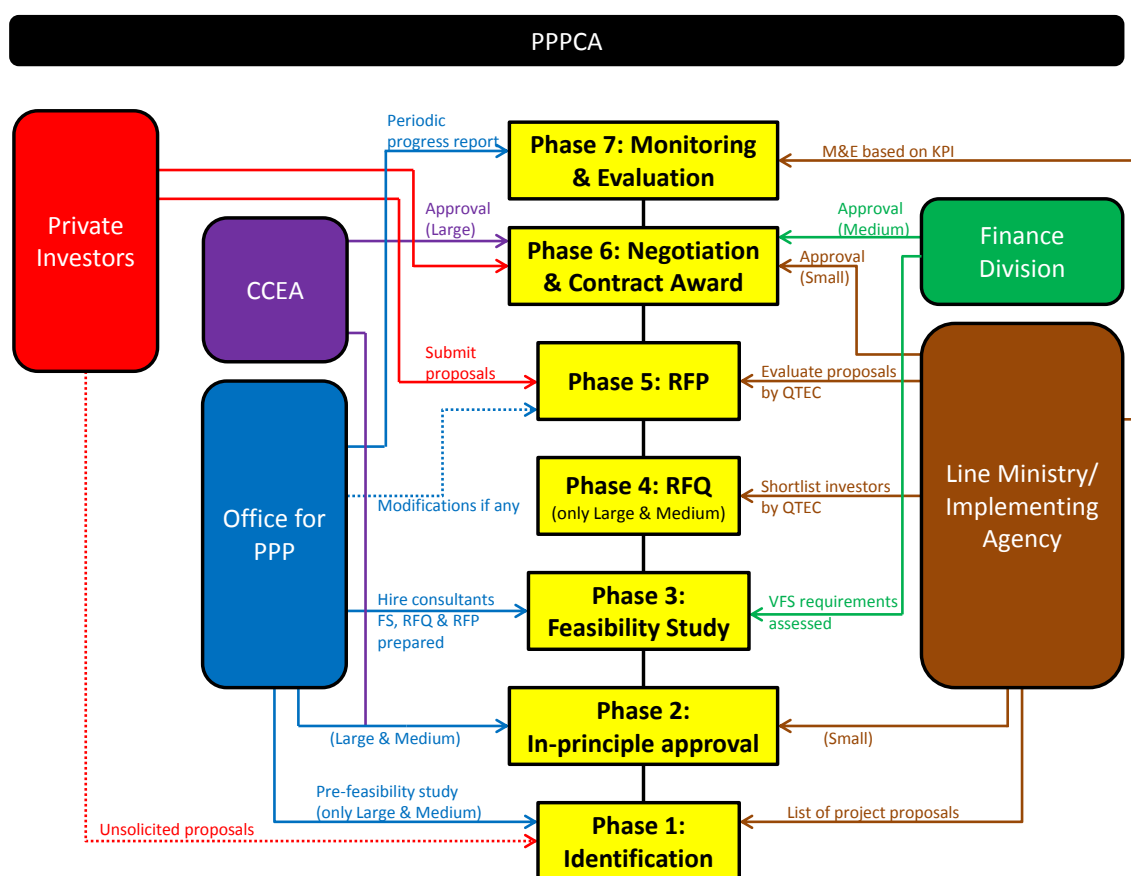
The Planning Commission has the following two roles in the PPP initiative.

- a) Expedite the linked components which are included in the ADP to ensure timely progress of the relevant PPP projects, and develop necessary procedures for expediting; and
- b) Review the ADP in order to avoid duplication of efforts and projects regarding any PPP implementation.

### **5.2.2 Guidelines**

The Policy and Strategy document contains Guidelines for formulation, appraisal and approval of large, medium, and small projects, respectively, under Public-Private Partnership (PPP). In the guidelines, all the procedures are categorized into seven phases: (i) project identification; (ii) ‘in principle’ approval; (iii) feasibility study and preparation of documents; (iv) request for qualification (RFQ); (v) request for proposal (RFP); (vi) negotiation and contract award; and (vii) monitoring and evaluation. Figure 5.1 illustrates the responsibilities of each government organization.





**Figure 5.1: Formulation, appraisal and approval procedures of PPP projects**

The targeted time frame to complete each phase in large, medium, and small PPP projects is indicated in the Policy and Strategy document. Table 5.1 summarizes time requirement for each phase.

**Table 5.1: Time requirement for each phase**

Phase	Indicative time frame		
	Large	Medium	Small
1 Project identification	Ongoing	Ongoing	Ongoing
2 'In Principle' Approval by CCEA (Large & Medium)/ Concerned Minister (Small)	2-4 weeks	2-4 weeks	2-4 weeks
3 Feasibility Study	8-20 weeks	6-12 weeks	4-8 weeks
4 Request for Qualification	4-8 weeks	4-8 weeks	-----
5 Request for Proposals	8-12 weeks	6-10 weeks	4-8 weeks
6 Negotiation and Contract Award	4-8 weeks	4-8 weeks	4-8 weeks

Source: Government of Bangladesh. August 2010. *Policy and Strategy for Public-Private Partnership (PPP), 2010*.

### 5.3 Donor Assistance

In response to the government's new PPP initiative, donors have provided technical assistance with PPP-specialized government organizations in Bangladesh. Currently, there are two

organizations–World Bank (WB) and Asian Development Bank (ADB)–that provide support for the institutional set-up in the PPP area. The World Bank assisted the establishment and management of Office for PPP in the Prime Minister’s Office under the framework of Investment Promotion and Financing Facility (IPFF). ADB dispatched a team of international and national consultants to provide technical support for the capacity development of Office for PPP and PPP Unit in the Finance Division.

ADB approved a Technical Assistance project, entitled “Public-Private Partnership Program Operationalization”, with the total budget of US\$ 1.2 million in December 2010. The main objective is to support the institutional start-up of PPP organizations (Office for PPP and PPP Unit) newly created in accordance with the Policy and Strategy document and make them operational as key PPP vehicles in Bangladesh.<sup>24</sup> The consultant team has been fielded since April 2011 to undertake activities including institutional design of PPP-specialized organizations, technical assistance to formulate guidelines and manuals on PPP procedures, assessment of existing government policies, laws, and regulations related to PPP, and support for introducing web-enabled systems. The TA project is scheduled to end in June 2012, and the Phase II project to continue technical support for the PPP initiative is under consideration.

As of January 2012, both the Office for PPP and the PPP Unit are operational under the Prime Minister’s Office and under the Ministry of Finance, respectively. In the Office for PPP, the Chief Executive Officer (CEO) was recently appointed and the number of personnel is planned to expand to 20 persons within a couple of months. The Office for PPP has coordinated with line ministries to set up a focal point and is planning to develop the capacity of line ministries and implementing agencies in the future. The Office for PPP is planned to be officially launched in early March 2012.

After the set-up of PPP Unit in the Finance Division, ADB assisted the development of detailed procedures and guidelines on financial support of PPP projects such as Technical Assistance Financing and Viability Gap Financing (VGF). In the budget FY 2011-12, BDT 1 billion was allocated for the Technical Assistance Financing and BDT 4 billion for VGF. Regarding Infrastructure Financing, the Bangladesh Infrastructure Finance Fund (BIFF) was established and the secretary was appointed. The government allocated an initial capital of BDT 16 billion to BIFF in 2010, and the financial resources will be utilized to support PPP infrastructure projects by taking direct equity participation in financially viable projects.

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<sup>24</sup> Asian Development Bank. December 2010. *Technical Assistance Report: Public-Private Partnership Program Operationalization*.

## 6 Key Issues on Public Investment Management

This chapter discusses the key issues of public investment management (PIM) in Bangladesh, based on the findings from a series of interviews with key officials and experts, data analysis, and review of the literature under the current study.

Before going into detailed discussions of key issues in PIM, it is worth recapitulating the reasons why the improvement of PIM in Bangladesh is urgent and critical for national development.

As reviewed in Chapter 2, the current Government set the long-term goals, namely, achieving Vision 2021 and joining the class of middle income countries by 2021. Towards these goals, the Perspective Plan and the SFYP set the targets of growth and poverty reduction: (i) raising real GDP growth from the current 6% to 8% in FY2015 and 10% in FY2021; and (ii) reducing the headcount poverty rate from the current 31.5% to 22% in FY2015 and 14% in FY2021.

To achieve those targets, gross domestic investment (GDI), including both private and public investment, must be increased from the current 24.4% to 32.5% of GDP in FY2015. The SFYP stipulates that private investment is the driving force of economic growth and employment creation, and yet stresses that public investment should play a catalytic role through the provision of enabling environments for the private sector.

