Statement by Neil Hyden  
Date of Meeting: December 12, 2000

**Bangladesh - Country Assistance Strategy (CAS) and HIV/AIDS Prevention Project**

The Bangladesh CAS provides a frank analysis and sensible policy recommendations. I agree with the focus of the CAS on supporting governance and institutional reform. These issues, which have been dealt with explicitly, are critical if Bangladesh's ambitious development goals are to be reached. I also support the priority given to working closely with the community sector in Bangladesh to support rural development, education and health activities.

Although overall economic performance in Bangladesh during the 1990s has been reasonable, the CAS makes a clear case that institutional weakness and governance issues are holding Bangladesh back. This reiterates the finding of OED's useful country assistance review (CAR) in 1998 that disappointing progress in Bangladesh is due to deeply entrenched governance issues that will require a strong and sustained political commitment, from all sides, to effect change. This is particularly disappointing given that the development benefits that can flow from reform have been clearly demonstrated over the past few years in other countries in South Asia. I consequently support the priority given to engaging the Government and other stakeholders through analysis and dialogue to strengthen policies, institutions and governance.

The triggers for Bangladesh moving from a low case to a base case lending program are set at a level designed to allow the Bank to be responsive should a political consensus on the need for reform emerge following elections due in 2001. While I support the need to be able to respond flexibly to support serious reform efforts, it does not make sense to increase lending significantly beyond the low case scenario without a commitment to reform and some sort of track record. Given this, it might be better to consider the base case scenario as providing a range of possible lending levels, linked to the degree of reform, rather than as a set figure.
In addition, while the triggers clearly address the key challenges confronting Bangladesh, further clarification of the performance standards expected could be useful. On this, I agree with the remarks made by Mr Stek that refining the triggers should be a participatory process.

One area that could particularly be refined further is the standard expected in improving public procurement and financial management. The fact that 24 contracts were declared as mis-procurement in FY 2000 alone is very worrying and indicates clearly that considerable supervisory discipline will continue to be needed. Procurement issues have also affected companies from countries in this constituency. Bureaucratic delays and non-payment for work done have been sources of considerable frustration and caused financial loss. Not only does this hurt Bangladesh's reputation, it makes it difficult to convince companies able to supply goods and services effectively to continue bidding for such contracts.

More weight could also be given to reform of the banking sector. The degree to which protected and favoured industries rely on directed lending from nationalised commercial banks (NCBs) is a particular concern. The increase in non-performing loans among NCBs contrasts sharply with the improvements that private commercial banks have made in their portfolios and with the impressive repayment records achieved by micro-finance institutions.

In contrast to the state sector, the success of community approaches to development, in areas such as micro-finance and rural electrification, has been a feature of the development story in Bangladesh. In this regard, Bangladesh has provided models for the world. The CAS builds on recommendations set out in the CAR to continue increasing support for community based initiatives in the health and education sectors and to move away from Government-led infrastructure projects. This should help to improve the quality of activities.

**The HIV/AIDS Prevention Project**

The HIV/AIDS prevention project carries through the commitment to scale-up support for successful community-based activities. It deserves support. While HIV is still at a relatively early stage in Bangladesh, clear danger signs are emerging. Gender issues and HIV are clearly closely related. Bangladesh has done well in reducing gender discrimination and increasing girls enrollment in primary school. Further gains in this area will need to be part of an integrated strategy to provide opportunities to marginalised groups at risk of HIV infection.

The health sector in Bangladesh is at the leading edge among efforts around the world to introduce sector-wide approaches with harmonised donor procedures and, in some cases, pooled resources. Although clearly not appropriate in all cases, such program approaches can work in specific country and sectoral situations. Within the health sector, the high level of access to safe water is one area where Bangladesh stands out compared with other countries in similar economic circumstances. I welcome the commitment in the CAS to support efforts to strengthen arsenic removal capacities at the community level, provide alternative sources of water and improve health facilities for people affected. But this program has not been as successful as hoped and a renewed effort is required if the impressive achievements in providing clean water are to be sustained.