

ADB Helps Bangladesh Cope with Rising Food Prices

ADB is helping Bangladesh with \$170 million in loan and \$600,000 in technical assistance grant to cope with rising food prices. The fund was disbursed in early August after approval by ADB's Board of Directors on 22 July. The assistance is part of the Government's \$1.29 billion food security package, supported by ADB and other international agencies.

The assistance helps the Government ensure access to food supply for those hardest hit by recent natural disasters in Bangladesh and the rapid increase in food prices. Bangladesh is the first developing member country to receive ADB support after the announcement made by ADB President Haruhiko Kuroda during the institution's 41st Annual Meeting in May. ADB will provide up to \$500 million immediate budgetary support to the

hardest hit countries in Asia and the Pacific, and an increase in lending for agriculture and rural development to more than \$2 billion in 2009.

Bangladesh, a net importer of food grains, was severely affected by two floods and a devastating cyclone in 2007, causing a rice production shortfall of 1.2 million tons and adversely affecting the food security of an estimated 25 million people. Rapidly increasing food prices further worsened the situation, seriously affecting the poor and vulnerable and fixed income earners, who allocate about 70% of their total spending on food. In Bangladesh, food inflation now stands at 12%. Out of the country's total population, 40% are now living below the poverty line. The country's per capita gross domestic product currently stands at \$554. ■



DOWN TO EARTH Adviser for Agriculture Dr C. S. Karim visits a rice field in Dinajpur during the inauguration of rice harvesting by Chief Adviser Fakhruddin Ahmed on 24 May

New Country Director



Paul J. Heytens joined ADB's Bangladesh Resident Mission (BRM) as its new Country Director on 31 August. Prior to joining

BRM, Mr. Heytens was ADB's Country Director for Nepal.

Mr. Heytens worked for ADB's East Department (1990-1993) as Project Economist, Agriculture; Principal Project Economist, South Asia Department (2003-2004); and Principal Agricultural Economist, South Asia Department (2005-2007). He also worked as Economist, Asia Pacific Department, International Monetary Fund, IMF (1993-1998); IMF Resident Representative in Beijing, China (1998-2001) and in Indonesia (2001-2003); and Deputy Division Chief, African Department, IMF (2004-2005).

A US national, Mr. Paul Heytens holds a Ph. D. in Development Economics from the Stanford University, USA. ■

In this Issue

- ADB Assists Education Sector Development 2
- Recovering from Floods and Cyclone Damages 3
- Tree Plantation Made Social Movement 4
- Integrated Water Resources Management 5
- Improving Regional Transport 6
- Tackling Climate Change Impacts 7
- Providing Basic Social Protection Not a Question of Wealth 8
- Higher Farm Productivity is Key to Food Security: ADB Report 9
- ADB's Outlook for Asia: Slowdown in Growth, Sharp Rise in Inflation 10
- ADB Supports Bangladesh to Improve Agriculture and Food Security 11

Education

ADB Assists Bangladesh in Education Sector Development

ADB is assisting Bangladesh in improving its educational quality and system efficiency. Over the past decades, ADB has been helping Bangladesh develop the education sector through project-specific activities in primary, secondary, non-formal, and distance education, as well as skills training. So far, Bangladesh has received \$914.5 million in loans and grants for the education sector.

ADB has helped the Government in improving access to education by building and improving primary and secondary schools and providing free textbooks to primary students, free school supplies especially to students of poor and disadvantaged areas, and stipends to secondary school girls. ADB has also assisted in laying the foundation for teacher education in secondary school through several projects, including establishing Teacher Training Colleges and Higher Secondary Teacher Training Institutes.

Over the years, the focus of ADB's support has shifted toward sector policy development and reforms, and systemic improvement to support the Government's broader education reform agenda. With ADB's assistance, the Government has introduced a number of reforms in the secondary education subsector, such as decentralized management system, examination reforms, school-based assessment system, and school performance based management system, which has already started showing positive outcome, reflected in the improving trend in the results of SSC examination over the last few years.

A unique contribution of ADB to the education sector of Bangladesh is the establishment of the Bangladesh Open University (BOU) in 1992. Through BOU's distance education, people in rural areas—particularly women and adults who must work to support their families while pursuing education—greatly benefited in acquiring further education.



EDUCATION FOR ALL Senior government officials and heads of missions and representatives from the agencies and organizations supporting the PEDP-II visited a school in Manikganj as part of the program's mid-term review in 2007.

In the non-formal education subsector, with ADB's support, the Government established a Directorate of Non-formal Education, now reconstituted as Bureau of Non-formal Education, which delivers literacy programs to adult illiterates, most of whom are women.

In primary education, currently ADB is the lead agency for the \$1.8 billion Second Primary Education Development Program (PEDP-II) cofinanced by 10 other development partners for inclusive and quality primary education through improved policies, institutional and organizational strengthening, and capacity building. The 6-year program has already made good progress.

The ongoing Secondary Education Sector Development Program (SESDP) approved in 2006 is supporting policy reforms aimed at strengthening the management and governance of the sector, the curricula, national examinations, and teacher education. The SESDP will assist the Government in modernizing the *madrasah* (Islamic religious school) education curriculum so that graduates have better employable skills. To improve the marketable skills of school leavers, ADB is also supporting improvement of the

technical and vocational training system to better respond to market needs, including the requirements of the informal sector.