The available data on public investment management (PIM) in Bangladesh clearly demonstrates that the performance of PIM is far from satisfactory, pointing to the urgent need for action by the Government. As reviewed in Chapter 2, public investment as percentage of GDP declined in FY2006-FY2009, although it slightly recovered in FY2010 and FY2011. In FY2006-FY2010, the annual disbursement rate of the ADP was 76% on average, the cost overrun of the ADP was 42%, and the time overrun was 2.9 years. PIM must be improved urgently if Bangladesh is to achieve Vision 2021.<sup>25</sup>

The key issues of PIM identified in the current study are grouped into four broad categories: (1) the ADP process; (2) strategic linkages between the SFYP and the ADP; (3) strategic resource allocations; (4) M&E of development plans and projects; and (5) cross-cutting issues. Figure 6.1 highlights (1)-(4) in the context of development planning, budget and PIM systems in Bangladesh.<sup>26</sup>

In the following, each group of key issues is discussed in turn.

<sup>25</sup> World Bank. 2011. *The Quality of Public Investment Management in Bangladesh*. Washington, DC: World Bank.

<sup>26</sup> Group 5 of key issues is not shown in Figure 6.1 because it cuts across all aspects of PIM.

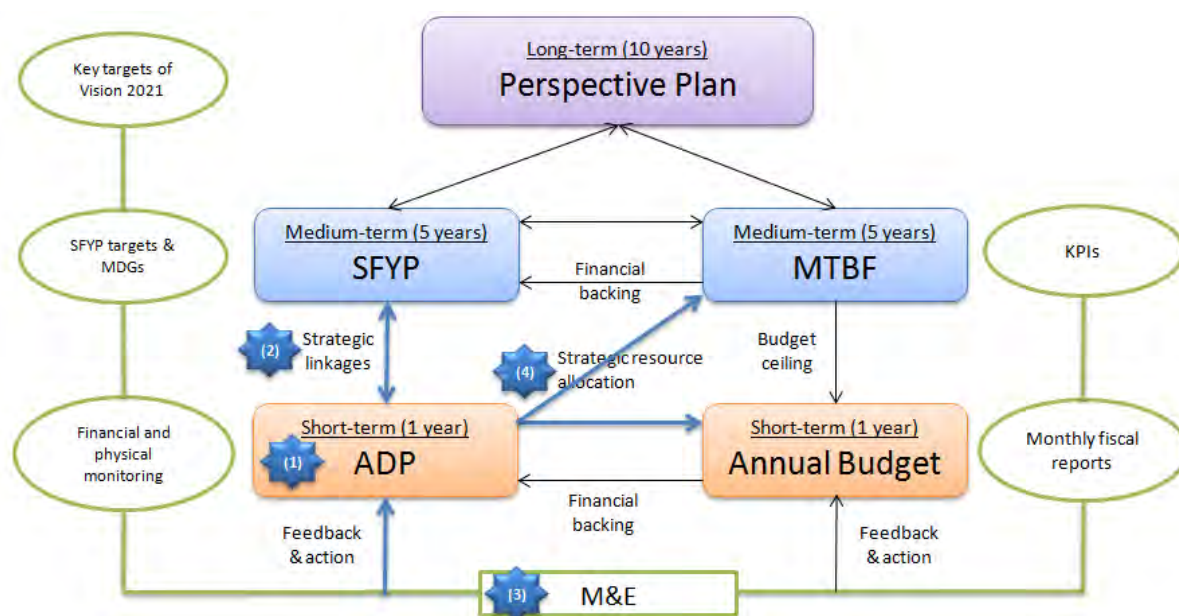


Figure 6.1: Development planning, budget and PIM systems in Bangladesh

## 6.1 The ADP process

Under the PIM system in Bangladesh, the ADP plays the central role in the management of public investment projects and programs of the Government. The Planning Commission is responsible for overall management of the ADP process, and advises the ECNEC's decision making on projects in the ADP. The Finance Division sets annual budget ceilings on the ADP based on the MTBF, whereas line ministries, divisions and their implementing agencies are responsible for the preparation of project proposals called DPP/TPP, and the implementation of approved projects by the ECNEC.

Our study found several causes of low disbursement and cost/time overruns of projects in the ADP. The following key issues must be addressed to improve the performance of the ADP process:

### **Key issue 1: Insufficient capacity of PC to manage the increasing number and budget amount of projects in ADP**

The number of staff members in the PC has not changed since the 1990s, and yet the number and budget amount of projects to be reviewed has been soaring rapidly. The PC is already, and will surely be overwhelmed by the increasing number and budget amount of projects in the ADP in the coming decade. This clearly points to the need to strengthen the capacity of the PC to meet the increasing importance and expectation of public investment, and to achieve Vision 2021.

Also, a large portion of the ADP consists of small-scale projects. Whether the PC needs to review all of them should be reconsidered.

### **Key issue 2: Low quality of DPP/TPP**

The current study revealed that the quality of DPP/TPP is compromised because of a number of factors. First, implementing agencies generally do not have sufficient technical capacity to prepare quality DPP/TPP (no economic cadre is attached to implementing agencies). Second, the planning wings of line ministries and divisions do not have sufficient capacity to appraise DPP/TPP prepared by implementing agencies. Third, the personnel of the PC need to improve technical capacity to prioritize and select DPP/TPP based on economic/financial/social analyses in order to narrow the scope for political interventions. Finally, there is no established process to provide training for officials who prepare and appraise DPP/TPP.

Because of the factors above, DPP/TPP are sent back and forth between the PC and line ministries/divisions. This iterative process causes delays in approving DPP/TPP. It also causes inaccurate estimates of time and cost at the preparation of DPP/TPP, which resulted in time and cost overruns at the implementation stage of projects.

### **Key issue 3: Duplication of tasks in the review process of DPP/TPP**

It was found that there are obvious duplications of tasks among concerned agencies in the process. This creates confusion and delays in the processing of DPP/TPP. Streamlining of the processing of DPP/TPP needs to be undertaken. This should include the clarification of authority in the process. Furthermore, this should be formalized in the form of regulations or other legal means.

## **6.2 Strategic linkages between SFYP and ADP**

The projects in the ADP are expected to serve as the main tool to implement strategies and achieve targets of the Perspective Plan and the SFYP. However, many of the ongoing projects in the ADP may not have clear linkages with the SFYP. This is perhaps understandable because many of them were formulated before the articulation of the SFYP. However, any new projects in the ADP to be formulated in FY2011–FY2015 should have clear strategic linkages with the SFYP. With this effort, the strategic linkages of the ADP with the SFYP will be strengthened over time.

### **Key issue 4: Weak linkages between ADP and SFYP**

It was found that currently, few projects in the ADP have clear indications as to which strategies in the SFYP the project is aligned with, what objectives the project aims to achieve, and how the objective contributes to the achievement of SFYP targets.

All new projects prepared and appraised in the period of the SFYP should be prioritized and selected, based on the extent to which they contribute to implementing the strategies and achieving the targets of the SFYP.

This would require revising DPP/TPP formats to establish linkages with the SFYP. In addition, the ADP would need to be updated to make clear those linkages in the text.

In the sectors where sector plans are in place, there should be clear strategic linkages among the SFYP, sector plans, and projects in the ADP.

### **6.3 M&E of development plans and projects**

In Bangladesh, a fair number of indicators for M&E of development plans and projects are already in place: (1) the Perspective Plan sets the targets of key indicators to be achieved by FY2021; (2) SFYP and MDGs set the targets of key indicators by FY2015; (3) MTBF includes Key Performance Indicators (KPIs) over FY2011–FY2015 in Ministry Budget Frameworks; (4) financial and physical monitoring of projects in the ADP; and (5) monthly fiscal reports. The SFYP also includes indicators for M&E at the sector level.

#### **Key issue 5: Transition toward result-based M&E**

Bangladesh started moving from a traditional input-based toward a result-based M&E system with the SFYP. Currently, the M&E focuses primarily on inputs (financial). Outputs and outcomes are rarely monitored or evaluated, except the attempt by the IMED to conduct impact evaluation on some projects.

The SFYP sets up a result-based framework for the first time in Bangladesh’s history of five-year plans, and will conduct the first annual monitoring of SFYP implementation in this fiscal year.

The MTBF includes Key Performance Indicators (KPIs) of respective government ministries and divisions. However, the monitoring of KPIs has not been regularly conducted so far.

#### **Key issue 6: Limited capacity of M&E**

In the M&E of the SFYP, the tasks to strengthen and coordinate a result-based M&E system fall under the responsibility of the GED. It is necessary to strengthen the GED through training staff, setting up a data compilation system, and establishing sound coordination mechanisms to collect information from concerned ministries, divisions, and implementing agencies.

In the M&E of the ADP, the IMED conducts regular monitoring of all projects under the ADP. The IMED’s monitoring focuses primarily on financial inputs, and it appears that less emphasis has been given to physical monitoring. Monitoring outputs and outcomes largely remain outside the scope of current M&E of the IMED. It is imperative to strengthen the monitoring of outputs and outcomes to make a transition toward result-based M&E at the project level.

