Bangladesh: Country Assistance Strategy

One should definitely admit that Bangladesh has made a good start in liberalizing the economy and creating business friendly environment. Foreign investment and private sector show positive response to the recent improvements in macro policies.

At the same time, one should also recognize the findings of the recent CAR which revealed that in the past the Government never fully embraced the notion that private sector needs to be encouraged rather than constrained and that in many respects decision making is more centralized today than it was a decade ago. For a long time the Bank was trying to go faster than the Government was prepared to go.

Judging from the Bank’s experience in Bangladesh, it seems that even strategy of selective backing activities that have strong client commitment might fail unless the institutional capacity is also taken care of. The Bank underestimated the difficulty of building strong institutions and the negative impact of poor institutions on the lending effectiveness. In some instances the Bank also walked away too early when the commitment was lacking. Putting some more effort to institution building could have foster greater commitment. In this light, we can strongly support the CAS’s main core strategic goal which is the institutional development.

At the same time, it looks like the CAS is putting to much emphasis on partnership. Yes, there is a particularly rich range of domestic partners and the staff is correct in the inclusion of NGOs in its work to enhance institutional development. Nevertheless, it should be kept in mind that strong collaboration with NGOs can not replace the role of the government in respect of ownership and governance.

Given that Bangladesh is one of the poorest countries in the world (still, only 14% of population is served with electricity), it seems that the Bank’s emphasis on agriculture and energy is correct.
and plays a positive role. It allows to secure better balance of payment and food supply situation and gives IDA more leeway to take less compromising position. Increasing proportion of population has been able to meet basic survival needs, resulting in a rising marginal propensity to save. Continuation of the emphasis on agriculture and energy is well justified.

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. Adaptable lending can also prove to be a positive instrument. We welcome the CAS approach of simplifying and dividing complex reforms and institutional change into smaller components within longer-term framework, and supporting the attainment of these components through well specified performance targets.