



Periodic Financing Request Report

Project Number: 44213-018
MFF Number: 0074
March 2018

People's Republic of Bangladesh: Secondary Education Sector Investment Program (Tranche 3)

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CURRENCY EQUIVALENTS

(as of 6 March 2018)

Currency unit	–	taka (Tk)
Tk1.00	=	\$0.01201
\$1.00	=	Tk83.2626

ABBREVIATIONS

ADB	–	Asian Development Bank
AOP	–	annual operation plan
DLI	–	disbursement-linked indicator
DSHE	–	Directorate of Secondary and Higher Education
e-GP	–	electronic government procurement
FFA	–	framework financing agreement
IBAS	–	Integrated Budget and Accounting System
ICT	–	information and communication technology
IFR	–	interim (unaudited) financial report
MFF	–	multitranche financing facility
MOE	–	Ministry of Education
MOF	–	Ministry of Finance
SWAp	–	sector-wide approach
TA	–	technical assistance

NOTE

In this report, "\$" refers to United States dollars.

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1. Status of Moving Towards the Sector-Wide Approach in Secondary Education in Bangladesh

TRANCHE AT A GLANCE

1. Basic Data		Project Number: 44213-018
Project Name	Secondary Education Sector Investment Program - Tranche 3	Department/Division SARD/SAHS
Country Borrower	Bangladesh People's Republic of Bangladesh	Executing Agency Ministry of Education
2. Sector	Subsector(s)	ADB Financing (\$ million)
✓ Education	Secondary	225.00
		Total 225.00
3. Strategic Agenda	Subcomponents	Climate Change Information
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive	Climate Change impact on the Project Low
4. Drivers of Change	Components	Gender Equity and Mainstreaming
Governance and capacity development (GCD)	Public financial governance	Gender equity (GEN) ✓
Knowledge solutions (KNS)	Application and use of new knowledge solutions in key operational areas	
Partnerships (PAR)	Civil society organizations Implementation International finance institutions (IFI) Official cofinancing United Nations organization	
5. Poverty and SDG Targeting		Location Impact
Geographic Targeting	No	Nation-wide High
Household Targeting	No	
SDG Targeting	Yes	
SDG Goals	SDG4	
6. Risk Categorization:	Complex	
7. Safeguard Categorization	Environment: C Involuntary Resettlement: C Indigenous Peoples: B	
8. Financing		
Modality and Sources		Amount (\$ million)
ADB		225.00
Sovereign MFF-Tranche (Concessional Loan): Ordinary capital resources		225.00
Cofinancing		520.00
World Bank - MFF-Tranche (Grant) (Not ADB Administered)		20.00
World Bank - MFF-Tranche (Loan) (Not ADB Administered)		500.00
Counterpart		1,251.90
Government		1,251.90
	Total	1,996.90

I. BACKGROUND

1. The Bangladesh economy has grown rapidly at 6% per year on average since 2000. Bangladesh became a lower middle-income country in 2015, with the percentage of the population living below the national poverty line falling from 44.7% in 2002 to 31.5% in 2017. To translate this impressive economic growth into sustainable and equitable development, Bangladesh places a strong emphasis on developing its human resources, as 1.3 million youth join the labor market each year. Workers with secondary education comprise significant portion of the national economy, and Bangladesh plans to transform the rising working age population into a high productive human resource base. The government has prioritized secondary education as one of the key strategies for the country's long-term economic development.