Although the IMED conducts monitoring on a regular basis and reports the results to the ECNEC, it is necessary to strengthen feedback mechanisms to take remedial actions and formulate the ADP.

### **6.4 Strategic resource allocations**

The strategies in the Perspective Plan and the SFYP are expected to guide the decision making on resource allocation among the sectors in the MTBF and the Annual Budget. The allocation of resources (funds) among projects and programs within the ADP should be also guided by the strategies in the Perspective Plan and the SFYP. This would further improve allocative efficiency of public expenditures.

### Key issue 7: Differences of sector classification between ADP and MTBF/Annual Budget

In the ADP, a traditional sector classification with 17 sectors continues to be used since the start of the ADP in the 1970s. In this sector classification, a ministry's projects are often classified in more than one sector. By contrast, the MTBF and the Annual Budget use a ministry, a division or an agency as a unit, and group them into 13 sectors. The difference in sector classification between the ADP and the MTBF/Annual Budget might cause ambiguity and sometimes confusion among concerned institutions in negotiating and making decisions about resource allocation among sectors.

### Key issue 8: Weak strategic linkages between SFYP and MTBF

Under the current planning and budget systems, the SFYP and the MTBF are formulated by the Planning Commission and FD, respectively. Interviews with key officials on both sides revealed clearly that coordination between them has not been satisfactory in the processes to prepare the SFYP and the MTBF, and that there is scope for strengthening the linkages between the SFYP and the MTBF.

## 6.5 Cross-cutting issues

A few key issues cut across and influence all aspects of PIM in Bangladesh.

### Key issue 9: Coordination between the ADP process and PPP initiatives

The SFYP stipulates the promotion of PPP projects as a key strategy to mobilize private investment for development, mainly in the infrastructure and power sectors. As reviewed in Chapter 5, a new policy and procedures on PPP were formulated only recently, and a newly created PPP Office under the Prime Minister's Office just started operation. To support financial aspects of PPP, the PPP Unit under the Finance Division was also set up and is now operational. It is therefore premature to make any assessment on PPP initiatives at this stage.

Once infrastructure development through PPP schemes gains momentum in the future, however, it will be necessary to define a PPP project in the overall framework of PIM. As shown in Figure 6.2, PPP offers an additional option to the traditional ADP system in order to achieve the targets in the Perspective Plan and SFYP, but the PIM system becomes more complex with the involvement of the private sector. The following key issues on the ADP were identified from interviews and literature review by the study team.

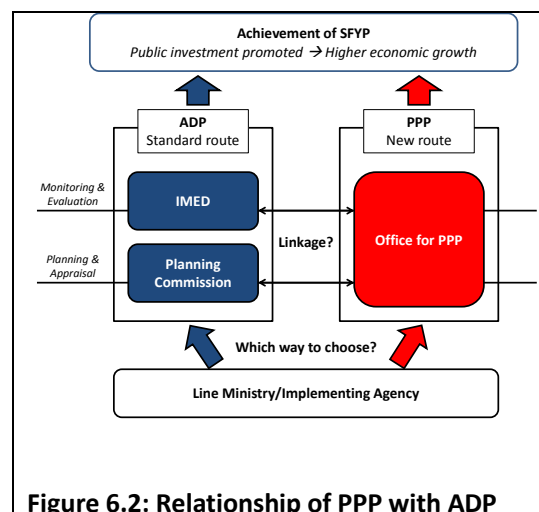


Figure 6.2: Relationship of PPP with ADP

- Capacity building on management of PPP projects.** Since the PPP policy and procedures are new to many line ministries, divisions and agencies, it is imperative to disseminate PPP policies, build capacity of their officials at all levels, particularly in the planning wings of line ministries and divisions. This should include training on the

formulation and implementation of PPP projects, since these are different from the ADP process to which officials accustomed over a few decades.

- b) **Wide dissemination on PPP among the private sector.** Information disclosure by way of multiple channels should be promoted, and there should be a forum to encourage dialogue between the public and private sectors. This would enhance transparency and accountability of PPP projects.
- c) **Further clarification of relationships between ADP and PPP.** The roles of the PC in PPP is touched upon in PPP policy documents, but further clarification on the roles of the PC would help identify the division of roles and responsibilities among the PC, Office for PPP, and PPP Unit and avoid duplication between the ADP and PPP.
- d) **Review existing legal framework.** It is necessary to review existing legal frameworks to identify possible obstacles to promote PPP projects. This review should be conducted from the perspective of inviting both national and international investors.

### **Key issue 10: Donor harmonization in implementation rules**

There are differences in implementation rules among donor agencies, and these could sometimes cause delay in donor-supported projects. This is particularly the case in the procurement rules of donor agencies that are generally stricter than the rules of the Government, and there are some variations among donor agencies. As the first step, harmonization of procurement rules among donor agencies would help speed up the implementation and disbursement of donor-funded projects.

### **Key issue 11: Frequent personnel rotation across ministries and divisions**

The current civil service system in Bangladesh requires frequent personnel rotation across ministries and divisions, which is every 3 years on average. This makes it difficult for officials to accumulate knowledge and experience in specific sectors and perform their assigned tasks efficiently. Furthermore, institutional memory of respective ministries and divisions does not accumulate systematically, either. The limited knowledge and experience in certain sectors among officials at least partly explains delays in the ADP process.

### **Key issue 12: Need to strengthen computerized information system for ADP**

Currently, all ADP-related documents including DPP/TPP are communicated among ministries, divisions and agencies only through hard copies. In addition, there is neither an inventory of appraised projects for consideration in Annual Budget, nor an electronic database of all projects in the ADP. In the SFYP, the Government is aimed at “Digital Bangladesh” as one of the targets. It is necessary to introduce a computerized information system that can process and store information in more efficient ways. This level of information system can be created and managed effectively with widely used software such as MS Excel or MS Access. The introduction of a simple, low-cost, and locally manageable computerized system would not only speed up communication among concerned institutions, but also save storage space at office, mitigate the risk of losing official information, and build staff capacity with a minimum level of training.



## 7 Recommendations for Improvement of PIM

This chapter presents the recommendations by the study team to address some of the key issues pointed out in Chapter 6. The recommendations are categorized into three components that aim to improve PIM in the immediate and medium terms. Section 7.1 is concerned with immediate improvements, whereas Sections 7.2 and 7 aim to bring improvements in the medium term.

### 7.1 Streamline the formulation and approval process of public investment projects

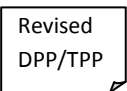
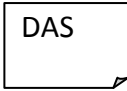
This component aims to achieve improvement within a relatively short term.

Among twelve key issues identified in Chapter 6, the following two issues can be taken up in this component: Key issue 2 on low quality of DPP/TPP; and Key issue 3 on the duplication of tasks in the review process of DPP/TPP. This can be achieved by streamlining the process for the formulation of public investment projects through DPP/TPP, while maintaining the quality of each function. The following activities are recommended to be undertaken.

- a) Clarify responsibilities among concerned organizations in the formulation process of the DPP/TPP.
- b) Clarify assessment criteria in the process of approving the DPP/TPP at three critical steps, i.e., Ministry/Division Screening Committee, PEC and ECNEC.
- c) Develop assessment formats that match the assessment criteria for each step in 2).
- d) Revise DPP/TPP formats that match the assessment formats in 3).
- e) Develop the capacity of officials related to the project formulation and approval process.

The outline of the activities in a) to e) above is elaborated in Table 7.1 below.

**Table 7.1: Sample format for improvement of project formulation process**

Current Procedure	New/Revised Formats	Remarks
(a) DPP formulation by Implementing Agency	 <b>Revision of DPP/TPP formats</b>	DPP/TPP formats to be revised so that the items are aligned with the assessment criteria in Screening Committee/PEC and ECNEC respectively.
(b) DPP confirmation by ministry/division planning wing	 <b>Development of Divisional Assessment Sheet (DAS)</b>	DAS items to be the criteria for appraisal at the Screening Committee Meeting.
(c) Ministry/Division Project Screening Committee		DAS to be signed by the Chairperson of the Ministry/Division Screening Committee.
Contents of the DPP/TPP are improved based on the recommendations from the Screening Committee before obtaining the DAS signature from the Chairperson. The improved DPP/TPP along with the signed DAS is then handed over to the next step.		

(d) Human Resource Recommendations from FD	Recommendations from FD to be added.		
(e) DPP appraisal by the Sector Division of the Planning Commission	PAS	Development of <b>PEC Assessment Sheet (PAS)</b>	PAS items to be the criteria for appraisal at the PEC Meeting. The criteria in PAS avoid duplication from those of DAS.
(f) PEC Meeting			PAS to be signed by the Chairman of the PEC Meeting.
Contents of the DPP/TPP are further improved based on the recommendation from the PEC Chairperson. The improved DPP/TPP along with the signed PAS and DAS is then handed over to the preparation for ECNEC.			
(g) ECNEC	Final approval of the projects as shown in the final DPP/TPP based on the recommendations indicated in DAS and PAS.		