The Teaching Quality Improvement Project approved in 2004 aims to improve teaching quality through organizational development and capacity building, teacher training facilities, strengthening in-service and pre-service teacher training, increasing equitable access, and improving community involvement.

Over the medium term, ADB support will continue to focus on improving the quality and relevance of primary and secondary education, and institutional capacity building. Building on the achievements of PEDP-II, assistance in primary education will extend support to the Government's new program of early childhood education to adequately prepare young children for primary school education. ■

- To know more about LTSF review, go to <http://www.adb.org/ltsf/default.asp>
- For evaluation resources, visit <http://www.adb.org/Evaluation/>
- For information on anticorruption issues, go to <http://www.adb.org/Integrity/>

Improving Vocational Education System

ADB is assisting Bangladesh with \$50 million in loans to help improve the country's technical skills training system to create better wage and employment prospects.

The assistance from ADB's concessional Asian Development Fund will help the Ministry of Education to make its technical and vocational education and training (TVET) programs market-oriented, short-term, and relevant, especially for the thousands of unemployed and underemployed adult poor who were not able to finish the eighth grade.

The project aims to support the Government's plan to reduce poverty and promote economic growth by providing market-relevant skills training to more Bangladeshis, including the poor and the disadvantaged. The project plans to train about 70,000 people over 5 years. ■

ADB Secures \$11.3 Billion to Help Asia's Poorest

ADB has secured \$11.3 billion for the next 4-year phase of its concessional development fund to fight poverty in the Asia and Pacific region—a significant jump of more than 60% from the previous period.

The fund will help developing Asia-Pacific countries meet Millennium Development Goal targets, and bring better opportunities and brighter future to people living in the region's poorest nations. The Asian Development Fund (ADF) provides grants and low-interest loans to the Asia and Pacific's poorest countries, which are home to some 400 million people living on less than \$2 a day. The new ADF will cover the period 2009-2012. ■

Disaster Management

Recovering from Floods and Cyclone Damages

ADB is helping Bangladesh with a \$120 million loan to recover from the destruction wrought by the floods and cyclone that devastated the country in 2007. A \$200,000 technical assistance grant will also support the initiative entitled Emergency Disaster Damage Rehabilitation Project (EDDRP).

The assistance from ADB's concessional Asian Development Fund will contribute to sustainable economic growth by minimizing the devastating impact of the severe floods and cyclone that hit the country last year, and reduce future risk from similar catastrophes. Together with ADB, the Japan Bank for International Cooperation is cofinancing with a \$60 million loan, and the Canadian International Development Agency with a grant of \$10 million for the project. The cofinanced funds are being administered by ADB.

The EDDRP will also assist in capacity building and training to strengthen the Government's disaster preparedness by adopting cost-effective and disaster-resistant infrastructure design standards

through increased subregional cooperation. The project builds on the experiences of the ADB-financed Emergency Flood Damage Rehabilitation Project, initiated soon after the devastating floods in 2004, which was successfully completed ahead of schedule in mid-2007, within its 2-year implementation period.

The floods and cyclone last year affected 25 million people in 51 districts, with \$3 billion in losses. The disasters severely damaged livelihoods, infrastructure, and caused losses to crops, livestock, property, and housing, as well as reduced income opportunities.

Earlier, ADB assisted Bangladesh in constructing over 650 cyclone-resistant primary and secondary schools across Bangladesh's disadvantaged coastal belt, which is extremely prone to natural disasters. People immensely benefited from the school-cum-disaster shelter centers by using the schools as shelters during floods, tidal surge and cyclones, and as relief centers after the disaster. ■



MULTIPURPOSE FACILITY A school-cum-disaster shelter center in Bagerhat built with ADB assistance

Tree Plantation Made Social Movement in Bangladesh

Bangladesh has made tree plantation a social movement with assistance from ADB and other stakeholders by introducing participatory social forestry approach. Pioneered by Bangladesh, the participatory social forestry model yielded robust socioeconomic benefits, and its experiences are now being adopted by many countries, including Cambodia, India, and Viet Nam. ADB has assisted Bangladesh with more than \$135 million in loans and technical assistance for a number of projects, including the Community Forestry Development Project (1982–1988), Upazila Afforestation and Nursery Development Project (1989–1996), Coastal Greenbelt Project (1995–2002), and the Forestry Sector Project (1998–2006).

The ADB-assisted projects introduced and promoted sustainable participatory social forestry activities through active community participation and enhancing forest resource generation and conservation in protected and publicly owned and managed lands. The projects emphasized efficient forest resources generation and management involving community participation, increased countrywide tree coverage, poverty reduction and livelihood improvement of

rural poor beneficiaries focusing on women and women-headed families, and reducing public forest land encroachment. The projects gave special attention to women empowerment socially and economically by involving them actively in the project activities.