2. The government takes that reform of secondary education (grades 6–12) is the foundation for a skilled labor force and prepares the youth to meet the requirements of a rapidly developing economy. The Secondary Education Sector Investment Program (2013–2023) supports the government's sector investment program in a flexible manner to optimize the pace of the systematic reforms envisioned in the secondary education sector road map. These reforms include (i) advanced teaching and learning programs that use information and communication technology (ICT); (ii) improved science, mathematics, English, and prevocational and vocational programs; and (iii) improved teacher development and examination reforms. The program promotes gender-equitable and pro-poor stipends for students, more decentralized and efficient allocation and use of resources, as well as strengthened sector performance monitoring. The program also helps the government to shift attention from inputs to priority results linking with disbursement. It further supports the phased transition to a sector-wide approach (SWAp)¹ for improved aide effectiveness and better development partner coordination, building on the successes in primary education.²

3. The framework financing agreement (FFA) was signed by Bangladesh and the Asian Development Bank (ADB) on 21 July 2013. Subsequently on 27 September 2013, the Board approved the provision of loans to Bangladesh under a multitranche financing facility (MFF) in an aggregate amount of up to \$500 million equivalent. Project 1 (2013–2017) amounting to \$90 million was approved by ADB Management on 21 October 2013 and project 2 (2015–2017) amounting to \$185 million was approved on 20 November 2015.³

4. Projects 1 and 2 are being implemented with strong ownership of the government.⁴ ADB's long-term support through the MFF gives assurances to the government in undertaking complex reform initiatives, such as examination reforms and decentralization of education management. Projects 1 and 2 currently support (i) implementation of a more market relevant and inclusive

¹ "All significant funding for the sector supports a single sector policy and expenditure program, under government leadership, adopting common approaches across the sector and progressing towards relying on Government procedures for all funds." M. Foster. 2000. *Experience with Implementing Sector Wide Approaches*. London: Overseas Development Institute.

² ADB. 2011. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of Bangladesh for the Third Primary Education Development Project*. Manila. The project adopts SWAp supported by ADB, Australian Aid, Canadian International Development Agency, Department for International Development of the United Kingdom, European Union, Japan International Cooperation Agency, Swedish International Development Cooperation Agency, United Nations Children's Fund (UNICEF), and the World Bank (see also para. 14.)

³ ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Multitranche Financing Facility to the People's Republic of Bangladesh for the Secondary Education Sector Investment Program*. Manila.

⁴ ADB. 2015. *Periodic Financing Request Report: People's Republic of Bangladesh for the Secondary Education Sector Investment Program (Tranche 2)*. Manila.

secondary education curriculum; (ii) development of a more efficient, equitable, and harmonized stipend program; (iii) pilot activities to introduce advanced teaching modalities in laboratory-based practical science teaching and school information hubs; and (iv) institutional strengthening in secondary education management.

5. Project 3 will further strengthen and modernize the country's financial management system, and will introduce a single budget system as a national pilot initiative in Bangladesh. The single budget in the program will improve budget planning, resource allocation between recurrent and capital spending, and utilization of resources in meeting planned project outcomes. The government has been using the dual budget system (where the nondevelopment budget and the development budget are planned separately, and each has recurrent and capital spending) since 1971. International practice shows that a single budget is a hallmark of a developed budgetary system.

6. The government decided to adopt a SWAp for the next phase of the government sector program, the Secondary Education Development Program for 2017–2023, and incorporated the sector road map supported by the Secondary Education Sector Investment Program. The estimated total cost of the Secondary Education Development Program is around \$17.2 billion, and the government invites development partners including ADB and the World Bank to support it. Project 3 will support the subsets of the Secondary Education Development Program. It has been prepared by rationalizing and consolidating strategic interventions of projects 1 and 2 of the Secondary Education Sector Investment Program and other ongoing projects supported by ADB and the World Bank.⁵ In responding to the government's request, ADB and the World Bank adopted a harmonized approach, working closely to assist the government in developing the program design with a common disbursement-linked indicator (DLI) matrix and performance indicators during the joint processing mission in 2016–2017.⁶ The United Nations Educational, Scientific and Cultural Organization (UNESCO) and United Nations Children's Fund (UNICEF) will also provide technical assistance (TA) to the Secondary Education Development Program.