The two newly developed assessment sheets would incorporate two different levels of appraisal, based on their respective roles.

Table 7.2 below indicates a proposal of the example of assessment sheets to be developed, along with different roles that each appraisal session is expected to cover.

**Table 7.2: Sample assessment sheets**

Appraisal	Sheet	Remarks
Ministry/ Division Project Screening Committee Meeting	Divisional Assessment Sheet (DAS)	<p>DAS is completed by the Planning Wing officer responsible of the project in request. The DPP/TPP can be modified accordingly based on the requirements indicated in the DAS, which will allow improvement in the DPP/TPP contents before submission to the Screening Committee Meeting.</p> <p>Authorization of the joint secretary level must be cleared before submitting the DAS result for approval to the next step.</p> <p>[DAS Contents]</p> <ul style="list-style-type: none"> <li>➤ Review of the DPP/TPP and check basic requirements such as background, beneficiaries, logical frame work etc.</li> <li>➤ Relevance of the project based on the ministry/division targets and priority.</li> <li>➤ Budget justification of the project based on the MTBF and budget request amount.</li> <li>➤ Organizational set-up of the project.</li> <li>➤ Technical justification of the project, including clearance of national and/or ministerial technical regulations and standards.</li> <li>➤ Cost effectiveness of the project based on financial and economic analysis.</li> <li>➤ Cost efficiency based on the experience gathered from other projects.</li> <li>➤ Sustainability measures including responsible organizations/groups who conduct operation and maintenance after project completion.</li> </ul> <p>[Authorization]</p> <p>The Secretary of the ministry/division for the implementing agency will provide authorization of the DPP/TPP as a result of the Screening Committee Meeting by signing the final DAS document. The modified DPP/TPP (covering all topics pointed out at the Committee) is attached</p>

Project Evaluation Committee (PEC)	PEC Assessment Sheet (PAS)	<p>PAS is completed by the officer in the sector division of the PC, in cooperation with the Planning Wing officer responsible of the project in request. The DPP/TPP can be modified accordingly based on the requirements indicated in the PAS, allowing further improvement in the DPP/TPP contents before PEC submission.</p> <p>Authorization of the joint secretary level must be cleared before submitting the PAS result for approval to the next step.</p>
		<p>[PAS Contents]</p> <ul style="list-style-type: none"> <li>➤ Review of the DAS results and DPP/TPP modification.</li> <li>➤ Relevance of the project based on the national goals and priorities.</li> <li>➤ Assurance of budget request amount based on budget allocation of the ministry/division.</li> <li>➤ Expected outcome and positive effects to other projects or schemes.</li> <li>➤ Consideration to social and environmental issues.</li> </ul>
		<p>[Authorization]</p> <p>The modified DPP/TPP (covering all points discussed in PES) is attached along with the signed DAS document. The member of the concerned sector division of the Planning Commission will provide authorization of the DPP/TPP as a result of the PES Meeting by signing the final PAS document.</p> <p>Further preparation for the ECNEC is made accordingly, by arranging information through the utilization of the DPP/TPP, DAS and PAS documents.</p>

Capacity development requirements therefore need to be based on the requirement of each level of appraisal, including their preparation stages. Table 7.3 in the following indicates the need of capacity development of officials in the respective organizations.

**Table 7.3: Capacity development for improvement of DPP/TPP procedure**

Organizations	Requirements	Capacity Development
Project Request (implementing) Agency	<ul style="list-style-type: none"> <li>➤ Completion of DPP/TPP formats.</li> <li>➤ Recognition of appraisal requirements.</li> <li>➤ Thorough understanding of DAS requirements.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Training of DPP/TPP completion, including technical requirements such as log frame, financial/economic analysis, etc.</li> </ul>
Ministry/Division Planning Wing	<ul style="list-style-type: none"> <li>➤ Provision of instructions to implementing agencies on how to complete DPP/TPP formats.</li> <li>➤ Completion of DAS and follow-up of DPP/TPP for improvement.</li> <li>➤ Thorough understanding of PAS requirements.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Training of Trainers (TOT) for DPP/TPP completion including technical requirements and follow-up.</li> <li>➤ Training of DAS completion, including completion of suggestion report to PAS.</li> </ul>
Sector Division of Planning Commission	<ul style="list-style-type: none"> <li>➤ Provision of instructions to ministry/division planning wings on how to complete DAS formats.</li> <li>➤ Completion of Pas and follow-up of DPP/TPP for improvement.</li> <li>➤ Thorough understand of ECNEC requirements.</li> </ul>	<ul style="list-style-type: none"> <li>➤ TOT for DAS completion.</li> <li>➤ Training of PAS completion, including completion of suggestion report to ECNEC.</li> </ul>

## 7.2 Incorporate strategic features in ADP

This component aims to achieve medium-term improvements in PIM.

### Linkage between ADP and SFYP

This approach aims to improve the ADP so that it would incorporate strategic indicators that link individual projects to the SFYP. These indicators also serve as selection criteria for new projects that are applied through the DPP/TPP process. Since this improvement would require a change in the ADP outline, this improvement could be achieved in the medium-term.

The following activities are recommended to be taken under this component.

- d) Develop a revised ADP outline that incorporates strategic linkages with the SFYP

Development of linkages between the SFYP and the ADP can be realized through application of the SFYP targets to the ADP. The strategies and targets indicated in the SFYP can be divided into the standard ADP categorization of 17 sectors. Each of the 17 sectors is then further analyzed by comparing the approved and unapproved project listings, and confirms their relevance to the SFYP targets.

An additional useful feature of the revised ADP would be to include projection of indicative budgets for future ADPs. This can be analyzed by compiling indicative budget over the project duration of the DPP/TPP of approved projects (projections of unapproved projects, where data is available).

- e) Incorporate project selection criteria in ADP

A strategic ADP will become a viable tool to select public investment projects within the budget ceilings indicated in the MTBF. In the process of approving public investment projects, the ADP will function as a guideline to align them into development targets. The strategic ADP will also become the guideline when selecting projects within limited resources available.

- f) Develop the capacity of officials involved in formulating a strategic ADP

Development of capacity for formulating a strategic ADP is conducted to selected officials who are directly related to the task. The target groups would include officials in the Programming Division and Sector Divisions of the Planning Commission, and planning wings of ministries and divisions.

### Linkage between ADP and MTBF

Furthermore, as pointed out in Chapter 6, resource allocations among sectors should be *strategic* in the sense that resource allocations in the MTBF, Annual Budget, and the ADP are aligned with the strategies and priorities in the SFYP. This will further strengthen the linkages between the SFYP and the ADP on the one hand, and those between the SFYP and the MTBF/Annual Budget on the other. The strengthened linkages will help the Government translate its development policy (Perspective Plan and SFYP) into actions (MTBF, Annual Budget, and ADP) efficiently and effectively.

A key issue in this regard is that the sector classification of the ADP (17 sectors) are currently different from that of the MTBF/Annual Budget (13 sectors). Because of this difference, the prioritization and selection of projects in the ADP process may not match precisely with the strategic resource allocations among sectors in the MTBF/Annual Budget. This risk is not trivial because two central policy institutions, PC and FD, are responsible for strategic resource allocations in the ADP and the MTBF/Annual Budget, respectively. This ambiguity might cause confusions at the time of the decision making in the MTBF/Annual Budget and the ADP.

Here are two options to address this issue.

- a) Create a simple program in which the sector classification of the ADP can be matched to that of the MTBF/Annual Budget.
- b) Update the sector classification of the ADP to match that of MTBF/Annual Budget.

The advantage of the first option is that this type of simple program can be created with widely used software such as MS Excel or MS Access. The database can be maintained locally with low cost and minimum training of staff. A prerequisite for this option, however, is that the PC needs to create a comprehensive database of TPP/DPP and the ADP, and attach at least two technical staff to maintain and update the database on a regular basis.

The second option, namely, updating the sector classification of the ADP, is a direct solution to address this issue. The sector classification of ADP has been used since the 1970s with few changes. Meanwhile, dramatic structural changes have taken place in Bangladesh's government, society, economy and environment over the last forty years. In the view of the study team, the time may have come to review and update the sector classification of the ADP, together with other aspects of the ADP discussed in elsewhere in this Report, to accommodate those changes. It should be kept in mind, however, that this option would likely require a change in the organizational structure of Sector Divisions under the PC, task assignments of personnel in those Divisions, and perhaps an update of legal documents that establish those Divisions to reflect those changes.