With support from ADB projects and technical assistance grants, a 20-year Forestry Master Plan was prepared, and the National Forestry Policy 1994 was developed. The Forest Act (Amendment)

2002 was put in place allowing people's participation in the generation and management of forest resources through social forestry. Under the Act, social forestry rules have been developed to regulate participatory benefit sharing agreements, which allow rural resource-poor and women-headed households receive a 45% share of the proceeds from the sale of timber planted and cared for by the beneficiaries over a 10-year period. ■



CARING FOR THE GREEN A woman takes care of trees planted on a road in Mymensingh, under participatory benefit sharing agreement

ADB Assists Private Sector Development

Through its Private Sector Operations Department, ADB provides direct assistance to private sector projects with clear development impact. The private sector operations are focused primarily on infrastructure, capital markets, and financial sector.

In Bangladesh, ADB is assisting the Government in creating a level playing field conducive to private sector development by helping establish a well-functioning financial and capital market. ADB also fosters public-private partnerships that will lower the risks and costs associated with

large infrastructure projects. ADB's public and private sector operations work in harmony to improve the enabling environment to make Bangladesh more attractive to foreign direct investment, and to widen opportunities for public-private partnerships. Private sector development is supported by easing key infrastructure bottlenecks to growth; building basic education, skills, and health foundation for a more productive labor force; fostering public-private partnerships to provide essential infrastructure and services; nurturing a vibrant small and medium enterprise sector; improving private

financial governance; facilitating the restructuring and privatization of selected state-owned enterprises; and assisting the Government in improving the policy and regulatory environment for private sector development.

In Bangladesh, ADB has financed eight private sector projects in power, mobile telephone, textile, cement, capital market, and leasing sectors worth \$242.18 million. This also includes the Meghnaghat Power Project—the first build-own-operate power project in the country—and GrameenPhone, which substantially expanded rural access to mobile phone services. ■

Integrated Water Resources Management to Boost Agriculture and Rural Livelihoods

ADB is supporting Bangladesh in developing efficient and sustainable flood management and irrigation systems to boost agricultural productivity and encourage livelihood diversification. The assistance is being provided in line with Bangladesh's National Water Policy and National Water Management Plan of 2004, which adopted the basic principles of integrated water resource management, sustainable service delivery, and user participation in water management.

ADB has been a major development partner of Bangladesh in the water sector, providing 19 loans worth almost \$700 million since 1973. ADB's water sector assistance has helped establish the policy and institutional framework for decentralized and participatory water management, including sustainable operations and management by water management associations. The interventions have also contributed to agricultural and rural growth, market orientation, and increased farmers' access to irrigation water. ADB-assisted projects have substantially improved flood plain management, increased agricultural production, and generated employment for the farmers and the landless.

The ADB-assisted Small-Scale Water Resources Development Sector Project (SSWRDSP) is supporting the Government's poverty reduction efforts by increasing sustainable agricultural and fisheries production, applying principles of community-driven development, and promoting effective participation of women in decision making and sustainable environmental management. The project has helped improve rural economy and reduce poverty through increased agricultural and fisheries production, resulting in increased farm and off-farm employment. Building on SSWRDSP lessons, the Southwest Area Integrated Water Resources Planning and Management Project is now applying the bottom-up participatory approach within medium and large schemes.

The Jamuna-Meghna River Erosion Mitigation Project has established a cost-effective, innovative, and sustainable riverbank protection by pilot testing low-cost technologies, using sand-filled geotextile bags. It has also established management systems to provide protection in an adaptive manner to the natural river processes with stringent quality control of underwater construction works.

The Secondary Towns Integrated Flood Protection Project II is promoting economic growth and reducing poverty in nine selected towns by providing a flood-free and secure living environment within the framework of integrated flood protection.

Drawing on the good lessons of the first two phases, ADB is now formulating the countrywide third phase of Small Scale Water Resources Project (a technical assistance from Japan's grant to be implemented during 2009-2016), in which the Netherlands and the IFAD have shown interest to be the cofinanciers. ADB is also formulating the second phase of the Command Area Development Project to boost the agricultural production of the country along with the Netherlands again as a prospective cofinancier. ■

ADB to Help Boost Regional Financial Stability

ADB will establish an "Asian Financial Stability Dialogue" to help coordinate regulatory development and monitor potential vulnerabilities in the region's markets and financial systems. ADB President Haruhiko Kuroda made the announcement at a conference entitled "Restructuring Beyond the Subprime" held in Manila during 18-19 September 2008.

The most recent bout of global financial market turmoil prompted the urgent need for building a cogent and pro-active plan to better preserve regional financial stability. The initiative will help the region to move forward on its path toward greater financial integration and to develop the foundations for regional financial stability.

To develop deeper and more innovative financial markets, Asia needs to promote consistent standards, harmonize prudential indicators, and establish standards for governance and transparency to facilitate domestic and international investment.

Financial system development, regional financial integration, and constructing the groundwork for regional financial stability are critical for a sound financial market. ■



RICE FIELD IN DINAJPUR ADB assistance in flood control, drainage, and irrigation facilities contributed to increased productivity in Bangladesh

Improving Regional Transport System for Collective Growth

ADB and Japan are helping prepare an investment project that will ease the flow of goods, services, and people across Bangladesh, Bhutan, India, and Nepal to promote economic cooperation and integration among the four member countries of the South Asia Subregional Economic Cooperation (SASEC). The Japan Special Fund is extending a \$1 million grant to draw up the design for the SASEC Transport Logistics and Trade Facilitation Project. ADB will manage the grant.