7. In the FFA signed in 2013, the Secondary Education Sector Investment Program has four tranches. The government has requested ADB to merge projects 3 and 4 mainly because of (i) the high readiness of implementation of the 5-year sector program with SWAp; (ii) improvement in efficiency of the government's engagement, seeking financing through a single loan instead of two loans; and (iii) it is a way to keep momentum of implementation of the major national examination reform planned in 2018–2023. ADB received from the government the third and final periodic financing request on 3 October 2017 in the aggregated amount of \$225 million. The proposed project 3 with the updated loan amount of \$225 million is included in the country operations business plan, 2016–2018 of Bangladesh.⁷ This periodic financing request report has been prepared to provide Management with the project team's assessment of the MFF implementation and the salient features of the proposed project.

II. ASSESSMENT OF IMPLEMENTATION

8. The MFF has been making significant progress in achieving the targets of outcome performance indicators. The ratio of students completing 6 years of secondary education

⁵ ADB. 2012. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of Bangladesh for the Second Teaching Quality Improvement Project*. Manila; World Bank-supported Secondary Education Quality and Access Enhancement Project.

⁶ It was also agreed that the joint review mission of the World Bank and ADB, including a DLI verification mission, will be undertaken during the implementation.

⁷ ADB. 2016. *Country Operations Business Plan: Bangladesh, 2017–2019*. Manila.

increased from 43.75% in 2011 to 59.71% in 2015. There are fewer students dropping out and internal efficiency of the secondary education system has increased. Other outcome indicators on enrollment and students' learning outcomes are also showing good progress. ADB's longer-term partnership under this 10-year facility continues to fit the country partnership strategy's objective of enhancing the productivity and skills of the workforce.⁸ This responds to the country's development challenges, such as accelerating economic and inclusive growth.

9. Along with the sector road map, developments have been made in the three results areas. In the first results area—enhanced quality and relevance of secondary education—the curriculum has been delivered more effectively from curriculum developers to the classrooms; 214,215 teachers were trained to ensure standardized teaching throughout the country. Practical science teaching has been applied in classrooms in at least 5,000 schools and *madrasahs* (Islamic religious schools) with 35,549 trained science teachers, including all female teachers (14% of total teachers).⁹ In addition, a pilot of ICT learning centers was initiated at 640 schools nationwide, and effective use of ICT in learning and teaching is being introduced. Furthermore, continuous assessment in classrooms has been strengthened and national examination reform on standardization and modernization was initiated with strong government leadership.

10. In the second results area—increased equitable access and retention of students—projects 1 and 2 provide stipends to around 300,000 students (68% girls) every year. Project 1 completed an independent study on the development of a harmonized stipend program with the government and the World Bank. Project 2 initiated gender-responsive community awareness program on girls' education. In the third results area—strengthened sector management—the secondary education quality standard was officially set, and sex-aggregated data and information is collected through an improved education management information system for monitoring and planning.¹⁰ Moreover, the Ministry of Education (MOE) initiated a major administrative reform on monthly payment orders (payment of nongovernment school teachers' salary) through decentralization of administration from central to zonal offices.

11. The MFF policy framework supported by the National Education Policy (2010) has been significantly relevant and fundamental to the government in undertaking planned reform initiatives. These include support to improvement of science and ICT teaching and decentralization of education management. All the FFA undertakings are complied with. Key undertakings met include approval of the Secondary Education Program Framework, allocation of sufficient budget for secondary education, and establishment of a strategic institutional setting for implementation of the MFF.

12. Implementation of projects 1 and 2 has been satisfactory. ADB funds were disbursed with achievement of the DLIs and submission of satisfactory interim (unaudited) financial reports (IFRs). Twenty one of the 31 DLIs of projects 1 and 2 were achieved, and \$160.83 million was disbursed out of \$267.35 million against 67.9% time elapsed. Projects 1 and 2 are extended for 1 year completing in 2018, mainly because of (i) delayed procurement actions of two international competitive bidding packages, (ii) the need to keep momentum of the examination reform initiated under project 2, and (iii) the need to ensure the smooth transition of projects 1 and 2 to project 3 in the context of SWAp. The DLI-based financing modality and use of the treasury model, where ADB funds are deposited into the treasury account of the Ministry of Finance (MOF), have proved

⁸ ADB. 2016. *Country Partnership Strategy: Bangladesh, 2016–2020*. Manila.