Based on the discussion above, the following activities are recommended:

- d) Review the issue of sector classification of the ADP within the PC, and discuss and decide which approach the PC wishes to take to address this issue;
- e) Based on the approach chosen by the PC, prepare an action plan to address this issue; and
- f) Implement the action plan.

### **7.3 Strengthen result-based M&E of projects in ADP**

This component aims to achieve improvement in the medium term.

As discussed in Chapter 6, M&E of development plans and projects are already conducted at a few levels. At the level of public investment projects, the IMED conducts regular M&E under the ADP. The monitoring at the ADP level requires an introduction of result-based M&E (RBM&E). This will enhance linkages with the M&E approaches developed for the SFYP.

The following activities are recommended to be undertaken.

- a) Develop a project-level RBM&E framework for ADP managed by IMED

Related to the recommendation to incorporate strategic features in the ADP above, the M&E system is also recommended to shift toward monitoring outputs and outcomes of public investment projects, which will be better aligned with the monitoring of the strategies and targets of the 17 sectors in the ADP. The RBM&E approach therefore fits into the direction of improvement of the M&E system of the IMED. However, careful attention must be paid so that the RBM&E system would not overload the IMED under the current organizational setup.

- b) Strengthen linkage of RBM&E between SFYP and ADP

Although the same RBM&E approach is recommended at the SFYP and ADP levels, the monitoring scale and subjects required for each level is different. Therefore, approaches toward matching the two monitoring levels, which includes the feedback process of each system, needs to be articulated. Since the RBM&E approach of the SFYP is currently being developed, it is important that the approach taken at the ADP level should be carefully designed to match the approach at the SFYP level.

- c) Develop the capacity of officials involved in RBM&E

Development of the capacity to conduct RBM&E is not limited to officials at the IMED. Capacity development would be needed for the officials in the Programming Division in which a strategic ADP is compiled, and those of the Sector Divisions under the PC. Since RBM&E involves individual projects, the capacity development would be also needed for officials of implementing agencies and ministries/divisions.

When attempting to link RBM&E between the SFYP and the ADP, frequent workshops among the GED, Programming Division and IMED should be conducted as part of the development scheme, as well as enhancing individual and organizational capacity to familiarize the new strategic linkages.

- d) Further strengthen linkages of RBM&E with KPI in the MTBF

In addition to the recommendation that alignment between the ADP and the MTBF in the formulating process, special attention should be paid to the linkages in monitoring and evaluation of the ADP (i.e., RBM&E) and the MTBF (i.e., KPI) as well. The right approach for the linkage of the RBM&E and KPI depends on the selection of the two options recommended for linkage of the ADP and MTBF in Section 7.2.

Along with the recommendations for the ADP and SFYP alignment for RBM&E, the linkages with KPI will help the Government to monitor development performance in a holistic manner at the policy level (SFYP) and at the action level (MTBF and ADP).

Based on the discussion above, the following sub-activities are recommended:

- i. Review the RBM&E (both the SFYP and the ADP) and KPI monitoring process;
- ii. Based on the approach chosen by the PC, prepare an action plan to address this issue; and
- iii. Implement the action plan.

## 8 Japan’s Technical Cooperation for PIM: a Proposal

The study team proposes a JICA technical cooperation support scheme that would realize the immediate and medium-term improvements pointed out in Chapter 7.

### 8.1 Immediate Effects through Japan’s Support

Two immediate effects in the following can be expected at pilot organizations within one to two years through Japan’s support.

- 1) Speed up the project approval process.
- 2) Speed up the spending of annual budget

- 1) Speed up the project approval process

This could be realized by streamlining the project formulation and appraisal procedures, and clarifying roles and responsibilities of each organization within the flow. Assessment formats with clear evaluation criteria enables implementation agencies to prepare necessary information and data beforehand. At the same time, all stakeholders will understand the coverage of evaluation conducted at each step, which avoids duplication of evaluation topics that should be covered. This will help decrease the number of DPP/TPP documents rejected by the PC, which would lead to a reduction of time for revision and appraisal.

Specific indicators to measure a reduction of average processing time in the approval process would be discussed and clarified among pilot organizations once the project is commenced. Since the current target of KPI in the MTBF, “reducing process time for approval of development projects,” indicates 90 days as the target of 2011–2012, a further reduction up to 30 days may be a reasonable target for the following years.

- 2) Speed up the spending of annual budget

By improving the project formulation and approval procedure, faster spending of the annual budget can also be expected. Accuracy of project plans through the improved formulation and appraisal procedures would enhance more orderly implementation after budget is obtained. This would contribute to a higher portion of budget disbursement in the first to third quarters of a fiscal year.

### 8.2 Technical Cooperation Scheme

The project with the above mentioned features is assumed to begin in mid-2012 with the duration of approximately 3 years. In the following sections, the scheme’s contents are presented in a logical framework form with the Project Purpose, Overall Goal, three Outputs and Activities.

### 8.3 Project Purpose

The Project Purpose is expected to be achieved by the completion of the project. The following indicates the targets of the proposed JICA project.

**Project Purpose:**

Public investment projects are well-managed under the improved ADP framework.

**Indicators of Achievement:**

- Procurement delays are reduced through project monitoring.
- The ratio of budget spending in the first three quarters of the fiscal year increases to xx%.
- The number of public investment projects listed in ADP with its annual budget amount aligned with DPP increases.

With the initiative of the Planning Commission, the project aims to develop relevant methods and procedures that comprise a comprehensive framework for PIM, and sufficient capacity among its stakeholders. It is expected that individual projects are well-managed throughout the project cycle from its formulation to implementation and completion, with project appraisal, monitoring and evaluation being conducted properly to ensure efficiency and effectiveness. Within the Government development cycle, the ADP is expected to be the core PIM instrument that is well aligned with the SFYP and the MTBF, which contributes to achieving development targets.

## 8.4 Overall Goal

The Overall Goal is expected to be achieved a few years after project completion. The following indicates the Overall Goal for the new PIM improvement project proposal.

**Overall Goal:**

Outcomes of public investment projects are effectively contributing to the achievement of the national targets.

**Indicators of Achievement:**

- Cost overrun of public investment projects is reduced.
- Time overrun of public investment projects is reduced.
- The disbursement rate of the ADP is reduced.

It is expected that, after the technical cooperation, results would have been sustained for a few years, and many public investment projects would become effective as was originally formulated and approved. The SFYP, MTBF and ADP would be monitored based on a common platform, enabling logical linkages based on project performance and outcomes.

## 8.5 Outputs

Outputs are components of the projects that must be implemented to achieve the Project Purpose. Each output is to be achieved by implementing a set of activities. The following shows the three outputs for the proposed JICA project.

**Output 1:**

The process for the formulation and approval of public investment projects is streamlined.

**Indicators:**

- The project formulation and approval process has reduced from an average of xx days to yy days.
- The ratio of DPP/TPP returned to ministry/division for reconsideration decreases to xx%.
- The number of officials capable of conducting project assessment in the PC and ministry/ division planning wings reaches xxx (respectively).

**Activities:**

- 1) Review the process of formulation and approval of public investment projects.
- 2) Develop project assessment formats and revise DPP/TPP.
- 3) Clarify division of responsibilities among concerned organizations in the process of formulating and approving public investment projects through DPP/TPP formats.



- 4) Validate new procedures and formats developed through activities 1) to 3) at pilot organizations.
- 5) Develop the capacity of officials in the PC, planning wings of ministries/divisions, and implementing agencies, on the new procedures and formats to organizations concerned.

**Output 2:**

The ADP is modified so that strategic features are incorporated.

**Indicators:**

- The modified ADP with SFYP indicators incorporated in each sector is announced.
- Agreement is made between the PC and FD concerning the classification of ADP and MTBF/annual budget.
- The number of officials capable of developing the strategic ADP model in the Planning Commission and ministry/division planning wings reaches xxx (respectively).

**Activities:**

- 1) Study the linkages between the SFYP and the ADP.
- 2) Develop a strategic ADP model in pilot sectors. Validate the revised strategic ADP model by studying the linkages with SFYP and individual public investment projects.
- 3) Develop the capacity of staff in Planning Commission and planning wings of ministries/division, on the methods in developing a strategic ADP.
- 4) Review with the PC the sector classification of ADP and that of the MTBF/Annual Budget, and advise the PC about possible options.
- 5) Help the PC prepare an action plan to address the issue of sector classification of ADP.
- 6) Help the PC implement the action plan.
- 7) Develop the capacity of officials in PC, planning wing/budget wing in ministries and divisions, where needed and appropriate.

**Output 3:**

The result-based monitoring and evaluation of projects in the ADP are strengthened.

**Indicators:**

- xx% of all development projects conduct M&E through the new Result-Based Monitoring and Evaluation (EBM&E) method.
- Agreement to link M&E results among ADP, SFYP and MTBF is reached.
- The number of officials capable of conducting RBM&E in the IMED and ministry/ division planning wings reaches xxx (respectively).

