Board Meeting of March 31, 1998
Statement by Andrei Bugrov

Bangladesh - Country Assistance Strategy

General

We welcome and support the proposed joint Bank Group Country Assistance Strategy for the People's Republic of Bangladesh. In my view, the Staff have presented a good document which captures well the recent political and economic developments in the country and the key challenges before it. The suggested Bank Group Strategy adequately mirrors the priorities of the Government's development agenda. It also appropriately responds to the main recommendations of the Country Assistance Review prepared by the Operation Evaluation Department.

We are pleased to note that the document has been prepared after extensive consultations with the Government and a wide range of Bangladeshi stakeholders, including NGOs, trade unions, private sector, and academia.

I am impressed by the CAS statement that today almost all IDA projects in Bangladesh rely on substantial NGO involvement. The paper, although enthusiastic about NGO participation which seems successful, nevertheless leaves us with a feeling that many important lessons from this experience remain to be learned.

Regarding the joint IDA/IFC strategic framework of the CAS, we are pleased to see the comprehensive joint program for private and financial sector development. We are also satisfied with the degree of complementarity and coordination between the on-going and planned activities of the two institutions in the area of banking reform, non-bank financial institutions and capital markets development, as well as in the gas, power, transport and telecommunication sectors. However it is not clear whether the joint strategy takes into due account the important characteristics of domestic private sector.

We support the proposed increase in the base-case scenario lending to $600-650 million. At the same time we regret to note that in relative terms this would still represent twice as low a level of IDA lending for Bangladesh as for other borrowers with comparable per capita income and policy performance. We agree with the proposed scheme of lending triggers, but we also feel
a need for further elaboration on possible interaction between the triggers for the sectoral composition of funding and those for the base-, low-, or high-case lending.

Let me now turn to two special topics of the CAS which in my view deserve particular attention.

Institutional constraints

"The poverty of institutions" is indeed one of the most serious constraints to development in Bangladesh. Many institutions whose active role is vital to attaining the objective of faster economic growth and poverty reduction are extremely weak or non-existent. Both the CAR and the CAS papers are quite convincing in this regard. Therefore we fully support the proposed strong emphasis on addressing critical institutional constraints.

The lack of permanent institutional capacity to carry forward development policies and projects is very disappointing after more than 25 years of independence and billions of dollars in aid, including extensive IDA assistance. I appreciate the recognition in the CAS that the issues of institution building in Bangladesh were underestimated in the past. Still, I regret that it took so long to fully realize the need for a different approach.

As for the suggested new approach, I welcome a clearer definition of the goals of institutional development and a special emphasis on: (i) fostering wide-spread internal demand and support for institutional changes; (ii) unbundling reforms within a coherent long-term framework; and (iii) engaging full participation of stakeholders at all stages of project cycle. With the adoption of greater realism and pragmatism in tackling institutional constraints we can expect much better results.

Poverty reduction and human development

We welcome the incorporation into the CAS of the key findings of Bangladesh Poverty Assessment in spite of the fact that the latter has not yet been fully completed. Its main message is that while the incidence of poverty has declined recently, the absolute number of the poor is still rising, and inequality has been increasing over the long run. These findings highlight the need for more rapid economic growth and for accelerated human development enabling the poor to participate more actively in the growth process.

Since the overwhelming majority of the poor live in rural areas it is hard to overstate the importance of faster agricultural growth and rural development. Therefore I am pleased to note that IDA helps the Government to devise a comprehensive rural strategy aimed at significant improvement of food security and income generation in the farm and non-farm sectors. It is also very reassuring to see the extensive IDA lending program for FY98-01 which will support institutional strengthening and policy reforms in agriculture and water management, protection of the rural economy from environmental and natural disasters, and direct assistance to the rural poor. At the same time I wonder whether the IFC would be willing or able to complement some of these efforts, for instance in the area of rural finance.
I agree that, put in a broad historical context, the key social indicators in Bangladesh have improved remarkably. Nonetheless, major challenges remain. These include maternal mortality - one of the highest in the world, contagious diseases, serious gender concerns, and so on. But what is described in the paper as a quiet crisis of child malnutrition seems to me the most distressing of the unsolved social problems. Therefore I believe it would be entirely appropriate to increase IDA support to the Government’s efforts on this front. In particular, I strongly support the idea of adaptable program lending to replicate the successful, community-based pilot nutrition project.

In conclusion, we would like to wish the Government every success in achieving its goal of rapid economic growth with equity and social justice, and thus in helping to improve the lives of millions of Bangladeshi common people, such as Abdul Karim, his family and relatives.