The project will work toward improving cross-border transport infrastructure and introducing modern cross-border management to facilitate trade

and movement of people across SASEC countries. The technical assistance consists of three components: a road corridor that passes from Kakarvitta in Nepal, through Panitanki-Fulbari in India to Banglabandha in Bangladesh; a rail link from Akhaura in Bangladesh to Agartala in India; and a modernized cross-border regime at key cross-border points.

The SASEC initiative was launched in 2001 with ADB assistance to support and facilitate regional cooperation initiatives in six priority sectors: energy and power; environment; information and communication technology; tourism, trade, and investment; private sector cooperation; and transport. It provides a venue for policy

dialogue, information sharing, and confidence building among participating countries to enable better economic cooperation. ■

ADB to Update Safeguard Policy

ADB has taken additional steps in the update of its environmental and social safeguard policies after having concluded 14 consultation workshops across the Asia and Pacific region, North America, and Europe. A second round of consultations will be conducted and a second draft of the safeguard policy statement (SPS), based on the feedback and advice received through extensive consultations, will be prepared.

The consultations aim to increase ADB's understanding of stakeholders' perspectives; establish a shared understanding of key safeguard objectives, principles, and requirements; and guide the formulation of the safeguard policy statement.

The policy update is expected to make the safeguards more effective—widening scope of environment assessment and introducing new requirements for grievance redress mechanisms, stronger public consultation and community engagement, and greater attention to project implementation.

Representatives from government, civil society, private sector, academic institutions, and international development agencies provided feedback on the first consultation draft for the proposed safeguard policy update, which is intended to enhance the relevance of ADB safeguards and strengthen their effectiveness. ■

Asia Must Pursue Deeper Regionalism: ADB Study

Asian nations must boost economic ties through closer consultation and policy coordination, and improve financial market surveillance to foster financial stability and economic prosperity, says “Emerging Asian Regionalism – A Partnership for Shared Prosperity”, a new book released by ADB.

The dynamic and outward-looking style of Asian regionalism will have a significant impact in the globalized economy in Asia. Asian regionalism can be a stabilizing factor when shocks arise, whether they come from within the region or outside, the book says.

The region is being interconnected through trade, finance, and macroeconomic links. While continued growth will reinforce the region's market-led integration, official cooperation will need to intensify based on sound economic principles. The financial crisis of 1997/98 underscored Asia's interdependence and shared interests, and

gave a strong impetus to emerging Asian regionalism.

The new book based on an ADB study urges policymakers to strengthen supervision, surveillance, and dialogue on financial markets through creation of a new, high-level Asian financial stability dialogue. It says Asia will benefit from strengthening its mechanisms for monitoring and potentially coordinating exchange rate and macroeconomic policies. It suggested setting up an Asian secretariat for economic cooperation. The region also needs to cooperate to make development sustainable by protecting regional health and environment.

With the growth of trade and financial ties, Asia's macroeconomic interdependence has also increased. The region faces a challenging period ahead as global payment imbalances appear unsustainable as the credit turmoil unfolds and global economic slowdown deepens, the book says. ■

Tackling Climate Change Impacts

ADB is promoting clean energy initiatives to minimize adverse impacts of climate change. Supports are provided by filling gaps in financing, building capacity and knowledge, helping create enabling policy and regulatory environments, and promoting collective action.

In Bangladesh, ADB is helping mitigate the risks and rehabilitate the damages caused by disasters resulting from climate change. Following the floods and the cyclone SIDR in 2007, ADB approved \$240 million Emergency Disaster Damage Rehabilitation Project to rehabilitate and restore the damaged infrastructures. The assistance is enabling people resume their normal lives by restoring access to livelihoods and basic infrastructure. The assistance is also helping in capacity building and training to strengthen Bangladesh's disaster preparedness by adopting cost-effective and disaster-resistant infrastructure design standards and improved early warning systems through increased subregional cooperation. The new project will build on the experiences of the ADB-financed Emergency Flood Damage Rehabilitation Project, initiated soon after the devastating floods in 2004, which was successfully

completed ahead of schedule in mid-2007, within its 2-year implementation period.

Though Bangladesh has the least contribution to the build up of greenhouse gases, it bears the serious consequences of climate change. An estimate says that, with half a meter sea level rise resulting from climate change, about 20% of Bangladesh in the coastal area will go under water. According to the United Nations (UN) *Human Development Report 2007/2008*, Bangladesh is among the possible countries to be mostly affected by climate change, which may cause a large-scale reversal in human development, with more than 70 million people being affected.

ADB has taken several initiatives to develop capacity for implementing the Kyoto Protocol and the Clean Development Mechanism in 15 developing member countries. Under the Asia Least-cost Greenhouse Gas (GHG) Abatement Strategy program, ADB took the lead in developing the first set of national level GHG inventories and in identifying mitigation projects for 11 countries. Under the Energy Efficiency Initiative launched in 2005, ADB intends to expand investments in energy efficiency projects to \$1 billion a year by working closely with its developing member countries to identify high priority

intervention areas that have replication and scale-up potential.