**Activities:**

- 1) Review the RBM&E framework for the SFYP and the monitoring framework of KPI for the MTBF.
- 2) Review the progress of RBM&E for public investment projects.
- 3) Update formats of monitoring documents in line with RBM&E.
- 4) Incorporate RBM&E methods in project-level monitoring at pilot projects for validation.
- 5) Improve information management in the IMED for RBM&E.
- 6) Develop the capacity of staff at the IMED, planning wings of ministries/divisions, and implementing agencies.
- 7) Review and improve coordination mechanisms among the GED of PC, FD and IMED on the RBM&E framework.
- 8) Develop the capacity of staff in the PC and FD, planning wing/budget wing in ministries and divisions based on the coordination mechanism developed in activity 7).

## Appendixes

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### A3 Case Studies on Japan’s Assistance for Bangladesh

#### Case Study 1

<b>Project Name</b>	<b>Small Scale Water Resources Development Project (SSWRDP)</b>
<b>Country</b>	The People’s Republic of Bangladesh
<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>Charipara Subproject (Culvert)</p> </div> <div style="text-align: center;">  <p>WMCA meeting in Rouha CP Subproject</p> </div> </div>	
<b>Source of Finance</b>	JICA: 5,313 million yen Government of Bangladesh: 2,225 million. (1,501.5 million BDT)
<b>Loan agreement</b>	March 2008
<b>Terms and conditions</b>	Interest rate: 0.01% (Other than consulting service: 0.01%, consulting service: 0.01%)
<b>Executing agency</b>	Local Government Engineering Department (LGED), Local Government Division, Local Government, Rural Development and Cooperatives
<b>Targeted Area</b>	15 Districts ( Jamalpur, Sherpur, Tangail, Mymensingh, Netrakona, Kishoreganj, Sunamganj, Habiganj, Sylhet, and Moulvibazar, Rajbari, Faridpur, Gopalpanj, Madaripur, Shariatpur ) in Greater Mymensingh, Sylhet, and Faridpur.
<b>Project Objective</b>	
“The objective of the project is to increase agricultural and fisheries production to enhance rural employment and contribute to poverty reduction by developing sustainable, stakeholder driven small scale water resource development subprojects in 15 districts in Greater Mymensingh, Sylhet, and Faridpur.” <sup>27</sup>	
<b>Background Information</b>	
<p>The Ganges, Brahmaputra and Meghna rivers, and their respective tributaries run through Bangladesh’s low-lying Ganges Delta and empty into the Bay of Bengal. These rivers are known to produce some of the world’s most fertile soils. However, they are also major causes of frequent floods in Bangladesh, especially during the five-month rainy season from June to October. The rural population of Bangladesh, which represents nearly 80% of the nation’s total population, suffers the most from these floods: not only are they affected by substantial property losses but also by severe land damages. Once flooded, these lands remain submerged under water long after the rainy season, making it unsuitable for any kind of cultivation. In dry season, by contrast, crop production reduces by nearly 30% for lack of proper irrigation system. Low agriculture production becomes a chronicle problem, and poverty in the rural sector remains one of the nation’s utmost challenges.</p>	

<sup>27</sup> Japan Bank for International Cooperation. 2007. *Loan Agreement No. BD-P57, Loan Agreement for Small Scale Water Resources Development Project.*

The Government of Bangladesh (GOB) has adopted a series of policies and measures to mitigate flood disaster and enhance agricultural technologies in the past. The National Policy for Water Management (1999) promotes introduction of small-scale irrigation system, optimal use of surface and ground water reserves, and diversification of seasonal crops as important measures for water resource management. Likewise, the National Water Management Plan (2004) places special emphasis on creating small-scale infrastructure for water resource management and fish cultivation as effective means to achieving growth in food production, diversification of agricultural products, food self-sufficiency, and improvement of nutrition intake.<sup>28</sup>

The Small Scale Water Resource Development Project (SSWRDP) was modeled after the Small Water Resource Sector Development Project (WWS) co-financed by GOB, the Asian Development Bank (ADB), and the Government of Netherlands. WWS has helped rapid expansion of small irrigation systems in the west and the northeast area of the country. Now in its third phase, the project has an expanded areal coverage and wider developmental scope. SSWRDP, like WWS, aims at enhancing rural employment and thereby contributing to poverty reduction by developing sustainable, stakeholder-driven small scale water resource subprojects. The project follows the subproject development scheme introduced and enhanced through implementation of SSW-1 (1996-2002) and 2 (2002-2009). Mutual sharing of technical know-how and concerned issues between SSWRDP and WWS-3 has helped avoid confusion and contradiction among the subprojects covered by the two projects, which are running in parallel.<sup>29</sup>

#### Findings

SSWRDP covers fifteen districts in the three northeastern regions, the Greater Mymensingh, Sylhet, and Faridpur. The JICA study team visited the Charipara, Barail Beel, and the Rouha CAD Subprojects in the District of Mymensingh. The first two subprojects pertained to WWS-2, and the third one to SSWRD. Each subproject was at different stage of development at the time of the visit. In Charipara and Barail Beel Subprojects, culverts and irrigation channels were constructed between 2003 and 2004 (WWS-2). Proposals have been submitted recently for further extending water pipes into adjacent areas with the support of WWS-3 (2009-2017). These facilities help subproject beneficiaries maintain irrigation water at optimum level both in rainy and dry season. In Rouha Subproject, construction started in 2009. Although an extensive amount of work has been done already, another year or so is estimated for completing the whole structure. When completed, water from the Old Brahmaputra rive will be pumped into the rice fields.

All WMCAs have unique traits. Needless to say, the surrounding environments are different. Total land area covered by the Charipara, Barail Beel, and the Rouha Subprojects range from 370 hectares to 911 hectares. No major physical obstacles were found for the construction in Charipara and Barail Beel Subprojects whereas in the Rouha CAD Subproject, a railway cut across an area where water pipeline are planned to be installed. The numbers of beneficiary households in Charipara, Barail Beel, and the Rouha CAD Subprojects are 606, 382, and 1,494 respectively. Total amounts of beneficiary contribution, which is collected periodically by WMCA, vary proportional to the size of beneficiary pool.

SSWRDP as well as WWS have some unique features that are not found in other projects implemented by the Local Government Engineering Department (LGED). LGED, as the name suggests, serves the interests of local communities mainly through construction and reparation of rural infrastructures. Requests for the implementation of subprojects are normally originated at Upazila Parishada (Council) and implementation is undertaken by LGED sub-regional offices.

<sup>28</sup> Japan International Cooperation Agency, 2007. *Summary Report on Pre-project Appraisal for SSWRMDP.*, Tokyo: JICA, p.1

<sup>29</sup> Interview by the Study Team.

After completion, newly built infrastructures remain under the jurisdiction of local authorities whereas responsibilities for their operation and maintenance fall upon LGED central, regional and sub-regional offices. While the interests of local residents are articulated through submission of subproject proposals, direct participating remains somewhat limited.

By contrast, SSW and SSWRDP place participation by local residents at the core of subproject implementation. Not only is the participation of local citizens compulsory in designing physical structures for water management, but also in maintaining sound operation of the facilities after completion of the civil works. Implementation agreement is not signed unless a collective body of local residents known as the Water Management Cooperative Association (WMCA) is established and operational. After the facilities are completed, ownership is transferred to WMCA for the administration of water resources and their routinely maintenance.

Although strong leadership appears to stand out as one key aspect of successful WMCAs<sup>30</sup>, equal participation seems to be another factor that works favorably for the development of subprojects. While in all three subprojects, WMCA chairmen and their respective advisors were described by the LGED personnel as having charitable and strong personality,<sup>31</sup> it was also evident that the members placed importance on the fairness of their representation in WMCA. In Charipara Subproject, for instance, WMCA members who met with the study team commented almost unanimously that transparency in decision making and strong unity among the WMCA members were their utmost strengths. Moreover, when asked how they dealt with conflicts of interests among WMCA members, they explained that discussions were held until agreement was reached between/among concerned parties. Similarly, members of Rouha CAD Subproject commented that equal participation at the Organization Committee was prompting members to cooperate with each other.