⁹ A third-party DLI verification study in 2016.

¹⁰ Government of Bangladesh, Ministry of Education, Directorate of Secondary and Higher Education. *Education Management and Information System*. Dhaka. <http://emis.gov.bd>

effective. The DLI-based approach provides a stronger focus on accountability for results and in turn improves efficiency of overall public expenditures on education.

13. Projects 1 and 2 successfully strengthens the country systems through three major initiatives. First, the Secondary Education Sector Investment Program introduced national electronic government procurement (e-GP).¹¹ The MOE was selected as one of the pilot ministries. More than 550 officials were trained based on the program's Procurement Capacity Development Plan, and 620 national competitive bidding contracts were successfully awarded through e-GP.¹² Introduction of e-GP has totally changed the conventional procurement practice in secondary education. It strengthens security, competition, transparency, accountability, and efficiency in the procurement process. Second, on financial management, the Secondary Education Sector Investment Program successfully introduced a centralized and internet-based financial management information system—Integrated Budget and Accounting System (IBAS++)—in the secondary education system, as the MOE was also selected as a pilot ministry.¹³ This has resulted in improved budget preparation, execution, and accounting in the secondary education system. Lastly, the program's annual fiduciary reviews facilitate further system improvements and innovation. One example is changing the delivery mode of stipends from conventional bank transfers to mobile banking for better efficiency and accountability. This mobile banking method has been nationally adopted, and around 300,000 students (68% girls) receive the stipend by this method.

14. Based on the SWAp road map prepared in 2013, projects 1 and 2 support a phased transition to SWAp.¹⁴ The first thrust of the support is strengthening the country system in procurement and financial management in secondary education sector. The second thrust is institutional capacity building in the MOE, Directorate of Secondary and Higher Education (DSHE), other implementing agencies, and field offices. These include (i) establishing the new Finance and Procurement Wing in the DSHE, (ii) forming the development harmonization committee for ongoing projects, and (iii) capacity building in planning and monitoring. The third thrust of the support is to promote harmonization among development partners. The Secondary Education Sector Program Framework, approved by the MOE in 2015, has become a guiding document for development partners to support SWAp. Projects 1 and 2 organized the government–development partner joint secondary education sector review in 2015–2016 to identify key sector challenges for moving towards SWAp. In addition, a study for harmonization of stipend programs was conducted by the government, ADB, and the World Bank. Based on the significant performance of projects 1 and 2 for moving towards SWAp, the government officially decided to adopt SWAp in the Secondary Education Development Program.¹⁵

15. Projects 1 and 2, in the first 5 years of the 10-year facility, have laid a strong foundation for implementing the sector program. While the secondary education system is being strengthened with e-solutions, including e-GP and IBAS++, there is a strong need for continuous systematic capacity development to improve the sector performance. Bangladesh's secondary education system is one of the largest in the world, and has more than 12 million students, around 320,000 teachers, and 30,000 schools and *madrassahs*. System-wide capacity development and

¹¹ Government of Bangladesh, Central Procurement Technical Unit, National e-Government Procurement Portal. Dhaka. <https://www.eprocure.gov.bd>

¹² MOE approved in 2014. This was one of the DLIs—DLI 6: Institutional Strengthening.

¹³ Government of Bangladesh, Ministry of Finance, Integrated Budget and Accounting System Portal. Dhaka. <http://ibas.finance.gov.bd/>

¹⁴ Status of Moving Towards the Sector-Wide Approach in Secondary Education in Bangladesh (Supplementary Appendix 1).

¹⁵ See also see para. 7.

its institutionalization are key strategies to sustaining gains. Identified areas for development are in planning, monitoring and evaluation, procurement, and financial management. Building confidence in sector capacity to deliver sector results is crucial to implementing project activities at the central, field (zone, district, and *upazila*¹⁶), and school levels.

