

Public Disclosure Authorized

WORLD BANK OPERATIONS EVALUATION DEPARTMENT



Bangladesh: Progress Through Partnership

21274
1999

Public Disclosure Authorized

Public Disclosure Authorized



FILE COPY



OPERATIONS EVALUATION DEPARTMENT

ENHANCING DEVELOPMENT EFFECTIVENESS THROUGH EXCELLENCE AND INDEPENDENCE IN EVALUATION

The Operations Evaluation Department (OED) is an independent unit within the World Bank; it reports directly to the Bank's Board of Executive Directors. OED assesses what works, and what does not; how a borrower plans to run and maintain a project; and the lasting contribution of the Bank to a country's overall development. The goals of evaluation are to learn from experience, to provide an objective basis for assessing the results of the Bank's work, and to provide accountability in the achievement of its objectives. It also improves Bank work by identifying and disseminating the lessons learned from experience and by framing recommendations drawn from evaluation findings.



Bangladesh: Progress Through Partnership

COUNTRY ASSISTANCE REVIEW

Roger J. Robinson

www.worldbank.org/html/oed

1999
The World Bank
Washington, D.C.



Copyright © 1999
The International Bank for Reconstruction
and Development/THE WORLD BANK
1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.

All rights reserved
Manufactured in the United States of America
First edition 1999

The opinions expressed in this report do not necessarily represent the views of the World Bank or its member governments. The World Bank does not guarantee the accuracy of the data included in this publication and accepts no responsibility whatsoever for any consequence of their use. The boundaries, colors, denominations, and other information shown on any map in this volume do not imply on the part of the World Bank Group any judgment on the legal status of any territory or the endorsement or acceptance of such boundaries.

The material in this publication is copyrighted. The World Bank encourages dissemination of its work and will normally grant permission promptly. Permission to photocopy items for internal or personal use, for the internal or personal use of specific clients, or for educational classroom use is granted by the World Bank, provided that the appropriate fee is paid directly to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, U.S.A., telephone 978-750-8400, fax 978-750-4470. Please contact the Copyright Clearance Center before photocopying items. For permission to reprint individual articles or chapters, please fax your request with complete information to the Republication Department, Copyright Clearance Center, fax 978-750-4470.

All other queries on rights and licenses should be addressed to the Office of the Publisher, World Bank at the address above or faxed to 202-522-2422.

Cover photo: World Bank photo library

ISSN 1011-0985
ISBN 0-8213-4293-2

Library of Congress Cataloging-in-Publication Data
Robinson, Roger J., 1948–

Bangladesh: Progress Through Partnership (country assistance review) / Roger J. Robinson.
p. cm — (A World Bank operations evaluation study)

ISBN 0-8213-4293-2

1. World Bank—Bangladesh. 2. Economic assistance—Bangladesh.
3. Bangladesh—Economic conditions. 4. Bangladesh—Economic policy.

I. Title II. Series

HG3881.5.W57R63 1998

338.95492—dc21

98-36252
CIP

 Printed on recycled paper.

v	Acknowledgments
vii	Foreword, Prefacio, Préface
ix	Executive Summary, Resumen, Résumé Analytique
xvii	Abbreviations and Acronyms
1	1. Achievements Despite Serious Constraints
	2 The Development Challenge
	2 What Difference Did IDA Make?
3	2. Relevance of IDA's Country Assistance Strategy
	3 IDA Strategy in the Early 1980s: Getting a Handle on the Country's Problems
	4 Assessment of the Relevance of IDA Strategy from 1980 to 1985: A Slow Start on the Development Agenda
	5 IDA Strategy in the Late 1980s and Early 1990s: Trying to Adjust to Absorptive Constraints
	6 Assessment of the Relevance of IDA Strategy from 1986 to 1990: Recognizing Some Lessons but Not Others
	6 IDA Assistance Strategy from 1991 to 1996: Toughening Conditionalities
	7 Assessment of the Relevance of IDA Strategy from 1991 to 1996: A More Rational Approach
	7 Refining Country Strategy Relevance: Lessons for the Future
9	3. Strategy Implementation: Emphasis, Instruments, and Efficiency
	9 Emphasis
	11 Economic and Sector Work
	12 Aid Coordination
	12 Participation, Collaboration, and Awareness
	13 The Efficiency of IDA's Assistance Program
15	4. Development Outcomes
	17 Poverty Alleviation and Human Development
	18 Family Planning, Health, and Nutrition
	19 Education
	20 Industry and Finance
	21 Energy and Infrastructure
	21 Agriculture, Food Security, and Flood Control
	23 To Sum Up
25	5. Efficacy of IDA's Assistance Strategy: Overall Assessment
33	6. Lessons for the Future
	34 Social Sector Development
	36 Industrial and Financial Sector Development
	37 Energy and Infrastructure
	37 Agriculture and Flood Control

Annexes

- 39 Annex A: Executive Summary, Report No. 17455-BD, for Board Discussion
- 48 Annex B: Report from the Committee on Development Effectiveness (CODE)
- 50 Annex C: Summary of Bank-GOB Discussions of the CAR, June 2, 1999
- 51 Annex D: Government Response

53

Endnotes

55

Bibliography

Figures

- 16 4.1 Economic Growth Comparisons
- 17 4.2 GDP per Capita (1980–96)
- 18 4.3 Exports (US\$ millions), 1982–95

Boxes

- 27 5.1 Evaluation of IDA's Import Program Credits from 1980 to 1988
- 30 5.2 IFC Activity in Bangladesh

Tables

- 8 2.1 Relevance of IDA's Country Assistance Strategy
- 10 3.1 Commitments (by Sector), 1980–95
- 11 3.2 Portfolio Ratings and Supervision Effort
- 11 3.3 Intensity of ESW
- 13 3.4 Comparative Data on the Efficiency of Bank Assistance Programs
- 14 3.5 Average Elapsed Time in Months for FY90–96 Approvals (IEPS to Board Presentation)
- 16 4.1 Macroeconomic Performance
- 19 4.2 Fiscal Performance (percent of GDP)
- 19 4.3 Social Indicators
- 20 4.4 Education Comparators
- 21 4.5 Manufacturing Performance (percent)
- 22 4.6 Comparative Overview of Infrastructure Provision



Acknowledgments

This report was prepared by a team led by Roger J. Robinson. The team consisted of Hodayoun Ansari, David Gisselquist, David Greene, Ashok Khanna, and Carlos Reyes. Eneshi Irene K. Davis provided administrative support.

This study was published in the Partnerships and Knowledge Group (OEDPK) by the Outreach and Dissemination Unit. The task team includes Elizabeth Campbell-Pagé (task team leader), Caroline McEuen (editor), Kathy Strauss and Lunn Lestina (graphic designers), and Juicy Qureishi-Huq (administrative assistant).

Director-General, Operations Evaluation Department: *Robert Picciotto*

Director, Operations Evaluation Department: *Elizabeth McAllister*

Group Manager, Country Evaluations

and Regional Relations: *Ruben Lamdany*

Task Manager: *Roger J. Robinson*

ENGLISH FOREWORD

This Country Assistance Review (CAR) presents the findings of an OED team that visited Bangladesh in August/September 1996. This team held extensive discussions with government officials, representatives of civil society and the academic community, nongovernmental organizations (NGOs), other donors, and Bank staff in the resident mission. The valuable contribution and cooperation of all involved is gratefully acknowledged.

This CAR covers a long period of IDA involvement with the Government of Bangladesh and its development effort. The 16 years reviewed cover 93 projects, a massive volume of economic and sector work, and an ongoing policy dialogue that has examined all aspects of economic and social life. This report represents a synthesis of the key findings of an evaluation encompassing a very broad agenda. All materials, as well as more detailed working papers on each sector, are lodged in the Bangladesh CAR files in OED and are readily available.

The CAR's main conclusion is that IDA's assistance to Bangladesh over the past 16 years has been effective, and the partnership forged with the government has brought some notable successes. Good progress has been made in the reduction of fertility and in key health indicators. Progress has also been made in education, particularly primary education, and the country has achieved self-suffi-

ESPAÑOL PREFACIO

En este examen de la asistencia a Bangladesh se presentan las conclusiones a las que llegó un equipo del Departamento de Evaluación de Operaciones que visitó ese país en agosto-septiembre de 1996. El equipo sostuvo amplias conversaciones con funcionarios gubernamentales, representantes de la sociedad civil y la comunidad académica, ONG, otros donantes y funcionarios del Banco Mundial de la misión residente. Se reconoce y se agradece la valiosa contribución de todos los que participaron.

El presente examen abarca un largo período de colaboración de la AIF con el Gobierno de Bangladesh y sus esfuerzos en pos del desarrollo. El examen del período de 16 años abarcó 93 proyectos, un gran volumen de estudios económicos y sectoriales y un diálogo constante sobre políticas en el que se han analizado todos los aspectos de la vida económica y social. En este informe se presenta una síntesis de las conclusiones fundamentales de una evaluación muy completa. Todos los materiales, así como los documentos de trabajo más detallados sobre cada sector, se encuentran en los archivos del examen de la asistencia a Bangladesh mantenidos por el Departamento de Evaluación de Operaciones, y están a disposición de los interesados.

La conclusión principal del examen es que la asistencia que prestó la AIF a Bangladesh en los últimos 16 años ha sido eficaz, y que la cooperación solidaria que se estableció con el Gobierno ha dado lugar

FRANÇAIS PRÉFACE

Cette étude sur l'assistance au Bangladesh présente les conclusions d'une équipe de l'OED qui s'est rendue au Bangladesh en août/septembre 1996. Cette équipe a eu des discussions approfondies avec des membres du Gouvernement, des représentants de la société civile et des milieux universitaires, des ONG, d'autres bailleurs de fonds et les membres de la mission résidente de la Banque. Elle les remercie tous de leurs précieuses contributions et de leur coopération.

La présente étude couvre la longue période d'assistance fournie par l'IDA à l'appui de l'action de développement du Gouvernement du Bangladesh. Les 16 années sur lesquelles porte l'étude ont servi de cadre à 93 projets, à un nombre impressionnant d'études économiques et sectorielles et à un effort de concertation portant sur tous les aspects de la vie économique et sociale. Ce rapport fait la synthèse des principales conclusions de l'évaluation, qui était très ambitieuse. Tous les documents, ainsi que des rapports détaillés sur chaque secteur, figurent dans le dossier de l'étude sur l'assistance au Bangladesh à l'OED et peuvent être facilement obtenus.

La principale conclusion de l'étude est que l'assistance fournie par l'IDA au Bangladesh ces 16 dernières années a été efficace et que la collaboration établie avec le Gouvernement a été fructueuse. Le taux de fécondité a diminué et les principaux indicateurs de santé ont progressé. On a également enregistré

E N G L I S H

ciency in food-grains in a normal climate year.

As is readily understandable in a country with complex economic, social, and political issues, progress has not been uniformly good. In general the reasons for disappointing progress are deeply entrenched governance issues, often requiring a strong and sustained political commitment to effect change.

The lessons drawn from this CAR are presented at a strategic level, and are applicable in Bangladesh and other countries. The aim has been to develop themes that cut across all sectors and will thus help to refine IDA's Country Assistance Strategy and future assistance efforts.

E S P A N O L

a éxitos notables. Se ha avanzado mucho en materia de reducción de la fecundidad e indicadores clave de la salud. También se han registrado progresos en materia de educación, sobre todo primaria, y el país ha alcanzado la autosuficiencia en la producción de cereales alimentarios en un año de condiciones meteorológicas normales.

Como cabe prever en un país con una complejidad de situaciones económicas, sociales y políticas, el progreso no ha sido uniforme. En general, cuando el avance no ha sido satisfactorio se ha debido a cuestiones muy arraigadas de gestión de los asuntos públicos, que a menudo exigen un compromiso político firme y sostenido para lograr el cambio.

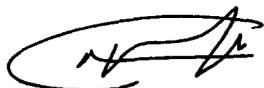
Las lecciones extraídas de este examen se presentan a nivel estratégico y pueden aplicarse a Bangladesh y a otros países. El objetivo ha sido desarrollar temas comunes a todos los sectores y de esta manera ayudar a afinar la estrategia de asistencia a los países de la AIF y las actividades futuras de asistencia.

F R A N C A I S

des progrès dans le secteur de l'éducation, en particulier dans l'enseignement primaire, et le pays peut satisfaire ses besoins en céréales vivrières les années où les conditions climatiques sont normales.

Comme on peut s'y attendre dans un pays en proie à de graves problèmes économiques, sociaux et politiques, les progrès n'ont pas été uniformes. Le rythme décevant des réformes tient, d'une façon générale, aux problèmes de fond qui se posent en matière de gouvernance et qui exigent souvent des pouvoirs publics qu'ils témoignent d'une ferme volonté de changement et de persévérance.

Les leçons tirées de cette étude sur l'assistance-pays sont présentées d'un point de vue stratégique et s'appliquent non seulement au Bangladesh, mais également à d'autres pays. L'objectif était d'identifier des thèmes communs à tous les secteurs pour aider l'IDA à affiner sa stratégie-pays et ses futurs efforts d'assistance.



Robert Picciotto
Director-General, Operations Evaluation Department

ENGLISH EXECUTIVE SUMMARY

Despite the political traumas from 1977 to 1980, Bangladesh has made progress in economic and social development and has been transformed over the past 16 years. The country now approaches self-sufficiency in food-grains, and key social indicators (fertility rates, infant mortality, life expectancy, primary school enrollments, and



adult literacy) have shown steady improvement.

Despite these achievements, questions remain as to food security, future demographic trends, the country's aid-dependency, and the fragility of its ecosystem. Bangladesh is in the midst of a political transformation and development of a multiparty democratic system, encompassing also the establishment of a civil adminis-

ESPAÑOL RESUMEN

Pese a las conmociones políticas que tuvieron lugar desde 1977 hasta 1980, Bangladesh ha registrado avances en su desarrollo económico y social y una transformación notable en los últimos 16 años. El país se está acercando a la autosuficiencia en cereales alimentarios y los indicadores sociales clave (tasa de fecundidad, mortalidad infantil,

esperanza de vida, matrícula en la escuela primaria y alfabetización de adultos) han registrado una constante mejoría.

Pese a estos logros, sigue habiendo interrogantes en torno a la seguridad alimentaria, las tendencias demográficas futuras, la dependencia de la asistencia y la fragilidad de su ecosistema. Bangladesh se encuentra en medio de una transformación política y del desarrollo de un

FRANÇAIS RÉSUMÉ ANALYTIQUE

Malgré les troubles politiques qui ont agité le pays entre 1977 et 1980, le Bangladesh a progressé dans la voie du développement économique et social et subi de profondes transformations au cours des 16 dernières années. Le pays a quasiment atteint l'autosuffisance en céréales vivrières et les indicateurs sociaux de base (taux de fécondité, mortalité infantile, espérance de vie, scolarisation primaire et niveau d'instruction des adultes) ne cessent de s'améliorer.

Malgré ces progrès, la sécurité alimentaire, les futures tendances démographiques, la dépendance nationale à l'égard de l'aide étrangère et la fragilité de l'écosystème du Bangladesh continuent de poser problème. Le pays traverse une période de mutation politique, avec la mise en place d'un système démocratique multipartite et d'une administration civile qui a connu de nombreux remaniements. Le premier gouvernement a nationalisé la plupart des secteurs (industrie, finances et grandes entreprises commerciales) et résolument opté pour un développement directement orchestré par l'État. Les gouvernements qui se sont succédé ont bien tenté de désengager l'État des activités économiques, mais en vain ; ces efforts, contrariés par l'opposition politique ou les intérêts en jeu, n'ont en effet pas été soutenus.

La Banque mondiale est intervenue dans le développement économique du Bangladesh dès la création du pays. Cette association a

ENGLISH
 tration structure. The first government nationalized most of the industrial, financial, and larger commercial sectors, and espoused a strong, direct public sector role in the development process. Successive governments have sought to reverse the role of the state in direct economic activities, but this effort has not been consistently sustained and has faltered in the face of political or vested interests.

The World Bank has been involved in Bangladesh's economic development from the country's beginnings. This partnership has encompassed lending, policy advice, and donor coordination. Over the past two decades, the International Development Association (IDA) has financed about a quarter of all foreign aid commitments, covering all sectors of the economy, including balance of payments support. A massive volume of economic and sector work has contributed to policy reform and aid coordination.

The Development Challenge: Toward Effective Balance Between Needs and Expectations

A fundamental weakness of the Bangladesh economy has been the low rate of investment and domestic saving. Dependency on external concessional flows has been high. In the country's first 3 years, Bangladesh received more aid than in all its 24 years as East Pakistan.

Many observers, both domestic and foreign, have expressed concern that the country's use of foreign aid has infringed on national sovereignty issues and undermined self-reliance in the

ESPANOL
 sistema democrático multipartidista que abarca también el establecimiento de una estructura de administración pública. El primer gobierno nacionalizó la mayoría de los sectores industriales, financieros y comerciales más grandes y optó por una función fuerte y directa del sector público en el proceso de desarrollo. Los gobiernos sucesivos han procurado revertir la función del Estado en las actividades económicas directas, pero este esfuerzo no se ha sostenido en forma constante y los intentos han fracasado por razones políticas o de intereses creados.

El Banco Mundial ha participado en el desarrollo económico de Bangladesh desde los albores del país. Esta cooperación ha abarcado financiamiento, asesoramiento en materia de políticas y coordinación con los donantes. En las últimas dos décadas, la AIF ha financiado alrededor de una cuarta parte de todos los compromisos de asistencia exterior, en todos los sectores de la economía, incluso para atender necesidades de balanza de pagos. Un gran volumen de estudios económicos y sectoriales ha contribuido a la reforma política y a la coordinación de la asistencia.

El desafío del desarrollo: Hacia el equilibrio eficaz entre las necesidades y las expectativas

Una de las deficiencias fundamentales de la economía de Bangladesh ha sido la baja tasa de inversión y de ahorro interno. La dependencia de flujos exteriores en condiciones concesionarias ha sido elevada. En los primeros tres años de existencia del país, Bangladesh recibió más ayuda que en los 24 años en que el territorio

FRANCAIS
 revêtu la forme de prêts, de conseils sur les mesures à prendre et de coordination des bailleurs de fonds. Au cours des deux dernières décennies, l'IDA a financé près du quart de tous les engagements d'aide étrangère, couvrant tous les secteurs économiques, y compris le soutien de la balance des paiements. Un nombre impressionnant d'études économiques et sectorielles a été réalisé pour faciliter les réformes et la coordination de l'aide.

Le défi du développement : vers un équilibre réaliste entre les besoins et les attentes

L'une des grandes faiblesses de l'économie du Bangladesh tient à son taux d'investissement et d'épargne intérieure. Le pays est par ailleurs fortement tributaire des flux d'aide concessionnelle. Ainsi, le Bangladesh a reçu une aide plus importante pendant les trois années qui ont suivi sa création que durant les 24 années précédentes, lorsque le pays était encore la province du Pakistan oriental.

De nombreux observateurs, au Bangladesh et ailleurs, ont émis la crainte que le recours à l'aide étrangère ne pose des problèmes de souveraineté nationale et ne compromette l'autonomie du pays dans le processus de développement. Les ressources fournies au titre de l'aide étrangère étant fongibles, elles ont en fait contribué à financer les déficits budgétaires et les entreprises publiques inefficaces, ce qui est peut-être allé à l'encontre de la nécessité d'améliorer la rentabilité et le recouvrement des coûts dans les compagnies de services publics. Cela étant, les institutions du secteur public n'auraient probablement pas mieux fonctionné en l'absence d'une

ENGLISH development process. Given the fungibility of resources, aid indeed funded budget deficits, inefficient state-owned enterprises (SOEs), and perhaps reduced the pressure to improve efficiency and cost recovery in public utilities. However, it is unlikely that public sector institutions would function more efficiently in the absence of aid. Without external support, many programs and projects would have proceeded more slowly, if at all, and this delay would have had serious economic ramifications and adverse social costs. Examples abound, such as the population program, child immunization, minor irrigation development, and primary education.

Relevance of the Country Assistance Strategy

1980–85: A Slow Start on the Development Agenda

The early 1980s witnessed a transition from martial law to the civilian government of President Ziaur Rahman. Its development goals were ambitious, such as replacement fertility levels and elimination of food imports by 1985.

1986–90: Recognizing Some Lessons but Not Others

Eventually lessons learned in the early 1980s influenced the Country Assistance Strategy toward greater relevance. By 1986 IDA had recognized the need to address sector and macroeconomic constraints with sharply focused policy conditionality. IDA also recognized that trying to deal with inefficient public enterprises

ESPANOL se llamó Pakistán Oriental. Muchos observadores, nacionales y extranjeros, han expresado inquietud por el hecho de que el país, al recurrir a la asistencia extranjera, haya infringido cuestiones de seguridad nacional y haya socavado la confianza del país en su propio proceso de desarrollo. Dado que los recursos son intercambiables, la asistencia se dirigió en realidad a financiar déficit presupuestarios, empresas estatales ineficientes y quizá redujo la presión para elevar la eficiencia y la recuperación de costos en los servicios públicos. No obstante, es poco probable que las instituciones del sector público funcionaran más eficientemente si no se contase con asistencia. Sin respaldo externo, muchos programas y proyectos hubieran avanzado más lentamente, y este retraso hubiera tenido graves ramificaciones económicas y costos sociales perniciosos. Abundan ejemplos, como el programa demográfico, la inmunización infantil, el fomento del riego en pequeña escala y la educación primaria.

Relevancia de la estrategia de asistencia al país

1980–85: Un inicio lento del programa de desarrollo

A principios de la década de 1980 se produjo una transición de la ley marcial al gobierno civil del presidente Ziaur Rahman. Sus metas de desarrollo eran ambiciosas, como el logro de niveles de fecundidad de reemplazo y la eliminación de las importaciones de alimentos para 1985.

1986–90: Se reconocen algunas lecciones pero no otras

Con el tiempo, con las lecciones de los

FRANCAIS aide étrangère. Sans concours extérieur, bon nombre de programmes et de projets auraient été abandonnés ou bien leur exécution aurait tardé davantage, avec les profondes répercussions économiques et les importants coûts sociaux que cela aurait entraînés. Tel aurait été le cas, par exemple, du programme de population, du programme de vaccination infantile, du développement des petits ouvrages d'irrigation ou de l'enseignement primaire.

Bien-fondé de la stratégie-pays

1980–85 : Le programme de développement tarde à démarrer

Au début des années 80, le pays est passé d'un régime de loi martiale au gouvernement civil du président Zia ur-Rahman. Le nouveau gouvernement avait d'ambitieux objectifs de développement, tels que parvenir à un taux de fécondité de remplacement et éliminer les importations alimentaires d'ici à 1985.

1986–90 : Les leçons n'ont été qu'en partie mises à profit

L'intégration dans la SAP des enseignements tirés de l'expérience du début des années 80 a finalement permis de mieux adapter la stratégie à la situation. En 1986, l'IDA avait reconnu la nécessité de s'attaquer aux contraintes sectorielles et macroéconomiques, en imposant aux pouvoirs publics des conditions plus précisément axées sur l'action gouvernementale. L'IDA a également reconnu qu'il était vain de s'attaquer au problème des entreprises publiques inefficaces sans un ferme engagement de la part de l'État.

ENGLISH in the absence of a strong government commitment was not productive.

1991–96: A More Rational Approach

A review of IDA's strategy documents from the early 1990s discloses a hardening of IDA's strategy and a sharper focus on implementation and government commitment. Adjustment lending was reduced to about 15 percent of the proposed lending program, and sector operations were undertaken in a selective manner, in line with assessment of the government's willingness to proceed with a broad reform agenda in a timely manner.

Refining Country Strategy Relevance

A review of IDA's Country Assistance Strategy (CAS) over the past 15 years highlights and reinforces key generic lessons:

- *Monitorable Performance Benchmarks:* Country Assistance Strategies become much more relevant and operationally useful if there are specific benchmarks in both policy reform and outcomes.
- *Flexibility in the Lending Program:* Strategies should allow considerable flexibility to adjust the lending program in response to progress in identified key reform areas.
- *Realism of Risk Assessments:* The validity and relevance of CASs are greatly enhanced by realistic assessments of the difficulties of achieving progress. These make the risk assessments more meaningful, and expectations more realistic.

ESPAÑOL primeros años de la década de 1980, la estrategia de asistencia al país llegó a ser más pertinente. Hacia 1986, la AIF había reconocido la necesidad de resolver las limitaciones sectoriales y macroeconómicas, con una condicionalidad claramente enfocada en las políticas. Además, la AIF reconoció que no era productivo tratar de resolver el problema de las empresas públicas ineficientes si faltaba el firme compromiso del Gobierno.

1991–96: Un enfoque más racional
Si se examinan los documentos sobre la estrategia de la AIF desde principios de esta década, se percibe que la institución ha endurecido su enfoque y se ha centrado más en la ejecución y en el compromiso del Gobierno. El financiamiento para fines de ajuste se redujo a aproximadamente el 15% del programa crediticio propuesto, y las operaciones sectoriales se iniciaron de manera selectiva de conformidad con la evaluación de la disposición del Gobierno para proceder con un amplio programa de reforma en las fechas previstas.

Aumento de la pertinencia de la estrategia de asistencia: Lecciones para el futuro

Tras un examen de la estrategia de asistencia a los países de los últimos quince años se destacan y se refuerzan lecciones genéricas fundamentales:

- *Puntos observables de referencia para medir los resultados:* Las estrategias de asistencia a los países cobran mucha más pertinencia y son más útiles desde el punto de vista operacional si incluyen puntos de referencia específicos para medir la reforma de las políticas y los resultados.