Another factor that seems to play an important role in the development of subproject is the existence of tangible, real benefits, which the WMCA members view as attributable to the implementation of subproject. Both in Chripara and Barail Beer Subprojects, members believe that the civil works developed by the subprojects contributed to improving their living standards. Followings are some of the comments made by the WMCA members in Charipara:

- “Life has improved for me and for my family. My children go to school, now.”
- “I only had two cows before but I have four, now.”
- “There was a time when my family was almost starving but three of our children are currently attending school.”
- “My family was also starving but we now have two cows. We also drink milk.”
- “I bought a small land for rice cultivation. Thanks to rice cultivation, I am living in peace.”<sup>32</sup>

(Interview by the study team)

Similar comments were made by female WMCA members in Barail Subprojects. Every woman present at the meeting said their children were attending school. Some said they have more livestock at present. In Rouha where construction is in progress, members commented that the positive results in the neighboring Barail Beel Subproject kept them enthusiastic even though they were missing proper office space for the activities of WMCA.<sup>33</sup> Whether the construction of civil

<sup>30</sup> The Asian Development Bank, 2010. *Combination of Efficient Institutional and O&M performance: A case study of Dariapur Subproject*. Dhaka: ADB, p.2-3

<sup>31</sup> Interview by the study team.

<sup>32</sup> Interview by the study team

<sup>33</sup> WMCA office space is currently being prepared. Interview by the study team.

works and other financial benefits are the direct and/or sole causes of improved living conditions merits further study. Neither was it confirmed whether their views were truly representative of the entire number of households covered by the subprojects. However, it was clear at least that an important number of people viewed better conditions of life were attributable to the subprojects.

As shown above, all three subprojects visited by the study team had promising outlooks. There were perceivable signs of positive outcomes in all three. However, none of them were free of concerns both in matters of civil work design and/or technique and institutional coordination.

There were comments made by members of all three WMCAs that implied miscalculation or misconception in the original design of the water management system. In the Charipara Subproject, one WMCA member said that the buried water pipes were not reaching his rice field.<sup>34</sup> Although it was not possible for the study team to verify whether the problem was actually due to a miscalculation in the design or any other type of error, there seemed to be an unsettled misunderstanding among the members. Meanwhile, in Rouha Subproject, WMCA members told the study team that they did not take into consideration elevated costs of purchasing water pumps that are crucial for keeping the water running.<sup>35</sup> They were studying options for obtaining them. In the neighboring Barail Beel Subproject, WMCA members have been paying rent for similar types of water pumps for more than five years. According to the WMCA members there, these pumps were beyond their reach and therefore, renting those equipments was the only option.<sup>36</sup>

In terms of institutional coordination, the overall coordination seems to function well for both LGED and the WMCAs in the three subprojects with an exception of some challenges identified at the community level. At all levels of LGED offices, at least one sociologist or one community organizer is appointed. Their roles are to provide support in coordination with respective local officials and in mobilization of community residents.<sup>37</sup> No major issues were raised about their performances. At community level, one community assistant is appointed for each WMCA to closely follow up performances of WMCA and intervene whenever necessary. They are regarded as crucial to “strengthen Project activities and ensure community supervision and accountability,” by the project implementers.<sup>38</sup> However, it was pointed out by the SSW-3 specialist in institutional development that some WMCAs were missing proper guidance as to their administration.<sup>39</sup> It was also recommended earlier by SSWRMDP consulting team that facilitating higher incentives and providing additional support to the community assistants were matters to be considered to ensure the institutional development process of WMCAs.<sup>40</sup>

## Conclusion

The current study only serves to provide a cursory review of some issues found in the actual project implementation of SSWRDP. Unquestionably, in-depth analysis is required for each issue before taking any concrete measure. However, it is also true that even during this quick visit, the study team was able to draw some important lesson for future project implementation. The team concluded that strong leadership is not the sole explanation for the success of a subproject.

<sup>34</sup> Interview by the study team

<sup>35</sup> Interview by the study team

<sup>36</sup> Interview by the study team

<sup>37</sup> Government of Bangladesh, Local Government Engineering Department, Local Government Division, Ministry of Local Government, Rural Development and Cooperatives 2011. *Small-Scale Water Resources Development Project Monthly Progress Brief*, Dhaka: Government of Bangladesh, P.9


<sup>38</sup> JICA, 2007. *Recruitment Guidelines for the Post of WMCA Community Assistant (C.A.) an attachment to the Loan Agreement*. Dhaka: JICA

<sup>39</sup> Interview by the study team.

<sup>40</sup> The Japan Overseas Cooperation Volunteer assigned to SSWRDP also commented that number of visits by LGED to each WMCA might need an increase for securing faster subproject implementation. Interview by the study team. In none of the WMCA meetings with the study team was the community assistant available for an interview.

Although SSWRDP is a special case in which civic engagement is much stronger than projects more commonly implemented by LGED, ensuring transparency seems to be conducive to creating healthier social environment for project implementation. For cases similar to the two subprojects requiring additional equipments for their water management system, it may be suggest that at a thorough understanding of the technical aspects should be ensured before proceeding with any kind of implementation agreement. Lastly, mechanism for ensuring permanent follow-up even after subprojects are complete deserve further study when designing and implementing a project. These issues could be much more complex than one might expect and solving them may take long. These are just a few examples of the issues that can be targeted for improving the overall progress of project implementation.

## Case Study 2

<b>Project Name</b>	<b>South-Western Bangladesh Rural Development Project (SWBRD)</b>
<b>Country</b>	The People's Republic of Bangladesh
	
	<div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 5px; text-align: center;">Upazila Road</div> <div style="border: 1px solid black; padding: 5px; text-align: center;">Bridge Construction</div> </div>
<b>Source of Finance</b>	JICA: Not exceeding 14,264 million JPY Government of Bangladesh: 4,095.984 million BDT
<b>Loan agreement</b>	June 2010
<b>Terms and conditions</b>	Interest rate: 0.01% (Other than consulting services: 0.01%, consulting service: 0.01%)
<b>Executing agency</b>	Local Government Engineering Department (LGED), Local Government Division, Local Government, Rural Development and Cooperatives
<b>Targeted Area</b>	14 Districts (Barisal, Patuakhali, Pirojpur, Faridpur, Madaripur, Shairatpur, Bagerhat, Khulna, Bhola, Jhalakati, Barguna, Gopalganj, Rajbari and Satkhira) in Barisal Division, Greater Faridpur of Dhaka Division, and Greater Khulna of Khulna Division
<b>Project Objective</b>	
<p>“The objectives of SWBRDP are to increase economic opportunities for the rural poor, improve their accessibility to social services, and promote recovery from damage by natural disasters in rural areas in the south-western part of Bangladesh by the construction and rehabilitation of rural infrastructure, thereby contributing to poverty reduction and alleviating economic disparities in the South-West.”<sup>41</sup></p>	
<b>Background Information</b>	
<p>Although poverty alleviation continues to be among Bangladesh's highest priorities with nearly half of its population living under poverty, gradual progress has been observed in recent years in all the areas of the country but the South-West. Little or no progress has been made in large part of the South-West while in some of parts, situation has even worsened. Historically, upgrading of rural infrastructure has been viewed difficult for its fragile earth and frequent floods.</p> <p>SWBRD covers fourteen districts in Barisal Division, Greater Faridpur of Dhaka Division, and Greater Khulna of Khulna Division. The project aims at rehabilitating the nation's south-eastern area for ensuring better economic performances through improvement of connectivity among strategic economic centers (“Growth Centers”). Construction of rural roads, development of rural</p>	

<sup>41</sup> Japan International Cooperation Agency. 2010. *Project Memorandum on South-Western Bangladesh Rural Development Project between Japan International Cooperation Agency and the Government of the People's Republic of Bangladesh*, Annex I p.2 Dhaka: JICA

markets, tree planting, and care taking of rural roads are among the subprojects currently being implemented under the SWBRD. The objective of the project aligns with Bangladesh’s policies of poverty alleviation as manifested in the Poverty Reduction Strategic Paper (2005)<sup>42</sup>, as well as with Japan’s aid policies for Bangladesh as articulated in the Country Assistance Program for Bangladesh (2006).<sup>43</sup>

#### Findings

The JICA study team conducted a brief study based on literature review, interviews, and site visits. Documents relevant to the project were provided by both Japan International Cooperation Agency (JICA) Bangladesh Office and Local Government Engineering Department (LGED). Other documents were collected by the study team as per necessity. Interviews were made at LGED Head Office in Dhaka and at the LGED districts offices in Faridpur, and Madaripur.

Field visits were made to four subproject sites: two each in Faridpur and Madaripur districts. Two Upazila roads were under construction in Subprojects FARD-01 and FARD-02 in Faridpur. A girder bridge was to be built in the area covered by Subproject MADAR-13 in Madaripur. Three small-scale bridges, two pipe culverts, and one box culvert were being installed under MADAR-03, also in Madaripur. These subprojects were at different stages of development at the time of the visit by the study team. Confirmed physical progress of FARD-01, FARD-02, and MADAR-03 were 60%, 40%, and 20%, respectively. MADAR-13 was initiated in February and its official progress data was yet to be published.<sup>44</sup>

Although SWBRDP has some unique features that are comparable to those of the Small Scale Water Resource Development Project (SSWRDP) (Case Study 1), it is a type of project more typically implemented by LGED. SSWRDP has a mechanism that allows active participation of local citizens through creating of Water Management Cooperative Association (WMCA). In SWBRDP, involvement of local citizens is more moderate due mainly to the nature of constructions built. Care taking of Upazila and Union roads undertaken by Women’s Labor Contracting Society and capacity building of stakeholders at rural markets and Growth Centers are among the activities where citizens participate. Interests of local residents are articulated through submission of proposals for subproject by corresponding Upazila Parishadas.<sup>45</sup>

In Case Study 2, greater attention was paid to the challenges found in the plan-do-check cycle of a project. In other words, issues spotted in the three stages of project cycle, formulation, implementation, and monitoring and evaluation, and the way they interfered with each other were analyzed. Findings by the study team are described below.