ADB's Carbon Market Initiative (CMI) was established to support sustainable development goals of developing member countries, address global climate change concerns, and assist developed countries to meet their emissions reduction commitments. The Clean Development Mechanism (CDM) Facility at ADB was established in 2003 to provide technical support to developing member countries in accessing additional financial resources for CDM-eligible projects. The Asia Pacific Carbon Fund is a trust fund established and managed by ADB on behalf of fund participants. In 2006, ADB joined the Methane to Markets (M2M) Partnership promoted by the United States Environmental Protection Agency to capture methane and utilize it for energy purposes.

Specifically for Bangladesh, ADB is now formulating a cluster technical assistance to support the Climate Change Implementation Plan to cover both the adaptation and the mitigation aspects. As a part of this, ADB will participate in a high-level conference in London to be held in September 2008 and will subsequently extend a technical assistance to the Department of Environment. ADB will work closely with other development partners to promote energy efficiency and clean development mechanisms. ADB's Bangladesh Resident Mission and South Asia Department are maintaining close liaison and contact with DFID, UNDP, and JBIC resident missions in Bangladesh for developing programs and initiatives to help Bangladesh tackle climate change impacts. ■



VICTIMS OF CLIMATE CHANGE The poor suffer the most because of floods and other disasters induced by the climate change impacts

- For news and information about ADB operations in Bangladesh, visit www.adb.org/brm
- To receive general ADB updates, go to <http://mms.adb.org/e-notification/register.asp>

Grant to Help Improve Water Management

With a \$600,000 grant from the Japan Special Fund, Bangladesh is designing the Participatory Small-Scale Water Resources Project, which ADB may support. The grant project will help improve small-scale water resources management for further boosting agriculture and fish production. This will also strengthen the Local Government Engineering Department's (LGED) integrated water resources management unit's ability to plan, design, and evaluate the use of small-scale water resources, and provide support for the operation and maintenance of the resources. The proposed project will encourage local participation and enhance the capacity of community-based water management organizations. The assistance is the third in a series of small-scale water resource development projects supported by ADB in Bangladesh. The first two phases included implementation of water management interventions, and organizational reform and capacity building for the LGED. ADB has been a major development partner of Bangladesh in the water sector, providing 19 loans worth almost \$700 million since 1973. ■

Fighting Graft and Corruption

ADB's anti-graft division barred 61 companies and 48 individuals from involvement in its projects last year, according to an internal report. Firms were found guilty of a range of fraudulent activities from exaggerating their annual income to collusion in bidding for contracts.

The Integrity Division said it had received 211 complaints last year, a 23% increase from 2006 and a tenfold leap since the ADB's anticorruption drive which started in 1998. ■

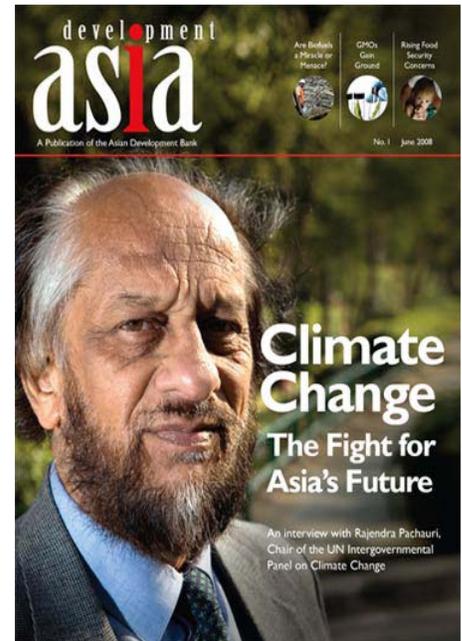
ADB Launches New Development Magazine

ADB has launched a new magazine, *Development Asia*, to help raise awareness and understanding of development issues and challenges concerning the Asia and Pacific region. It will feature topical issues, commentaries from leading figures in Asia, and innovative research and projects.

As a knowledge institution, ADB is committed to increasing awareness of Asia's development challenges and encouraging innovative solutions from around the world. *Development Asia* is part of this effort.

Development Asia aims to bring knowledge products to a broader audience, encourage more discussion of their findings and implications, and provide a platform for discussion and debate on important development issues affecting the Asia and Pacific region. The first issue tackles topics such as climate change, biofuels, genetically modified food, and

food security. For more information, visit www.developmentasia.org. ■



Providing Basic Social Protection Not a Question of Wealth, Report Says

Even poor countries can afford basic social protection like financing health care, cash transfers to the poor and elderly, and child protection, according to the newly developed Social Protection Index (SPI) created by ADB and its partners.

The index shows that the ability to provide appropriate social protection to a nation's citizens is not only a question of the country's wealth. The SPI will give governments and international agencies a new tool to assess and compare the social protection efforts of countries throughout Asia and the Pacific region. While social protection is growing in importance in the

fight against poverty and in meeting the Millennium Development Goals, there have been very few attempts to systematically quantify the overall impact of social protection activities in terms of expenditure, beneficiaries, or the impact of the programs. The SPI was created to fill this void.

