Over the past decade Bangladesh has reduced its infant mortality rate faster than any other country. However malnutrition rates among women and children are among the highest in the world.

DEVELOPMENT PROGRESS

Bangladesh has made great strides in improving the lives of its people since gaining independence in 1971, yet it remains one of the poorest countries in the world. Its progress over the past two decades is evidence of a great potential that is still to be realized.

Health and education levels have improved remarkably, and poverty has been declining. Reducing population growth and attaining gender parity in school enrollment rates are notable achievements of recent years. In the past decade, Bangladesh has reduced infant mortality by half—at a rate faster than any other country—and has increased adult literacy rates by 8 percent for women and 6 percent for men. The country has also achieved near self sufficiency in food production and made progress in improving its capacity to manage natural disasters and provide social safety nets.

Bangladesh’s nongovernmental organizations (NGOs) are among the most active in the world, and successive governments have developed effective partnerships with them to improve services, such as providing small loans, known as micro-credit, for start-up businesses; non-formal education; and social mobilization to help strengthen poor communities and amplify their voices.

Economic performance has been relatively strong since 1990, with annual GDP growth averaging 5 percent. The country has seen an emergence of progressive entrepreneurs, and good macroeconomic management has kept inflation in the single digits. Recent reform actions in fiscal management, governance, state-owned enterprises, banking, telecommunications, and energy have also shown encouraging results. Foreign direct investment flows have supported infrastructure, energy, and export-oriented manufacturing.

CURRENT CHALLENGES

Although data show that even among the very poor there has been significant income growth and improved nutrition, Bangladesh’s poverty rate remains high. With nearly half of its 138 million people
living below the poverty line, Bangladesh still has the highest incidence of poverty in South Asia and the third highest number of poor people living in a single country after India and China. The challenges are magnified by a population density of about 1,061 people per square kilometer—the highest of any developing country in the world.

As in other countries with similar income levels, Bangladesh still faces deficiencies in the quality of social services. Nutrition levels for women and children have improved substantially. Nonetheless, the incidence of malnutrition in Bangladesh remains the highest in the world. Relatively new challenges include unsafe levels of naturally occurring arsenic in the country’s groundwater and HIV/AIDS (see text box). Although the country has achieved nearly 100 percent primary school enrollment rates, the dropout rate is 40 percent. Literacy rates for both adult men and women have improved, but are still below the regional average for South Asia.

Like other countries in South Asia, Bangladesh is experiencing ecological degradation from urban and industrial pollution. However, several bold steps have been taken recently to improve the urban environment, including banning old buses and two-stroke three wheelers from Dhaka city.

Bangladesh is also vulnerable to natural disasters such as flooding, cyclones, and rising sea levels associated with global climate change. The country again experienced devastating floods from July to September 2004. The death toll has reached almost 800 people, and 25 percent of the population (almost 36 million people) were affected. Almost 900,000 houses were destroyed and over 3 million damaged; more than 8,000 livestock perished; and 2 million acres of agricultural land was inundated. Total damages were estimated to be approximately $2.3 billion.

Among Bangladesh’s most significant obstacles to growth are poor governance and weak public institutions. Good governance is crucial to development, and independent auditing is part of the process. The government has recently appointed a new Comptroller and Auditor General who has pioneered a new methodology of Quality Audit and Report writing in Supreme Audit Institutions in Bangladesh. In addition, strengthening law and order and addressing issues of personal and economic security are also high on the country’s agenda.

Development success in Bangladesh will be critical for meeting the global Millennium Development Goals (MDGs), which include halving the proportion of people in the world living on less than one dollar a day and achieving universal primary education by 2015. According to data on current trends, Bangladesh has either met or is expected to meet most of the MDG targets. Halving poverty will, in turn, depend on efforts to widen economic opportunities and stimulate growth through openness, liberalization, and an improved investment climate.

joining Hands, Fighting HIV/AIDS

While the number of HIV/AIDS cases in Bangladesh is still relatively low—around 13,000 adults and children are estimated to be living with the disease, according to UNAIDS estimates—the behavior patterns and risk factors that facilitate the spread of HIV/AIDS are prevalent, including the sharing of infected needles by injecting drug users, low condom use within the country’s large commercial sex industry, blood transfusions from an unsafe blood supply, and a lack of knowledge about the disease among the public at large. This puts the population at risk of a full-blown epidemic from a concentrated one. To avoid this, vigorous and immediate multi-sectoral actions are required.

The Bank has committed $20 million for an HIV/AIDS Prevention Project (HAPP), which became effective in February 2001. The project is scaling up interventions among groups at high risk in a rapid and targeted manner, while strengthening management of the overall program. In 2005, the Bank approved the Health, Nutrition, and Population Sector Program for $300 million. One of the components of this ambitious project, which is being funded in conjunction with a number of other development partners, aims to prevent and control the spread of HIV/AIDS.

