Statement by Wan Abdul Aziz Wan Abdullah
Date of Meeting: July 20, 1999

Bangladesh: CAS

We welcome the opportunity of discussing this CAS Progress Report for Bangladesh and would like to commend staff for preparing a candid and informative document.

It is encouraging to note that in spite of the enormous problems encountered by Bangladesh with regard to governance and weak institutions and complicated by natural disasters and confrontational politics, the country has managed to improve the overall policy environment. We are also glad to note that the improved policy performance has resulted in an increase in GDP growth rate to an average of 3.3% during 1991-1998 from 1.6% during 1984-1990, thereby resulting in a decline in poverty and an overall improvement in the country’s social indicators. However, it is disheartening to observe that the country continues to be suffering from major floods causing a heavy toll on the economy. In our view, serious efforts should be taken to reduce the incidence of floods and minimize their disruptive effects on the country and the people.

We note that progress has been made in implementing the Bank Group’s Country Assistance Strategy in helping to build sustainable institutions and policy frameworks and improve client ownership and partnerships although the outcome of these efforts would not be known after some time due to the gradual and long-term process involved. We continue to support the Bank Group’s pragmatic and careful approach in promoting policy and institutional reforms. In this regard, providing IDA support in priority areas where the government is most committed such as development of term lending in the well performing part of the financial sector and the improvement of the regulatory and supervisory frameworks for the banking system, we believe, are efforts in the right direction.

While not much has been achieved in the power sector, the Bank Group’s plans to introduce a legal and regulatory framework together with gradual bundling of the power
utilities and their privatization programs with the objective of creating a more competitive power generation market, are to be welcomed. In partnership promotion effort, we are glad to note that the IFC has initiated a proposal to develop a leading microfinance institution by providing technical assistance to improve its operations and achieve commercial and financial sustainability. We are also pleased to note that the portfolio performance has improved as shown by the increase in the disbursement ratio and the decrease in the percentage of problem projects.

Having noted the above positive development, we would like to express some of our concerns especially with regard to the government's limited progress in improving the performance of the public sector and enhancing structural reforms. The recommendations of diagnostic studies in key areas such as the financial sector and public resource management and administration, we note, have yet to be implemented fully by the government. Due to the importance of achieving macroeconomic stability, we encourage the government to increase its effort in revenue collection and improve public expenditure quality. We are also concerned with the somewhat slow progress in implementing the recommendations made in the FY98 CPPR Action Plan and hope the government will take immediate actions to improve the effectiveness and pace of project implementation.

Regarding the Bank Group Assistance, we can support the Bank's plan for FY00 lending pipeline for Bangladesh. The Bank's policy of not lending until the government has at least begun to establish an appropriate policy and institutional framework should provide a strong incentive for the government to take the necessary actions to show its commitment in implementing the suggested reforms. We are glad IFC and MIGA have also made various contributions in strengthening domestic firms and facilitating foreign investment, although in our opinion, they can play a much more significant role. Concerning risks, we note Bangladesh faces a variety of risks which in our view should be monitored closely and mitigated by the Bank as well as the government as far as possible. However, we believe that these risks are still manageable and the outcome arising from the Bank's assistance would benefit significantly the people of Bangladesh.

Finally, we wish the Government of Bangladesh every success in their efforts to address and overcome future challenges in the implementation of its policies and programs.