Even though Japan and South Korea top the list, countries considered relatively wealthy didn't always score higher than poorer neighbors. While India and Pakistan have similar levels of per capita gross domestic product, they score very differently on the SPI. India rates at 0.46 while Pakistan is at 0.07. The SPI is measured between zero and 1.0. ■

Higher Farm Productivity is Key to Food Security: ADB Report

In the long run, the notion of food security should move beyond a relatively static focus on food availability to higher productivity. Developing Asia needs to strike a balance between providing immediate relief to shield the poor and vulnerable against rising food prices, says ADB report on *Food Prices and Inflation in Developing Asia: Is Poverty Reduction Coming to an End?*

As yields of food crops in most Asian economies remain low, compared with other major producing nations, technology improvement has become increasingly important along with efficient use of water, power, and other key inputs.

The report, prepared by ADB's Economics and Research Department, emphasizes that farmers will need to make the right choices and be provided access to new seeds, modern technology, and credit, and infrastructural facilities. The report says structural factors like the decline in global stocks of rice and other cereals, rising oil prices, and the resultant rise in prices of fertilizers and transportation costs for farm products are key factors behind high and rising food prices. ■

ADB Supports Key Governance Reforms in Bangladesh

The Caretaker Government has initiated critical governance reforms to curb corruption, enhance accountability, and improve transparency in the entire public sector. ADB approved Bangladesh Good Governance Program (GGP) in November 2007 to support the Government to implement these key governance reforms with a focus on combating corruption, ensuring separation and independence of the judiciary, and improving efficiency and neutrality of the civil service.

The important governance reforms that have already been implemented by the Caretaker Government include: (i) reconstitution and operationalization of the Anti-Corruption Commission (ACC), (ii) ratification of the United Nations Convention Against Corruption (UNCAC) and revision of ACC act in line with UNCAC, (iii) annual declaration of assets by the public servants and the lower court judges, (iv) establishment of a grievance handling mechanism in the line ministries and agencies, (v) separation of the Judiciary from the Executive, (vi) establishment of the Supreme Judicial Commission to ensure transparency and merit in the appointment of Supreme Court Judges, (vii) creation of an independent attorney service to ensure

neutrality in the public prosecution (viii) reorganization of Public Service Commission and revision of civil service recruitment rules to ensure merit and transparency in the public service selection process, and (ix) promulgation of the Right to Information Act.

ADB is supporting the Government with \$150 million under the GGP for implementing a set of policy, legal, and institutional reforms in the key governance areas such as the Anti-Corruption Commission and the Judiciary, and in other key sectoral institutions and agencies. The Government agreed with ADB to implement a total of 47 policy and institutional governance reforms under the GGP. Out of these, 31 governance reforms were fully implemented by the Government until October 2008.

The remaining major governance reforms that the Government is expected to fully implement in the next 2 years include (i) preparation and implementation of a comprehensive National Integrity Strategy, (ii) establishment of the National Office of the Ombudsman, (iii) introducing anti-corruption training modules in public training institutes, (iv) instituting the Citizen Report Cards by public utilities and at local government levels, and (v) legislation of a Whistleblower Protection Act. ■

ADB Loans Increase to Record \$10.1 Billion in 2007

In response to demands for development assistance, ADB approved \$10.1 billion in loans in 2007, a 37% increase over the previous year.

Pakistan was the largest borrower with around \$2.0 billion, followed by Viet Nam, India, the People's Republic of China, Indonesia, and Bangladesh. The operational sector with the biggest share of loans was transport and communications with \$3.9 billion, or 39% of the total loans, more than double the amount in 2006.

ADB approved a further \$672.7 million of assistance in grants in 2007, up 25% from

the previous year. A total of 242 technical assistance projects were approved worth \$243.4 million, all of which were also provided as grants. ADB also showed an improvement in disbursement to \$6.8 billion in 2007 from \$5.7 billion in 2006.

Recognizing the important role of the private sector in generating jobs and economic growth, ADB approved \$760.3 million for 19 nonsovereign loans to the private sector and \$105.0 million for three nonsovereign loans to the public sector.

In 2007, Bangladesh also received the highest ever ADB assistance with over \$965.70 million. As of 31 December 2007,

cumulative public sector lending to Bangladesh amounted to about \$9.13 billion for 180 loans, with \$178.8 million for technical assistance grants for 333 projects. Currently, Bangladesh has a large portfolio of 49 loans with a net loan amount of \$3.21 billion. In the 2008–2010 assistance pipelines, ADB's public sector lending program comprises 20 firm projects totaling about \$2.5 billion. The technical assistance program for 2008–2010 consists of 24 projects with an annual allocation of about \$5 million in grant funding. ■

ADB Calls for Environment-Friendly and Inclusive Transport Projects

ADB urges its development partners to ensure that the environment is protected in transport and infrastructure projects. The call came from the ADB Transport Forum held in Manila during 9-12 September.