16. Seventeen of the 18 covenants for each of projects 1 and 2 are being complied with. One covenant on financial audit was not met in 2015 and 2016.¹⁷ The audit reports were not submitted on time, the audit opinions were qualified, and the audited financial statements did not present requisite program budget heads. The government has agreed to organize a quarterly high-level meeting on monitoring the preparation of financial statements and audit reports and follow-up of audit observations.¹⁸ Ongoing TA to the MOE and Comptroller Audit General, including the strengthened internal audit in the MOE, will improve the capacity of the government.¹⁹ Safeguard compliance is satisfactory and there are no major issues on environment, small ethnic communities, and resettlement.

III. PERIODIC FINANCING REQUEST

A. Impact and Outcome

17. The impact will be a more efficient, equitable, and higher-quality secondary education system. The outcome will be improved student outcomes in secondary education and the effectiveness of the secondary education system (student outcomes refers to enrollment, retention, completion, and learning levels).

B. Outputs

18. Project 3 will have three outputs:

- (i) **Quality and relevance of secondary education enhanced.** Project 3 will support improved consistent curriculum delivery in all secondary schools and *madrasahs*. Outputs include (a) development of a competency-based curriculum; (b) improved teaching especially in science, mathematics, English, and Bangla, and with use of ICT; (c) strengthening classroom assessment; (d) national examination reforms; and (e) pilot of prevocational and vocational subjects in secondary schools and *madrasahs*.
- (ii) **Equitable access and retention increased.** Project 3 will support commencement of a harmonized stipend program; development of a school maintenance policy; a resource teacher program; and a national campaign and community program of promotion of science education, student counseling, and sanitation and hygiene programs, especially for girls.²⁰
- (iii) **Education management and governance strengthened.** In addition to the comprehensive capacity development of sector management in projects 1 and 2, project 3 will assist in (a) strengthening decentralized education management; (b)

¹⁶ *Upazila* is a subdistrict administrative division of Bangladesh.

¹⁷ The first year's audit reports (2014) were satisfactory and submitted on time.

¹⁸ The procurement and financial management action plan is available in the Project Administration Manual (Appendix 5).

¹⁹ ADB. 2015. *Technical Assistance to the People's Republic of Bangladesh for the Capacity Building of Management in Education and Skills Programs*. Manila.

²⁰ There have been different types of stipend programs provided by projects supported by ADB and the government, and by the project supported by the World Bank and the government.

strengthening the Education Management Information System and harmonization of data; and (c) implementation of an approved procurement capacity development plan, which includes full operationalization of e-procurement. Planning and monitoring functions will also be strengthened.

C. Investment and Financing Plans

19. Project 3 is estimated to cost \$1,996.9 million inclusive of taxes, duties and interest, and other charges (Table 1).²¹ The government has requested a concessional loan of \$225 million from ADB's ordinary capital resources to help finance the project. The loan will have a 25-year term, including a grace period of 5 years, an interest rate of 2% per annum during the grace period and thereafter, and such other terms and conditions set forth in the draft loan agreement.

Table 1: Tranche Investment Plan
(\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Output 1: Quality and relevance of secondary education enhanced	555.0
2. Output 2: Equitable access and retention increased	815.0
3. Output 3: Education management and governance strengthened	510.2
4. Taxes and duties	28.7
Subtotal (A)	1,908.9
B. Contingencies^c	79.0
C. Financing Charges During Implementation^d	9.0
Total (A+B+C)	1,996.9

^a Includes taxes and duties of \$28.7 million to be financed from government resources.

^b In mid-2017 prices.

^c Physical contingencies computed at 6% for equipment. Price contingencies computed at 6.3% on local currency costs; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d Interest charges on the ADB loan is capitalized 2% per annum during implementation period.

Source: Asian Development Bank estimates.