Women in Bangladesh learn about testing for HIV/AIDS.
THE WORLD BANK GROUP IN BANGLADESH

Encouraged by recent progress in Bangladesh’s reform efforts, the World Bank in July 2004 approved $200 million to assist the government as it continues to pursue broad reforms to accelerate growth and poverty reduction. The support was the Second Development Support Credit (DSC)an interest-free credit from the International Development Association (IDA), the World Bank’s concessionary lending arm.

Human Development
The World Bank has taken a leading role in helping Bangladesh implement an integrated Health and Population Sector Program. In April 2005, the Bank approved a $350 million credit aimed at strengthening public health sector management, improving service delivery, and developing health awareness campaigns, especially targeting the poorest households. The program will assist the government with the implementation of its Strategic Investment Plan (2003-2010) by supporting the government’s social development goals as outlined in the new PRSP. It will also assist in attaining the MDGs on health, nutrition, and population. The total cost of the program is estimated to be approximately $4.3 billion with the remaining balance to be made up by the Government of Bangladesh and a large group of development partners, including the European Commission, the British Department for International Development, The Netherlands, who will pool their funds with those of the World Bank to facilitate alignment with government procedures, and so will UNICEF, WHO, UNFPA, and the United States Agency for International Development. All partners worked in very close coordination during the preparation of this support program document under the guidance of the Secretary of Health.

In the education sector, the Bank assisted the government in implementing a reform program to enhance access to and quality of secondary education with the $100 million Education Sector Development Support Credit. The credit is the first in a proposed series of three support packages for education. Together, they will assist the Ministry of Education in pushing through the first phase of a long-term and ambitious reform agenda.

Economic and Sector Work
In parallel with its financial support, the Bank also provides analytic and advisory services to support economic policy and development actions in Bangladesh. In partnership with the government and other institutions, the Bank has published the following reports in the past year:

- Attaining the Millennium Development Goals in Bangladesh
- Development Policy Review
- Country Framework Report
- Investment Climate Survey
- Housing Financing Reforms in Bangladesh
- Nongovernmental Organization Contracting Evaluation for the HNP Sector in Bangladesh
- Growth and Competitiveness Study

Other policy notes have also been provided to the government on issues such as the financial sector, trade, the impact of Multi-Fibre

The IFC and MIGA
The World Bank Group International Finance Corporation (IFC) has a local representative in the Bank’s Dhaka Office. The IFC focuses on supporting private investments in infrastructure, energy, agribusiness, manufacturing, health, and education, and on developing financial markets. The IFC’s portfolio in Bangladesh at the end of July 2005 stood at $141.9 million, comprising $95.2 million in loans, $12.3 million in equity, $3.5 million in guarantees, and $30.9 million in B-loans.

The IFC also manages the multi-donor-funded South Asia Enterprise Development Facility (SEDF), which promotes small and medium enterprise (SME) development by providing technical assistance to SMEs and the banks and professional service firms and institutions that service them in Bangladesh and other South Asian countries. In Bangladesh, the SEDF works to improve the business-enabling environment, strengthen providers of business development services, and help financial institutions develop the capacity to lend to SMEs.

The Multilateral Investment Guarantee Agency (MIGA), also part of the World Bank Group, is helping to encourage foreign investment in Bangladesh by providing guarantees in the manufacturing, financial, and infrastructure sectors.

The World Bank Group in Bangladesh

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Other policy notes have also been provided to the government on issues such as the financial sector, trade, the impact of Multi-Fibre
Agreement phase-out, health sector governance, education quality, and water resources.

The Government of Bangladesh is in the process of completing its Poverty Reduction Strategy Paper (PRSP). It identifies key areas where reforms are needed, public investments are required, and public policies merit improvement. Difficult issues, such as combating corruption, restoring rule-of-law, and making governance work for poor people, are confronted directly. Building on past achievements, the PRSP aims to prevent slippages in areas where progress has been made. It addresses weaknesses in implementation and emphasizes the importance and centrality of employment creation. The focus on women's empowerment is also sharpened. Targets and benchmarks are included so that the strategy's results can be measured.

The PRSP stresses that progress will require:
- An open and competitive environment conducive to private investment, with a particular emphasis on exports and rural areas, where 85 percent of Bangladesh's poor people live;
- Raising poor people's ability to participate more fully in the growth process, through access to better quality education, health, safe water, and nutrition; and
- The acknowledgement that the Government of Bangladesh must address both sectoral governance concerns and issues, such as improving government capacity, promoting government at the local level, tackling corruption, enhancing access to justice for poor people, and improving security and public order.

The Bank is preparing a new Country Assistance Strategy (CAS), in partnership with the Asian Development Bank, the Government of Japan, and the British Department for International Development. The CAS will be aligned with the PRSP. The core focus of the CAS will be improved governance, supported by two key initiatives of improving the investment climate and empowering the poor. The program outlined by the CAS will address the key dimensions of the PRSP: accountability, openness, transparency, and the rule of law.

**CURRENT LENDING**

Bangladesh joined the World Bank in 1972, soon after independence. Since then, IDA has financed 209 operations with credits totaling US$17.2 billion equivalent of assistance. In fiscal year 2005, the World Bank approved $600 million in low-interest credits for three operations.

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