The transport sector is the largest by oil use, and by far the fastest growing emitter of greenhouse gases in the Asia and Pacific region. The region has the highest growth rate in terms of motor vehicles—increasing over 10% every year. At present, transport sector loans

comprise more than 30% of ADB's total lending. Transport projects have direct and indirect consequences on climate change, rising fuel prices, and disparities in economic development. ADB will support the developing member countries to effectively adapt to the effects of climate change—through climate proofing—in transport and other infrastructure projects. ADB will also align its transport sector work to one that promotes inclusive growth and regional cooperation. ■

ADB Supports Closer Cooperation in South Asia

ADB is supporting closer regional cooperation and integration (RCI) in South Asia through a grant designed to help strengthen and expand policy reforms in two key nations, India and Pakistan.

ADB will provide technical assistance of \$750,000 for the South Asian Regional Cooperation in 2030 Project. The grant will identify constraints and promote policy reforms and other strategies needed to overcome the barriers to cooperation and integration in South Asia.

The grant is focused on India and Pakistan because they are the region's two largest economies and both have been taking steps to promote stronger RCI.

"India and Pakistan could potentially play a pivotal role in advancing wider Asian integration, as well as catalyzing South Asian regional cooperation," said Jayant Menon, Principal Economist, ADB Office of Regional Economic Integration.

In the past, progress on cooperation has been slow and South Asia remains the least integrated region in the world with intra-regional trade, for example, accounting for just 2% of gross domestic product, compared to 20% in East Asia.

Challenges to closer ties include persistent poverty, rising inequality, civil conflict and at times, tense political relations. High levels of trade protectionism also persist despite the establishment of the South Asian Free Trade Area.

However, there has been progress in recent years with a pickup in the level and pace of domestic policy reforms across South Asia; improved relations and increased levels of trade between India and Pakistan; and a greater opening up of South Asian economies to other regions and the world.

The grant will seek to support and accelerate domestic policy reforms that have begun in India and Pakistan, and to identify long-term strategies for closer regional cooperation that could maximize gains from the policy changes.

Two country studies will be carried out and an international conference is planned for October 2009 where the findings will be discussed and disseminated. Another phase may be carried out examining similar issues in other South Asian countries, starting with Bangladesh, then Sri Lanka and Maldives, followed by Nepal, and Bhutan. ■

ADB's Outlook for Asia: Slowdown in Growth, Sharp Rise in Inflation

Developing Asian economies will revert to a more moderate growth outlook of 7.5% this year and 7.2% next year after posting its fastest growth of 9% in nearly two decades in 2007, ADB says in a new major report.

According to the *Asian Development Outlook 2008 Update (ADO Update)* released by ADB in September, inflationary pressures in the region are mounting and could boil over if left unaddressed.

The report projects an inflation rate of 7.8% in 2008 in Asia and the Pacific, up from an earlier estimate of 5.1%. In 2009, inflation could reach 6.0%.

Clouding the outlook for the region, the report notes, are the continued elevated level of international oil and food prices, the persistence of high inflation, and a prolonged slowdown in industrial countries. The report highlights that a supply shortage will remain a dominant issue in global commodity markets.

The *ADO Update* urges developing Asian economies to address rising inflation even at the expense of slower growth, adding that the region must learn to adjust to high commodity prices. The report also recognizes that the regional outlook remains tied to the fortunes of industrialized countries. ■

- For **business opportunities** with ADB, go to www.adb.org/business/opportunities
- For **media inquiries** and the **latest news**, go to www.adb.org/media
- For **publications**, go to www.adb.org/publications or fax +632 636 2648

ADB Supports Bangladesh to Improve Agriculture and Food Security

ADB has been supporting Bangladesh in policy reforms and innovative interventions for increasing food grain production; diversifying crops; and developing the livestock, forestry, and fisheries sectors. ADB has also assisted in conserving the environment, creating irrigation systems, fostering small-scale water resource, building flood protection, and ensuring village people's greater access to markets.

ADB has so far supported Bangladesh with 51 concessional loan projects/programs amounting to \$1.825 billion for the agriculture and natural resources sector. Currently, seven projects amounting to \$375 million are being implemented. The Food Crops Development Program (1990) contributed to reducing rural poverty. The Participatory Livestock Development Project (1997) enabled more than 500,000 people—mostly women—to put more food on the table, educate their children, and even save enough to lease or buy agricultural land. The Northwest Crop Diversification Project (2000) is helping raise farm outputs and incomes, accelerating poverty reduction, and stimulating the economy of Bangladesh's northwest region by tapping the enormous potential of high-value crop

production, value addition, and agribusiness. The Agribusiness Development Project approved in 2005 promotes agribusiness activities to generate employment and help alleviate poverty. ADB's forestry sector interventions assisted Bangladesh in natural resources management, improving the environment, and generating employment.

The Emergency Assistance for Food Security Project approved in July 2008 contributes to sustainability of economic growth by minimizing the devastating impact of severe floods and cyclone, and budgetary support for commercial food import. The Second Participatory Livestock Development Project (2004) is helping to increase income of small farmers from livestock-related enterprises with special focus on women's socioeconomic empowerment and capacity building of the Department of Livestock.