FRANCAIS 1991–96 : *Une approche plus rationnelle*
Les documents relatifs à la stratégie de l'IDA du début des années 90 témoignent de l'approche plus rigoureuse de l'Association et de la nouvelle importance accordée à l'exécution et à l'engagement des pouvoirs publics. Les prêts à l'ajustement ont été ramenés à environ 15 % du programme de financement prévu et les opérations sectorielles entreprises de manière plus sélective, compte dûment tenu de la volonté de l'État de respecter le calendrier fixé pour le vaste programme de réformes.

Affiner la stratégie-pays

On peut tirer plusieurs enseignements majeurs de la stratégie-pays suivie par l'IDA ces 15 dernières années :

- *Critères de performance mesurables :* Une stratégie-pays est d'autant mieux adaptée et utile au plan opérationnel qu'elle prévoit des critères spécifiques permettant de mesurer l'avancement des réformes et les résultats.
- *Flexibilité :* Avant de définir une nouvelle stratégie-pays, il faudrait s'attacher davantage à déterminer l'efficacité de la précédente.
- *Évaluer la capacité institutionnelle de façon réaliste :* La SAP sous-estime souvent le temps nécessaire à la réforme des institutions et au renforcement des capacités, ainsi que la complexité de la tâche.
- *Enseignements à tirer pour l'avenir*
- *Le bilan de l'aide fournie par l'IDA au Bangladesh ces dernières années est globalement positif et la collaboration avec les pouvoirs publics :* Avant de définir une nouvelle stratégie-pays, il faudrait

ENGLISH

- *Experience Needs a Thorough Assessment:* Before embarking on definition of a future Country Assistance Strategy, more attention should be directed to determining the effectiveness of the last strategy.
- *Realism in Institutional Capacity Assessments:* In general, CASs underestimate the complexity and the time necessary to bring about institutional change and capacity enhancement.

Lessons for the Future

Overall, IDA assistance to Bangladesh has been effective, and the partnership forged with the government has brought about some notable successes. The country has been transformed, and this has been achieved in a very difficult political climate. As might be expected with such a complex array of economic, social, and political issues, progress has not been uniformly good. The disappointing progress is the result of deeply entrenched governance issues and powerful vested interests that have sought to maintain the status quo.

The following are the generic lessons that cut across all sectors, to guide the future Country Assistance Strategy.

Redefining the Role of the Public Sector. There is much more scope for the private sector, nongovernmental organizations (NGOs), and local governments to be involved in the provision of services. Much greater efforts must be made to encourage a larger role for local and municipal governments in all aspects of infrastructure development and

ESPAÑOL

- *Flexibilidad del programa crediticio:* Las estrategias deberán ser lo suficientemente flexibles como para permitir el ajuste del programa crediticio en respuesta a los progresos alcanzados en materia de reformas clave identificadas.
- *Realismo de las evaluaciones de riesgos:* Las estrategias de asistencia a los países son mucho más válidas y pertinentes cuando se efectúan evaluaciones realistas de las dificultades que impiden el avance. Esto hace que las evaluaciones de riesgos sean más significativas y las expectativas, más realistas.
- *La experiencia requiere una evaluación integral:* Antes de iniciar la formulación de una estrategia futura de asistencia a los países, deberá determinarse con más atención la eficacia de la última estrategia.
- *Realismo de las evaluaciones de la capacidad institucional:* En general, las estrategias de asistencia a los países subestiman la complejidad y el tiempo necesario para el cambio institucional y el fortalecimiento de la capacidad.

Lecciones para el futuro

En términos generales, la asistencia de la AIF a Bangladesh en los últimos años ha sido eficaz y la relación solidaria establecida con el Gobierno ha dado lugar a algunos éxitos notables. El país se ha transformado, y esto se ha logrado en el entorno de un clima político muy difícil. Como cabe esperar de una complejidad tal de problemas económicos, sociales y políticos, el progreso no ha sido uniforme. Los casos de avance poco alentador se deben a cuestiones muy arraigadas de gestión de los asuntos

FRANÇAIS

- s'attacher davantage à déterminer l'efficacité de la précédente.
- *Évaluer la capacité institutionnelle de façon réaliste :* La SAP sous-estime souvent le temps nécessaire à la réforme des institutions et au renforcement des capacités, ainsi que la complexité de la tâche.

Enseignements à tirer pour l'avenir

Le bilan de l'aide fournie par l'IDA au Bangladesh ces dernières années est globalement positif et la collaboration avec les pouvoirs publics a produit des résultats palpables. Le pays s'est transformé, en dépit d'un climat politique très difficile. Comme on pouvait s'y attendre, compte tenu de la complexité des enjeux économiques, sociaux et politiques, les progrès ne sont pas uniformes. Si les changements s'opèrent à un rythme décevant, c'est parce que des problèmes de fond se posent en matière de gouvernance et que les puissants intérêts en jeu cherchent à maintenir le statu quo.

La future stratégie d'assistance au Bangladesh devra tenir compte des leçons générales énumérées ci-après, qui s'appliquent à tous les secteurs.

Redéfinir le rôle du secteur public. Le secteur privé, les ONG et les collectivités locales pourraient prendre une part beaucoup plus active à la prestation de services. Il faudra s'attacher davantage à promouvoir la participation des collectivités locales et des municipalités à tous les aspects du développement et de l'entretien des infrastructures, ainsi qu'à l'éducation et aux soins de santé primaires.

Mettre davantage l'accent sur la responsabilisation. Les futurs projets devront être conçus de façon à responsabiliser davantage les individus chargés de fournir un service ou de réaliser un projet. Toutes les parties prenantes

ENGLISH maintenance, education, and primary health care.

Increasing Emphasis on Accountability. Future project design must seek to improve the accountability of those responsible for providing a service or completing a project. Project design must involve all stakeholders, to define the parameters of accountability and set a framework for enforcement.

Need to Pay Greater Attention to Sustainability Issues. No single approach will work in all sectors or projects, but much more emphasis must be given to recurrent expenditure requirements for operations and maintenance, to cost recovery (if only partial in the beginning), and to institutional structures or implementing agencies and organizational frameworks.

Borrower Ownership as the Acid Test. More effort should be made to strengthen the political commitment to necessary institutional change, and solid indicators should be sought that demonstrate this commitment. To proceed without this is a disservice to the people of Bangladesh and has negative externalities that affect the entire assistance program.

Define Crucial Objectives, Limit Goals, and Practice Greater Selectivity. In countries that have manifested continual problems of project implementation, it may be useful to limit project objectives to a smaller number of crucial policy changes and development impact objectives.

Need to Improve Project Monitoring and Evaluation. There is further scope to evaluate devel-

ESPANOL públicos y a poderosos intereses creados que han procurado mantener el statu quo.

A continuación se presentan las lecciones genéricas para el futuro, que abarcan todos los sectores, a fin de orientar las estrategias futuras de asistencia al país.

Redefinición de la función del sector público. Existe un amplio alcance para la participación del sector privado, las ONG y los gobiernos locales en la prestación de servicios. Deberá desplegarse un esfuerzo más intenso por alentar una función más preponderante de los gobiernos locales y municipales en todos los aspectos del desarrollo y el mantenimiento de la infraestructura, así como de la educación y la atención primaria de la salud.

Mayor énfasis en la rendición de cuentas. El diseño de los proyectos futuros deberá procurar mejorar la rendición de cuentas de quienes son responsables de prestar un servicio o completar un proyecto. En el diseño de proyectos deben participar todos los interesados, a fin de definir los parámetros de la rendición de cuentas y establecer un marco para su cumplimiento.

Necesidad de prestar más atención a cuestiones de sostenibilidad. No existe un solo enfoque adecuado para todos los sectores o proyectos, pero deberá hacerse mucho más hincapié en la necesidad de gastos ordinarios para operaciones y mantenimiento, en la recuperación de costos (aunque sólo sea parcial en un principio) y en las estructuras institucionales u organismos de ejecución y estructuras orgánicas.

Identificación de los prestatarios con los objetivos del proyecto y su grado de compromiso. Deberá procurarse fortalecer el compromiso

FRANCAIS doivent être associées à la conception des projets pour définir les paramètres de contrôle et le cadre permettant de les appliquer.

Nécessité d'accorder une plus grande attention aux questions de viabilité. Il n'existe

pas de formule applicable à tous les secteurs ou à tous les projets, mais on doit veiller de beaucoup plus près au financement récurrent des dépenses de fonctionnement et d'entretien, au recouvrement des coûts (même s'il est partiel au début du projet) et aux structures institutionnelles, qu'il s'agisse d'organismes d'exécution ou de cadres organisationnels.

Une preuve concluante : l'appropriation du projet par l'Emprunteur. Il faut s'employer davantage à renforcer la volonté politique d'introduire les changements institutionnels nécessaires et définir de bons indicateurs de cette volonté d'agir. Procéder autrement serait contraire aux intérêts du peuple bangladais et aurait des retombées négatives sur l'ensemble du programme d'assistance.

Se focaliser sur les objectifs clés et faire preuve de plus de sélectivité. Dans les pays où les projets ne cessent de poser des problèmes d'exécution, il pourrait être utile de se fixer un plus petit nombre d'objectifs, qu'il s'agisse des grands changements d'orientations ou de l'impact sur le développement.

Nécessité d'améliorer le suivi et l'évaluation des projets. Des progrès ont été accomplis dans ce domaine, mais on peut encore améliorer l'évaluation durant l'exécution des projets. L'accent est souvent mis sur l'achèvement des travaux de génie civil et autres réalisations mesurables, alors que l'on devrait s'attacher plus sérieusement à définir des indicateurs spécifiques, qui soient intégrés au projet dès la conception.

ENGLISH

opment throughout a project's implementation. Often the focus of attention is on the physical completion of civil works or other such quantifiable targets, but explicit outcome indicators should be included as part of the project design.

ESPAÑOL

político con el cambio institucional necesario, y deberán buscarse indicadores concretos que demuestren este compromiso. No se puede seguir adelante sin estos requisitos, porque eso sería perjudicial para el pueblo de Bangladesh y tiene externalidades negativas que afectan a todo el programa de asistencia.

Definir objetivos cruciales, limitar metas e imponer una mayor selectividad. En los países que han manifestado problemas continuos de ejecución de los proyectos, puede ser útil limitar los objetivos a un número más pequeño de cambios cruciales de políticas y de repercusiones sobre el desarrollo.

Necesidad de mejorar el seguimiento y la evaluación de los proyectos. Si bien estos aspectos han mejorado, sigue siendo necesario evaluar el desarrollo durante la ejecución de un proyecto. A menudo, la atención se centra en la conclusión física de las obras civiles o en otras metas cuantificables similares, pero deberá darse más consideración a indicadores explícitos de los resultados, que deberán contemplarse en el diseño de los proyectos.

FRANCAIS

ABBREVIATIONS AND ACRONYMS

ADB	-	Asian Development Bank	IEPS	-	Initial Executive Project Summary
ADP	-	Annual Development Plan	IFC	-	International Finance Corporation
ARPP	-	Annual Review of the Project Portfolio	IIFC	-	Infrastructure Investment Facilitation Center
BOO/BOT	-	Build-Own-Operate/Build-Operate-Transfer	IMED	-	Implementation Monitoring and Evaluation Division, Planning Ministry
BPDB	-	Bangladesh Power Development Board	IPC	-	Import Program Credit
CAR	-	Country Assistance Review	LCG	-	Local Consultations Group
CAS	-	Country Assistance Strategy	LDCs	-	Least Developed Countries
CEM	-	Country Economic Memorandum	LIB	-	Limited International Bidding
CEO	-	Chief Executive Officer	MIGA	-	Multilateral Investment Guarantee Agency
CODE	-	Committee on Development Effectiveness	MOF	-	Ministry of Finance
CPP	-	Country Program Paper	NGO	-	Nongovernmental Organization
CPR	-	Contraceptive Prevalence Rate	OED	-	Operations Evaluation Department
CSP	-	Country Strategy Paper	OD	-	Operational Directive
DCA	-	Development Credit Agreement	ORT	-	Oral Rehydration Therapy
DFI	-	Development Finance Institution	PBD	-	Planning and Budgeting Department, World Bank
DSE	-	Dhaka Stock Exchange	PER	-	Public Expenditure Review
DWASA	-	Dhaka Water and Sanitation Authority	PSIDF	-	Private Sector Infrastructure Development Fund
EIP	-	Expanded Immunization Program	PSIDP	-	Private Sector Infrastructure Development Project
ERD	-	Economic Relations Division	SDRs	-	Special Drawing Rights
ERR	-	Economic Rates of Return	SECAL	-	Sector Adjustment Loan
ESF	-	Environmental and Social Framework	SOE	-	State-Owned Enterprise
ESW	-	Economic and Sector Work	SY	-	Staffyear
FAP	-	Flood Action Program	TA	-	Technical Assistance
FIAS	-	Foreign Investment Advisory Service	TORs	-	Terms of Reference
GDP	-	Gross Domestic Product	UNICEF	-	United Nations Children's Fund
GOB	-	Government of Bangladesh	UNDP	-	United Nations Development Program
ICB	-	International Competitive Bidding	WHO	-	World Health Organization
ICR	-	Implementation Completion Report			
IDA	-	International Development Association			
IDCOL	-	Infrastructure Development Company Ltd.			



Achievements Despite Serious Constraints

Bangladesh evokes profound, moving impressions. The country is the most densely populated state in the world. It has limited natural resources and is highly vulnerable to natural disasters. Famine is an ever-present danger: well over half the population of over 120 million have experienced extreme food shortages. Per capita income is about US\$250 a year, and half the population, 80 percent of which is rural, live below a minimum poverty line. Emerging from a bloody war in 1971, the country's capacity to survive was widely doubted. But Bangladesh has survived, and has made progress in economic and social development.

Since Independence, the economy has averaged about 4 percent annual growth. It now approaches self-sufficiency in rice production, and a host of social indicators (fertility rates, infant mortality, life expectancy, primary school enrollment, and adult literacy) show steady improvement. Bangladesh has been a pioneer in initiatives adopted successfully by other developing countries, such as village banking and oral rehydration therapy for children.

Can these positive achievements be sustained? Questions remain as to food security, aid dependency, and the fragility of the ecosystem.

The country has been undergoing a transformation into a multiparty democratic system, encompassing also the establishment of a civil administration structure. The history of political development in the country has had a highly significant impact on the development path chosen and on economic outcomes. The government of Sheikh Mujibur Rahman (1972–75), the country's first president, nationalized

most of the industrial, financial, and larger commercial sectors, and espoused a strong, direct public sector presence in the development process. For much of the 1980s and 1990s, successive governments sought to reverse the influence of the state in direct economic activities, but this was not a sustained effort: periods of gradual liberalization faltered in the face of opposition from political or vested interests. While a full discourse on the socio-political milieu in Bangladesh, and its evolution over time, is beyond the scope of this Country Assistance Review (CAR), it must be recognized that political, military, trade union, and bureaucratic issues combine to form a complex governance framework. The interactions among these various groups are not always transparent and have certainly complicated the development process and made project design and implementation more difficult.

The World Bank has been involved in Bangladesh's economic development since Independence. However, the early years up to 1973 were colored by fundamental dif-

ferences regarding the country's post-Independence policy framework and the proper place of market systems. Since 1974–75 the World Bank and the Government of Bangladesh (GOB) have been in development partnership, encompassing lending, policy advice, and donor coordination. Over the past two decades, the International Development Association (IDA) has financed about a quarter of all foreign aid commitments to the country, covering all sectors of the economy, including import and balance of payments support. A massive amount of economic and sector work, which has been made available to the government and the donor community, has contributed to policy reform and aid coordination.

The Development Challenge

A fundamental weakness of the Bangladesh economy has been the low rate of investment and domestic saving. Dependency on external concessional flows has been high. In the country's first 3 years, Bangladesh received more aid than in all its 24 years as East Pakistan; this aid reached over US\$1.6 billion annually by 1993, when total aid disbursements amounted to about US\$15 per person, or about US\$90 for the average family.¹ Assistance has encompassed the full array of project aid, adjustment assistance, and food aid.

Foreign assistance covered the bulk of the Government of Bangladesh's Annual Development Plan (ADP) during the 1980s; only in the 1990s has public domestic resource mobilization improved sufficiently to contribute more significantly to this ADP. Given this, it is not surprising that foreign aid is itself a contentious issue. Many observers, domestic and foreign, hold that the country's use of foreign aid has infringed on sovereignty issues or undermined self-reliance in the development process (Sobhan 1995). This so-called aid dependence is sometimes concentrated in particular areas or sectors in which donors

have expressed special interest. This may be most evident in programs in population, health care, and rural development, where donors have had a major influence in shaping development policy.

One thing is certain: administration of the overall aid program in Bangladesh has been demanding. Implementation of the ADP has always been difficult. Twenty percent of a given year's program often remains unimplemented. As a result, the gap between commitments and disbursements has widened, and the pipeline backlog has grown. The backlog was over US\$6 billion by the end of 1995. There are various reasons for this. The already centralized bureaucracy has become even more centralized (and hence overburdened). Political involvement in the project administration processes makes civil servants even more reluctant to make decisions. And Bangladeshi officials complain that donor conditions and administrative requirements have become more demanding. A study undertaken by United Nations Development Program (UNDP), in a survey of 33 projects, found that project implementation took, on average, 71 percent longer than expected. Combining time and cost overruns, this study concluded that such losses caused a 37 percent increase in total project cost.²

What Difference Did IDA Make?

The objective of this report is to evaluate the relevance, efficacy, and efficiency of IDA's assistance to Bangladesh over the past 16 years. This will encompass an evaluation of lending and nonlending, including aid coordination. Analysis will cover all sectors of the economy, as well as the key themes of public sector management, institutional development, and private sector development. Special attention will be focused on poverty alleviation and the efforts that have been made to reduce the number of poor living below a poverty datum line.



Relevance of IDA's Country Assistance Strategy

IDA articulated a formal assistance and development strategy in the form of Country Program Papers, Country Strategy Papers, Policy Framework Papers, and Country Assistance Strategy documents throughout the 1980s and 1990s. In the context of annual import credits up to 1986, there was a regular, short-term review of progress in the implementation of this strategy and of the adjustments that might be needed. This represents, with annual Country Economic Memorandums, a continuing, close overview of development progress, and of IDA's work.

The need for a regular and relatively frequent review of development strategy in Bangladesh has been a function of intense donor interest in the country and of the country's institutional weaknesses, particularly in the late 1970s and early 1980s, which inhibited creation of a detailed multisector development agenda consistent with macroeconomic stability and probable foreign aid flows.

A transition from a martial law regime to the civilian government of President Ziaur Rahman was accomplished, and an elected Parliament was convened in March 1979. Development of an economic policy focus and investment planning process, however, was tardy, and the need to placate the poor in rural and urban areas, as well as the military, without alienating the urban middle-class and rural elite (which provided a large measure of the president's political support) meant that many of the government's stated development goals were wildly unrealistic. Fortunately, IDA's assistance strategy encouraged the government to establish priorities.

IDA's support also assisted other members of the donor community to coordinate efforts that would create a critical mass of assistance in high-priority areas.

IDA Strategy in the Early 1980s: Getting a Handle on the Country's Problems

In the FY80 Country Program Papers, IDA explicitly recognized that government targets and expectations were unrealistic (for example, to reduce fertility to replacement levels by 1985 and eliminate food imports by the same year). IDA faced the delicate task of reducing expectations while maintaining support and enthusiasm over a medium-framework period. To a large extent this was achieved by focusing on key stated government policies or objectives that were uncontroversial and by clearly articulating constraints in absorptive capacity and domestic institutional capabilities.

In the early 1980s, IDA strategy targeted four priority areas:

- Expand the production of food-grains so that Bangladesh could secure a self-sufficient food supply.
- Improve domestic resource mobilization so that an increasing share of the country's ADP could be financed with domestic resources.
- Persuade the government to undertake the institutional and structural reforms necessary to improve project execution in key economic sectors—with both stabilization and project lending.
- Continue and strengthen the momentum of improvements in the country's social indicators.

Expanding Food-Grain Production. Severe food shortages in Bangladesh demanded a massive inflow of food imports, straining the country's balance of payments and reducing its resources for productive activity. Periodic droughts and floods exacerbated the country's severe food shortages by straining the already poor distribution systems available to bring imported food and commodities to those in need. IDA and the government recognized that expanding both food-grain yields and the productivity of agricultural labor would be key to increasing income levels among the vast numbers of the poor in rural areas and bringing a measure of food security to the country as a whole. And as food aid was progressively replaced with local production, other donor resources would be freed for capital-goods imports that would ultimately improve productivity and employment opportunities in other sectors.

The assistance strategy at this time proposed that 40 percent of lending would be directed to the agricultural sector to improve the flow of inputs into the sector. Strong emphasis was directed at increasing the use of low-cost, minor irrigation; increasing fertilizer availability; and the use and accelerating introduction of high-yielding varieties of grain seeds. Attention was also to be given to rural infrastructure and to civil works implemented by the Bangladesh Water Development Board in small-scale flood control and drainage.

Improving Domestic Resource Mobilization. Even at this early stage in the assistance effort, the Bank recognized that external assistance could not finance the ADP indefinitely. Tax mobilization efforts were poor, and there were serious weaknesses in public investment programming. IDA proposed to assist the government through ongoing policy dialogue and sector work to improve this. At the time of the Country Pro-

gram Paper (CPP) in 1980, IDA recognized significant problems with the state-owned enterprises (SOEs), particularly jute and textiles, and proposed projects to help restructure inefficient public enterprises in these sectors. However, IDA did not then know the extent of weakness throughout the public enterprise sector, nor was there a clear articulation of what the solution should be. This was equally true for the financial sector; there was little appreciation of the burgeoning default culture and bad debt problems of the publicly owned banking system.¹

During the first half of the 1980s, IDA envisaged a continuation of program lending in the form of Import Program Credits, accounting for about 25 percent of the lending program, to help finance the structural imbalance in the external accounts and provide budgetary resources. These Import Program Credits were intended to be the vehicles to bring about general macroeconomic and structural reform.

Improving Project Execution. IDA explicitly recognized that previous technical assistance efforts to improve project execution through the use of foreign consultants and advisers had not been entirely successful. The strategy was to correct institutional weaknesses and lessen political involvement in all aspects of civil administration, public enterprises, and banking through continuing policy dialogue in conjunction with appropriately targeted ESW (Economic and Sector Work).

Sustaining Momentum on Social Progress. IDA would support a family planning and health care network that had been launched with strong government initiative. It planned a third population project, as well as credits for programs targeted at primary education and public school administration. The strategy recognized that labor-intensive export production offered good potential employment-generation. Accordingly, the ESW program and the policy dialogue sought to improve the trade regime, reduce the burdensome regulatory environment, and cultivate a more private sector-friendly environment.

Assessment of the Relevance of IDA Strategy from 1980 to 1985: A Slow Start on the Development Agenda

IDA's assistance strategy in 1980, while perhaps not as ambitious as the government's development targets, was optimistic in its assessment of the development constraints facing the country. Growth was projected at about 6.5 percent annually during the first half of

the 1980s, national savings would rise to about 10 percent of gross domestic product (GDP), and investment would reach about 18 percent of GDP by mid-decade. The reality was different. Growth averaged about 3.5 percent annually, national savings reached only 4.5 percent of GDP, and investment rose to only 13 percent. No progress was made in improving the efficiency of the public enterprises, and the already poor performance of the financial system worsened.

The fundamental weakness with IDA assistance strategy in the early 1980s was the belief that the government would commit itself fully to removing the structural and institutional bottlenecks to economic growth. IDA did not yet fully appreciate the depths of constraints and the limits of absorptive capacity that were deep-seated in the country's administrative system. The government made only tentative, dilatory progress toward enhancing domestic resource mobilization and improving budgetary planning. Only as the 1980s unfolded did the Bank gradually realize that a core constraint in the economic development process was the public sector itself—one that was being supported with large transfers of donor funds, with weak commitment of the political leadership to serious reform.

While from 1982 there was large-scale denationalization of public enterprises, the financial state of many of these enterprises was precarious, with large debts accumulated during public ownership. Responsibility for these debt obligations was never resolved. Public resource mobilization efforts were dilatory, and the financial results of the remaining publicly owned enterprises worsened. IDA's early assistance strategy to restructure SOEs in the textile and jute sector was not successful.

IDA Strategy in the Late 1980s and Early 1990s: Trying to Adjust to Absorptive Constraints

Some elements of IDA's assistance strategy were highly relevant and contributed to development progress. The focus on increasing food-grain production was correct, and while it took almost a decade to fully liberalize agricultural input trade, the priority given to this task was appropriate. Continued support of population and family planning programs was correct, despite problems of implementation in the field.

By the mid-1980s it was becoming apparent that seeking to continually expand the size of external resource transfers to Bangladesh to address develop-

ment needs and persistent balance of payments problems was counterproductive, given the severe absorptive capacity constraints and political unwillingness to address major reform issues. Hence, efforts to improve project execution were to be intensified. Under the XIII Import Program Credit (IPC) (Credit 1655, for US\$200 million), an array of measures was agreed with the government on multiyear budget planning, project and contract approval procedures, and improved monitoring and evaluation. At the same time, it was realized that these IPCs were not effective instruments for bringing about sectoral or macroeconomic policy change. Accordingly, IDA strategy shifted toward specific sector-type adjustment operations, with more clearly targeted policy change parameters.

