Germany supports Bangladesh with Financial Co-operation (FC) projects from the very beginning since independence. The overall FC commitments have reached DEM 2.9 billion (approximately US$1.6 billion). These funds have been fully made available as grants.

Talking about experiences of FC we first of all focus on the different projects that were implemented. And this project-related perspective is without any doubts very important, because our partners and we want to know, whether or not each of these projects has reached its objectives.

But such project-related approach does not cover the full philosophy of German FC. It is the task of FC to improve the living conditions by promoting investment projects. However, we want to yield results beyond the scope of single projects. One of the main characteristics of German FC, therefore, is its structural orientation.

What does that mean? It is often the outcome of our project appraisal that the promotion of the respective project requires reforms of the sectoral framework conditions and/or institutional development on the project sponsor level. Let me
give you a short example (although I am sure that you all know what I am talking about). The electricity supply system of many countries is characterised by an overall low tariff level and a tariff structure that does by no means reflect the supply cost for the respective consumer groups. Investing in additional generation capacity would be questionable in such a situation because this would further support the misallocation of scarce resources and deteriorate the liquidity problems of the project sponsor. Furthermore, this would increase the necessary subsidies to be paid to the power company from ordinary budget funds.

Thus asking for changes of the tariff level and the tariff structure would not only be beneficial for the economic viability of the respective project but for the sector as a whole. That is meant with the structural orientation of FC. And emphasising this point is a clear outcome of our experience and lessons learned from nearly 40 years of FC.

It is obvious that an isolated dialogue between KfW and our partners would only yield very limited results. We, therefore, try to co-ordinate our approach with other bilateral and multilateral donor organisations. A very good example in that regard is the Health and Population Sector Programme. This Programme has a long history and is very successful. A close co-ordination within the donor community and a wide-ranging and very constructive dialogue with our Bangladeshi partner institutions are key elements of this success.

However, structural orientation also means that FC funds might be blocked if the preconditions for sectoral reforms and institutional development are insufficient. And – as you know –
this is not a theoretical issue but it has a direct relation to our actual portfolio (railways and power sector). May, I underline that KfW knows about the consequences of such covenants. We have many examples in Germany too showing that deep and structural reforms are complicated and often have to overcome considerable resistance from different parties involved. But that does not question our philosophy.

Finally I would like to mention one additional aspect. "Experiences of Development Partnership" for us also means that such dialogue described above absorbs a lot of personnel capacities on both sides. This leads to our effort to concentrate our co-operation on a few sectors. The actual FC portfolio comprises energy, transport (railways, roads) and health/family planning. It is only on the basis of such sectoral concentration that we are able to make available sufficient staff resources for the broad and intensive dialogue with our partners.