The Small-Scale Water Resources Development Sector Project (2001) is supporting the Government's poverty reduction efforts by increasing agricultural and fisheries production, applying principles of community-driven development, and promoting effective participation of women in decision making

and sustainable environmental management. The Jamuna–Meghna River Erosion Mitigation Project (2002) established cost-effective, innovative, and sustainable riverbank protection by pilot-testing low-cost technologies (sand-filled geo-textile bags) and establishing the management systems to provide protection in an adaptive manner to the natural river processes. The Secondary Towns Integrated Flood Protection Project II (2005) is promoting economic growth and reducing poverty in nine selected *pourashavas* by providing a flood-free and secure living environment. ADB's Second Small Scale Water Resources Development Sector Project is helping to increase agricultural production through sustainable stakeholder-driven, small scale water resource management systems. The Southwest Area Integrated Water Resources Planning and Management Project is helping to enhance sustainability of existing flood control, drainage, and irrigation systems in the selected subregions of the southwest, with a total coverage of about 100,000 hectares. The Emergency Disaster Damage Rehabilitation (Sector) Project is contributing to sustainability of economic growth by minimizing the devastating impact of severe floods and cyclone, and reducing future risk from similar disasters. Technical assistance projects, such as Strengthening the Government's Capacity for Improving Food Security and Strengthening Project Management on Agribusiness Development, are also helping the Government to improve its planning and implementation capacity.

ADB is now providing Bangladesh with technical assistance support for preparing the proposed Food Crop Production and Value Addition Support Project, Sustainable Participatory Livestock Development Project, Second Command Area Development Project, Chittagong Hill Tracts Rural Development Project – II, Participatory Small Scale Water Resources Project, and National Disaster Risk Management Project. ■



HARVESTING CROPS A farmer family in Northern district of Natore harvests long beans cultivated with support from ADB's North-West Crop Diversification Project

ADB Launches New Long-Term Strategy

ADB has launched Strategy 2020, a new long-term strategy for its vision of an Asia and Pacific region free of poverty.

To fight poverty in a region of more than 600 million poor people surviving on \$1 a day, Strategy 2020 will refocus ADB operations on three development agenda— inclusive economic growth, environmentally sustainable growth, and regional integration.

Strategy 2020 sets ADB's new strategic course, emphasizing that poverty reduction can only be sustained if more people are economically productive, economic growth takes place in a well-managed natural environment, and neighboring economies

work within larger and freer markets to achieve shared interests through cooperation.

By 2012, 80% of ADB's lending will be in five core operational areas identified as



ADB's comparative strengths— infrastructure, environment, regional cooperation and integration, finance sector development, and education. By 2020, about 50% of operations will be in private sector development and private sector operations, and 30% in regional cooperation and integration. ADB will continue to operate on a more selective basis in health, agriculture, and disaster and emergency assistance.

ADB's stakeholders provided extensive input into Strategy 2020, which will serve as ADB's main strategic document from 2008 to 2020, replacing the long-term strategic framework for 2001-2015 released in 2000. ■

High Inflation, Poor Infrastructure Major Challenge: QEU

Despite the damages caused by floods and cyclone in 2007, the Bangladesh economy rebounded during the second half of FY2008 pushing the annual gross domestic product (GDP) growth rate up to 6.2%. The GDP growth was bolstered by strong private consumption, surge in remittance inflows, and recovery of export growth during the second half of the year.

According to the Bangladesh Quarterly Economic Update (QEU) June 2008, released by ADB Bangladesh Resident Mission on 18 September, GDP growth in FY2009 is projected at 6.5%, though containing the high inflationary expectation remains a major challenge. The evolving gas shortage may become a bigger impediment to economic activities, requiring immediate measures to step up exploration along with



steps to develop the country's high quality coal resources. Several downside risks,

particularly higher global oil and commodity prices could stress the balance of payments and fiscal positions. Political uncertainty and natural disasters could also constrain economic growth. The QEU is available at http://www.adb.org/Documents/Economic_Updates/BAN/default.asp. ■

ADB to Launch New Climate Change Fund

ADB is establishing a new fund to slow the onset of climate change and help the Asia and Pacific region adapt to the probable devastating impact of global warming. ADB will provide an initial \$40 million to the Climate Change Fund, which will be open for further contributions from countries, development organizations, foundations, the private sector, and other sources.

The purpose of the fund is to facilitate greater investments in developing countries in Asia and the Pacific to address the causes and consequences of global warming. The fund will be used to provide grant financing for technical assistance, investment projects, research, and other activities. ■

NEWS FROM

Bangladesh

The quarterly newsletter of the Asian Development Bank (ADB) Bangladesh Resident Mission (BRM) aims to enhance communications between ADB and its client groups. *News from Bangladesh* disseminates information on ADB activities and provides a forum on development issues in Bangladesh. Articles in the newsletter, however, do not necessarily reflect the official ADB view. We welcome readers' comments and suggestions.

Bangladesh Resident Mission
Plot E-31, Sher-e-Banglanagar
Dhaka-1207, Bangladesh.
Tel: +880 2 815 6000 to 6016
Fax: +880 2 815 6018 to 6019
adbbrm@adb.org
www.adb.org/brm

In this issue, \$ refers to US dollar.