20. The financing plan is in Table 2. The government's contribution was included in the medium-term budget framework and will be translated into the annual operation plan (AOP). The project includes collaborative parallel cofinancing from the World Bank of \$520 million.

Table 2: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank.		
Ordinary capital resources (concessional loan)	225.0	11
Government	1,251.9	63
World Bank	520.0	25
Total	1,996.9	100

Source: Asian Development Bank estimates.

²¹ This tranche was originally estimated at \$13,430 million. The change of the tranche amount was primarily due to a change of ADB's coverage (excluding teachers' salaries) of the government's sector program, Secondary Education Development Program.

D. Implementation Arrangements

21. The MOE, Secondary and Higher Education Division continues serving as the executing agency. An interministerial program steering committee will be headed by the secretary of the MOE. To strengthen coordination, a program coordination unit, headed by an additional secretary of the MOE, will be established. The DSHE remains the main implementing agency. The implementing committee chaired by the program director (director general of the DSHE) will continue with overall implementation. The program support unit will undertake daily implementation, prepare AOPs, and compile progress reports including DLI progress and achievement reports. New features of the project implementation arrangement are (i) a budget and finance committee under the Finance Division of the MOF will be established to review quarterly progress on expenditures on DLIs and ensure adequate resource allocation and timely fund release; (ii) an AOP will be jointly prepared by the MOE, ADB, and the World Bank; and (iii) independent verification agencies will be commissioned by the MOE to carry out the verification of the achievement of DLIs.

22. The implementation arrangements are summarized in Table 3 and described in detail in the project administration manual (Appendix 5).

Table 3: Implementation Arrangements

Aspects	Arrangements
Implementation period	2018–2023
Estimated completion date	Physical completion of project 3 will be 30 June 2023
Management	
(i) Oversight body	Sector program steering committee chaired by the MOE secretary
(ii) Executing agency	MOE, Secondary and Higher Education Division
(iii) Key implementing agency	DSHE
(iv) Implementation unit	Program support unit located in the DSHE
Procurement	NCB (goods) 47 contracts \$34.15 million
Retroactive financing and advance contracting	Not applicable.
Disbursement	Loan proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2017, as amended from time to time) and detailed arrangements agreed upon between the government and ADB.

^a International competitive bidding will not be eligible for ADB financing. Consultants will not be eligible for ADB financing. The World Bank's TA grant will be used, and the recruitment will follow International Development Association guidelines. ADB will be a member of the consultant recruitment committee.

ADB = Asian Development Bank, DSHE = Directorate of Secondary and Higher Education, MOE = Ministry of Education, NCB = national competitive bidding, TA = technical assistance.

Source: Asian Development Bank.

23. **Disbursement conditions and arrangements.** A common DLI matrix for project 3 was prepared by the government, ADB, and the World Bank.²² The existing disbursement arrangement in projects 1 and 2 will continue in project 3.²³ ADB will disburse its loan to the government's consolidated fund through a designated account with the Bangladesh Bank. Expenditures will be made from the treasury via accounting offices under the controller general of accounts system based on the approved annual budget. Disbursement will be made annually

²² The common DLI matrix is available in the Project Administration Manual (Appendix 5).

²³ ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of Bangladesh for the Secondary Education Sector Investment Program*. Manila. The DLI matrix for 2013–2017 was prepared for the period of tranche 1 (2013–2017) and tranche 2 (2015–2017).

on a reimbursement basis with amounts subject to evidence of achieving DLIs and submission and acceptance of a statement of expenditure based on the IFRs for the corresponding period. Flexibility will be allowed for disbursement for late achievement of annual DLIs. DLI achievement will be verified by independent verification agencies commissioned by the MOE through a detailed verification protocol. The IFRs, which will be generated by the government's IBAS, are required to show that government spending on eligible expenditures under each program budget head exceeds ADB's contribution for the corresponding period. A DLI verification mission will be jointly undertaken by ADB and the World Bank.

E. Project Readiness

24. Project readiness is high. Projects 1 and 2 overlap with project 3, with established implementation arrangements. Consultants hired under projects 1 and 2 are supporting advance actions.