#### Project Formulation Process

One of the issues brought to the attention of the study team was the lack of implementation time

<sup>42</sup> The Government of the People’s Republic of Bangladesh. 2005, *Poverty Reduction Strategic Paper*, p.1-2. Dhaka: the Government of the People’s Republic of Bangladesh

<sup>43</sup> JICA. 2006. *The Country Assistance Program for Bangladesh*, p.5 Tokyo: JICA

<sup>44</sup> Government of Bangladesh, Local Government Engineering Department, Local Government Division, Ministry of Local Government, Rural Development and Cooperatives. 2012. *South-Western Bangladesh Rural Development Project Monthly Physical and Financial Progress*. Dhaka: LGED

<sup>45</sup> Interview by the study team.

and budget. It was explained by a LGED engineer that the difficulty originated at the project formulation stage. When the DPPs/TPPs are submitted for final approval to the higher authorities, project timeframe and estimate budget suffer some modifications. Most commonly, they are reduced down to “unrealistic”<sup>46</sup> levels. Because the revised DPPs/TPPs do not reflect the realities of actual projects, implementation is delayed against the planned schedule. Likewise, reduced budget causes fund shortage during the fiscal year in course. Eventually, revision of DPPs/TPPs becomes inevitable.<sup>47</sup>

One of the principal factors that contribute to the “unrealistic” time scope and budget allocation is perceived as the lack of proper understanding about the project implementation. For instance, selection of consultant and detailed design usually take approximately six months up to a year each, depending on the availability of qualified consultants. However, after the DPP/TPPs are submitted for approval, implementation period for these activities are reduced to less than a year.<sup>48</sup> As for the shortage in budget, it was pointed out by more than one interviewee that material price hike was not considered sufficiently when modifications are made to the original DPPs/TPPs.<sup>49</sup> There were also comments that many consultants find their current fee level unattractive, making it difficult to retain them for the whole implementation period. Frequent changes in personnel disturb the entire flow of project implementation.<sup>50</sup>

### Project Implementation Process

Delays in the project implementation are more marked in the initial stage of the project where contractual arrangements are made between the implementation agency and the project consultants. In the overall progress of the project, selection of consultants and detailed design registered major setbacks as shown in the table below (Table 1). Against the original implementation schedule, actual progress had a three-month delay in both the selection of the consultant and the detailed design. The rest seem to progress almost as scheduled or even ahead of time, except for the items that needed adjustments due to prolonged arrangements for the two items.

Table 1 Comparison of Original and Actual Implementation Schedule

Items	Original	Actual
1. Consultancy Services		
(1) Selection of Consultants	Jan 2010-Sept 2010	<i>Jan 2010-Dec 2010</i>
(2) Detailed Design	Sept 2010-July 2011	<i>Jan 2011-Feb 2012</i>
(3) Tendering Assistance	Jan 2011-Dec 2012	<i>Mar 2011-Dec 2012</i>
(4) Construction Supervision	Sept 2011-Dec 2014	<i>Aug 2011-Dec 2013</i>
(5) Defect Liability Period	Dec 2014- Dec 2015	<i>Dec 2013-Dec 2014</i>
2. Procurement & Construction		
(1) Pavement works of roads/bridges, construction of GC/RMs	Sept 2011-Dec 2014	<i>Apr 2011-Dec 2013</i>

<sup>46</sup> Interview by the study team.

<sup>47</sup> Interview by the study team.

<sup>48</sup> Interview by the study team.

<sup>49</sup> Interview by the study team.

<sup>50</sup> Interview by the study team.



(2) Tree planting and caretaking by LCS/Maintenance of village roads	Oct 2010-Jan 2014	<i>Aug 2010-Dec 2013</i>
(3) Procurement of vehicles and equipment	Apr 2010-Dec 2011	<i>May 2010-Feb 2012</i>
(4) Training and capacity development	Feb 2011-Jan 2012 Jan 2013 Jan 2014 Dec 2014	<i>Mar 2011 Dec 2013 Dec 2013</i>

Source: SWBRDP Quarterly Progress Report, December 2011

The speed in which constructions were built was noteworthy as detailed in Table 2. The date of contract for Subprojects FARID-01 and FARID-02, were April 2011 and March 2011, respectively. Estimated date of completion is October 2012 for both of them. This allows both subprojects a seventeen to eighteen-month time frame for civil work. If according to this schedule, physical progress is calculated to be less than 50% as of January. In actual, however, FARID-02 is progressing without delay, and as for FARID-01, the progress is even faster. MADAR-03 also seemed to progress without major setback.

Table 2 Progress of the subproject

Package No.	Type of construction	Date of contract	Date of completion	Physical Progress
SWBRDP/UZR/FARID-01	Rural road	05-04-2011	10-10-2012	60%
SWBRDP/UZR/FARID-02	Rural road	03-28-2011	07-10-2012	40%
SWBRDP/BRG/MADAR-03	Culverts and Bridges	Dec 2011	May 2013	20%

Source: Adopted from SWBRDP Monthly Progress Report (Physical and Financial) January, 2012

It was also found out that sudden increase in material price led not only to budget adjustment but also to adjustment of subproject implementation schedule. In Faridpur, prices of principal raw materials for road and bridge construction such as stone chip and bitumen increased by 30% to 40% within the last three months.<sup>51</sup> In Madaripur, these prices rose by 10% in average within the same time span.<sup>52</sup> Accordingly, in both Madaripur and Faridpur, LGED offices made necessary adjustments for the price increase, which caused delays for approximately three months in the overall tendering process.<sup>53</sup> Price hikes happen commonly in the course of project implementation and countermeasures must be in place to ensure prompt reaction whenever they happen. It is worth reviewing the procedures that are currently followed by the project implementers.

### Monitoring and Evaluation (M&E) Process

Monitoring and evaluation of the project implementation are carried out accordingly. In SWBRDP, progress reports are submitted monthly and biannually to JICA. Another set of monthly and quarterly reviews are submitted to IMED. Progress reports submitted to JICA and IMED have different formats although some of the required data are similar. Financial disbursements and physical progress are the most common type of information required. While information overlap is not necessarily counterproductive at all times, it is worth exploring the possibilities of streamlining the reporting system.

<sup>51</sup> Interview by the study team.

<sup>52</sup> Interview by the study team.

<sup>53</sup> Interview by the study team.

In the M&E process, quality assurance seems to receive little attention, whereas much emphasis is given to monitoring physical progress and financial disbursement. Quality control tests were carried out in six districts between June and December 2011 for road works. While their results were at acceptable levels, frequency of some the quality tests were regarded “not enough against the physical progress, achieved at the end of the year.”<sup>54</sup> Moreover, it has been reported that some quality tests were completely missing despite rapid increase in number of structures under construction.<sup>55</sup> It is most likely that the standards of quality control are not applied to the full extent at the subproject level. However, neither is quality issue given considerable space in the current M&E reports.

### **Conclusion**

LGED has an extensive experience in the construction of village roads, bridges, culverts and local markets. Substantial impact is expected to be produced by the implementation of the current project. However, there are a number of issues that merit further exploration for improving the overall performance of the project and similar types of projects in the future. In the project formulation process, lack of adequate knowledge about the process of project implementation as well as the price fluctuation, most commonly observed among those responsible for revising DPPs/TPPs, is one issue raised during the current study. In the implementation process, important delays were found in the initial stage consisting of selection of consultants and detailed design. Sudden price increase also led to time losses. In the M&E process, existence of overlapping reports and the lack of monitoring tools for quality assurance were brought to light. Possible solutions to these problems can be proposed as follows. Enhancing understanding of the project implementation process for setting more realistic time frames and budget allocation is one possibility; streamlining implementation process especially at the initial stage of the project is another. Furthermore, capacity development can be provided to those in charge of making arrangements with the consultants. Possibilities for introducing mechanism for ensuring better quality control can also be proposed.

<sup>54</sup> Government of Bangladesh, 2012. Half Yearly Progress Report of South-Western Bangladesh Rural Development Project (BDP-64). p. 11, Dhaka: Government of Bangladesh.

<sup>55</sup> *Ibid.* p. 11.