



World Bank, donors warn: No additional aid if ...

STAFF REPORTER

Bangladesh's donors have tagged improvement of governance, political stability and law and order, among others, with the disbursement of an additional support of 2 billion US dollars.

The donors are ready to provide the additional support if the

'Ruling party, opposition have the responsibility to make Parliament functional'

factors that impede growth resolved satisfactorily, observed the World Bank Vice-President for the South Asia region Praful Patel, while addressing a press conference at the end of the three-day Bangladesh Development Forum meet yesterday.

He made it clear that if the situation did not improve, the World Bank would not provide the additional support and the bilateral donors working for the development of the country would also withdraw their support.

"In that case, as development partners we would continue with the poverty reduction programmes only

but would not provide the additional support," he added.

The WB Vice-President said that during his meeting with the Prime Minister, Begum Khaleda Zia yesterday he was assured by her that the improvement of law and order and ensuring good governance were the priority agenda of her government.

Patel noted that the donors recognised that Bangladesh's growth could have been higher and its poverty reduction faster if performance on key policies had been better. A huge 'growth dividend' could come from better policies and institutions, especially better law and order, reducing the cost of doing business here and improving infrastructure, he added.

The development partners do not want to interfere in the domestic affairs of the country but there are some issues that are closely related to proper implementation of the poverty reduction strategy and economic growth.

Responding to a question the world Bank Vice-President said that both the opposition and the ruling party had the responsibility to make parliament functional.

He observed that development partners believe that if the opposition political parties are invited by the government for consultation on issues related to reform they should accept such invitation. The opposition also has the responsibility to join Parliament, he said.

Finance and Planning Minister M Saifur Rahman said that the donors unanimously recognised that the country had made significant progress in the economic sector in the backdrop of the global economic slowdown.

"Though the opposition claimed that the economy was ruined and there was no government in the country, the donors strongly endorsed the stand that the economy was now on a sound footing," he said.

But he agreed with the view that if there were an end to the confrontational politics the economy could perform far better.

"I always believe that if both the ruling party and the opposition could unitedly carry out the reform drive, the country could easily achieve the desired economic growth in reducing poverty" he said adding that despite repeated invitations from the government the main opposition Awami League did not join the consultations on the PRSP formulation process.

"Unfortunately they have sent a document to the development partners through electronic mail where they have made totally false and baseless allegations. If someone reads the allegations, he might think that there is no government in the country," he added.

The Finance Minister said that if they would join the consultation, then the government could also incorporate their views.

However in the closing statement, the donors agreed that improved governance and better law and order were fundamental to improving the investment climate and to improving the people's safety and security. Concern was expressed by the donors on the confrontational nature of politics, on weakening confidence in the legal processes and the police, the absence of the Opposition from Parliament, and attacks on journalists and minorities. Continued implementation of the CHT Peace Accord was stressed.

As regards governance, the delegates

welcomed the measures that Government had already taken, for example, passing the Anti-Corruption Commission Act, the procurement and financial management reforms, establishing the Energy Regulatory Commission and banking reforms. They urged the Government to make the independent Anti-Corruption Commission operational as soon as possible.

NGOs were recognised as powerful contributors to the progress in the poverty reduction programme in Bangladesh. The delegates agreed that the proposed legislation on the NGOs should be reviewed in a consultative way and should be aimed at enabling the NGOs to deliver services even better on the ground. The development partners also urged the Government to quickly complete investigations about specific NGOs. The donors stressed that the Government should not interfere with, or fix ceilings on, micro-credit interest rates; the Government noted that micro-finance interest rates would continue to be market-determined.

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

The development Partners expressed strong support for the PRSP, and its thematic approach, as well as for the stakeholder consultations. They noted that, to be successful, the PRSP must be a national document, supported by all key stakeholders, to ensure policy continuity.

The donors urged the Government to focus on implementation and to ensure that the budget fully reflects PRSP priorities. They all agreed that the PRSP was the basis for Bangladesh's strategy to achieve the MDGs, and that the donors would use the PRSP, when completed, as the guiding framework for their future assistance to Bangladesh.

The donors commended Bangladesh's impressive macro-economic performance. This year's 5.5 growth rate, rising exports, a stable real exchange rate, comfortable reserves, and stronger public finances lay the ground for continued reduction in poverty in future years.

It said that a huge "growth dividend" could come from better policies and institutions, especially better law and order, a reduced cost of doing business

(ie., less corruption), a more competitive financial sector, and improved infrastructure.

To further reduce poverty, the meeting agreed that improvements in several other areas of governance are essential like strengthening the National Board of Revenue; revamping the Customs administration; strengthening Bangladesh Bank's supervision capability to pursue large bank defaulters, strengthening the lower courts and the judicial system, and accelerating police reform.

The delegates agreed that promoting decentralisation and the development of local government were vital for accountable service delivery and the effective implementation of the poverty reduction strategy.

To survive in a post-MFA world, the participants agreed that Bangladesh urgently needs to improve its competitiveness, not just in terms of price but, more importantly, in reducing the time-to-market, and the cost of doing business, in order to ensure job growth and livelihoods, especially for women.

Better infrastructure is critical to sustain the progress made over the last several decades. Poorly managed and poor quality services, including electricity, urban water, ports and other transport infrastructure, have already cost Bangladeshi enterprises dearly in their efforts to gain and hold markets. Improved infrastructure services are key to reducing the cost of doing business, increasing competitiveness and reducing poverty.

The financial investment and expertise needed in infrastructure are enormous, suggesting that, in addition to ODA, the private sector must be drawn into these sectors in an effective manner.

The Government and development partners reviewed the progress in aid governance, focusing on project audits, financial reporting, procurement, project documentation, approval processes, and harmonisation of donor procedures. The donors committed to further harmonising their procedures, and emphasised the government's speeding up implementation of aid-funded programmes.

We commend the government's initiative to adopt sector-wide approaches for health and education, which could be the basis for sector-wide approaches in other sectors," the statement said.