F. Advance Contracting and Retroactive Financing

25. Advance contracting and retroactive financing is not applicable.

IV. DUE DILIGENCE

A. Economic and Financial

26. **Economic viability.** The economic viability has been assessed based on the overall return on education and a cost-benefit analysis. The project is expected to generate benefits through increased equitable participation, enhanced internal efficiency with reduced repetition and drop-out rates, and improved employability and higher earnings. The economic internal rate of return was calculated at 10.4%, which suggests that the investment is economically sound.

27. **Fiscal sustainability.** The project is financially sound and fiscally affordable. The long-term sustainability will depend on three factors: (i) adequate budget allocated to the MOE to cover estimated investments and associated recurrent expenditures as per the medium-term budget framework projection, (ii) improvements in education quality and efficiency as envisaged, and (iii) the institutionalization of the program as part of the regular government program to adopt SWAp. Sustainability considerations are built into the program design through (i) the use of the country system for budgeting, accounting, reporting, auditing, and procurement; (ii) the strengthening of technical institutions, which will sustain improvements in the sector; and (iii) emphasis on DLIs to ensure increased allocation to secondary education.

B. Governance

28. **Procurement.** In 2011, the Bangladesh e-GP system became operational based on the Public Procurement Act, 2006 and Public Procurement Rules, 2008. e-GP is a complete e-procurement solution which constitutes e-tendering (planning to contract award) and e-contract management (preparing work schedule up to certification of completion and/or supply of works and goods). Forty-six government divisions have been introduced to e-GP and 33,678 tenderers were registered in the portal. About 65,000 contracts were awarded. The Bangladesh e-GP system has made remarkable progress in ensuring transparency and improving the efficiency and effectiveness of the tendering process. The risk of e-GP use in tendering is rated *low*.

29. Projects 1 and 2 introduced e-GP in the MOE, DSHE, and co-implementing agencies. ADB approved master documents for e-bidding for projects 1 and 2 in March 2015.²⁴ Projects 1 and 2 provided training to officials, and 285 user accounts were created, 1,276 tenders were electronically processed, and 620 contracts were successfully awarded. Use of e-procurement has become good practice in the sector and will continue in project 3. A simplified and user-friendly e-GP master document for project 3 will be prepared and used. Major challenges are limited capacity and commitment of co-implementing agencies' management to mainstream e-GP.

30. **Financial management.** Following the National Procurement and Financial Management Reform Strategy (2016–2021), the government endorsed that the Secondary Education Development Program will be a national pilot for implementing a single budget system. Effective integration of nondevelopment and development budgets is one of the hallmarks of a developed budgetary system. The current dual budget system distinguishes between nondevelopment budget (i.e., recurrent operational costs involved in maintaining a narrow range of government services) and development budget (i.e., capital expenditures needed from time to time to establish new facilities or new administrative functions). The fundamental challenge of the current dual budget system in Bangladesh is that both budgets have recurrent and capital spending and there is no strong link between the two with policy, planning, and budgeting. It results in ineffective budgeting at the strategic and operational levels. For example, there are many schools with an optimal number of teachers, however the schools are inadequately maintained and have poor-quality teaching facilities.

31. The introduction of the single budget system is assessed to be feasible because the country's financial management system is improving through the implementation of IBAS++. Measures have been identified to further mainstream good practices in financial management through adequate budget preparation, execution, and improved quality of financial reporting. Since the Secondary Education Development Program is a national pilot, the MOF plans to make special arrangements to (i) ensure there is sufficient cash advancement for planned activities, and (ii) increase the procurement threshold of the nondevelopment budget with enhanced delegation of financial authority at agency and field level.

32. The measures have been consolidated in the procurement and financial management action plan (to be updated annually) and in the risk mitigation DLIs.²⁵ Also, TA will be provided to further strengthen the capacity in procurement and financial management.²⁶

33. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government. The specific policy requirements and supplementary measures are described in the project administration manual (Appendix 5).