A further shift in IDA strategy in the mid-1980s increased the emphasis on energy sector projects, particularly in the oil and gas sector, to reduce the country's dependence on imported energy and accelerate development of the country's own gas reserves. The earlier emphasis on agriculture waned, partly because the already large project portfolio had delays in disbursing, and absorptive capacity was limited. From experience, it was recognized that seeking to restructure inefficient public enterprises without strong government commitment was futile. As a result, no further lending was envisaged to deal with these problems in the industrial sector. Instead, IDA emphasized a speedier liberalization of the trade and investment regulation regime and proposed to support this through sector adjustment lending and ESW designed to illustrate constraints and the actions needed to expand the role of the private sector in the economy.

Population and family programs remained a priority, as did primary health care. However, the increasingly complex operations, with multiple donors, required supervision efforts, so the project implementation unit in the resident mission was to be expanded with bilaterally funded technical personnel. A change in education strategy put a much stronger focus on primary education and on accelerating access for females.

By 1986 it was apparent that the financial and commercial banking sector was in distress, and urgent action was needed. ESW in the form of a comprehensive sector study, together with a sector adjustment operation, was the planned approach to bring about the necessary reform. The poor recovery performance of the Development Finance Institutions (DFIs) finally convinced IDA that further line of credit-type projects

for both agriculture and industry could serve no useful purpose without substantial institutional and system-wide reform.

Domestic resource mobilization was still a major problem, and IDA proposed an expanded program of ESW to cover public expenditure and tax reform. Continued efforts in the policy dialogue were to be directed to reducing public sector subsidies, particularly for fertilizer and the food distribution programs. Since the existing infrastructure was not being properly maintained because of inadequate budget provisions, attempts were to be made through specific elements in the project lending and in the general policy dialogue to increase allocations for operations and maintenance.

Assessment of the Relevance of IDA Strategy from 1986 to 1990: Recognizing Some Lessons but Not Others

Some important lessons learned in the early 1980s became manifest in a revised assistance strategy. There was an urgent need to address sectoral and macroeconomic constraints, with much stronger and more sharply focused policy conditionality than had previously been achieved under the IPCs. Trying to deal with inefficient public enterprises in the absence of strong government commitment and political will was not productive. IDA's assistance strategy during this period sought to create a better environment for private sector development and to deal with the distortions in trade, pricing, credit allocation, and interest rates.

But certain key lessons were not incorporated, and some mistakes and problems recurred. IDA continued to act as if relatively minor administrative adjustments by the government would hasten and improve project design and execution. The real nature of the governance problems within the central administration were not fully appreciated. The emphasis placed on the energy sector, most notably oil and gas and industrial energy efficiency, which involved all state enterprises, was inappropriate. These governance problems involved widespread corruption and poor accountability within the political framework. In these areas the Bank had limited expertise.

Hindsight is always helpful in evaluating a strategy: the painfully slow progress made in liberalizing agricultural input prices and distribution systems was disappointing, given the high priority assigned to grain self-sufficiency. The continued emphasis given to hastening this liberalization was appropriate and relevant.

Greater realism in expected development outcomes

and economic projections is clearly noticeable in the strategy documents during this period. GDP growth projections were still optimistic, as were projections of the improvements in national savings. But taking into account the massive flooding in 1988–89, which seriously affected agricultural output, these projections were close to actual outcomes, suggesting an improved understanding of economic dynamics in the country.

The continued emphasis on population and family welfare programs, with greatly enhanced project activity in this area, was relevant, and has been borne out by results to 1996. The shift and focus on primary education in assistance to the education sector was also relevant. Sector work undertaken in the early 1980s clearly showed that the economic returns to investment in primary education were high. Moving away from assistance to vocational training, higher education, and administrative training was appropriate, given the very poor development outcomes up to 1986.

IDA Assistance Strategy from 1991 to 1996: Toughening Conditionalities

It is readily apparent from a review of the Country Strategy Paper (CSP) of 1992 and the Country Assistance Strategy (CAS) of 1995 that IDA's assistance strategy for Bangladesh became more focused on implementation and on pursuing new operations only in areas where there was manifestly strong government commitment. Clear performance benchmarks were established to mark progress on the development agenda and to determine the pace and areas of new IDA commitments. Specific government actions were identified, and quantifiable targets set. The CAS emphasized a strong and sustained improvement in the environment for private sector development; an enhanced program of support for population and primary health care; a focus on overcoming the deficiencies in infrastructure, particularly power (but only following a demonstrated commitment to improve cost recovery and reduce system losses); a continuation of support for primary education, with an enhanced effort to improve access of females to both primary and secondary education; and a continued focus on rehabilitation of infrastructure such as rural roads and flood-control and drainage systems.

Adjustment lending was curtailed to about 15 percent of the proposed lending program, and the sector operations were undertaken in a manner reflecting IDA's assessment of the government's willingness and

capacity to proceed with a broad reform agenda in a timely manner. Earlier IDA efforts to encourage an improvement in public sector resource mobilization finally bore fruit in the 1990s, mainly because of a much improved revenue collection performance, but IDA recognized that fundamental reform of the civil service structure was unlikely. As a result, IDA adopted a strategy of redefining the task of the public sector, encouraging more private sector participation in activities that were normally the sole preserve of the public sector. Through its ESW program, IDA sought to develop a comprehensive reform agenda for public administration that included increasing the responsibilities of other levels of government.

The 1995 CAS emphasized approaches to bring about speedier progress in absolute poverty reduction, and plans to work more closely with nongovernmental organizations (NGOs) in developing the design of projects. In a number of areas, the government has sought to involve NGOs in project implementation. In 1996 the Board approved the first example of such an approach with the Poverty Alleviation Project (Credit 2922-BD), which will channel funds through an autonomous nonprofit organization to NGOs providing micro-credit to the very poor. This is a highly innovative project and suggests that the general approach could be broadened to encompass other sectors. IDA is also seeking to support the development of funds to support private sector involvement in the power sector and other infrastructure areas.

Environmental issues started to take on greater prominence in IDA's CAS from about the mid-1980s. Attention to the environment was strengthened in the 1990s with a more comprehensive program of ESW and a more active dialogue on natural resource management issues. Completion of an Environment Strategy Paper provided a direct input into the government's own National Environmental Action Plan, and IDA has sought to strengthen the capacity of local institutions charged with protecting the environment and monitoring environmental degradation. The 1995 CAS advocates future investments in flood control and drainage only in the context of a strategic framework of national land and water planning.

Assessment of the Relevance of IDA Strategy from 1991 to 1996: A More Rational Approach

IDA's assistance strategy in the 1990s has become more relevant because of a less compromising

approach to delays in policy reform or project execution and implementation. The CAS has become much more realistic about outcomes and expectations. The CSPs in both 1990 and 1992 underestimated GDP growth, investment to GDP ratios, and the improvement in national savings. The risk assessments of the proposed strategies were much more conservative.

During this period the CASs displayed a greater appreciation of governance issues and their effects on project implementation and outcomes. It was realized that while certain reform measures might be politically difficult, there was no alternative for the government but to tackle these issues. Sector adjustment lending in the 1990s has not been entirely successful, precisely because IDA did not follow its own strategy of addressing root causes and witnessing a demonstrated government commitment to deal with issues known to be controversial. The financial sector provides an obvious example. Nevertheless, it is clear that IDA has learned the lessons of the 1980s and is becoming more determined in seeking clearly quantified performance benchmarks before proceeding with new operations.

The continued emphasis on population and primary education is entirely relevant, and seeking a speedier reduction in absolute poverty by using more innovative methods of project implementation is appropriate. One criticism of the CAS could be that IDA has not attempted to go farther in seeking alternative implementation mechanisms that increase accountability and a more immediate assessment of outcome. For example, there is still scope for rural local authorities to be more closely involved in maintenance of rural roads and minor flood-control and drainage schemes.

Refining Country Strategy Relevance: Lessons for the Future

This assessment focuses on the relevance and appropriateness of the CAS for Bangladesh at the time it was put forward. Bankwide, strategies have since become more sharply focused, with a far greater emphasis on short- to medium-term impact. This is appropriate given the experiences in many IDA countries over the past two decades, and it allows a more realistic appreciation of outcomes and development progress.

Table 2.1 illustrates the OED evaluation of the relevance of the Bank's assistance strategy for Bangladesh. The 10 criteria show that the Bangladesh CAS has become more relevant and more realistic in

TABLE 2.1: RELEVANCE OF IDA'S COUNTRY ASSISTANCE STRATEGY

Issue	Period		
	1980-85	1986-90	1991-96
Sensitivity to political economy and governance issues	1	2	4
Awareness and appreciation of institutional constraints	1	1	3
Identification of key development issues	3	3	4
Identification of solutions to constraints	2	2	2
Prioritization of assistance in accord with constraints	3	3	3
Appropriateness of instruments proposed	1	2	3
Accuracy of strategy reflecting experience	2	2	3
Realism of outcome projections	1	1	3
Realism of risk assessment	1	1	3
Adequacy of monitorable progress indicators	1	1	3
Average score	1.6	1.8	3.1

Rating system:

4 - Highly satisfactory 2 - Marginally satisfactory
 3 - Fully satisfactory 1 - Deficient.

Source: Bank data.

its expectations. It might be argued that the more secure balance of payments and food supply situation in 1995 allowed IDA to take a less compromising position on policy reform and lending commitment than in 1980. Given the much more precarious food and political situation in 1980, there is validity to this argument. However, it is clear that IDA now has a more sophisticated appreciation of institutional limitations in the public sector in Bangladesh, and is seeking to counter them by more targeted interventions and alternative project implementation approaches.

Assessment of IDA's evolving strategy in Bangladesh suggests or reinforces five key generic lessons for all CASs:

- *Performance Benchmarks Should Be Monitorable.* Country strategies become much more relevant and operationally useful if there are clearly defined or quantified way points in both policy reform and outcomes. These benchmarks need to be specific to gauge government ownership and commitment, and so serve to define the most effective lending program.
- *The Lending Program Requires Flexibility.* CASs should allow considerable flexibility in adjusting the lending program in response to progress in identified key reform areas.
- *Risk Assessments Should Be Realistic.* The validity and relevance of CASs are greatly enhanced by pragmatic assessment of the difficulties of achieving progress in certain areas. This makes risk assessments more meaningful and adds a needed cautionary tenor to development impact expectations.
- *Experience Needs an Honest Assessment.* Before defining a future CAS, more attention should be directed to determining the effectiveness of the last strategy. If objectives were not achieved, the causes for this need to be documented, as do the changes in approach that will result in their ultimate achievement.
- *Institutional Country Assistance Strategies Should Be Specific.* CASs invariably underestimate the complexity and time necessary to bring about institutional change or capacity enhancement. This may involve complex governance, and perhaps sociological, issues that are not amenable to speedy change. A greater appreciation and articulation of these governance issues would both reduce unrealistic expectations and encourage the development of ways to avoid or lessen these institutional constraints.



Strategy Implementation: Emphasis, Instruments, and Efficiency

IDA commitments to Bangladesh during the period under review (from FY80 to FY96) amounted to US\$5.965 billion and involved approval of 93 projects. For much of the 1980s, commitments averaged about US\$10 per capita; this fell in the 1990s to about US\$4.8. These levels of commitment are low compared with Bankwide averages. Disbursements during the period totaled US\$4.65 billion. From 1980 to 1985 disbursements to Bangladesh amounted to 9.1 percent of total IDA disbursements. From 1986 to 1990 this

proportion rose to 9.3 percent; however, in the 1990s Bangladesh's share declined to 5.7 percent. This reflects absorptive capacity limits within the country, the increasingly difficult institutional constraints that impeded project execution, and holdups in key sectors (power) or policy-based loans (Jute Sector Adjustment), attributable to the slow pace of key reforms or tardy implementation of agreed reform actions (see table 3.1).

For much of the 1980s, adjustment lending constituted about a third of total commitments, with IPCs every year from 1980 to 1986. The scale of adjustment lending declined in the 1990s to about 15 percent, and will undoubtedly decline further without key reform initiatives in certain sectors (such as finance). By overall sector allocations, the recipient of the most assistance has been the agricultural sector, with 20 percent of total commitments, followed by the energy and oil and gas sectors (15.3 percent), transportation (14 percent), and education (7 percent). Given the continued priority ceded to population and primary health care

in all CAS periods, it is notable that commitments in this sector accounted for 4 percent of the total. Before concluding that there is a major "disconnect" between articulated strategy and implementation, some caution is necessary. This sector attracts many donors, and IDA projects in this sector have involved many cofinanciers and high donor participation. The catalytic role of IDA in the population and primary health care sectors is highly influential, and inferences drawn from commitments alone as to the priority accorded the sector by IDA will be misleading.

Emphasis

The prominence given to agriculture in the lending program was appropriate, given the stated high priority attached to an increase in food-grain production and the desire to improve food-grain security and self-sufficiency. The focus on balance of payments support lending up to 1986 was necessary, given the large food and energy import requirements and the initially low export base. The relatively high proportion of commitments

TABLE 3.1: COMMITMENTS (BY SECTOR), 1980-95

Sector	Millions of US\$		Percent of total	
	All loans	Adjustment	All loans	Adjustment
Agriculture	1,188.6	—	20	—
Education	411.6	—	7	—
Power	636.3	177.3	11	4
Industry and finance	677.8	438.4	11	7
Multisector	1,237.0	1,141.0	21	19
Oil and gas	453.0	—	8	—
Population, health, and nutrition	239.8	—	4	—
Telecommunications	35.0	—	1	—
Transportation	815.7	—	14	—
Urban development	47.6	—	1	—
Water supply and sanitation	50.0	—	1	—
Other	173.0	—	3	—
Total	5,965.4	1,756.7	100	30

Source: Financial database.

made in the power and oil and gas sectors is notable. There were serious shortages in power availability, and access to power was deficient for most of the population. Rapid development of the country's natural gas resources was crucial to reduce dependence on imported energy, and thus improve balance of payments sustainability. This sector was an ideal candidate for private sector involvement, particularly from foreign investment sources, but government policies inhibited this. Perhaps IDA's efforts should have focused on a more intensive dialogue to improve the policy environment surrounding the oil and gas sector, and reinforced this stance with a more restricted lending program.

The relatively high proportion of lending in the transportation sector is appropriate, given the poor quality of roads, particularly rural roads, the importance of waterborne transport, and the inefficiencies of the country's main ports. This sector includes the Jamuna Bridge Project, an infrastructure project that will have a profound effect on the links between large portions of the country.

Implementation

In Bangladesh, project implementation has been a persistent problem, negatively affecting the progress of IDA's development assistance strategy. Implementation problems have undermined the effectiveness of IDA's assistance efforts. Throughout the 1980s the disbursement ratios for Bangladesh (averaging about 11 percent) were well below Bankwide and regional averages. A concerted effort made in the early 1990s has borne fruit. The disbursement ratio reached 17.3 percent in

FY96 and, while still below the Bankwide average of 18.8 percent, the gap had been dramatically narrowed. In FY97 the disbursement ratio rose to 23.7 percent overall, and 27 percent for project assistance.

As can be seen from table 3.2, the World Bank has had to devote levels of supervision effort consistently above Bankwide averages or averages for IDA countries. These efforts, which had to be progressively increased from the late 1980s to deal with an ever-increasing buildup of undisbursed funds, together with project cancellations, brought positive results, as shown by a decline in the number of projects rated as unsatisfactory in the Annual Review of the Project Portfolio (ARPP). In FY80, 12.5 percent of the ongoing portfolio was given a problem rating. This climbed to 29.5 percent by FY86, and stayed at this level for the remainder of the 1980s. The proportion of problem projects gradually declined during the 1990s, to 21.4 percent in FY96 (still above Bankwide averages). Even if the ARPP ratings were not entirely consistent, it is clear that there are severe capacity and institutional constraints in Bangladesh, and these may have gotten worse rather than better.¹

One problem is the sheer size of the country's ADP. In 1996 there were 1,100 projects in this development program, and the agency responsible for monitoring progress, the Implementation Monitoring and Evaluation Division (IMED) in the Planning Ministry, is overwhelmed. The government has sought to introduce systems for prioritizing the monitoring function, but the only solution may be more rigorous selection of projects for the ADP. The onerous

TABLE 3.2: PORTFOLIO RATINGS AND SUPERVISION EFFORT

	Portfolio ratings (Average, FY86-96)		Supervision effort (Staffweeks/project)		
	Average # projects under supervision	Projects rated less than satisfactory (%) ^a	FY86-89	FY90-92	FY93-96
Bankwide	1,706	16.2	15.80	17.2	21.4
Bolivia	16	13.0	23.10	7.6	12.7
Tunisia	29	6.5	10.30	11.1	15.8
Côte d'Ivoire	17	13.4	14.20	16.1	26.2
Chile	14	5.2	11.30	11.8	13.5
Malaysia	18	2.0	8.40	25.1	9.0
Morocco	32	10.4	12.20	14.5	15.8
Colombia	28	21.0	15.90	17.3	42.8
Poland	15	18.7	—	18.6	22.9
Bangladesh	38	23.0	26.17	29.9	32.9

a. Implementation progress rating.

Source: Planning and Budgeting Department, World Bank (PBD).

bureaucratic and administrative functions required at all stages of the project cycle, from conception to completion, impede implementation. These procedures have been resistant to change.

From 1980 to 1996, 63 projects were reviewed and rated by OED. Of this number, 24 projects, or 38 percent, were rated unsatisfactory. This compares with a Bankwide OED rating of 33 percent. In the same period, 35 percent of rated Bangladesh projects had a likely sustainability rating, compared with 45 percent Bankwide, and 36 percent of rated Bangladesh projects had a negligible institutional development rating, compared with 24 percent Bankwide.

In sectoral performance, the industry and finance sectors did poorly. Of 13 operations, only 3 (23 percent) had a satisfactory rating. The success rates for other sectors are as follows: agriculture, 79 percent; energy, 60 percent; education and health, 66 percent; and technical assistance, 50 percent.

The outcome performance of IDA projects is clearly a cause for concern. Chapters 4 and 5 discuss these outcomes and the efficacy of the Bank's CAS. These disappointing results certainly reflect inherent difficulties in the overall policy environment in Bangladesh, the undefined role of the public sector, and its low institutional capabilities. But they also reflect poor project design driven by overoptimistic outcome expectations.

Economic and Sector Work

The intensity of ESW on Bangladesh has been at about the Bankwide average over the past decade (see table

3.3). The share of ESW in the total assistance effort for Bangladesh has been consistently higher, however, compared with the South Asia Region. The sector work undertaken has been generally consistent with the stated CAS. An economic report has been completed every year of the period under review, and this has provided a foundation document for the annual Consultative Group meetings. Agriculture and flood control and drainage, with 11 sector reports, has led the sector effort, followed by industry (7), energy (6), and education (5). From the mid-1980s, sector work in the financial sector (4) and public sector management (4) has accelerated, which is in keeping with the

TABLE 3.3: INTENSITY OF ESW

Country	ESW SYs	ESW as percent of total SYs
Bolivia	3.6	18.3
Tunisia	4.2	18.7
Côte d'Ivoire	4.3	18.8
Chile	3.0	23.7
Malaysia	2.7	22.9
Morocco	6.3	19.9
Colombia	5.7	21.1
Poland	6.9	28.8
Philippines	8.3	23.5
Nigeria	11.2	21.1
Bangladesh	12.7	21.8
Pakistan	10.4	17.9
All countries	476.7	22.0

Note: Countries are ranked according to population size. ESW SYs (economic and sector work staffyears) are yearly averages, based on data for FY86-96. SY data include borrower country-identified staffyears only.

Source: PBD.

identified problem areas and higher-priority development constraints. A comprehensive environmental review was completed in 1991, and a detailed report on food policy in 1992. Two public expenditure reviews have been completed, the last in 1996, and a tax reform study was completed in 1989, again in keeping with the perceived need to improve public sector resource mobilization. In the context of the 1994 Country Economic Memorandum (CEM), a private sector assessment was undertaken.

The relevance, timing, and quality of this sector work have been good. The tax reform study and the environmental review both fed directly into government studies and strategy formulation shortly after completion. The financial sector review, completed in 1987, was the foundation for the coming sector adjustment operation and provided a solid basis for the policy dialogue. In recognition of the need to create two million new jobs every year (and a more intensive drive to reduce poverty at the lowest income levels), there has been a perceptible shift toward sector work that addresses employment, particularly in the rural areas, and issues related to micro and small enterprises. Since poor public sector administration is a key obstacle to the effectiveness of the overall development effort, IDA completed a comprehensive public administration study in 1996, which in form and content is on the cutting edge of Bank work in this sector.

There are anomalies, however, in the sector work program. The relatively strong emphasis given to the industrial sector in the ESW program is misplaced. The work intensity directed toward this sector up to the mid-1980s has not produced commensurate rewards in fundamental reform of SOEs or in a greatly enhanced share of industrial output. Another anomaly has been the limited amount of sector work in population and primary health care. Merely counting sector reports (2) can be misleading, because a considerable amount of analysis is undertaken in the context of project preparation. There is scope for more sector work in population and primary health care.

Aid Coordination

Over 50 official donors provide assistance to Bangladesh, and about 26 participate as members or observers of the Aid Consultative Group, which meets every year in Paris. This group is chaired by IDA, and, given that official aid covers about 80 percent of the ADP, the donor coordination function of IDA is a vital

part of the CAS. The scope and range of this coordination effort now encompasses groupings of donors that support broad sectoral investment programs under IDA leadership. This has been achieved for population and health, flood control, and primary education. Efforts are currently under way to expand this sectoral coverage.

Because of the large permanent donor presence in the field, IDA, in conjunction with the government, has organized a Local Consultations Group (with 18 subgroups), which meets regularly in Dhaka to deal with common implementation issues. The resident mission has expanded over the past six years, taking on a larger share of supervision and becoming more deeply involved in project preparation. The mission organizes regular sectoral meetings in Dhaka with other resident donors to discuss policy issues, sector work programs, and project implementation.

These donor coordination efforts have improved cross-dissemination of sector work and knowledge and minimized "donor competition" at the sectoral level. Given each donor's unique administrative systems and development assistance preferences, this has been no easy task. Other large donors, such as the Asian Development Bank (ADB), have taken the lead in reform and assistance in certain sectors (railways and ports) and have supported IDA in different parts of the country (rural electrification). Some donors with more modest assistance means and programs maintain that their own assistance efforts should be more explicitly and readily identifiable to those to whom they are accountable (for example, parliaments and boards). IDA has been sensitive to this issue, which on occasion bears on project design.

Participation, Collaboration, and Awareness

Traditionally IDA and the World Bank have interacted mostly with government departments and interested donors, and as a result have often been perceived as distant by observers and other agents in development. This has often led to misunderstandings counterproductive to the reform process or to achieving the goals set out in IDA's CAS. IDA has sought to remedy this situation in Bangladesh. The country has a large, active, and vocal NGO community, and IDA has made efforts to engage these NGOs in the development process and in assisting IDA in the design and appraisal of projects. The resident mission has been active in outreach to the NGO community and has

sponsored a study on strengthening the relationship of NGOs with the government and enhancing their contribution to the development process. In rural development, primary health care, family planning, and education, IDA has used local NGOs working at the village level to obtain beneficiary inputs into project design and effectiveness. NGOs are becoming part of project implementation, as shown by the recently approved Poverty Alleviation Microfinance Project (August 1996).

Led by the resident mission, an external relations strategy is being developed to bring about greater awareness of IDA's role in the country and IDA's CAS. This is to be targeted at all segments of society, including the illiterate poor in rural and urban areas. Seminars and workshops have been undertaken with members of the local press and the academic community, and attempts have been made to make IDA documents more accessible (summarized versions of project activity, some translated into Bangla). This positive development seems to be bearing fruit. During the field mission for this CAR, many commentators remarked on a greater openness on the part of IDA about its activities in the country. They also noted the greater ease of access to documentary information about these activities. Such components of implementing IDA's CAS could enhance the quality of policy dialogue with the government.

The Efficiency of IDA's Assistance Program

Table 3.4 provides an indication of the overall efficiency of IDA's assistance program for Bangladesh. The primary measure is staffyears (SYs) spent for each approved project. Bangladesh does not compare favorably with the outcomes for the Bank as a whole. Even when we look at lending SYs by approved project, Bangladesh does not meet Bankwide norms, and is almost 40 percent higher in staff time spent. From the mid-1980s, lending completion staff time has been consistently higher than Bankwide averages, as well as averages for the South Asia Region. Adjustment lending cannot explain this difference. For example, in FY93, for multisector lending, Bangladesh lending completion SYs were over twice the South Asia Region average, and 4.3 times the Bankwide average.

This less efficient performance indicates the difficulties inherent in dealing with Bangladesh's assistance program and reflects the weak institutional capabilities in the country. Project supervision is more demanding, as seen in the high average supervision effort shown in table 3.2. Table 3.5 shows the difficulties in implementing the assistance strategy. Bangladesh requires over 50 percent more calendar time than the Bankwide average to take a project from concept to Board approval. Lending completion SYs were much better in the early 1980s. Various reasons may account for this. First, the whole ADP was less

TABLE 3.4: COMPARATIVE DATA ON THE EFFICIENCY OF BANK ASSISTANCE PROGRAMS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Country	Total SYs	Lending SYs	No. of projects	Commitment	(1)/(3)	(2)/(3)	(1)/(4) (%)
Bolivia	216.9	81.1	37	1,067	5.9	2.2	20.3
Tunisia	243.9	103.9	33	2,278	7.4	3.1	10.7
Côte d'Ivoire	249.7	106.1	32	2,697	7.8	3.3	9.3
Chile	139.3	56.7	27	2,533	5.2	2.1	5.5
Malaysia	131.5	53.9	22	1,677	6.0	2.5	7.8
Morocco	350.0	155.0	46	4,969	7.6	3.4	7.0
Colombia	283.7	108.4	34	3,738	8.3	3.2	7.6
Poland	262.5	111.1	23	4,054	11.4	4.8	6.5
Philippines	388.9	162.8	45	5,382	8.6	3.6	7.2
Nigeria	584.6	190.2	41	4,423	14.3	4.6	13.2
Bangladesh	638.2	226.3	46	3,947	13.9	4.9	16.2
Pakistan	638.6	236.9	63	6,821	10.1	3.8	9.4
All countries	23,801.7	8,611.3	2,550	229,359	9.3	3.4	10.4

Note: Countries are ranked according to population size. ESW SYs (economic and sector work staffyears) are yearly averages, based on data for FY86–96. SY data include borrower country-identified staffyears only. Commitments are in US\$ millions. Lending SYs denote project development from identification to Board presentation; the other two main categories in the total SYs are supervision and ESW. Column (5) is total SYs per project; column (6) is lending SYs per project.

Source: PBD, financial database.

**TABLE 3.5: AVERAGE ELAPSED TIME IN MONTHS FOR FY90-96 APPROVALS
(IEPS TO BOARD PRESENTATION)**

Country	Number of approvals	Average, IEPS-appraisal	Average, appraisal-board	Average, IEPS-board
Bolivia	25	16.5	9.6	26.1
Tunisia	19	22.0	6.5	28.5
Côte d'Ivoire	23	28.1	12.5	40.5
Chile	15	16.6	7.9	24.5
Malaysia	8	14.9	12.0	26.9
Morocco	27	15.5	10.5	26.0
Colombia	21	19.7	14.3	33.9
Poland	23	14.9	12.8	27.7
Philippines	31	14.7	9.6	24.3
Nigeria	22	19.8	14.0	33.8
Bangladesh	26	29.8	13.8	43.6
Pakistan	36	18.1	13.5	31.6
Total	276	230.6	137.0	367.4

Note: IEPS = Initial executive project summary.
Source: PBD.

onerous for the government, and the institutional capacities were not so stretched. Second, in program lending (the IPCs), staff time was relatively low, reflecting the weak policy conditionality attached to these credits. Third, the quality of lending, particularly in the industrial and financial sectors, was not good.

As part of this CAR, a review was undertaken of 83 completed projects (some of which were approved before the start of the CAR review period) to determine the time taken between Board approval and effectiveness of the credit. Of the 83 projects, 59 (over 70 percent) took longer than three months to be declared effective, 45 (54 percent) took six months or longer, and 24 projects (29 percent) took nine months

or longer. This reflects the administrative logjams in the country, perhaps a less than full commitment to the project, and deficient project preparation and design. This also suggests an operational remedy for the World Bank—that effectiveness conditions should be kept minimal, and most of the actions required should be taken before Board presentation. This may lengthen the time between negotiations and Board presentation, but it would create greater urgency to complete requested actions, given the “aging” of the Staff Appraisal Report or the President’s Report and the relevance of the indicators and information shown in those documents.



Development Outcomes

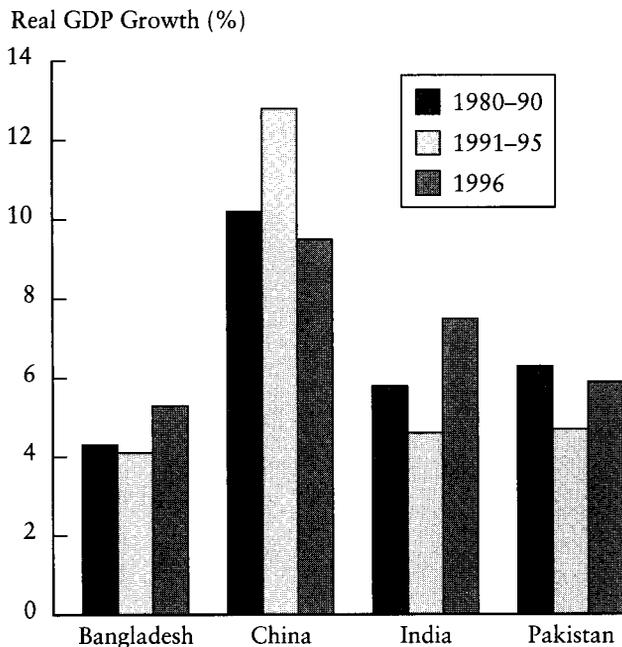
The growth performance of Bangladesh, with the exception of flood or drought-related years, has been in the range of 3.5 to 4.5 percent a year. Investment, both public and private, has been deficient, especially when compared with countries in the South Asia Region, as well as countries with similar per capita incomes. This investment performance has shown some progress in the 1990s, with a consequent modest improvement in the trend GDP growth rate. Viewed over a long trend period, two indicators suggest that

profound changes have occurred in the framework of the Bangladesh economy. First has been the remarkable decline in the relative share of agriculture in GDP from over 40 percent in the early 1980s to 25 percent by the late 1990s. While the general trend is consistent with the growth of low-income countries (as industry and services emerge from a low initial base), the magnitude of the change is puzzling (see figure 4.1). There appear to be serious anomalies in the agricultural and food-grain output data in the 1990s, inconsistent with fertilizer use and small-scale irrigation prevalence. As a result, the perceived relative decline in the importance of agriculture must be viewed with some caution (table 4.1 displays performance data).

A much more encouraging and positive trend over the past 15 years has been the steady and strong growth in domestic savings performance, notably private savings. Several factors have contributed to this. The increasing monetarization of the economy, together with a broad extension of banking services into rural areas, has expanded the capacity for mone-

tized savings. High real administered interest rates on deposits have been a positive inducement. An increasing number of people can now meet basic survival needs for food and shelter, resulting in a rising marginal propensity to save as incomes rise. Workers remittances from abroad have risen steeply in the latter part of the 1980s and 1990s, adding to the pool of private savings. The public sector has improved its savings performance in the past five years. An average annual current surplus of about 1.1 percent of GDP in the latter part of the 1980s evolved into a surplus equivalent to 3.3 percent of GDP by FY95. This was achieved entirely on the revenue side, with an improved tax collection performance and introduction of a value-added tax system.

The balance of payments has always been a weakness of the Bangladesh economy. Throughout much of the 1980s, reserves were at precarious levels, given the country's susceptibility to the shocks caused by natural disasters. Very high current account deficits averaging over 9.0 percent of GDP in the early 1980s were

FIGURE 4.1: ECONOMIC GROWTH COMPARISONS

Source: World Development Indicators 1997, World Bank Country Offices.

only sustainable through the flow of concessional foreign assistance. The causes for this persistent external imbalance were inherently structural; little was done up to about 1984 to change relative prices and reduce the distortions affecting the development of export-

earning opportunities. Food imports alone accounted for about 20 percent of all imports during much of the 1980s. Only with increasing liberalization in input supplies to agriculture in the late 1980s could food-grain output grow sufficiently to significantly reduce food-grain imports.

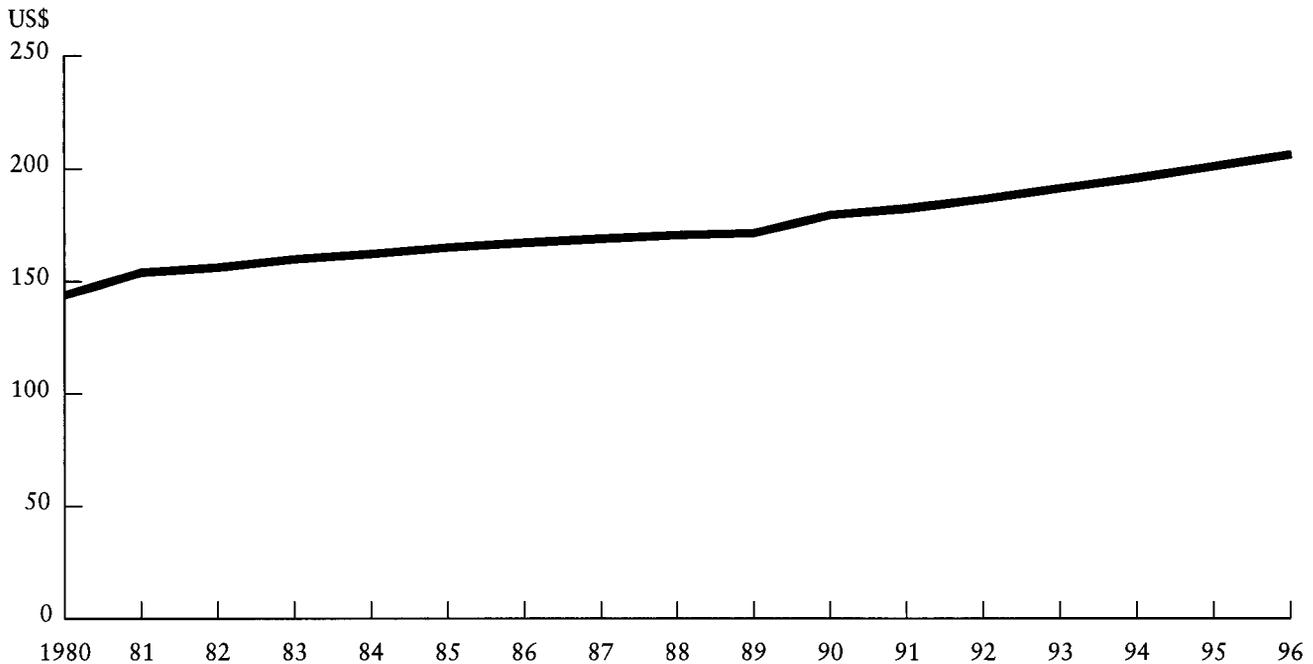
The severe flooding in 1988 brought this problem into much sharper focus, and a comprehensive stabilization and liberalization initiative supported by the IMF, IDA, and other donors was launched. From 1989 to 1994 there was a sustained improvement in overall macroeconomic management, and a sustained period of structural adjustment and liberalization. The balance of payments performance improved dramatically, foreign reserves reached historically high levels, inflation was at an historic low, and there was a strong improvement in national and domestic savings.

Growth in exports has been strong in the 1990s, led by ready-made garments and other nontraditional products. Export values in 1995 were equivalent to over 17 percent of GDP, rising from just over 8 percent of GDP in 1988 (see figure 4.2). In part, this has been the result of a decline in the real exchange rate in the mid-1980s, which continued through the 1990s. The progressive liberalization in the trade and investment regimes, which, again, accelerated in the early 1990s, has been significant. For example, before 1990, unweighted average nominal tariff protection was 88.6 percent. By 1996 this had declined to 24.6 per-

TABLE 4.1: MACROECONOMIC PERFORMANCE

	1981-85	1986-90	1991-95
GDP growth (percent)	3.80	3.9	4.4
GDP composition (percent)			
Agriculture	42.30	37.6	31.4
Industry	13.40	14.3	17.4
Services	44.30	48.1	51.2
		(Percent of GDP)	
Consumption	98.70	96.7	92.3
Private	91.00	83.8	78.2
Public	7.70	12.9	14.0
Investment	13.20	12.5	14.6
Private	7.00	6.3	7.9
Public	6.20	6.2	6.7
Gross domestic savings	1.30	3.3	7.7
Gross national savings	4.30	6.8	12.1
Current account balance of payments	-9.20	-6.2	-2.9
Exports	7.50	8.6	13.5
Imports	19.90	17.4	19.9
Foreign reserves (months of imports)	1.75	3.0	5.8
Consumer prices (annual, period average)	11.20	9.6	3.4

Source: World Bank data.

FIGURE 4.2: GDP PER CAPITA (1980–96)

Note: Data for 1996 are estimated.

Source: World Development Indicators 1997.

cent. The growth in ready-made garment exports from almost zero in 1982 to over US\$2 billion by 1995 is indicative of what can be expected of Bangladesh in labor-intensive, light manufacturing activities. To date, this potential has not been fully realized, and significant investments in consumer electronics, consumer durables, and other consumer products have not occurred as in other parts of the South Asia Region and China. This reflects the country's infrastructure constraints (particularly power) and still onerous bureaucratic and administrative requirements, as well as the political uncertainties perceived by foreign investors (see figure 4.3).

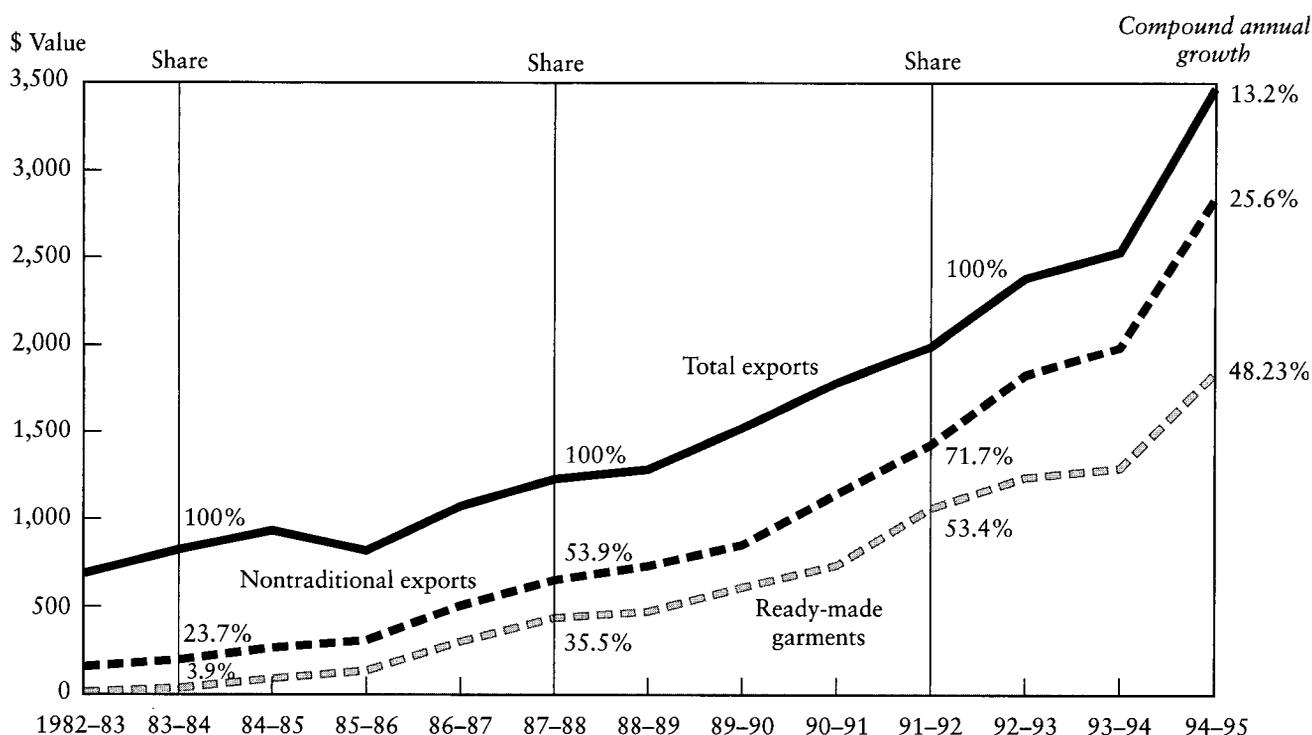
One area of macroeconomic stabilization and adjustment that requires further attention is fiscal performance. Progress has been made in improving central government savings performance, but the overall budget deficit remains high (6.8 percent of GDP in 1995). A major problem during the 1980s and early 1990s has been the poor performance of the SOEs. By 1991 the total losses of the loss-making firms reached 2.1 percent of GDP, and while progress has been made in reducing this, the state enterprise sector, including public utilities, continues to drain the economy (see table 4.2).

While Bangladesh has gone through periods of privatization, government and policymakers have been slow to fully accept that the private sector is crucial to the development of the country's infrastructure or primary resources base (such as natural gas). Despite official announcements, limited or no progress has been made in private sector investment in power, energy, telecommunications, and transportation. At the time of Independence in 1971, the development path chosen borrowed much from the path selected earlier by China. Ironically, in the 1980s and 1990s, China pioneered foreign private investment in power and other sectors, and encouraged foreign private inflows into all aspects of industry and manufacturing. Bangladesh needs to follow this example.

Poverty Alleviation and Human Development

While GDP growth performance during the 1980s and 1990s has not been spectacular, good progress has been made in improving the general well-being of the population. With aggressive immunization programs, particularly from the mid-1980s, infant mortality has declined and life expectancy has improved. Population programs, again from the mid-1980s, with strong gov-

FIGURE 4.3: EXPORTS (US\$ MILLIONS), 1982-95



Traditional exports: Raw jute, jute manufactures, jute specialty products, tea, and leather products. *Nontraditional exports (major groups):* ready-made garments (RMG), fish products, urea, naptha.
 Source: World Bank Operation Information Systems database, internal documents.

ernment commitment, have reduced fertility and curbed population growth rates, although most people still live a precarious existence. But as seen in table 4.3, the proportion of the population with a daily food intake below 1,805 calories has declined.

Family Planning, Health, and Nutrition

By supporting expansion of health infrastructure and trained staff, as well as policy and institutional improvements, IDA operations have facilitated significant positive outcomes in family planning and health. Over the past 20 years, Bangladesh has built an extensive health infrastructure; the country has 3,775 family welfare clinics or health subcenters (rural dispensaries) at the union level and 349 Thana (subdistrict) health complexes. These are at least nominally well-staffed with medical and health personnel. A network of 5,000 salaried family welfare assistants and health assistants carries outreach services to the villages, with domiciliary visits and at monthly fixed sites. In addition, NGOs run health facilities in different parts of

the country. External assistance has been accompanied by (or has facilitated) rising total government expenditures on health and family planning.

Family planning services are now widely available. Field workers, both government and nongovernment, are the main agents. The contribution of physicians, private clinics, and traditional practitioners remains relatively small. There has been a rapid increase in contraceptive prevalence under socioeconomic conditions not normally conducive to acceptance. Fertility has declined rapidly over the past two decades. Many people express willingness to have small families and to delay first childbirth. The contraceptive prevalence rate (CPR) has reached 45 percent and knowledge of contraceptive methods is widespread, although varying by group. The CPR has risen from 8 percent in 1975 to 45 percent in 1993, total fertility has declined from around 7 to 3.3, and the rate of population growth has edged downward from over 3 percent to around 2.2 percent (WHO 1996).

Infant mortality fell from over 140 in 1971 to 88

TABLE 4.2: FISCAL PERFORMANCE (PERCENT OF GDP)

	1986-90	1991	1992	1993	1994	1995
Overall budget deficit	-7.4	-7.2	-5.9	-5.9	-6.0	-6.8
Revenue	8.8	9.6	10.9	12.0	12.2	12.1
Expenditure	16.3	16.8	16.8	17.8	18.1	18.9
Current	7.9	8.7	8.3	8.9	8.9	8.8
Annual development program	7.1	6.2	6.3	7.1	8.4	8.6
Gross losses of public enterprises	1.1	2.1	1.9	1.1	0.8	n.a.
Net losses of public enterprises	0.8	1.8	1.6	0.7	0.6	n.a.
Foreign financing	7.0	6.2	4.9	5.6	4.9	4.9

n.a. Not available.

Source: World Bank data.

by 1994, primarily as a result of the government's expanded immunization program (EIP). Between 1985 and 1994 the proportion of children immunized against six major childhood diseases increased from 2 to 62 percent. The EIP, with strong support from the United Nations Children's Fund (UNICEF) and the World Health Organization (WHO), has relied on a large-scale program of social mobilization involving government workers, NGOs, and the media. The rapid spread of oral rehydration therapy (ORT) to treat diarrhea, developed by the International Center for Diarrhea Disease Research, Bangladesh, has also contributed to the decline in child deaths. In addition, the incidences of malaria, cholera, and typhoid have been reduced, and smallpox has been eradicated. There has been a modest decline in maternal mortality over the past five years, probably reflecting better family planning services and wider use of tetanus toxoid.

The family planning and maternal and health services still have serious weaknesses. Internal efficiency of the system is low because of management, staffing, and logistical problems. Some facilities are underused; others are overcrowded. Contraceptive use is increasingly skewed toward more expensive, less efficient temporary methods. Family planning is hampered by

lack of integration with the health services, interruptions of contraceptive supplies, insufficient travel and daily allowances for field staff, and needless constraints on the operations of NGOs. The quality of health care is perceived to be poor, drugs are often in short supply, and medical staff are thought to be indifferent to patient concerns. A 1994 study of 40 subcenters found that patients were adequately examined in only 37 percent of cases: the average consultation lasted less than a minute (Zahan 1994).

Education

The increased targeting of vulnerable, disadvantaged groups and primary education from the mid-1980s has had positive results. After primary school enrollment had stagnated for almost 30 years, gross enrollment rose from 55 percent in 1985 to 63 percent in 1990. Attendance of girls, particularly in the rural areas, has increased, and female enrollment in secondary schools grew from 24,068 in 1992 to 44,569 in 1994. The enrollment rate for girls in secondary schools increased from 28 percent in 1980 to 42 percent in 1993, and is now about the same as for boys. Literacy and nonformal education programs cover about a million students in all age groups, and 75 per-

TABLE 4.3: SOCIAL INDICATORS

	1981	1986	1990	1994
Infant mortality (per 1,000 live births)	111.5	116.0	94.0	77.0
Life expectancy (yrs.)	54.8	55.2	56.0	58.1
Fertility per woman	3.2	3.3	2.9	2.4
Percent population with daily calorie intake below 2,122	73.2	51.7	47.5	46.0
Percent population with daily calorie intake below 1,805	50.1	21.7	28.0	n.a.

n.a. Not available.

Source: World Bank data.

cent of these services are delivered by NGOs.

Government commitment to education has increased. Education outlays have risen from 7.9 percent of the budget in 1980 to 10.3 percent in 1990 (education represented 9.6 percent of the budget in 1997). Infrastructure and teaching staff have expanded. There are now about 45,000 primary schools and 11,000 secondary schools in Bangladesh. According to government statistics, approximately 190,000 primary-school teachers serve 12.3 million students. The increase in school capacity and number of teachers has made it possible to accommodate a rapid increase in enrollment and gross enrollment rates. From 1980 to 1990 the primary-school-age population increased by 19 percent, and school enrollment increased by 50 percent.

Despite the achievements in general education, access to primary education remains a problem for the poorest groups, and the quality of education delivered is less than satisfactory. Even now, the educational attainment of women in Bangladesh remains one of the lowest in the world. According to the 1991 Census, the literacy rate for females over the age of five was 20 percent, compared with 35 percent for males (see table 4.4). The 1991 Education Expenditure Review reported the completion rate for the five-year primary education program at 43 percent.

Internal efficiency of the school system is low, reflecting high dropout and repetition rates. It takes an average of 8.7 years of teaching to produce a single graduate of the five-year primary cycle. This inefficiency reflects the low number of classroom hours, poor quality and absenteeism of teachers, and lack of system accountability. Retention rates in both formal and government nonformal primary education compare unfavorably with programs sponsored by NGOs.

The quality of education is still deficient; the cur-

riculum lacks relevance, textbooks are outdated, teachers are poorly trained and supervised, logistical support is weak, and buildings are in poor condition. Instruction time is 2.5 hours each day in grades 1 and 2, and 4 hours each day in grades 3 through 5, the lowest in South Asia. Actual instruction time is much less, according to observers in the field. Access to education remains inequitable, especially for the rural landless, urban poor, and girls. This is partly because the real cost of "free" education to consumers is high. The time costs of having children at school may be considerable, and the direct private costs of education are high.

Industry and Finance

Because of changes in government industrial sector policy in 1982, a foundation was established to support growth in the manufacturing sector (particularly the nontraditional sectors) and the growth and diversification of exports. Performance of the sector during the 1980s was disappointing. Real growth averaged only 2.6 percent a year between 1981 and 1990, below GDP growth of 3.2 percent annually. New private investment was stagnant throughout much of the period, and the SOEs continued to perform poorly. Growth was affected by floods (1988), the sharp fall in jute prices (1986), and political and labor disturbances throughout the period. However, other policy constraints combined to thwart the growth of the private manufacturing sector. These included:

- The high cost of capital and access to credit for small manufacturing enterprises.
- The government's policy of supporting sick private and public industrial enterprises has weakened the banking system, and lack of exit for insolvent firms has weakened stronger competitors.

TABLE 4.4: EDUCATION COMPARATORS

	Gross enrollment rate			
	Adult illiteracy	Primary	Secondary	Tertiary
Bangladesh	65	73	19	4
India	52	98	44	-
Nepal	74	86	30	6
Pakistan	65	46	21	3
Sri Lanka	12	108	74	5
Low-income countries	40	101	41	3
World	33	102	52	17

Source: World Bank data.

- Despite some trade policy reform, throughout the 1980s the manufacturing sector was highly protected and oriented toward the domestic market. This inward focus resulted in poor quality and reliance on a small domestic market.
- Despite some denationalization, the high level of continuing public sector ownership in several large manufacturing subsectors (such as textiles and jute) has inhibited investment and technological progress.

Despite the disappointing overall performance of the industrial sector, some promising structural changes occurred, most notably in the nontraditional export industries of ready-made garments, frozen fish and shrimp, leather products, and natural gas-based fertilizers. These sectors registered an annual average growth rate of 11 percent from 1982 to 1990 (see table 4.5). Throughout the decade, good progress was made in the diversification of exports from a declining world jute market, the country's main export product. Ready-made garments, for example, grew from almost zero in 1982 to over US\$700 million by the end of the decade.

Bangladesh still has a small and relatively underdeveloped financial system. The range and diversity of institutions is narrow and the financial products available are limited. The sector contributed 2.1 percent of GDP in 1989, which declined to 1.8 percent in 1992. Development of the capital market has been slow, and institutional and regulatory frameworks are weak. Domestic savings rates are low compared with the country's neighbors (Bangladesh, 7 percent; Pakistan, 17 percent; Sri Lanka, 19 percent; and India, 21 percent).

The financial sector has been dominated by the government since nationalization of the commercial banks in 1971. The quality of financial intermediation has been poor, and loan recovery performances steadily deteriorated throughout the 1980s and early 1990s. By 1985 nearly 30 percent of the NCB's loan portfolio was impaired by overdue repayments (Watanagase 1996). This percentage was based on

loan classification norms well below accepted international prudential standards. Financial deepening (Money/GDP) occurred throughout the 1980s, with the M2 ratio climbing from 19.6 percent in 1980 to about 28 percent in 1989—still low by the standards in neighboring countries.

Energy and Infrastructure

Bangladesh is one of the lowest per capita energy users in the world, despite a threefold increase in per capita electricity consumption over the past 15 years. Between 1980 and 1993 the installed generating capacity tripled, from 822 to 2,608 megawatts, or about three times the rate of GDP growth. However, massive investments are needed to keep pace with present demand growth. At present, only about 14 percent of the population is served with electricity. Estimates suggest that generating capacity needs to be increased by almost 1,200 megawatts by the turn of the century. The provision of adequate electricity is hampered by having over 25 percent of capacity out of service, awaiting rehabilitation, and having one of the highest numbers of employees per consumer in the world. There is frequent loadshedding, and a massive system loss of over 35 percent, caused mainly by illegal connections or corrupt billing practices.

Access to basic infrastructure, such as power supplies, is unavailable to nearly 80 percent of the population. Only about 50 percent of the population in urban areas has access to safe water, and telecommunication penetration (at 2 lines per 10,000 people) is still among the lowest in the world (see table 4.6). Over the past two decades the total road network increased by over 200 percent, to nearly 14,000 kilometers.

This development tended to focus more on national and regional highways than on rural feeder roads connecting rural markets. The rail network has declined in importance as a mover of freight and passengers. This is a result of the expansion in road traffic, but also a function of poor management. In the 1980s, rail freight traffic declined by 20 percent.

Agriculture, Food Security, and Flood Control

Agricultural growth (from 1980 to 1996) averaged about 2.1 percent a year, or the same pace as population growth. This is curious, given the large increases in fertilizer use, introduction of high-yielding seed varieties, and more widespread irrigation.¹ Other data suggest that agricultural production has grown faster

TABLE 4.5: MANUFACTURING PERFORMANCE (PERCENT)

	FY73-80	FY81-90	FY91	FY92	FY93
Growth rate	7.8	2.6	2.4	7.3	8.0
Share of GDP	12.0	10.1	9.8	10.1	10.4

Source: World Bank data.

TABLE 4.6: COMPARATIVE OVERVIEW OF INFRASTRUCTURE PROVISION

Indicator	Bangladesh	India	Pakistan	Sri Lanka	Philippines	Thailand	Malaysia
Percent of households with electricity	12	54	3,131	33	46.0	43	64.0
System losses as percent of output	35	19	24	18	19.0	11	16.0
Population with access to safe drinking water (%) (nationwide)	78	73	55	60	81.0	77	78.0
Telephone density, lines/1,000	2	8	16	12	10.3	31	111.3
Paved road density, km/million persons	59	893	229	536	242.0	513	n.a.
Percent paved roads in good condition	15	20	18	10	31.0	50	n.a.

Note: Data generally pertain to the years 1990–94.

Source: 1994 World Development Report, A Survey of Asia's Energy Prices, and International Telecommunications Union (ITU) reports.

than suggested by the GDP calculation. For example, from 1990 to 1995, fertilizer use increased by 36 percent, minor irrigation (as measured by shallow tube-wells and low-lift pumps in operation) increased by 101 percent; yet the stated food-grain production increased from 18.7 million tons to 19.1 million tons (2 percent) (Narbye 1989). Data from the Household Expenditure Survey conducted in 1991–92 show that per capita intake of calories from cereals increased by 8 percent from 1984, and that the share of the food budget going to cereals declined from 58 to 50 percent. From some of these proxy data, unofficial estimates suggest that agricultural growth has been averaging 1 to 2 percent higher than population growth. It is clear that by the early 1990s, considerable progress had been made toward achieving rice self-sufficiency.

Rice self-sufficiency has been attained in years of normal weather. However, without export markets, domestic rice prices fall sharply each time self-sufficiency is reached, undermining incentives for further growth. Attention must be given to the development of rice exports as well as crop diversification into higher-value items. Although crop diversification is demand-driven, alternative crop possibilities should still be explored. This will require efforts in extension and technology transfer, using governmental and non-governmental agencies.

In 1980 input supplies and prices were controlled by the government, and output prices, particularly for food-grains, were controlled in part by procurement policies and food distribution programs. The country

has benefited from the so-called Green Revolution, but more modestly than other countries. This is partially the result of the inefficient distribution of inputs (fertilizer and irrigation), but with the introduction of low-lift pumps and shallow tube-wells, this situation started to change. By the end of the 1980s, with complete liberalization of the market for irrigation equipment and fertilizer, which increased availability and lowered prices, the sector enjoyed periods of robust growth despite severe flooding in 1988 and 1989.

One cannot discuss agriculture in Bangladesh without discussing flood control and drainage. During the annual cycle of flooding, the three main rivers engulf almost two-thirds of the agricultural land, not always in a completely predictable manner. This annual flooding and retreating of the rivers (*barsha*) is a central fact of rural life and of the agricultural system, providing water and soil nutrients and recharging the aquifer. The government and donors have sought to make this flooding less lethal, and at the same time improve agricultural productivity. Progress has been mixed.

Early emphasis was on the construction of massive systems of barrages, embankments, and canals with support from the donor community. However, technical problems soon became manifest. Controversy as to how to “manage” this flood water persists. For example, silting raises the river bed, necessitating higher embankments; if these are breached, the lethality of the flooding is extended. There is the problem of drainage. Common structures are “polders,” which use embankments to completely seal-off a compart-

ment of land from flooding. However, heavy monsoon rains leave excess water in the polder that needs to be drained, requiring sluice gates (which require perpetual maintenance or the land becomes waterlogged). And the silting problem persists outside the polder, further aggravating the drainage problem.

Many of these externalities with regard to flood control programs were known in the early 1980s. However, a consensus view was never achieved and large-scale civil works proceeded. But the massive floods in 1988, with the loss of over 2,000 lives, brought the issue into much sharper focus. A host of conflicting proposals were put forward, ranging from massive embankments to more modest riverbank erosion protection. Following a G-7 meeting in London in 1989, a Flood Action Program (FAP) was designed to bring together a series of studies and activities that would eventually culminate in a coherent set of proposals. The bulk of FAP products are studies, presided over by the government's Flood Plan Coordination Organization, which is advised by a panel of experts

coordinated by the World Bank. Progress toward consensus has been slow.

To Sum Up

The 1980s and 1990s saw progress in economic and social development, albeit not at the pace one might prefer. Reform has accelerated from the late 1980s, and this has resulted in an improved investment and commercial environment. But in contrast to other countries in the region and in Asia, Bangladesh has been tardy in limiting the role of central government in all aspects of economic development and focusing on creating a more dynamic investment environment. Employment creation remains a central challenge. Although there is no shortage of entrepreneurship or individual ingenuity in the country, government, both at the local and the central level, has yet to define the proper balance of support and intervention and create the enabling environment that will reduce transaction costs and allow entrepreneurship to flourish.



Efficacy of IDA's Assistance Strategy: Overall Assessment

Because it is one of the poorest countries in the world, any assessment of development progress and achievement in Bangladesh will be colored by the desire to reduce absolute poverty and human hardship as speedily as possible. As a result, expectations will always risk being overoptimistic and outstripping what realistically might be expected. Complex political, social, and economic factors all constrain the development process, and even when identified, are not always easy to overcome. This produces impatience and frustration for all those involved in

the country's development and can lead to hasty generalizations and impracticable suggestions.

In assessing the effectiveness of a single agency's participation in this process, no matter how large, it is vital to remember that other agencies are involved. Establishing a counterfactual scenario with no IDA involvement is not technically possible. And measuring IDA's performance without assessing the performance of others involved in the development effort may ascribe to IDA a capability and independence of action that it does not enjoy.

Over the past decade and a half there has been progress in both economic and social development. While economic performance has not been remarkable, the macroeconomic situation in 1996 was more robust than in 1980, and the more rapid growth performance of the 1990s suggests what can be achieved with even more determined efforts to overcome constraints and create an optimal policy environment. Many social indicators show steady improvement. This should encourage a redoubling of efforts to bring about further progress. IDA has contributed much to this progress and has strongly supported important changes in the Bangladesh economy.

At the start of the 1980s, IDA's task was to convince policymakers that while the public sector was important in the development process, the main dynamic engines for economic development were markets and private initiative. This dialogue continues, and IDA can claim only partial success in this endeavor. Progress has been made, most notably from the mid-1980s, in liberalizing the trade regime, regulating investment, distributing agricultural inputs, and gaining access to foreign exchange. But progress has been tortuously slow, and successive governments have never fully endorsed the notion that the private sector needs to be encouraged rather than constrained. In many respects, authority and decisionmaking are more centralized today than a decade ago. Deficient service delivery in rural clinics and hospitals, inadequate or completely absent maintenance of critical infrastructure such as flood controls and drainage systems, massive system losses in power generation and distribution, and highly inefficient ports are but a few examples of the corresponding diminution of accountability (see box 5.1).

In the context of *Macroeconomic Stabilization and Adjustment*, IDA has taken a secondary role to the IMF,

although a prodigious amount of good-quality ESW has contributed to the overall policy dialogue. IDA has taken a strong stance on public domestic resource mobilization. Progress on this throughout the 1980s was slow. But with appropriate sector work (Public Expenditure Reviews and a tax reform study), good progress has been made in the 1990s, and macroeconomic management has improved (see box 5.2). The government is now contributing to the ADP from domestic fiscal resources, but more needs to be done. In this context, it can be said that IDA has contributed to reducing the country's *aid dependency*. The IPCs, which had fully disbursed by mid-1988, were not full, effective mechanisms for bringing about fundamental policy change, and their discontinuation was appropriate, if late. In the early 1980s, however, given the country's very low reserves and limited ability to import essential food and oil, it is debatable whether IDA's structural policy reform stance should have been less compromising, with much stronger conditionality contained in the IPCs (see box 5.1).

IDA's *Country Assistance Strategy* became more sharply focused, more relevant, and more realistic in the 1990s. The improving macroeconomic position has provided more opportunity to suspend activity in sectors of strong policy disagreement. Nevertheless, IDA now manifests a much more sophisticated appreciation of institutional limitations in the public sector. And IDA is seeking to neutralize these limitations by more targeted interventions and alternative project implementation approaches.

IDA's strategy throughout the period under review was efficacious. The early emphasis on expanding food-grain production and improving birth control prevalence and primary health care was highly appropriate, and sustained efforts in these areas brought positive results. IDA's tenacity has not brought equally strong dividends elsewhere. IDA assistance to restructure SOEs and the financial sector (particularly in the 1980s) was not successful. Only gradually did IDA realize that the core constraint in the development process in Bangladesh was the public sector itself. Political involvement in all aspects of civil administration, in public enterprises, and in commercial banks and corruption within the civil service and public utilities all created strong vested interests determined to maintain the status quo.

The intensity of ESW was consistent with Bankwide norms, and some notable successes in assisting government policy formulation were gained. Studies in trade and

tax reform in the late 1980s guided the GOB to implement reform programs in the early 1990s. An Environmental Review fed directly into the development of the government's own environmental action plan, as did the (1996) Public Expenditure Review.

There were anomalies in the ESW work program, however. The relatively strong emphasis given to work in the industrial sector was misplaced; this has not resulted in a commensurate reward such as fundamental reform of SOEs or a greatly enhanced share of industrial output. A further anomaly has been the relatively small amount of sector work in population and primary health care.

Implementation of projects in Bangladesh has been a persistent problem, affecting the results of IDA's Country Assistance Strategy. Implementation problems have been difficult to overcome, and disbursement ratios (averaging about 11 percent) throughout the 1980s were below Bank norms. Efforts to improve this have been successful, but the supervision intensity effort per project in Bangladesh is still about 50 percent higher than the Bankwide average. There are many reasons for this relatively poor implementation performance. The limited institutional capacities in the country are under strain, and this has worsened as the ADP has expanded. There are too many projects in the ADP, which makes monitoring problematic. The government's own procedures and administrative arrangements are cumbersome and time-consuming. Project design has often been overoptimistic in estimating project completion times; some project designs are too complex for local institutional capabilities. Attempts at institutional reform have met with little success, and the only way to improve this has been to circumvent poorly functioning institutions and find alternative implementing agencies.

In *Project Outcomes* from 1980 to 1996, 63 projects were reviewed and rated by OED. Of this number, 24 projects, or 38 percent, were rated as unsatisfactory. This compares with a Bankwide OED rating of 33 percent of projects as unsatisfactory. With regard to sustainability, 35 percent of rated Bangladesh projects had a likely sustainability rating, compared with 45 percent Bankwide. With regard to institutional development performance, 36 percent of rated Bangladesh projects had a negligible institutional development rating, compared with 24 percent Bankwide.

Sector performance has been variable; the industry and finance sectors performed extremely poorly. Out of 13 operations, only 3 (23 percent) had a satisfactory rat-

BOX 5.1: EVALUATION OF IDA'S IMPORT PROGRAM CREDITS FROM 1980 TO 1988

During the period 1980–85, the Board approved five IPCs, which disbursed \$619.1 million in balance of payments support to mid-1988. This program followed eight similar operations in the 1970s. These operations were intended to provide assistance to sustain a minimum level of critically essential imports (food and oil supplies) and to alleviate recurring balance of payments difficulties. While some aspects of these difficulties could be traced to inappropriate macroeconomic management, much of the difficulty was caused by external shocks (oil price rises), adverse terms of trade movements (declining world jute prices), and a poorly developed capacity to generate foreign exchange earnings.

Given that much of the population was living at the edge of survival, dramatically reducing aggregate demand to reduce balance of payments difficulties in the very short term was not humanely feasible.

These operations sought to identify and remedy critical issues related to production effi-

ciency. Initially the operations focused on policy issues related to the prime objective of increasing food-grain production. As the 1980s progressed, however, the content of action programs changed to encompass a wider range of sector and macroeconomic issues. Although ostensibly performance-oriented, conditionality for second tranche releases tended to be general and permitted an elastic assessment of performance: tranching of these operations did not provide an effective enforcement mechanism. This general lack of timing and specificity reflected IDA's delicate task of balancing the country's acute short-term need for foreign exchange and budgetary resources against fulfillment of a wide range of needed structural reforms.

From the ESW undertaken, IDA was able to identify key constraints and obstacles, and brought these to the government's attention. For much of the 1980s, the government argued that while this ESW was of high quality, it did not pay sufficient attention to equity considerations and the differential behavioral

patterns and circumstances of the various socioeconomic groups. The government maintained that IDA did not display a full understanding of social and political issues, or of the institutional frameworks surrounding these issues. This criticism was not justified.

It was clear that progress up to about 1987 was uneven, and conditionality, while comprehensive in its intent, was not fully complied with, nor were reforms energetically followed up. Throughout the period, political commitment to a broad-based adjustment program was fragile: no institutional framework for integrated management of an adjustment process was created. During the 1980s, the flow of external assistance exceeded US\$12 billion, and, while this was successful in gradually advancing macroeconomic stabilization and financing a large share of public investment, it may have undermined a more determined reform effort. This assistance, particularly balance of payments support, may have inadvertently

created a desensitizing effect by alleviating pressure on the political authorities to be more resolute in addressing pressing economic problems.

But reform progress was made in some areas, and while the pace may have been slow, by the end of the 1980s solid positive results were emerging. Improvements were made in fertilizer distribution and marketing, and sustained IDA attempts finally bore fruit in liberalizing the environment for low-cost minor irrigation inputs. Progress was made in improving overall management of the country's food system and the public food-grain distribution programs. This was particularly noticeable after the massive floods of 1988. Gradual progress was made in the liberalization of the trade regime and the environment surrounding investment. This established a foundation and acceptance for the more aggressive reforms in these two areas. Between 1982 and 1986, nearly 600 nationalized firms were denationalized, against strong domestic opposition.

(continued on next page)

BOX 5.1: EVALUATION OF IDA'S IMPORT PROGRAM CREDITS FROM 1980 TO 1988 (CONTINUED)

Reform progress in the financial sector was less successful. Throughout the 1980s, few concrete steps were taken to improve the country's commercial banking system, and there was little or no attempt to rehabilitate the variety of specialized DFIs. Little progress was made in improving domestic

resource mobilization efforts or in improving budgetary planning and management. Project implementation delays continued, and perhaps worsened, during the decade, reflecting lack of progress in overcoming institutional and administrative constraints.

While the need for these IPCs was clearly

manifest in the early 1980s, by the mid-1980s it was becoming apparent that a more detailed and holistic sector approach was needed, with operational mechanisms, such as Sector Adjustment Loans (SECALs), that would have a more specific reform agenda and more demanding tranche-release condi-

tions. Because the country's foreign reserve levels had climbed to about 3.75 months of import equivalent, from only 0.5 months in 1980, it was feasible to drop the IPCs in favor of more conventional adjustment operations.

Source: This précis of the effectiveness of IDA's IPCs in the 1980s was drawn from World Bank data.

ing. The success rate for other sectors is as follows: agriculture, 79 percent; energy, 60 percent; education and health, 66 percent; and technical assistance, 50 percent. The outcome performance of IDA projects in some sectors is clearly a cause for concern.

The *Aid Coordination* function of IDA in Bangladesh is crucial, given the large number of donors assisting the country. The scope and range of this coordination effort has expanded, most notably from the late 1980s, and now encompasses groupings of donors who support broad sector investment programs under IDA leadership. This has been achieved for population and health, flood control, and primary education. Because there is a large donor presence in the field, IDA, in conjunction with the government, has organized a Local Consultations Group (LCG), with 18 subgroups. The LCG meets about 6 times a year; the subgroups meet periodically. These coordination efforts have been effective.

By supporting expansion of health infrastructure and trained staff, as well as policy and institutional improvements, IDA operations have facilitated significant positive outcomes in *Family Planning and Health*. This assistance, together with that of other donors, has been accompanied by rising total government expenditures on health and family planning. The contraceptive prevalence rate has increased to about 45 percent from 8 percent in 1975, and total fertility has declined from around 7 to 3.3 percent. Infant mor-

tality has begun to drop markedly, primarily as a result of the government's expanded immunization program, supported by IDA and other donors.

Despite these achievements, the family planning and health services have serious weaknesses. Internal efficiency of the system is low because of management, staffing, and logistical problems. The quality of delivery of health care in public facilities, particularly in the rural areas, is perceived to be poor, and drugs are often in short supply. IDA and other members of the donor community and the government are aware of these problems, but attempts to deal with them have failed. The rising demand for family planning and maternal and child health services is placing an increasing organizational and financial burden on the system. Meeting the goal of replacement fertility will require a considerable increase in efficiency, greater reliance on NGOs and the private sector, and greater cost recovery. A revitalized service delivery system will call for greater community involvement, considerable administrative decentralization, and a more limited role for government at the national level.

IDA's assistance efforts in *Education and Human Resource* development have been effective. The increased targeting of vulnerable, disadvantaged groups and primary education has had positive results. After primary school enrollment had been stagnant for almost 30 years, gross enrollment rose from 55 percent in 1985

to 63 percent in 1990, and to over 100 percent by 1995. Attendance of girls, particularly in rural areas, has increased, and NGOs are active in nonformal literacy programs. Government commitment to education has increased: education outlays have grown from 7.9 percent of the budget in 1980 to 10.3 percent in 1990. The large increase in school capacity and number of teachers enabled primary school enrollment to increase by 50 percent in the 1980s. IDA has had much less success in vocational training and specialized education, with negative rates of return for assistance to public vocational and technical training centers.

As with health care, however, the internal efficiency of the public primary school system is low, and the quality of education is deficient. Teachers are poorly trained and supervised and logistical support is poor. Dropout rates are high; it takes an average of 8.7 years to produce a single graduate of the five-year primary cycle. System accountability is inadequate and retention rates for formal government primary education compare unfavorably with programs sponsored by NGOs. Increasing the quality of education requires improved incentives and greater accountability for teacher performance, improved teacher training, more parental involvement in resource mobilization and school management, and further encouragement of NGOs and private providers. Since 1992, IDA has addressed these issues in a sustained and aggressive manner, and this is bearing fruit.

Over the past 15 years, government efforts, with IDA assistance, to create a dynamic *Industrial* sector have not been successful. Only two out of nine projects have been rated as satisfactory: of the two ongoing projects, one had significant difficulties and was recently canceled. The pace of reform of the policy environment has been slow, and the successes that have emerged (such as ready-made garments) cannot be attributed to government or IDA (see box 5.2 for a discussion of the IFC's activity in the country). The situation improved in the 1990s, with more aggressive trade policy reform following good IDA ESW and more intense policy dialogue on trade liberalization issues. IDA's attempts to deal with the highly inefficient SOEs have largely failed. The quality and depth of the ESW undertaken by the Bank certainly diagnosed the problems and constraints. However, few realized the complexity of unbundling the issues of government ownership, strong and highly politicized labor movements, a bureaucracy seeking to maintain

centralized control, and a complex array of policy distortions and regulations. Throughout much of the 1980s, there was little genuine government commitment to creating an industrial sector driven by market forces. As a result, government ownership of projects was deficient, and IDA consistently miscalculated government resolve to effect real change.¹

The situation improved in the 1990s. IDA's move to SECALs with broad sector reform agendas has been appropriate, and while not fully successful, has generated a momentum for more liberalization throughout the economy and created a growing constituency for wider reform. Where success has been attained (the Export Development Project), the objectives were clear and specific and the project was modest in scope and expectations. Good progress has been made in trade reform and investment deregulation, and this has been sustained. But the regulatory environment is still oppressive, and the extensive public sector involvement in industry has yet to be reduced or removed.

Attempts by government, with the assistance of IDA and other donors, to create a strong and healthy *Financial* sector in Bangladesh have failed. All OED-rated projects during the review period were unsatisfactory and not sustainable. In many respects, the malaise in the banking sector is as chronic today as it was in 1980. Comprehensive ESW undertaken by the Bank identified the problems and the solutions. But the complex governance issues involved in the sector, the politicization of lending and government ownership, and the way in which these factors would undermine the reform agenda were not acknowledged or addressed. Throughout the 1980s and 1990s, government commitment to reform was deficient and project ownership was weak. IDA consistently overestimated government commitment, and had unrealistic implementation expectations as a result.

It is unfair to suggest that no benefits accrued from IDA's efforts. The sector reform adjustment operation brought about some liberalization and reduced the volume of directed credit, and the operation highlighted the nature and seriousness of the problems affecting the banking system and the urgent need for pervasive reform. But an autonomous and efficiently functioning central bank and legal loan recovery systems have not been fully established.

IDA has been effective in its assistance to *Agriculture*. Good progress has been made toward achieving rice self-sufficiency, and while this may have taken longer than

BOX 5.2: IFC ACTIVITY IN BANGLADESH

During the period under review (1980–96), IFC activity in Bangladesh has been limited. There were various reasons for this. For many years the environment for private sector activity in the country was not encouraging. There was a wide array of regulatory and administrative impediments to foreign investment and the development of the indigenous private sector. In addition, government and private sector relations tended to be adversarial, reflecting the residual effects of the nationalization and centrally planned economic policies followed in the 1970s. The business environment was adversely affected by the absence of an effective legal system and weak enforcement of existing regulations. This policy and legal environment (combined with a relatively underdeveloped domestic market and a shortage of entrepreneurial talent, managerial expertise, and skilled labor) hampered private sector development.

Between 1980 and 1992, the IFC made four investments in Bangladesh, totaling US\$10.27 million. By the end of FY96, the IFC's portfolio exposure in the country was down to US\$3.7 million. IFC's experience in these projects was mixed. Two projects, Bata Shoes Limited and IDLC, a leasing company, were successful. The other two projects, Dynamic Textiles and IPDC (and an earlier investment, made in 1979) were problem projects. Even the successful projects were hampered by controlled trade policies and cumbersome governmental procedures.

For example, IFC's investment in the local expansion of a multinational shoe manufacturer, while yielding satisfactory dividends, was hampered by government policy that banned the import of raw hides and imposed a high import tariff (45–60 percent) on leather-finishing chemicals. The procedure for claiming the duty drawback facility for export

was cumbersome. These circumstances put this firm at a disadvantage in a fiercely competitive international market. The situation improved in the early 1990s, with a relaxation in the import ban on raw hides, lowering of import tariffs (15–22.5 percent), and introduction of bonded warehousing. This was a successful IFC project, and the equity investment has now been divested, with a solid gain.

Another IFC success was the investment (in 1985) in IDLC, the country's first leasing company. This was in collaboration with a Korean leasing company, KDLC. At that time, medium- to long-term project finance was scarce in Bangladesh, and the commercial banks focused on short-term trade financing. Although awareness of this additional source of medium-term financing took some time to develop, leasing became popular with entrepreneurs as they realized its advantages. Selecting

credible clients, however, was difficult, given the endemic default culture. Client servicing and persistent follow-up were central features of IDLC's success. Today, following IDLC's lead, there are nine leasing companies. To augment IDLC's lending resources, the IFC approved a U.S. dollar guarantee in 1995 to ANZ Grindlay's Bank for a Taka loan to IDLC.

IPDC, the IFC's third investment in the country, had a difficult start. Several investments suffered repayment problems because of the absence of an effective legal system, which inhibited enforcement of the borrower's contractual obligations. However, IPDC's operations have significantly improved now that the government has demonstrated its commitment to strengthening the legal framework. IPDC's more recent investments have registered substantially better repayment performance, and with the development of the Dhaka Stock Exchange (DSE), IPDC's

desired, IDA was instrumental in liberalizing the agricultural input trade. Easier farmer access to minor irrigation, equipment, power tillers, and fertilizer has improved smallholder productivity and incomes. IDA advice and assistance for extension, research, and crop diversification

was relevant; for much of the 1980s, however, IDA's efforts to strengthen the institutions delivering these services were not fully effective. IDA has not been successful in improving credit delivery systems for agriculture—they are as bad today as they were in 1980. Much of the

equity holdings are showing healthy capital gains.

Future Agenda

As noted in Chapter 4, the economic reform momentum was fitful throughout the 1980s. From late-1991, however, economic liberalization took on a more sustained character and foreign and domestic investor interest expanded. As a result, IFC activity accelerated from about mid-1992. A local presence was established at the resident mission in 1993, and increased efforts were made by Washington-based staff and by the New Delhi South Asia Regional Mission to expand the project pipeline. Six projects were approved in the last two years, for a total amount of US\$55.77 million in IFC and participant bank loans and equity. The IFC Board approved an equity investment in an unincorporated joint venture with a U.S. oil and gas company for gas exploration and development in the northeast region of Bangladesh. This is the

first private sector investment since gas concession blocks were awarded through bidding in the early 1990s. A rural telecommunications project was approved for telephone connection to rural homesteads and rural business growth centers in the northern half of Bangladesh. Other projects include a hotel, a cement plant, a housing finance company, and a leasing company. There is now a much-expanded pipeline, which includes transactions in power, telecommunications, cement, housing finance, leasing, health care, urban transport, the gas sector, and textiles.

In addition to its direct investment activities, the IFC's Foreign Investment Advisory Service (FIAS) has been active throughout the 1980s; this support has expanded significantly in the 1990s. IFC has worked closely with IDA on aspects of the ESW program, with completion of a Private Sector Assessment in 1994 that provided inputs to the 1994 CEM. Advisory

services have been provided to the local Securities and Exchange Commission, to the Government of Bangladesh on privatization and private sector involvement in the power sector, and to the Telecommunications Regulatory Board.

Lessons for the Future

IFC involvement in Bangladesh highlights important generic lessons applicable to IFC activity in many developing countries.

- All projects and ventures require strong operational management and technical support. In environments where the necessary managerial and technical expertise is in short supply, it is essential that foreign partners maintain a close—almost day-to-day—managerial and technical support function.
- No matter how viable a venture may look in financial and economic terms, if the legal, regulatory, and financial systems are deficient, the chances for a

successful outcome and a positive development impact are greatly reduced.

- The role of the government in ensuring a facilitative and nurturing environment for private sector development is crucial to the success of any project or undertaking. The regulatory and administrative environment should be user-friendly, and should be dynamic and flexible in overcoming unforeseen obstacles. This requires both policy reform and bold government leadership to overcome entrenched bureaucratic practices and attitudes.
- Strong collaboration is needed between the IFC and other parts of the World Bank Group to identify and overcome constraints to private sector development. Already established IFC private sector contacts can be valuable sources of information in this area and in determining the sequence of reform needed to overcome these constraints.

responsibility for this must rest with the government, which has undermined credit delivery with periodic loan forgiveness schemes. The specialized public financing institutions had no incentive structure to enforce loan recovery. IDA has made a valuable contribution in

expanding mangrove forestry: this has addressed environmental issues and protection of vulnerable shorelines.

Overall, IDA has been effective in *Flood Control and Drainage*. This was an area of considerable technical controversy and, of course, high visibility. IDA's

strategy, based on 1970s sector work, was to avoid large projects in deeply flooded areas with high civil work costs per hectare. IDA efforts were concentrated on smaller sub-projects in shallow-flooded areas with low development and operating costs. Over time, many policymakers came to recognize the worth of this approach. IDA sector work in this area was instrumental to developing the National Water Plan in 1986, which established a multisector framework for planning water management; minor irrigation and shallow tubewells were vital elements of this plan. IDA also took a strong coordinating role in the development of a Flood Action Plan in 1989, which moderated demands by both government and some donors for massive civil engineering works with uncertain technical and environmental outcomes and economic viability.

IDA was not so successful in improving the institutional performance of the Bangladesh Water Development Board. Little progress was made in dealing with deficient operation and maintenance of flood control and drainage schemes. From the early 1990s however, there has been a greater degree of beneficiary participation, with local councils becoming more involved in the operation and maintenance of smaller schemes.

On balance, IDA has had a positive impact in the *Energy* sector. But, if one notes the resources directed to the sector, and balances this against the sustained achievements, the overall efficacy of IDA's assistance is modest. IDA has sought to encourage the government to allow a greater private sector role in energy, and at least a greater degree of commercial autonomy for public utilities, but government has resisted. Little progress has been made in reducing system losses in the main urban areas, despite separation of generation from distribution. The relative success of IDA's efforts in rural electrification and distribution is the product of the decentralized administrative approach adopted with the creation of rural distribution cooperatives that are more accountable to the communities they serve, and operate with a more commercially oriented administrative structure. While five of seven projects in the oil and gas sector have been rated as satisfactory, the long-term sustainability of the public sector's total monopoly position in the sector is questionable. IDA has encouraged the government to allow a greater role for the private sector in gas development, with some success. Eight out of 23 exploration

blocks have been leased, and offers for the remainder are under evaluation.

IDA support in the development of Bangladesh's *Infrastructure* has been effective in expanding the physical stock, and the development impact, particularly in the rural areas, has been positive. As with other sectors, however, the creation of sustainable institutions has not been successful. For urban water there is a lack of commercial orientation with very poor cost recovery; municipal revenues are inadequate to cover the maintenance of existing systems, let alone new investments. Good success has been achieved in IDA's assistance for rural roads, using local materials. Adequate maintenance has been a problem, but under the latest project, efforts are being made to involve local councils in maintaining road drainage and culverts. This approach (strongly endorsed by the Planning Commission) could lead to greater council participation in other areas, improving accountability and sustainability.

Although IDA's assistance strategy has been efficacious and effective, there have been failures. There has been a consistent failure to fully recognize institutional constraints and compose effective means to deal with them. The complex governance issues that surround the public sector's role in the economy have become more clearly understood, but resolution of these issues has yet to be fully developed. That decentralization of authority in the implementation of development efforts improves accountability and involvement of beneficiaries has been slow to gain acceptance. Despite over 15 years of policy dialogue, the enabling environment for private sector development is still deficient. Much ESW has identified constraints and suggested solutions, but liberalization has proceeded fitfully. This has undermined development progress and impeded a speedier reduction in overall poverty. There is no doubt that the political environment has been difficult for much of the period under review, and this has limited the effectiveness of IDA's policy dialogue. A consistent theme throughout the period has been IDA recommendations for reform and change that have been thwarted by government unwillingness to act boldly. Nevertheless, persistence by IDA in this dialogue has brought about some notable successes that have improved the human condition in Bangladesh.



Lessons for the Future

To improve the future effectiveness of IDA assistance in Bangladesh and accelerate economic development and reduction of poverty, two questions need to be asked. What should the government do, and what should the private sector and NGOs do? How can the services provided by the public sector be made more responsive to stakeholders' needs? The answers to these questions should determine IDA's assistance strategy and the type of lending and ESW that should be done in each sector. The generic lessons for the future cut across all sectors, and should guide future CASs.

Redefining the Role of the Public Sector. In all sectors this role needs to be redefined. There is great potential scope for the private sector, NGOs, and local governments to be involved in providing services. Local and municipal governments should be more prominent in all aspects of infrastructure development and maintenance, as well as education and primary health care. Government involvement in commercial activities must be reduced.

Increasing Emphasis on Accountability of Systems. Future project design must improve the accountability of those responsible for providing a service or completing a project. This design must involve all stakeholders, to define the limit of this accountability and set a framework for enforcing it. As a general principle, accountability is enhanced by decentralized participation in decisionmaking, finance, and organization. Organizational reforms have been tried in all sectors, including the civil service and quasi-government authorities; by and large, all have failed. This has happened because

unit performance has not been made accountable to the community served. No penalty has been imposed for deficient performance. Public employees in Bangladesh, whether teachers, doctors, agricultural extension officers, bank loan officers, or electrical engineers, do not operate under performance and incentive structures that encourage accountability to the communities or clients they are expected to serve.

Paying Greater Attention to Sustainability Issues. While no single approach will work in all sectors or projects, much more emphasis must be given to recurrent expenditure requirements for operations and maintenance, to cost recovery (if only partial in the beginning), and to institutional structures or implementing agencies and organizational frameworks. Policy reforms should be difficult to reverse or undermine, and should produce tangible benefits quickly. By doing so, reforms will establish a constituency of beneficiaries with a strong vested interest in the sustainability of initiatives undertaken.

Improving Project Monitoring and Evaluation. There is further scope to evaluate development throughout project implementation. Often the focus of attention is the physical completion of civil works or other such quantifiable targets, but more thought needs to be given to explicit outcome indicators; these should be part of the project design. Projects often run over seven or eight years, and waiting for the Implementation Completion Report (ICR) to provide a measure of effectiveness takes too long. Better monitoring and evaluation would assist the government in administrative reform designed to streamline project design and implementation.

Recognizing Ownership Issues. Many projects in Bangladesh show symptoms of incomplete ownership and low commitment to project objectives. Long delays in effectiveness, delays in appointing key staff, or failure to take action on agreed policy measures are examples. More effort should be made to strengthen the political commitment to necessary institutional change, and solid indicators should be used to indicate this commitment. To proceed without this essential foundation is a disservice to the people of Bangladesh and has negative externalities that affect the entire assistance program.

Defining Crucial Objectives and Limiting Goals. In countries that have manifested continual problems of project implementation, it may be useful to limit project objectives to a smaller number of crucial policy changes and development impact objectives. Projects often expand during the preparation and appraisal cycle because of the well-intentioned desire to generate maximum impact. However, as shown on many occasions in Bangladesh, this may result in disappointments for the borrower and for IDA. For adjustment-type operations there is a strong case for a sequence of single-tranche operations, with policy reform to be enacted before Board presentation. Adaptable lending should be a key instrument in dealing with sequential policy reform. While this may increase lending staff time, there will be a compensatory saving on supervision effort; this may help the borrower to focus on key issues and expedite consensus building within the country.

Social Sector Development

Redefining the Role of the Public Sector. In *family planning*, the government should progressively withdraw from the role of primary provider of services as contra-

ceptive prevalence increases, and phase out its retailing of family planning services. The NGOs and private providers (allopathic physicians, pharmacists, and traditional practitioners) should be encouraged to gradually fill the resulting gap. In *family welfare and health*, a greater role for private providers will increase the scope and variety of service alternatives available. Public funding of hospital-based curative procedures crowds out cost-effective basic health care, and government programs should work with, rather than restrict, indigenous practitioners and midwives (and upgrade their skills). The government should provide safe water and sanitation, control of communicable diseases, and health education. In *education*, priority must be given to improving the quality of primary and secondary education. The role of the public sector in technical and vocational education should be limited, and programs should be developed in collaboration with private employers, with costs primarily borne by the employer and trainees. Subsidies to universities should be phased out and user charges raised. To increase accountability, schools should eventually become the responsibility of reconstituted local governments, with teachers and administrators being employed by (and responsible to) these community-based administrations.

Increasing Emphasis on Accountability of Systems. At present, administrators, managers, and service providers in the health and education sectors are not held accountable to the communities they serve. Within the current framework of the government's programs and projects, and Bank support, the scope for improving this accountability is intrinsically limited. Government has been very good at activities such as mobilizing communities, increasing school enrollment, vaccination, and contraceptive acceptance. It has been less able to bring about the systemic improvements needed to upgrade school quality or monitor performance of health care provision. Organizational reforms have been tried; so far, all have failed because the major, politically powerful stakeholders (government physicians, family welfare workers, and teachers) have undermined them, believing the reform measures to be against their interests. All stakeholders could support a reform agenda in which all see benefit. As a general principle, greater accountability is enhanced by decentralized participation in decisionmaking, finance, and organization. This means giving greater financial and managerial autonomy to local units within the country's administrative systems. These units should have greater

responsibility for planning and budgeting, collecting fees, and determining how collected funds and government transfers should be used. This would improve accountability, provide signals about the appropriate mix of services, encourage greater community participation, and minimize administrative overhead.

Paying Greater Attention to Sustainability Issues. Budgetary constraints will limit achievement of government goals for family planning, health, and education. To relieve this constriction, an amalgam of approaches will be necessary. The goals may have to be adjusted to more realistically reflect the budgetary envelope. Perhaps budgetary allocations will have to be increased. Greater reliance must be placed on the private sector and the NGOs. More vigor should be applied to increasing the efficiency of service provision, together with increasing the charges to beneficiaries of publicly provided services. Redefining the role of government is desirable from an accountability perspective, and charges to beneficiaries for curative medical care and for higher education are justified on equity and efficiency grounds.

Recognizing Ownership Issues. All projects undertaken in the social sectors in Bangladesh exhibit symptoms of low ownership of projects (delays in appointing key staff, delays in approving project proformas, and failure to take action on agreed policy initiatives are a few examples). In future assistance, stronger efforts must be made to strengthen the political commitment to institutional change and to develop more effective procedures and control mechanisms in the provision of public services.

Improving Monitoring and Evaluation. Greater thought must be given to choosing explicit outcome indicators of development impact that can be monitored during project supervision, given the long gestation period of projects undertaken in the social sectors. In the past, greater attention was focused on physical implementation. While ICRs assess project outcomes more deeply than supervision reports, the time lag of ICR completion averages about eight years from project approval. A striking example is the Technical Education Project, which was approved in May 1984. Closing was extended three times, until June 1992: the ICR was issued in October 1993. There were 11 supervision missions between October 1984 and November 1991, and at no time was the project's rating less than satisfactory, largely because physical rehabilitation and procurement of equipment were relatively timely. Yet from an outcome perspective the pro-

ject cannot be deemed a success: many of the new graduates had great difficulty entering the labor market.

Intensifying Sector Work. Over the past 20 years, only 5 sector reports have been prepared on the education and population/health sectors. Other studies have dealt with these sectors only peripherally. This is not enough to keep a sharp focus in the ongoing policy dialogue in the sectors. The recently established Health Economics Unit in the Ministry of Health and Family Welfare has already produced reports on key issues in the health sector, including a public expenditure review; an analysis of recurrent costs, user fees, and the poor, costing the package of essential health services; and mobilizing resources through hospital user fees. There is much for the Bank to build on in health and education.

Optimizing the Role of NGOs. NGOs are important in health and education, both in piloting innovative approaches and in providing services. The GOB has become increasingly supportive of NGOs and has accepted them as partners in achieving national goals. However, the GOB has concerns about accountability and efficiency and maintains a strong regulatory role. Bank relationships with the NGOs have been good, and Bank operations have benefited from the approaches taken by some NGOs. However, discussions in the field suggest that many NGOs are reluctant to approach the Bank because of the complexity of Bank procedures and procurement regulations and the need for government guarantees. There is scope for greater NGO-government collaboration and interaction. The Bank-IDA would benefit considerably from this, as both teams seek to improve effectiveness in the social sectors in Bangladesh.

Reshaping Lending Operations. The time may now be appropriate for a transition from a "project" to a "program" form of lending for core operations in the population, health, and education sectors. This program approach would require agreement with the government on a wide range of policies, objectives, strategies, and expenditures. Disbursements would be linked to policy performance and satisfactory progress of the expenditure program. This approach will require agreement on a "new vision" for the role of government and other stakeholders in the sector, as well as a review of the sector expenditure program and its financing. The existing project approach of large and complex operations with many subcomponents is not designed to carry the significant policy changes that

might be necessary to move to new frameworks for providing population, health, and education services.

Industrial and Financial Sector Development

Public Sector Ownership of Commercial Banks and Industrial Enterprises. Government ownership of commercial banks and industrial enterprises does not provide the appropriate incentive framework for either internal efficiency and speedy response to changing circumstances or for sound allocation of credit within various parts of the economy. Reform of dysfunctional financial and SOE sectors must include, at the outset, an explicit statement of government intent to privatize, *and also* a widely publicized and monitorable action plan to implement privatization in parallel with increased efforts to strengthen central bank supervision and enforcement of prudential regulations. During the 1980s, the GOB denationalized a large number of SOEs, but the momentum has been variable, and a policy of protection for the inefficient remains. Over the long term, this is not sustainable and represents a tax on the more productive.

Redefining the Role of the Public Sector. For both the industrial and the financial sectors to achieve a more dynamic contribution to the country's development, it is necessary that there be a clearer definition of the appropriate role of the public sector. Improving the technical skills within the central bank and granting the necessary autonomy to enforce sound prudential regulation, improving the efficiency and impartiality of the legal system, liberalizing further the trade regime and the overall regulatory environment, and improving the quality of the supporting infrastructure are all areas where the GOB should focus attention. IDA can support this effort, but should do so only when there is a demonstrated willingness to assume a less interventionist public sector role. Stronger attention must also be given to micro-credit facilities in both rural and urban areas, which have been shown to be viable and successful by NGOs. Greater links need to be progressively forged between NGOs engaged in micro-credit provision and the formal banking system.

Pace and Sequencing of Reform. Gradualism—in introducing international standards and good practices in the banking system or encouraging efficiency in the industrial sector—has untoward side effects. The sense of urgency and commitment to a sustained reform program is undermined, which allows coalitions of vested interests to thwart the reform intent. A

gradualist approach often enhances the power of the more permanent (relative to changing political leadership) centralized administrative bureaucracy, maintains the scope for rent-seeking behavior, and dilutes the confidence of domestic and foreign investors who have witnessed, or experienced, previous “liberalization” efforts. For the success of IDA's future assistance to Bangladesh, IDA must seek fundamental reform in bank supervision enforcement, legal debt recovery enforcement, and closure of unviable SOEs before proceeding in other areas of industrial and financial sector restructuring.

Attention to Sustainability Issues. Experience suggests that multi-tranching of adjustment credits does not necessarily ensure sustained commitment to a long-term reform agenda. It might be beneficial to have a series of single-tranche adjustment or sector operations, with each having more limited, but crucial, objectives. This may bring a sharper focus to the policy dialogue and facilitate a more sensitive understanding of short-term political constraints. It may also improve the process of consensus building necessary to ensure that all stakeholders are committed to the reform effort. While this approach may increase Bank staff time in project appraisal, there will be a compensatory tradeoff against staff time spent in supervision. It will also help implementing agencies in Bangladesh because weak implementation capacities can be more sharply concentrated.

Technical Assistance, Institutional Development, and Sector Adjustment. IDA's assistance to these two sectors over the past decade and a half has shown that institutional strengthening is an indispensable part of sector reform. Attention must be given to the timing and focus of technical assistance designed to improve the capabilities involved in the sectors. For example, good bank supervision skills and systems are critical to improving the overall financial system. Technical assistance efforts in this area should precede more comprehensive sectorwide reform efforts.

Increasing Emphasis on Accountability. The almost complete lack of project success in these sectors over the past 15 years suggests that accountability on the part of designated implementing agencies is deficient. The recently approved microenterprise line of credit project, however, which will disburse through a specially created foundation for onward transmittal to participating NGOs lending to very small enterprises, is a promising sign.

Energy and Infrastructure

The Appropriate Role of the Public Sector. Much more serious consideration must now be given to the appropriate role of the public sector in the provision and maintenance of infrastructure. This implies that the private sector, foreign and domestic, has a critical part in investment and operations in power generation and distribution, the oil and gas sector, telecommunications, water and sewerage operations, ports, and all forms of transportation, and suggests that various levels of the public sector must become more actively involved and that a proper regulatory role for the state must be made explicit. Local authorities and municipalities should be given more autonomy and managerial discretion in investment and the maintenance of infrastructure. Where funding and institutional capabilities are weak, these should be progressively strengthened. In clearly commercial areas such as the oil and gas sector, telecommunications, and power, public ownership has not optimized exploration, production, or distribution. There is clearly a place for private sector partnership in these sectors in Bangladesh. Where public corporations remain, they must be allowed considerable managerial autonomy and discretion to operate on purely commercial lines.

Attention to Sustainability Issues. Project design must pay much closer attention to sustainability issues in infrastructure projects. Expanding generation capacity or urban access to potable water serves little purpose if nontechnical system losses are not addressed vigorously or if cost recovery remains dilatory. Expanding the rural road network without maintaining the existing network undermines the development impact of the investments made. A recurrent theme throughout projects in the energy and infrastructure sectors is the substandard performance of responsible institutions and a general approach to governance that reduces accountability rather than enhancing it. This is not the result of limited human capital and technical skills (the Local Government Engineering Department in the Ministry of Local Government, Rural Development, and Cooperatives has competent engineers and technicians, for example), but rather a function of existing bureaucratic and administrative systems. Tinkering with internal structures will achieve little unless the reward/sanction philosophy within the service provider groups is changed. The much better collection performance of the Rural Electricity Boards, compared with the Dhaka Electric-

ity Supply Authority, illustrates what might be achieved. Annual performance contracts that bind senior management to achieving organizational and operational targets would certainly help. The reverse of this coin (of course) is the need to encourage broad managerial autonomy and discretion.

Donor Assistance and Domestic Self-Reliance. Many donors have provided assistance to all aspects of infrastructure development in Bangladesh. Much has been achieved in the past two decades. In some cases, however, most notably the power and oil and gas sectors, the flow of concessional resources may have perversely undermined the perceived urgency for reform and domestic resource mobilization. While there is indeed a shortage of reliable generating capacity in the country, much could be achieved by a determined program to reduce system losses and improve collections. These deficiencies represent a tax on the poor who are without adequate electrical power. While the power sector will need external resources, these should only accompany a demonstrated commitment to improving institutional performance. This may suggest a more program-based approach by IDA in the power sector, with solid agreement with the government on policies, objectives, strategies, and expenditures. Disbursements could then be linked to policy performance and clearly monitorable indicators of system performance.

Agriculture and Flood Control

Redefining the Role of the Public Sector. As with other sectors, the public institutions supporting agriculture have not changed speedily to the more dynamic nature of agriculture in Bangladesh, and service delivery performance has been poor. The positive achievements made in the agricultural sector reflect the liberalization of input trade and greater private sector involvement. This has brought about significant technology transfer and suggests that in research and extension, public and private contributions are synergistic. Greater beneficiary participation, with local councils becoming more involved in the operation and maintenance of smaller flood control and drainage schemes, has had positive results. This should be extended.

Patient Policy Dialogue Can Help to Define Crucial Objectives. IDA's coordinating efforts in developing a Flood Action Plan have been beneficial in a highly complex area with far-reaching environmental consequences. Perhaps a similar approach may be useful in developing agricultural diversification.

ANNEXES

ANNEX A: EXECUTIVE SUMMARY, REPORT NO. 17455-BD, FOR BOARD DISCUSSION

Introduction

Bangladesh is a country that evokes strong impressions, and few represent such a testing challenge for the development mandate of the World Bank and IDA. Famine has been an ever-present danger, and this densely populated country has been highly vulnerable to the natural disasters of flooding and cyclones. Annual capita income is below US\$250, and half the population, which is 80 percent rural, still lives below a minimum poverty line. As Bangladesh emerged from a bloody civil war in 1971, many doubted the country's capacity to survive and foresaw a precarious existence supported by the largesse of the richer nations. They have been proved wrong.

Bangladesh has not only survived, but has made some good progress in economic and social development. The country now approaches self-sufficiency in food-grains and a host of social indicators (fertility rates, infant mortality, life expectancy, primary school enrollments, and adult literacy) have shown steady improvement. Since Independence, growth has not been spectacular, but it has been steady and has accelerated in the 1990s.

Despite these achievements, doubts remain regarding whether they can be sustained. Questions remain as to the further deceleration of population growth, and whether food security can be further enhanced, or if the country is caught in an "aid trap" of perpetual dependency on concessionary foreign financing flows. There is no doubt that despite the progress made, it has not been quite enough—the absolute number of poor has grown and the country's ecosystem is very fragile.

Throughout this period, the country has also been undergoing a political transformation and the development of a multi-party democratic system. This transformation has also included the establishment of a civil administration structure that has regularly been reshaped and adjusted. This history of political development has had a very significant influence on the development path chosen by Bangladesh and on economic outcomes. The first government nationalized most of the industrial, financial, and larger commercial sectors, and espoused a strong, direct public sector role in the development process. Successive governments have sought to reverse the role of the State in direct economic activities, but this effort has not been consistently sustained, faltering in the face of opposition by political or vested interests.

The World Bank and IDA have been involved in the economic development of Bangladesh from the very beginning. This partnership with the Government of Bangladesh (GOB) has encompassed lending, policy advice, and donor coordination. Over the past two decades, IDA has financed about one-quarter of all foreign aid commitments, covering all sectors of the economy, including balance of payments support. Furthermore, a massive volume of sector work has been completed and made available to the government and the donor community. This has had a considerable influence on development initiatives and, while not always accepted by the GOB, it has certainly fueled debate.

The Development Challenge

The need for foreign assistance is clear. The most fundamental weakness of the Bangladesh economy has been low rates of investment and saving. Given that so many people are living at a precarious margin, where consumption is necessary to survive, this may be readily understandable. A further development challenge has been the relatively low level of development of the human resource endowment, which makes it difficult to improve technology and labor productivity in the short term. But foreign aid has been forthcoming from the start. In the country's first three years, Bangladesh received more aid than in all its 24 years as East Pakistan, and annual commitments exceeded US\$1.5 billion by the early 1990s.

This foreign assistance itself has been a contentious issue. Many observers, both domestic and foreign, have expressed concern that the country's use of foreign aid has both infringed on national sovereignty issues and undermined self-reliance in the development process. It is not possible to definitively settle this issue. As with many complex economic and social propositions, there are elements that can support one opinion or another. Given the fungibility of resources, aid indeed helped fund budget deficits and inefficient state-owned enterprises (SOEs), and perhaps reduced the pressure to improve efficiency and cost recovery in public utilities. However, all this assumes that public sector institutions would rapidly or magically function efficiently in the absence of aid. This is obviously uncertain. What is more certain is that many programs and projects would have proceeded more slowly, if at all, and this delay would have had very serious ramifications and adverse social costs. Examples abound,

such as the population program, child immunization, minor irrigation development, and primary education.

One thing is certain: administration of the entire aid program has been demanding for the government. Implementation of the Annual Development Plan (ADP) has always been difficult, and 20 percent of the program for a given year is often not implemented. As a result, throughout the 1980s and early 1990s, the gap between commitments and disbursements has widened, and the backlog in the pipeline has grown. This reflects the very centralized nature of administration in the country and the weak institutional capabilities throughout the public sector. In many respects this represents the prime development challenge. One of the key constraints has been the public sector itself, and no government of the 1980s or 1990s has maintained a clear vision of an appropriate role for the public sector, and the role that the private sector and NGOs play in the development of the country. As will be seen, this is a consistent theme throughout this report.

Progress to Date

Growth performance has not been spectacular, and with the exception of flood- or drought-related years, it has been in the range of 3.5 to 4.0 percent annually. Investment, both public and private, has been deficient, although investment performance has shown some improvement in the 1990s, with a consequent modest improvement in the trend GDP growth rate. But two indicators suggest that some profound changes have occurred in the basic framework of the Bangladesh economy. First, the share of agriculture in total output has declined, despite an increase in food-grain production, which had approached self-sufficiency by the early 1990s. This growth pattern is consistent with the record of many other low-income countries and suggests a degree of economic diversification.

Another encouraging and positive trend has been the steady and quite strong growth in domestic savings performance, notably private savings. This suggests a number of positive things. The economy has become increasingly monetized and a growing proportion of the population has been able to meet basic survival needs for food and shelter, resulting in a rising marginal propensity to save. Strong growth in worker remittances from abroad has also added to the pool of private savings. Finally, by the 1990s, the public sector had improved its own savings performance, an improvement achieved entirely on the revenue side

with a stronger tax collection performance.

The balance of payments has always been a weakness of the Bangladesh economy. Throughout much of the 1980s, reserves were at precarious levels, given the country's susceptibility to the shocks brought about by natural disasters. Current account deficits in the early 1980s averaged over 9 percent of GDP, and were only sustainable through the flow of concessional foreign assistance. The causes of this persistent external imbalance were inherently structural, but little was done until the mid-1980s to bring about a fundamental change in relative prices or a reduction in the distortions that affected the development of export earning opportunities. By 1986 this had started to change, and following a sustained adjustment effort in the late 1980s, the balance of payments improved dramatically, and foreign reserves reached historically high levels. Growth in nontraditional exports has been very strong in the 1990s, led by ready-made garments. This reflects a decline in the real exchange rate from 1985, and the progressive liberalization of the trade and investment regimes. The growth of ready-made garments—from almost zero in 1982 to over US\$2 billion in 1995—is a notable achievement. It is indicative of what can be expected of Bangladesh in relatively labor-intensive, light manufacturing activities, provided the environment is facilitative and infrastructure constraints (in power, for example) can be reduced.

While public savings has improved, the overall budget deficit remains high, at about 6.8 percent of GDP in 1995. A major difficulty has been the poor performance of the SOEs—gross losses reached a staggering 2.1 percent of GDP in 1991. Progress has been made in reducing this, but the SOEs and utilities remain a drain on the economy. Bangladesh has gone through periods of privatization, but momentum has been fitful. Government and policymakers have also been slow to acknowledge the role that the private sector can play in helping to develop the country's infrastructure.

While GDP growth may not have been spectacular, good progress has been made in improving the general well-being of the population. An aggressive immunization program, particularly from the mid-1980s, has brought about declines in infant mortality and improved life expectancy. Population programs have been successful in reducing fertility and curbing population growth. In spite of these achievements, complacency is unwarranted. Large segments of the population still live a precarious existence—47.5 per-

cent of the people consumed fewer than 2,122 calories daily in 1990. Although this percentage is down from a massive 73.2 percent in 1981, the development challenge is very much alive.

Overall, Bangladesh has seen progress in economic and social development in the 1980s and 1990s, albeit not at a pace one might prefer. Undoubtedly the speed of reform accelerated in the late 1980s, and this has led to an improvement in the investment and commercial environment. But the country must generate 1 million new jobs a year, which will require a more dynamic investment environment. There is no shortage of entrepreneurship or individual ingenuity in the country, but government, at both the local and the national levels, has yet to define the proper balance of support and intervention needed to create a suitable enabling environment that reduces transaction costs and allows entrepreneurship to flourish.

IDA'S COUNTRY ASSISTANCE STRATEGY

1980–85

At the beginning of the 1980s, a transition from a martial law regime to the civilian government of President Ziaur Rahman was accomplished. Many of the early development goals were very optimistic, such as replacement fertility levels and elimination of food imports by 1985. In the 1980 CPP, IDA explicitly recognized that these targets and expectations were unrealistic. It then faced the quite delicate task of reducing expectations, while maintaining government and donor support and enthusiasm over a medium-term framework period. To a large extent this was accomplished by focusing on key stated government objectives and clearly articulating constraints in both absorptive capacity and domestic institutional capabilities.

IDA strategy in 1980 focused on three priority areas:

- Expand food-grain production to achieve self-sufficiency.
- Improve domestic resource mobilization to cover an increasing share of the ADP.
- Improve project implementation and execution.

Given the extreme hardship caused by periodic droughts and floods, together with the strain that food imports entailed for the balance of payments, expanding food self-sufficiency was seen as a key element in

the reduction of poverty. Improving yields and labor productivity in the rural areas was viewed as a way to increase incomes for the bulk of the population. In keeping with these views, the assistance strategy of the time envisaged that 40 percent of lending would be directed to the agricultural sector, with an immediate goal of increasing the flow of inputs to farmers. Attention was also to be given to rural infrastructure and agricultural credit programs.

At the time, IDA recognized the problems of the SOEs, and proposed to assist in the restructuring of the jute and textile sectors. It was hoped that this would improve domestic savings. Together with sector work to improve public investment programming, this strategy would make it possible for increasing amounts of local resources to be channeled into the ADP.

While perhaps not as optimistic as the government, IDA was quite confident that a quick transition to a sustainable growth path could be realized. Growth was projected to be about 6.5 percent annually, and it was envisaged that investment would reach 18 percent of GDP by 1985. The reality was different. Growth averaged 3.5 percent annually, and investment reached only 13 percent of GDP. No progress was made in improving the SOEs (although quite a few were denationalized), and the already poor performance of the financial system worsened.

For all the difficulties, however, there were elements of IDA's assistance strategy that were highly relevant and contributed to development progress in a number of areas. The focus on food-grain production was correct, and while it took almost a decade to fully liberalize agricultural input trade, the priority given to this task was appropriate. The early support given to the population program was also correct.

If there was a fundamental weakness in IDA's assistance strategy at this time, it was the belief that government was fully committed to a reform of civil service institutions aimed at reducing excessive regulation and administration—to real reform of the inefficient public enterprises and a genuine drive to create a more conducive environment for the private sector. Only gradually through the 1980s did IDA realize that a core constraint in the development process in Bangladesh was the public sector itself.

1986–90

Some important lessons were learned in the early 1980s that did manifest themselves in a revised CAS.

By 1986, it was concluded that there was a much greater need to address sector and macroeconomic constraints, and to do so with much more sharply focused policy conditionality. It was also recognized that trying to deal with inefficient public enterprises in the absence of a very strong government commitment was unproductive. Instead, greater efforts were made to create a more conducive environment for the private sector and to deal with the distortions in trade, pricing, credit allocation, and interest rates.

Renewed efforts were made to improve project execution, which included agreements with government on multi-year budget planning, project and contract approval procedures, and better monitoring and evaluation. Domestic resource mobilization was still a major problem, and IDA proposed an expanded program of ESW to cover public expenditure and tax reform, as well as a more intense policy dialogue to reduce subsidies, particularly for fertilizer and food distribution programs. Population and primary health care remained a priority, but with increasingly complex operations, multiple donors, and more components. The education strategy changed, adopting a much stronger focus on primary education and accelerating access for females.

The earlier emphasis on agriculture waned somewhat, in part because the already large project portfolio was delayed in disbursement, and absorptive capacity was limited. One major shift in strategy was to increase the emphasis on the energy sector, particularly oil and gas, to reduce the country's dependence on imported energy. Finally, the poor loan recovery performance of the DFIs convinced IDA that additional line of credit-type projects in agriculture or industry served no useful purpose in the absence of very substantial institutional, systemwide reform.

Although a number of key lessons were learned, some were not fully absorbed. Problems in implementation and project execution worsened, and IDA displayed continuing faith that relatively minor administrative adjustments by the government would solve the problem. The real nature of the governance problems within the central administration were not fully appreciated. Also, it is recognized that while dealing with public enterprises in Bangladesh was a high-risk endeavor, the emphasis placed on the energy sector—most notably oil and gas and industrial energy efficiency, which involved solely state enterprises—was

inappropriate. Finally, while hindsight is always wonderful in evaluating a past strategy, the slow, almost tortuous, progress made in liberalizing agricultural input prices and distribution systems is quite remarkable.

1991–96

A review of IDA's strategy documents from the early 1990s clearly shows a hardening of IDA's strategy, which became more focused on implementation and the pursuit of new operations only in areas where there was a manifestly strong government commitment. Strategy now reemphasized a strong and sustained improvement in the environment for private sector development, an enhanced program of support for population and primary health care, and continued support for primary education. Adjustment-type lending was reduced to about 15 percent of the proposed lending program, and sector operations were undertaken in a very selective manner, in line with an assessment of the government's willingness to proceed with a broad reform agenda in a timely manner.

Earlier efforts to improve public sector resource mobilization finally started to bear fruit in the early 1990s, but IDA recognized that a fundamental reform of the civil service was unlikely in the near term. As a result, IDA adopted a strategy of redefining the role of the public sector, encouraging greater private sector participation in a wider array of activities that previously had been the preserve of the public sector. The 1995 CAS emphasized approaches to bring about a speedier reduction in absolute poverty, and worked closely with NGOs to develop the design of projects to achieve this aim. This, in turn, led to a search for innovative ways to implement IDA projects. Finally, in the late 1980s, environmental issues started to take on a much greater prominence in IDA's country assistance strategy, and IDA has sought to link investments in flood control and drainage with a strategic framework of national land and water planning.

What was notable about the 1992 CSP and the 1995 CAS was the more clearly articulated performance benchmarks that were put forward to mark progress in the development agenda, but also to determine the pace and areas of new IDA commitments.

IDA's assistance strategy in the 1990s undoubtedly has become more relevant simply because of a less compromising approach to delays in policy reform or project execution. Furthermore, this strategy led to a much more sanguine view of outcomes and more real-

istic expectations, with more conservative risk assessments. There was a much greater appreciation of governance issues and how they affected project objectives. The sector adjustment lending that was undertaken in the 1990s has not been entirely successful, in part because IDA did not follow its own strategy of addressing root causes and requiring a demonstrated government commitment to deal with issues that were known to be controversial.

Concrete steps were taken to introduce more innovative methods of project implementation. If there is to be a modest criticism of the CAS in the 1990s, it is that IDA did not attempt to go much farther in seeking alternative implementation mechanisms that increase accountability and a more immediate assessment of outcome. Nevertheless, it is clear that IDA has a more sophisticated appreciation of the limitations of the public sector in Bangladesh.

Generic Country Assistance Lessons

A review of IDA's country assistance strategy over the past 15 years highlights and reinforces a number of key generic lessons for all CASs.

- *Monitorable Performance Benchmarks:* Country strategies become much more relevant and operationally useful if there are very specific benchmarks in both policy reform and outcomes.
- *Flexibility in the Lending Program:* Strategies should allow considerable flexibility to adjust the lending program in response to progress in identified key reform areas.
- *Realism of Risk Assessments:* The validity and relevance of CASs is greatly enhanced by sanguine assessments of the difficulties of achieving progress. Such assessments render the risk assessments more meaningful, and expectations more realistic.
- *Past Experience Needs an Honest Assessment:* Before embarking on definition of a future CAS, more attention should be given to determining the effectiveness of the last strategy.
- *Realism in Institutional Capacity Assessments:* CASs inevitably underestimate the complexity and time necessary to bring about institutional change and capacity enhancement.

STRATEGY IMPLEMENTATION AND EFFICIENCY

IDA commitments to Bangladesh during the period under review (FY80 to FY96) amounted to US\$5.965 billion and involved approval of 93 projects. Disbursement during the period totaled US\$4.65 billion, or about 9 percent of IDA disbursements in the 1980s. This proportion declined quite dramatically in the 1990s, to 5.7 percent, reflecting the absorptive capacity constraints within the country and the increasingly difficult institutional constraints that have impeded project execution. Disbursement ratios during the 1980s were well below Bank norms, averaging about 11 percent. A concerted effort was made to solve this problem in the early 1990s, and the disbursement ratio had reached 17.6 percent by 1996. As might be expected given the implementation problems, supervision effort has consistently been above the Bank averages, or averages for IDA countries.

The intensity of ESW for Bangladesh has been at about the Bank average over the past decade, although this intensity accelerated in FY94. The share of ESW in the total assistance effort for Bangladesh has been consistently high, however, when compared with the South Asia Region. The ESW undertaken has been consistent with the country strategy, and the timing and quality have been good. For example, a tax reform study and an environmental review fed directly into government studies and strategy formulation soon after completion.

From 1980 to 1996, 63 projects were reviewed and rated by OED. Of this number, 24 projects (38 percent) were rated as unsatisfactory. This compares with a Bankwide OED average of 33 percent unsatisfactory. With regard to sustainability, 35 percent had a likely rating, compared with 45 percent Bankwide. Of these rated projects, 36 percent had negligible institutional development ratings, compared with a 24 percent Bank average during the same period.

The efficiency of assistance to Bangladesh does not compare favorably with Bank averages. In lending staffyears per project, Bangladesh is almost 40 percent higher in staff time spent. This relatively less efficient performance is indicative of the difficulties inherent in dealing with Bangladesh's assistance program. Bangladesh requires over 50 percent more calendar time to take a project from project concept to the Board. There is another very interesting indicator of the difficulties of project assistance to the country. In the context of this review, 83 completed projects were

analyzed to ascertain the time between Board approval and project effectiveness. It was found that 29 percent took nine months or more to be declared effective. This is strongly indicative of administrative logjams in the country, perhaps a less than full commitment to the project, and deficient project preparation and design.

SECTOR OUTCOMES

Health and Family Planning

In 1974 gross health statistics in Bangladesh reflected a quite desperate situation. Life expectancy was only 45 years and infant mortality was 140 per 1,000 live births. Total fertility rates were about 7, and the population was growing at over 2.5 percent a year. In 1976 the government declared family planning as one of its top priorities. IDA became involved in this effort, and gradually assumed leadership of a collaborative effort of the international community, resulting in family planning and health projects of increasing size and complexity. The core of these projects financed rural health facilities, recruitment and training of rural family planning and health workers, and purchase of contraceptives and other medical supplies.

This effort has brought about significant positive outcomes. Fertility has declined to about 3.3, the contraceptive prevalence rate has reached 45 percent, and infant mortality has declined to 88 per 1,000 live births. Between 1985 and 1994, the proportion of children immunized against 6 major childhood diseases increased from 2 to 62 percent.

Despite these achievements, the family planning and health services have a number of serious weaknesses. The internal efficiency of the system is low because of management, staffing, and logistical problems. The quality of health care delivery in public facilities, particularly in the rural areas, is perceived to be poor, and drugs are often in short supply in these areas. IDA, other members of the donor community, and the government are aware of these problems, but attempts to deal with them have failed. The rising demand for family planning and maternal and child health services is placing an increasing organizational and financial burden on the system. To meet the goal of replacement fertility will require a considerable increase in efficiency, greater reliance on NGOs and the private sector, and greater cost recovery. A revitalized service delivery system will involve greater com-

munity involvement, considerable administrative decentralization, and a more limited role for government at the national level.

Education and Human Resource Development

IDA was an early supporter of Bangladesh's education efforts, although at the outset there was no coherent sectoral approach. Early assistance did not address primary education, which in retrospect can be seen as a mistake. This deficiency was remedied in 1980 with the first project in primary education, and emphasis has remained on this area. These efforts have been effective. After stagnant primary school enrollment for almost 30 years, gross enrollment rose from 55 percent in 1985 to 63 percent in 1990. Attendance of girls, particularly in rural areas, has increased, and NGOs are very active in nonformal literacy programs. Government commitment to education has increased, and education outlays grew from 7.9 percent of the budget in 1980 to 10.3 percent in 1990. The large increase in school capacity and teachers enabled primary school enrollment to increase by 50 percent in the 1980s. IDA has had much less success in vocational training and specialized education; there have been negative rates of return for assistance to public vocational and technical training centers.

As with health care, however, the internal efficiency of the public primary school system is low, and the quality of education is deficient. Inadequately trained and supervised teachers receive poor logistical support. Dropout rates are very high, and it takes an average of 8.7 years to produce a single graduate of the 5-year primary cycle. There is a lack of system accountability, and retention rates for formal government primary education compare unfavorably with programs sponsored by NGOs. To raise the quality of education, better incentives and accountability for teacher performance, improved teacher training, more parental involvement in resource mobilization and school management, and further encouragement of NGOs and private providers will be required.

Industry

Over the past decade and a half, government efforts and IDA assistance to create a dynamic industrial sector have not been successful. Only two of nine projects have been rated as satisfactory, and of the two ongoing projects, one is experiencing significant difficulties. The pace of reform of the policy environment has been

slow, and the successes that have been achieved (ready-made garments) cannot be attributed to government or IDA. Undoubtedly the situation improved in the 1990s, with more aggressive trade policy reform. IDA attempts to deal with the highly inefficient SOEs have largely failed. The quality and depth of Bank ESW diagnosed the problems and constraints, but there was a continual underestimation of the complexity of unbending the issues of government ownership, strong and highly politicized labor movements, a central bureaucracy seeking to maintain centralized control, and a complex array of policy distortions and regulations. Throughout much of the 1980s, genuine government commitment to, and a vision of, an industrial sector driven by market forces was absent. Government ownership of projects was thus deficient, and IDA has consistently miscalculated government resolve to effect real change. The situation has improved marginally in the 1990s. IDA's move to SECALs with broad sector reform agendas has been appropriate, and while not fully successful, their use has generated a momentum for more economywide liberalization and has created a growing constituency for this wider reform.

Finance

Attempts by government, with the assistance of IDA and other donors, to create a strong and healthy financial sector in Bangladesh have also failed. All IDA projects rated during the review period were unsatisfactory, and not sustainable, and in many respects the malaise in the banking sector is as chronic today as it was in 1980. Comprehensive ESW was undertaken by the Bank, particularly from the mid-1980s, which identified the problems and the solutions. What was not fully understood were the complex governance issues involved in the sector, the politicization of lending and government ownership, and how these factors would undermine the reform agenda. Throughout the 1980s and 1990s, government commitment to reform was deficient and project ownership was weak. It is unfair to suggest that no benefits accrued from IDA's efforts. The sector reform adjustment operation (1990) brought about some liberalization and reduced the volume of directed credit, and as it progressed, the operation highlighted the nature and seriousness of the problems affecting the banking system and the urgent need for pervasive reform. But an autonomous and efficient central bank and legal loan recovery system have not been fully established.

Agriculture

IDA has been effective in its assistance to agriculture. Progress has been made toward achieving food-grain self-sufficiency, and while it may have taken longer than desired, IDA was instrumental in liberalizing the agricultural input trade. Easier farmer access to minor irrigation equipment, power tillers, and fertilizer has brought about a fundamental change in smallholders' productivity and incomes. IDA advice and assistance for extension, research, and crop diversification was relevant, but for much of the 1980s, IDA's efforts to strengthen the institutions delivering these services were not fully effective. As in the financial sector, IDA has not been successful in improving credit delivery systems, which are as bad in agriculture today as they were in 1980. Much of the blame for this must rest with the government, which has undermined credit delivery with periodic loan forgiveness schemes. IDA has made a valuable contribution to expanding mangrove forestry, which has addressed environmental issues and the protection of vulnerable shorelines.

Flood Control and Drainage

Overall, IDA has also been effective in flood control and drainage. This was an area of considerable technical controversy and, of course, high visibility, given the periodic severe flooding in Bangladesh. IDA's strategy, based on sector work in the 1970s, was to avoid large projects in deeply flooded areas with high civil work costs per hectare. Instead, IDA efforts were concentrated on smaller subprojects in shallowly flooded areas with low development and operating costs per hectare. This was not a strategy the government fully accepted, but many policymakers gradually came to recognize the worth of such an approach. IDA sector work in this area was also instrumental in developing the National Water Plan in 1986, which finally established a multi-sector framework for planning water management and confirmed that minor irrigation and shallow tube-wells were a vital element of the plan. IDA also took a strong coordinating role in the development of a Flood Action Plan in 1989, which served to moderate demands by both government and some donors for massive civil engineering works with uncertain technical and environmental outcomes.

IDA was not as successful in improving the institutional performance of the Bangladesh Water Development Board, and little progress was made in dealing with deficient operation and maintenance of existing

flood control and drainage schemes. Efforts have continued, however, and from the early 1990s there has been greater beneficiary participation, with local councils becoming more involved in the operation and maintenance of smaller schemes.

Energy

On balance, IDA has had a positive impact in the energy sector. But if one takes note of the resources that have been directed to the sector, and balances this against the sustained achievements, the overall effectiveness of IDA's assistance appears more modest. IDA has sought to encourage the government to allow a greater private sector role in energy and a greater degree of commercial autonomy for public utilities, but government has resisted. Little progress has been made in reducing system losses in the main urban areas, despite separation of generation from distribution. A noteworthy contrast to these results has been the relative success of IDA's efforts in rural electrification and distribution. This is the product of the decentralized administrative approach adopted, which created rural distribution cooperatives that are more accountable to the communities they serve, and operate with a more commercially oriented administrative structure.

Infrastructure

IDA support in the development of Bangladesh's infrastructure has been effective in expanding the physical stock. The development impact, particularly in the rural areas, has been positive. As in other sectors, however, success has not been achieved in creating sustainable institutions. For urban water, there is a lack of commercial orientation with very poor cost recovery, and municipal revenues are inadequate to cover maintenance of existing systems, let alone new investments. Good success has been achieved in IDA's assistance for rural roads using local materials. Adequate maintenance has been a problem, but under the latest project, efforts are being made to involve local councils in maintenance of road drainage systems and culverts.

LESSONS FOR THE FUTURE

To improve the effectiveness of future IDA assistance in Bangladesh, and to accelerate the pace of economic development and the reduction in poverty, two quite fundamental questions need to be asked to develop a

guiding vision for the next decade:

- (a) What should—and can—the government do, and what should be done by the private sector and NGOs?
- (b) How can the services provided by the public sector be made more responsive to the needs of the stakeholders?

How these questions are answered in each sector and for each activity should determine IDA's assistance strategy and the type of lending and ESW to be done in each chosen sector. The conclusions in each sector chapter contain a variety of sector-specific recommendations for the future. Outlined below are more generic lessons that cut across all sectors, and would guide the future CAS.

Redefining the Role of the Public Sector. In all sectors the role of the public sector needs to be redefined. There is much more scope for the private sector, NGOs, and local governments to be involved in the provision of services. Much greater efforts must be made to encourage an expanded role for local and municipal governments in all aspects of infrastructure development and maintenance, as well as in education and primary health care. Government involvement in commercial activities must be reduced.

Increasing Emphasis on Accountability of Systems. Future project design must seek to improve the accountability of those responsible for providing a service or completing a project. Project design must involve all stakeholders, simply to define the parameters of accountability and to set a framework for enforcing it. As a general principle, accountability is enhanced by decentralized participation in decision-making, finance, and organization. Organizational reforms have been tried in all sectors, whether it be the civil service or quasi-government authorities, and they have all largely failed. The simple reason is that unit performance has not been made accountable to the community served, and there has been no penalty for deficient performance. Public employees in Bangladesh, whether they be teachers, doctors, agricultural extension officers, bank loan officers, or electrical engineers, do not operate under performance and incentive structures that encourage a greater accountability to their communities or clients.

Need to Pay Greater Attention to Sustainability Issues. More attention should be given to sustainabil-

ity issues in project design. There is no single approach that will work in all sectors or projects, but much more emphasis must be given to recurrent expenditure requirements for operations and maintenance; to cost recovery, even if only partial in the beginning; and to institutional structures or implementing agencies and organizational frameworks. Policy reforms should be sought that are difficult to reverse or undermine, that produce tangible benefits quickly, and thereby establish a constituency of beneficiaries with a strong vested interest in the sustainability of the initiatives.

Need to Improve Project Monitoring and Evaluation. Project monitoring and evaluation have improved, but there is further scope to evaluate development throughout a project's implementation. Often the focus of attention is on the physical completion of civil works or other such quantifiable targets, but more thought needs to be given to explicit outcome indicators, and these should be included as part of the project design. Projects often run over by seven or eight years, and the wait for the Implementation Completion Report (ICR) to provide a measure of effectiveness is too long.

Recognizing Ownership Issues. Many projects in Bangladesh show symptoms of incomplete ownership and commitment to the project objectives. Long delays

in effectiveness and in the appointment of key staff or failure to take action on agreed policy measures are a few examples. More of an effort should be made to strengthen the political commitment to necessary institutional change, and solid indicators should be sought to gauge this commitment. To proceed without this is a disservice to the people of Bangladesh, and often has negative externalities that affect the entire assistance program.

Define Crucial Objectives and Limit Goals. In countries that have manifested continual problems of project implementation, it may be useful to limit project objectives to a smaller number of crucial policy changes and development impact objectives. Projects often tend to expand during the preparation and appraisal cycle simply because of the well-intentioned desire to generate the maximum impact. However, as has been demonstrated on many occasions in Bangladesh, this may be counterproductive, resulting in disappointments for the borrower and IDA. For adjustment-type operations, there is a strong case in Bangladesh for a sequence of single tranche operations, with policy reform enacted before Board presentation. While this may increase lending staff time, there will be a compensatory saving in supervision effort, and it may also serve to help the borrower

ANNEX B: REPORT FROM THE COMMITTEE ON DEVELOPMENT EFFECTIVENESS (CODE)**Bangladesh: Country Assistance Review (CAR)**

The Committee on Development Effectiveness (CODE) considered the Bangladesh Country Assistance Review (CAR) (IDA/SecM98-102), prepared by the Operations Evaluation Department (OED), on March 25, 1998. It commended OED for a particularly rich and candid report, including useful insight into the historical background of the country. The Committee welcomed management's assertion that the CAR's findings and conclusions had contributed significantly to the preparation of the current CAS, which is scheduled for Board discussion on March 31, 1998. The lessons from experience and management's responses to the report's recommendations, which are enumerated in the CAS, reflect a broad confluence of views with OED's main concerns.

The Committee welcomed the CAR's principal conclusion that IDA's assistance to Bangladesh over the past fifteen years has been effective, and that the partnership forged with the Government has led to progress in both economic and social development. IDA has made a positive contribution to fundamental changes in the Bangladesh economy. Nevertheless, the Committee is aware that progress has not been uniformly good in all areas and raised several issues that are pertinent to the upcoming CAS discussion. These are highlighted below.

Redefining the Role of the Public Sector

The Committee noted OED's finding that the disappointing progress in some areas is due, in large part, to deeply entrenched governance issues, including weak or missing institutions and powerful vested interests that have sought to maintain the status quo. OED identifies the public sector as one of the key constraints to Bangladesh's development, and concludes that the role of the public sector in each sector must be redefined. Management asserts that the fundamental challenge in pursuing the Bank's mission is to work with Bangladesh to overcome these constraints by assisting in building or strengthening institutions that guide or improve the management of development, that perform essential "governance" functions or improve the environment for private sector development, and that improve the delivery of key public social and infrastructure services.

The Committee was particularly concerned that the financial sector is among those areas where insti-

tutional weaknesses and strong opposition by powerful defaulters have thwarted progress. It noted OED's conclusion that attempts by Government, with the assistance of IDA and other donors, to create a strong and healthy financial sector have failed, and that in many respects, the malaise in the banking sector is as chronic today as it was in 1980. OED recommends that IDA accord the highest priority to bank supervision enforcement, legal debt recovery enforcement, and closure of unviable SOEs. The Committee welcomed management's response that banking reform is a top priority for IDA and the IFC and that the proposed assistance strategy will help the Government to rebuild three institutional pillars of sound banking: strong regulatory systems, well-managed banks, and an effective court system.

Client Ownership and Commitment

The issues of client ownership and political commitment were prominent in the Committee's discussion. The Committee took note of the finding in the CAR that a fundamental weakness in IDA's assistance strategy has been the implicit assumption that Government was fully committed to a reform of the civil service institutions, to real reform of the inefficient public enterprises, and to a genuine drive to create a more conducive environment for the private sector. OED recommends that more effort be made to strengthen the political commitment to necessary institutional change and that solid indicators of commitment be sought. Management acknowledged that the critical importance of client ownership and commitment is one of the lessons it has learned from experience in Bangladesh. Indeed, OED found that in the early 1990s, there was a hardening of IDA's strategy as it became more focused on implementation and pursuing new operations only in areas where there was a manifestly strong Government commitment. The Committee welcomed the current strategy's plan to exercise selectivity by matching the Bank Group's response to the Government's willingness to initiate and complete essential reforms.

The Committee endorsed OED's generic recommendation that country strategies, to be more relevant and operationally useful, should include clearly defined and monitorable benchmarks in both policy reforms and outcomes. These benchmarks serve to gauge Government ownership and commitment, and

thereby help to define the most effective assistance program.

Partnership, Collaboration, and Aid Coordination

The Committee stressed the importance of partnership with donors, NGOs, and other elements of civil society within a framework of understanding with the Government, and noted OED's finding that there is scope in Bangladesh for greater collaboration among NGOs, Government, and IDA, particularly in the social sectors. It also emphasized that donor-driven institutional change cannot be sustained and that change must come from within the society and culture in which the institutions are to operate. Building civil service and public support for key institutional reforms can help to alleviate problems of weak political will. The Committee welcomed management's statement that the current assistance strategy is premised on support from civil society as a constituency for institutional change and on the inclusion of domestic development partners in the work of the Bank Group as a way to increase its quality and sustainability.

The Committee agreed with the OED conclusion that the donor coordination function of IDA is crucial

and is a vital part of the country assistance strategy. It noted that, for the most part, this donor coordination effort has been effective, and has served to improve cross-dissemination of sector work and knowledge and to minimize "donor competition" at the sectoral level. The Committee was particularly pleased that the report underscores that IDA can play a leadership role in providing development assistance to Bangladesh without having to do everything itself. It also applauded the active involvement of the country director in the field in the coordination of the Bank Group's work with that of local donor partners, thus helping to select activities that best fit the Bank's comparative advantage. With respect to IDA's relationship with the Asian Development Bank, the Committee noted that regional management had visited Manila in February 1998 to start a process of frequent, regular reviews to ensure coordination of assistance to Bangladesh.



Jan Piercy
Chairman, CODE

ANNEX C: SUMMARY OF BANK-GOB DISCUSSIONS OF THE CAR, JUNE 2, 1999

Colleagues:

The Country Assistance Review (CAR) report was discussed with the Government of Bangladesh today at the NEC Auditorium, Sher-e-Banglanagar, Dhaka. Dr. Masihur Rahman, Secretary, ERD, presided over the meeting, and representatives from different ministries and relevant GOB agencies made specific comments on sections of the report relevant to them. Mohsin Alikhan led the WB team, which included Arun Banerjee, Kapil Kapoor, Robert Epworth, Syed Nizamuddin, Muhammad Iqbal Karim, and Subrata Dhar.

Dr. Masihur Rahman started the meeting with the observation that the report should be reviewed from the perspective of lessons for the future that would help better formulation of country assistance strategy and project designs. Mohsin Alikhan discussed briefly the process of a Country Assistance Review, which is conducted by OED, an independent arm of the World Bank, and reiterated the emphasis on lessons for the future.

As Dr. Rahman opened the floor, a representative from the Planning Division noted that the summary note of the report was positive, but observations in the main text were not consistent with this summary note. For example: he pointed out (para 13, page 7) the last line "Only gradually through the 1980s did IDA realize that a core constraint in the development process in Bangladesh was the government itself and its unwillingness to enforce the needed public sector reforms." GOB officials did not object strongly, but they thought that the language should be changed to convey the same message. Dr. Rahman observed that the report should be more focused on quality of project implementation, employment creation, balanced and equitable development, strengthening of multi-year budgeting (three-year rolling investment), and export growth.

The Ministry of Agriculture said that the sentence "Since 1995, there has been. . . ." on page 54, para 4.26, should be deleted, which the representative claimed was not correct. He also said that the observation about resistance from the public institutions on page 73, para 6.25, was too harsh. He also contested the observation that government failure had undermined credit delivery (p. 13, para 40) in rural areas. The problem, according to him, was more with credit

recovery than with credit delivery. Dr. Rahman pointed out that this was a result of palming off bad loans (except in the case of natural disasters), which was again a government failure. Once again it seemed that GOB officials did not strongly disagree, but with the language (para 40, last line), i.e.: the blame should rest with the Government. The same message could be conveyed more diplomatically.

The DG, IMED, suggested a correction that IMED is under Planning Ministry, not under Planning Commission (p. 36, para 3.7). As regards monitoring of project benefits (p. 16, para 52), he observed that these should be built into each project, and IMED does not have the capacity to do it. Dr. Rahman observed that project benefit should be monitored by someone who is not part of project management. IMED is the best institution to do it. However, mechanisms needs to be devised to enhance IMED capacity in this regard.

A representative from the Power Division of the Energy Ministry contested the observation (Chapter 8, p. 6, para 8.27) about government resistance to change. Dr. Rahman interjected this discussion with a question: whether the Government failed or resisted. He observed that this should be rephrased as "the Government tried hard, but met with limited success."

In conclusion, Dr. Masihur Rahman requested the Bank to look into the language of the document. He agreed with the substance, but observed that a little change in semantics might make the document.

The Bank team that attended the meeting feels strongly that the wording change should be made without changing the substance. The present wording is not conducive to building client relationships. I would strongly urge that the report should be edited for choice of words. After all, the ERD/GOB showed a lot of understanding in agreeing to go through the report at this late stage and are not asking for changes in substance, but in presentations, which would be mutually beneficial.

Fred, since you are in Washington, I leave the decision to you.

Best Regards,
Mohsin [Alikhan]

ANNEX D: GOVERNMENT RESPONSE

Government of the People's Republic of Bangladesh
Ministry of Finance
Economic Relations Division

No. ERD/IDA8/1/98/45

June 17, 1999

Dear Mr. Alikhan,

Please refer to the discussions in the meeting held on 02.06.99 in ERD on the Bangladesh Country Assistance Review (CAR, proposed for publication) prepared by the World Bank's Operations Evaluation Department (OED). As discussed in the meeting, the Bangladesh Country Assistance Review would need some changes/corrections regarding its language and information such as "have failed," "unwillingness," and "has resisted" in paragraph 39 and paragraph 13 of the executive summary of the CAR and paragraph 8.27 of chapter 8 of the CAR, respectively.

However, the Government of Bangladesh (GOB) is pleased to provide clearance to publish the report in English, provided the report is changed before publication as per suggestions made by the GOB participants in the meeting.

With regards.

Yours sincerely,



(Rokeya Sultana)
Deputy Secretary

ENDNOTES

Chapter 1

1. Average per family aid receipt is equivalent to about six months' wages for the poorest adult workers.

2. For a discussion of the increasingly centralized civil service administration and the burden this imposes, see World Bank 1996e.

Chapter 2

1. The Region notes (with some justification) that at this early stage of IDA's involvement with the SOEs and the country's financial sector, it was unreasonable to expect a fuller understanding of both sectors' deficiencies. Certainly by the mid-1980s, IDA had a much stronger appreciation of the deep-seated malaise in both sectors.

Chapter 3

1. By the end of FY97, only two projects were classified as problem projects, and both were near closing.

Chapter 4

1. Bangladesh has three growing seasons, and hence three rice crops per year. "Aus" is rice planted at the start of the wet season and harvested while the water in paddy fields is still shallow. "Aman" rice grows in deep water and is harvested at the end of the wet season. "Boro" rice is planted and harvested during the dry season, and hence is dependent upon irrigation. The land area that is triple-cropped increased between 1985 and 1991 from 1.4 to 2.3 million hectares.

Chapter 5

1. The Region believes, however, that there was a genuine attempt to encourage successive governments to make hard political choices, and given the importance of the SOEs and their impact on the budget, IDA persistence in seeking change was warranted. This is undoubtedly a valid point. Nevertheless, OED maintains that a stronger focus on key sector and subsector policy reforms and actions is a more effective way of using IDA resources in the sector.

BIBLIOGRAPHY

- Bangladesh Institute of Development Studies. 1996. "Rural Poverty in Bangladesh 1987-94." Dhaka.
- Bhattacharya, Debapriya. 1996. "A Tale of Two Sisters: Two Decades of the World Bank and the International Monetary Fund in Bangladesh." *Contemporary South Asia*.
- BRAC. 1996. *BRAC 1995*. Dhaka.
- . 1995. "BRAC's Health Programmes." Dhaka.
- Canadian International Development Agency. 1993a. *Small-Scale Water Control Structures Project. Operational Status Survey*. Vol. I. *Main Report*. Bangladesh Water Development Board.
- . 1993b. *Small-Scale Water Control Structures Project. Operational Status Survey*. Vol. II. *Subprojected Briefs*. Bangladesh Water Development Board.
- Carty, Winthrop P. 1993. "Success in a Challenging Environment: Fertility Decline in Bangladesh." Population Reference Bureau. Washington, D.C.
- Centre for Health and Population Research. 1995a. *1995 Annual Report*.
- . 1995b. *Biennial Work Plan 1995-96*.
- . 1996. "The Role of Pharmacies in Providing Family Planning and Health Services to Residents of Dhaka, Bangladesh." Working Paper 21.
- Choudhry, Yusuf, Shawkat Ali, and R. Faruquee. 1995. *Institutional Development in the Water Sector*. World Bank Discussion Paper. Washington, D.C.
- Dahl, Henrik, and Pradeep Mitra. 1990. "Applying Tax Policy Models in Country Economic Work: Bangladesh, China, and India." World Bank Country Economics Department Working Paper 504. Washington, D.C.
- Dubey, Vinod S. 1995. *Impact of Economic and Sector Work in South Asia: A Client Perspective*. Washington, D.C.: World Bank.
- Economist Intelligence Unit. 1996. *Country Report—Bangladesh*. Series 1st Quarter 1995-2nd Quarter 1996. London.
- Gisselquist, David. 1996. "Liberalizing Agricultural Inputs Trade: Impact and Opportunity." World Bank, Washington, D.C.
- Government of Bangladesh. 1992a. "Flood Action Plan—North West Regional Study." Dhaka.
- . 1992b. *Bangladesh Issues and Options in the Gas Sector*. Vol. I: *Executive Summary and Main Text*. 10484-BD. Energy and Infrastructure Operations Division. Dhaka.
- . 1992c. *Bangladesh Issues and Options in the Gas Sector*. Vol. II: *Annexes*. 10484-BD. Energy and Infrastructure Operations Division. Dhaka.
- . 1993d. "A Report on Power Sector Reforms in Bangladesh." Inter-Ministerial Working Group, Ministry of Energy and Mineral Resources. Dhaka.
- . 1993e. "Summary of Financing in the FPHP Health Sector Projects." Ministry of Health and Family Welfare. Dhaka.
- . 1994a. "Progottir Pathay. Progress Towards the Achievement of Goals for the 1990s." Bangladesh Bureau of Statistics and Ministry of Planning and UNICEF. Dhaka.
- . 1994b. "Flow of External Resources into Bangladesh." Economic Relations Division, Ministry of Finance. Dhaka.
- . 1995a. "National Institute of Population Research and Training (NIPORT), an Overview." Health Economics Unit, Ministry of Health and Family Welfare—A.K.M. Rafiquz Zaman. Dhaka.
- . 1995b. "National Energy Policy." Ministry of Energy and Mineral Resources. Dhaka.
- . 1996a. "Bangladesh—Directory of Education Programmes of the NGOs." Dhaka.
- . 1996b. "User Fees, Self-Selection and the Poor in Bangladesh." Health Economics Unit, Ministry of Health and Family Welfare. Dhaka.
- . 1996c. "National Minor Irrigation Development Project." Ministry of Agriculture. Dhaka.
- . 1996d. "A Status Report on Bangladesh Fourth Population and Health Project for the World Bank and Co-Financers." Ministry of Health and Family Welfare. Dhaka.
- . 1996e. "Memorandum for the Bangladesh Aid Group 1996-97." Ministry of Planning and Ministry of Finance. Dhaka.
- Halcrow, William, & Partners Ltd. 1996. "National Minor Irrigation Development Project: The Cost of Power for Minor Irrigation." Government of Bangladesh, Ministry of Agriculture. Dhaka.
- Hasan, Abid, and Owaise Sadat. 1996. "Bangladesh—Government that Works. Reforming the Public Sector." World Bank Private Sector Development and Finance Division. Washington, D.C.
- Hino, Toshiko. 1996. "NGO—World Bank Partnerships: A Tale of Two Projects." World Bank Human Capital Development Working Paper 67. Washington, D.C.
- Hossain, Nadim. 1995. "The World Bank's Operations and Role in Bangladesh." World Bank, Washington, D.C.

- Humphrey, Clare E. 1990. *Privatization in Bangladesh: Economic Transition in a Poor Country*. Boulder, CO: Westview.
- IMF. 1991. "Bangladesh: Economic Reform Measures and the Poor." Working Paper 91/39, Asia Department. Washington, D.C.
- Jarrett, Stephen. 1994. "Visit to Bangladesh: Health Systems Review at the Periphery, 25 February–8 March." Health Systems Development, UNICEF. New York.
- Khan, M.R. 1989. "Sicknesses, Diseases, Treatments and Medical Costs by Socioeconomic Variables in Bangladesh." Report 15, Bangladesh Institute of Development Studies. Dhaka.
- Krishi Bank. 1994. "Krishi Bank Parikrama." *Yearly Journal of Bangladesh Krishi Bank*.
- Manor, James. 1996. *The Political Economy of Decentralization*. Washington, D.C.: World Bank.
- Narbye, O.D.K. 1989. "Internal Inconsistencies in Agricultural Statistics." In *Bangladesh Agriculture: Performance and Policies*. Dhaka: UNDP.
- Papanek, Gustav F. 1987. *Fiscal Policy and Development Strategy in Southern Asia*. World Bank Discussion Paper DRD278, Development Research Department. Washington, D.C.
- Rural Electrification Board. 1994. *Rural Electrification Board—Annual Report 1993–94*. Washington, D.C.: National Electric Cooperative Assn.
- Selman, Sanford J. 1996a. "Bangladesh Private Power Program—Guide to the Negotiation Process." World Bank, Energy and Project Finance Division of South Asia Region, Washington, D.C.
- . 1996b. "Bangladesh: Review of Unsolicited Offers for Build-Own-Operate Power Plants." World Bank, Energy and Project Finance Division of South Asia Region, Washington, D.C.
- Shamannay, Unnayan. 1996. "Rural Electrification Board of Bangladesh." Nreca International Ltd.; Sheladia Associates, Inc.
- Sobhan, Rehman. 1982. "The Role of the World Bank in Bangladesh." In *The Crisis of External Dependence: The Political Economy of Foreign Aid to Bangladesh*. London: Zed.
- . 1995. "The Crisis of External Dependence. The Political Economy of Foreign Aid to Bangladesh." In *Experiences with Economic Reforms*. Dhaka: Center for Policy Dialogue.
- Stalker, Peter. 1994. *Bangladesh: Out of the Shadows*. Washington, D.C.: World Bank.
- The Daily Star*. 1995. "25 Years of Partnership." Dhaka.
- TITAS Gas. 1994. "TITAS Gas Transmission and Distribution Company Limited—Annual Report 1993–94."
- UNICEF. 1996. *The Progress of Nations*. New York.
- USAID. 1996a. "Privatizing Fertilizer Distribution: Bangladesh Case Study." Report 54. Washington, D.C.
- . 1996b. "Rural Electrification in Bangladesh—Final Report." Part I: "Assessment of Post-1996 Technical Assistance Needs." Center for Environment, Office of Energy, Environment, and Technology, Washington, D.C.
- . 1996c. "Rural Electrification in Bangladesh—Final Report." Part II: "Assessment of Power Generation by the Rural Cooperatives." Center for Environment, Office of Energy, Environment and Technology, Washington, D.C.
- Watanagase, Tarisa. 1996. "Banks in Distress: The Case of Bangladesh." IMF Working Paper 90/81. Washington, D.C.
- World Bank. 1978. *Bangladesh: Current Economic Trends*. Vol. II: *Population Growth and Planning*. Kantoor Pisharoti. Report 1931. Washington, D.C.
- . 1987. *Bangladesh: Promoting Higher Growth and Human Development*. Washington, D.C.
- . 1990a. *Bangladesh: Strategies for Enhancing the Role of Women in Economic Development*. Country Study P-7899. Washington, D.C.
- . 1990b. *Bangladesh: Review of the Experience with Policy Reforms in the 1980s*. Operations Evaluation Department Study 8874. Washington, D.C.
- . 1992. *Population and the World Bank—Implications from Eight Case Studies*. Operations Evaluation Department. Washington, D.C.
- . 1994. *World Development Report 1994: Infrastructure for Development*. New York: Oxford University Press for the World Bank.
- . 1996a. "Partnerships, Possibilities and Pitfalls: Working with Local NGOs in Bangladesh." ASHR, Reidar Kvam. Washington, D.C.
- . 1996b. *Bangladesh: An Agenda for Action*. Washington, D.C.
- . 1996c. "Economic and Sector Work and Results on the Ground." Operations Policy Department. Washington, D.C.
- . 1996d. "Performance Indicators for Technical Assistance Operations." Operations Policy Department. Washington, D.C.

-
- . 1996e. “Bangladesh: Government that Works.” In *Reforming the Public Sector*. Washington, D.C.
- WHO. 1996. “Reproductive Health Care in Bangladesh: A Review of Recent Data and Some Proposals for Future Strategies and Activities.” WHO: Reproductive Health Unit, Dhaka.
- Zachan, S. 1994. “Services at Thana Health Complexes Unsatisfactory.” Dhaka.

OPERATIONS EVALUATION DEPARTMENT PUBLICATIONS

The Operations Evaluation Department (OED), an independent evaluation unit reporting to the World Bank's Executive Directors, rates the development impact and performance of all the Bank's completed lending operations. Results and recommendations are reported to the Executive Directors and fed back into the design and implementation of new policies and projects. In addition to the individual operations and country assistance programs, OED evaluates the Bank's policies and processes.

Summaries of studies and the full text of the Précis and Lessons & Practices can be read on the Internet at <http://www.worldbank.org/html/oed/index.htm>

How to Order OED Publications

Operations evaluation studies, World Bank discussion papers, and all other documents are available from the World Bank InfoShop.

Ordering World Bank Publications

Customers in the United States and in territories not served by any of the Bank's publication distributors may send publication orders to:

The World Bank
P.O. Box 960
Herndon, VA 20172-0960
Fax: (703) 661-1501
Telephone: (703) 661-1580
The address for the World Bank publication database on the Internet is: <http://www.worldbank.org> (select publications/project info).
E-mail: pic@worldbank.org
Fax number: (202) 522-1500
Telephone number: (202) 458-5454

Documents listed with a stock number and price code may be obtained through the World Bank's mail order service or from its InfoShop in downtown Washington, DC. For information on all other documents, contact the World Bank InfoShop.

For more information about this study or OED's other evaluation work, please contact Elizabeth Campbell-Pagé or the OED Help Desk.

Operations Evaluation Department
Partnerships & Knowledge Programs (OEDPK)
E-mail: ecampbellpage@worldbank.org
E-mail: OED Help Desk@worldbank.org
Telephone: (202) 473-4497
Facsimile: (202) 522-3200

The World Bank InfoShop serves walk-in customers only. The InfoShop is located at:

701 18th Street, NW
Washington, DC 20433, USA

All other customers must place their orders through their local distributors.

Ordering by E-Mail

If you have an established account with the World Bank, you may transmit your order by electronic mail on the Internet to: books@worldbank.org. Please include your account number, billing and shipping addresses, the title and order number, quantity, and unit price for each item.

OED SERIES

1998 Annual Review of Development Effectiveness
1997 Annual Review of Development Effectiveness
Agricultural Extension and Research: Achievements and Problems in National Systems
Developing Towns and Cities: Lessons from Brazil and the Philippines
Financial Sector Reform: A Review of World Bank Assistance
Fiscal Management in Adjustment Lending
India: The Dairy Revolution
Mainstreaming Gender in World Bank Lending: An Update
Nongovernmental Organizations in World Bank–Supported Projects: A Review
Paddy Irrigation and Water Management in Southeast Asia
Poland Country Assistance Review: Partnership in a Transition Economy
Reforming Agriculture: The World Bank Goes to Market
The World Bank's Experience with Post-Conflict Reconstruction
Zambia Country Assistance Review: Turning an Economy Around

Proceedings

Lessons of Fiscal Adjustment
Lessons from Urban Transport
Evaluation and Development: The Institutional Dimension (Transaction Publishers)
Monitoring & Evaluation Capacity Development in Africa
Public Sector Performance—The Critical Role of Evaluation

Multilingual Editions

Assessing Development Effectiveness: Evaluation in the World Bank and the International Finance Corporation
Appréciation de l'efficacité du développement :
L'évaluation à la Banque mondiale et à la Société financière internationale
Determinar la eficacia de las actividades de desarrollo:
La evaluación en el Banco Mundial y la Corporación Financiera Internacional
Côte d'Ivoire : Revue de l'aide de la Banque mondiale au pays
Philippines: From Crisis to Opportunity
Filipinas: Crisis y oportunidades
Rebuilding the Mozambique Economy: Assessment of a Development Partnership
Reconstruir a Economia de Moçambique



T H E W O R L D B A N K

1818 H Street, N.W.
Washington, D.C. 20433, U.S.A.

Telephone: (202) 477-1234

Facsimile: (202) 477-6391

Telex: MCI 64145 WORLDBANK
MCI 248423 WORLDBANK

Web : [http //www.worldbank.org](http://www.worldbank.org)

E-mail : books@worldbank.org

Internal Documents Unit
MC C3-129

3 copies

