Statement by Pieter Stek  
Date of Meeting: December 12, 2000

**Bangladesh: Country Assistance Strategy and HIV/AIDS Prevention Project**

The joint Bank/IFC Bangladesh CAS is a thorough document addressing the major issues related to the development of Bangladesh in a structured manner. Issues like the reform process, governance and corruption have been dealt with very explicitly. It is a good example of a joint CAS in so far as it establishes a clear link between policy measures and opportunities for IFC and MIGA. I also appreciate the consultative process with both civil society and donors in preparing this CAS.

The analysis of the causes of poverty and the description of the country context clearly identifies the constraints and challenges for the country and its government. The framework for linking performance to support in the CAS establishes clearly what the Bank is willing to do in the given circumstances. Even though the triggers in Table 6 may need to be clarified a little further, the Government of Bangladesh can be in little doubt as to what needs to be done. It is quite obvious from the poor quality of the Bank's portfolio that extensive lending does not make sense unless the Government establishes a record of reform.

I also agree with the strategic priorities presented in the CAS, putting institutional strengthening and governance first, with human development (including gender), rural development (the environment) and private sector-led growth following suit. It is discomfiting that the Government does not appear to have its priorities right (annex 10) especially with regard to social protection and key issues in economic policy and private sector development. Clearly, improving public resource management, addressing corruption, improving delivery of public services and establishing a better framework for private sector development are major challenges. With regard to the latter, I am somewhat surprised that the paper does not really discuss the Haripur power project, which we recently approved. Was Bangladesh ready for this project?
Bangladesh has a large group of active donors, of which the Netherlands is one. The CAS rightly notes that donor co-ordination is essential to make aid more effective and to limit the proliferation of project-management units, which is a heavy burden on the Government (paragraph 53). The need to move away from traditional project financing to more comprehensive sector programmes and programme financing was discussed during the Bangladesh Development Forum meeting in Paris, last April, and in a more informal meeting of donors with Government last November. It appears that, though in some cases reluctantly, Government of Bangladesh also recognises the value of Sector Wide Approaches, notably in the social sectors and decided to extend the successful experiences with the Health and Population Sector Programme (HPSP) to the education sector. We fully agree with the statement in paragraph 50 in this regard. Could staff give us some insight into their thinking about broadening the sector wide approach even further in the social sectors and beyond?

Effective implementation of the HIV/AIDS prevention project, which we are also discussing today is of key importance to preserving any progress in health indicators. Political commitment to prevent a major epidemic appears to be relatively high at present, even though pressures from strong social and political groups could test this commitment. But even if there is political will, severe constraints to institutional capacity as well as the absence of essential legislation (e.g. for mandatory blood testing) put the effectiveness of the project at risk. In view of this, it is important that the project makes use of the existing framework for donor support under the HPSP and that capacity building is a major component. However, given that the first year of the project will be used to work out more detailed implementation arrangements it could have been useful to develop the project as an Adjustable Program Loan. Under the APL framework there would have been a formal review of the adequacy of Government actions and the institutional framework for taking the implementation forward. Clearly, HIV/AIDS is a priority - which makes it even more important to ensure that money to deal with it is well spent.

Only recently has the Government given up its reservations to the PRSP process, which it considered a donor driven invention for which there was no need; Bangladesh already had its own poverty alleviation strategy. It is important that the Government has begun work on a PRSP, with the aim of finalising it before a new government is ready to formulate its development strategy. It is equally important that donors and international financial institutions support the PRSP process in a manner that is conducive to ownership – in particular in view of the initial reluctance on the side of Bangladesh. A substantial body of poverty analysis has already emerged from the preparations for the Bangladesh/ADB Partnership Agreement on Poverty Reduction, signed last April, which makes available up to USD 500 million a year for poverty reduction. In this context, I would be interested in hearing what kind of "joint assistance" the Bank expects to offer in collaboration with the ADB, IMF and other donors to support the PRSP (paragraph 55).

As I said above, I support the view that pressure on the Government of Bangladesh for better performance has to be kept up. The Bank's choice for what is basically the low case scenario with a possibility to step up to a base case scenario if performance permits is basically sound. In this regard, it is important that the Bank co-ordinates its decisions to move from one scenario to another as well as any changes to the lending program with other donors (see also table 5, page 19). Decisions as to proceed or not to proceed with a project in e.g. the water sector have
significant implications for the effectiveness of donor-financed projects in the same sector. Similarly, refining the triggers for moving between scenarios should be a participatory process, including discussion in the Local Consultative Group. Though the Bank participates in this co-ordination group, the Bank sometimes faces other players with *faits accomplis*. According to my colleagues in Dhaka, this is especially evident at the sector level. I wonder to what extent the divergence between positive experiences at the general level of donor co-ordination and less happy events in specific sectors is related to the fact that sector specialists are still largely based in Washington. Last summer, the senior staff member for education was transferred from Dhaka and all decision power was given back to Washington – this did not help. In the health sector something similar happened, but a somewhat better solution was found.

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You will have noticed that the balance between comments on the substance of the CAS and the way in which the Bank does business with the other donors at working level is skewed towards the latter. This is because I believe that the CAS has its analysis and strategic priorities right. Implementing it with the co-operation with other donors and partnership of the Government of Bangladesh is the challenge– I hope all parties are ready to face this challenge and I trust the Bank Group team is.