C. Poverty, Social, and Gender Dimensions

34. Project 3 will directly benefit students from *madrassahs*, and from poor families and disadvantaged areas, including wetlands and hills. Project 3, classified under category I (gender equity as a theme), will especially support girls in disadvantaged areas to complete schooling.²⁷ The gender action plan addresses specific measures, including a water and sanitation program

²⁴ Goods' package GD 55 is available in the Facility Administration Manual for tranches 1 and 2.

²⁵ Procurement and Financial Management Action Plan available in the Project Administration Manual (Appendix 5).

²⁶ The draft country operations business plan, 2018–2020 of Bangladesh includes supporting primary and secondary education investment projects as one of the nonlending programs in 2018.

²⁷ ADB. 2012. *Guidelines for Gender Mainstreaming Categories of ADB Projects*. Manila.

for adolescent girls, and a gender-responsive community awareness campaign on science education.²⁸

D. Safeguards

35. Project 3 is classified category C for environment and involuntary resettlement. No acquisition of land or relocation of residents is required. Indigenous people will not suffer any adverse impact but will likely benefit from project 3. To ensure this occurs in a culturally appropriate manner, project 3 was classified category B for indigenous peoples. A small ethnic community peoples plan was prepared.²⁹ An environmental assessment and review framework, a resettlement framework, and an indigenous peoples’ planning framework were prepared for the facility to outline the safeguard principles and requirements.³⁰

E. Risks and Mitigating Measures

36. Major risks and mitigating measures are summarized in Table 4 and described in the updated risk assessment and risk management plan (Appendix 10).

Table 4: Summary of Risks and Mitigating Measures

Risks	Mitigating Measures
Weak coordination to implement the sector program with results-based approach	Coordination among agencies under and within MOE is strengthened with establishment of a new unit. DLIs are set on building implementation capacity of the government agencies. DLIs target incremental results from implementation milestones toward sector outcomes. TA will also build capacity in coordination of planning, results monitoring, reporting, procurement, and financial management.
Limited capacity of preparation of satisfactory audited and unaudited financial statements	TA provides rigorous capacity building support to MOE and CAG to prepare quarterly interim unaudited financial reports and audit reports in compliance with agreed statement of audit needs. In addition, MOE will organize a quarterly high-level meeting on monitoring on the preparation of the reports. Internal audit will also be strengthened to monitor preparation of the reports as well as the follow up of audit observations.
Continued early marriage especially among female students, and increased opportunity costs for schooling	Community awareness campaign will be developed to raise awareness of importance on girls’ education. New stipend rate will also be set to cover the opportunity cost for schooling. To retain girl students in schools, the project will support (i) targeted adolescent girls program on water and sanitation, and (ii) increase of female teachers through development of incentive scheme for female teachers in disadvantaged areas.

CAG = Comptroller Auditor General, DLI = disbursement-linked indicator, MOE = Ministry of Education, TA = technical assistance.
Source: Asian Development Bank.

F. Risk Categorization

37. Project 3 is categorized *complex* because the loan amount exceeds \$200 million.

²⁸ Gender Action Plan (Appendix 7).
²⁹ Safeguard Report (Appendix 8).
³⁰ Environmental Assessment and Review Framework, Resettlement Framework, and Indigenous Peoples’ Planning Framework were disclosed on 6 June 2013.

V. ASSURANCES AND CONDITIONS

38. The government and MOE have assured ADB that implementation of the project shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the project administration manual and loan documents.

39. The government and MOE have agreed with ADB on certain covenants for the project, which are set forth in the loan agreement.

VI. THE PRESIDENT'S DECISION

40. On the basis of the approval of ADB's Board of Directors for the provision of loans under the multitranches financing facility in an aggregate principal amount not exceeding \$500,000,000 equivalent to the People's Republic of Bangladesh for the Secondary Education Sector Investment Program, the President has approved the tranche as described in para. 19 and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement.