



# Donors wrap up BDF meeting pledging support for PRSP

## *Dysfunctional politics, poor governance remain daunting challenges*

### FE Report

Donors said Monday they are committed to pump in \$2.0 billion a year to implement the country's ambitious Poverty Reduction Strategy Paper (PRSP), provided the government improves law and order, curbs corruption and takes measures to end confrontational politics.

The commitment came at the end of the three-day Bangladesh Development Forum (BDF) meeting where the donors said there would not be any rollout of normal aid-flow in case the overall situation does not improve.

"(Though) it was not a pledging session, we have said that we will stand by the government to provide the money for implementing the PRSP. And in doing so most of the donors raised a number of issues, which

need to be resolved," Praful C Patel, the World Bank vice president, told a wrap-up press conference.

Patel mentioned law and order, dysfunctional politics, poor governance, corruption, security of people, ailing infrastructure and high cost of doing business as the main problems that "are dogging country's move

towards 7-8 per cent growth."

"Many of us expressed concern that Bangladesh's dysfunctional politics may be even sharper constraint. Without solving the root cause of confrontational politics, Bangladesh's growth and service delivery cannot be sustained," Patel reminded the government.

Patel added: "We took stock of the situation and the overall assessment was very positive. There was a unanimous endorsement by the entire meeting of the progress achieved by Bangladesh. But I have to tell you, the country is really operating less than half its capacity."

"We recognised that

Bangladesh's growth could have been higher and its poverty reduction faster, if performance on key policies had been better."

Patel who co-chaired the BDF meeting representing the development partners said: "A huge growth dividend could come from better law and order, reducing the cost of doing business and improving infrastructure."

Finance Minister Saifur Rahman, another co-chairman of the meeting representing Bangladesh, was quite happy over its outcome. He told the press conference that the donors "have appreciated the government's reforms and expressed their satisfaction at the overall economic management."

"Still, we think we have to do more to improve governance, law and order, infrastructure, ports, aid utilisation and administration while ensuring political stability and strengthening the parliamentary process in the country," the Finance Minister said.

Saifur said the country could have achieved more on the political and economic fronts had the opposition given their support to the development process and ended confrontational politics.

Making a swipe at the main opposition's Sunday's memo handover to the development partners, the minister said Awami League's allegations are completely false and unfortunate.

"It does not contain a fig of reality. They simply don't recognise us as a legitimate government, nor do they appreciate our impressive economic gain. The BDF proved that we have done well in managing the economy and the donors applauded our reform measures."

Saifur further said had the par-

ties been engaged in constructive politics and showed understanding and tolerance to each other, there would have no need for Overseas Development Assistance (ODA) from the donors.

Quoting an ADB study, Saifur said it is estimated that the government would face an annual \$2.0 billion resource gap in investment if the PRSP is to be implemented fully.

"There are three ways to fill up the gap. One way is to mobilise internal resource, which would then put extra burden on the tax payers. Secondly this can be done by injecting private investment in infrastructure while additional aid commitment can, as a third way, create the scope for that."

Since the donors are satisfied with our economic management, 5.5 per cent growth, macroeconomic stability and other reforms, they have committed to provide \$2.0 billion for the implementation of PRSP, Saifur said.

About the PRSP, Patel stressed the need for a national consensus saying the government should consult with all the stakeholders including the opposition, NGOs and private sector before making it final.

"We urged the government to build a national consensus on the reforms most critical to poverty reduction. Our message of national consensus is equally targetted to the opposition," he said.

Refuting a query that the donors were interfering in the country's internal matters, Praful Patel said as development partners it was not their business to interfere in the country's domestic politics.

"We mentioned to the government is that in order to implement

both the PRSP as well as to accelerate growth of the economy, the ongoing problem in the law and order should be addressed," Patel said.

The World Bank regional chief said the opposition was invited to the pre-consultative meeting of the Bangladesh Development Forum, but they did not attend it.

"Implementation of the PRSP will be a challenge in itself. We urge the government to focus on practical strategies and implementation. The success of poverty reduction will depend on effective decentralisation."

Referring to the government-NGO relationships, Patel said the government has said it would re-look at the bill that will oversee the relationship between the two.

Participants in the BDF meeting were critical of the government's law and order record from day one, as their statement Monday said improved law and order were fundamental to improving investment climate, people's safety and security in their life.

Commending the country's excellent macroeconomic growth, they said: "This year's 5.5 per cent

growth rate, rising exports, a stable real exchange rate, comfortable reserves and stronger efforts in public finances lay the ground for continued reduction in poverty in the future years," the statement said.

The Forum urged the government to build a national consensus on the key reforms most critical to poverty reduction, ring-fencing them and keeping them out of confrontational politics.

"Concerns were expressed by donors on the confrontational nature of politics, on weakening confidence in legal processes and the police, the absence of the opposition from parliament and attacks on journalists and minorities," the statement of the donors said.

It mentioned that the Anti Corruption Commission Act, the procurement and financial management reforms, establishing the Energy Regulatory Commission and banking reforms were the notable achievements of the government.

They urged the government to make the Independent Anti-Corruption Commission operational as soon as possible and initiate further reforms in tax administration, strengthening of Bangladesh Bank's supervisory capability to pursue large defaulters and accelerate the pace of police reforms.

The donors stressed that government should not interfere with or fix ceilings on micro-credit interest rates while the government noted that micro-finance interest rates would continue to be market determined.

"To survive in the Post-MFA regime, the donors asked the government to improve its competitiveness, not just in terms of price, but more importantly in reducing time-to-market and the cost of doing business in order to ensure job growths and livelihoods especially women," the statement said.

The donors also made their commitment to support infrastructure, which would need huge investments. They, however, suggested that the private sector be drawn into these sectors in an effective manner.

On the aid governance, the donors committed to further harmonising their own procedures as they complained of difficulty. But at the same time they suggested the government to speed up implementation of the aid-funded programmes.

The three-day BDF, formerly known as Paris Consortium, began in the city On May 8. Country's 32 development partners took part in the meeting where the government answered to the queries of the donors on key economic, development and human issues.