

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY



INTERNATIONAL MONETARY FUND

Press Release No. 11

September 23–24, 2003

Statement by the Hon. **M. SAIFUR RAHMAN**,
Governor of the Bank and the Fund for **BANGLADESH**,
at the Joint Annual Discussion

**Statement by the Hon. M. Saifur Rahman,
Governor of the Bank and the Fund for Bangladesh,
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Thanks to warm and generous hospitality of the Government and the people of the UAE, and Dubai in particular; we have assembled in a historic region at a critical time. Terror and conflict, originating from this cradle of ancient civilizations and the blessed birthplace of three holy religions, threaten to subvert peace and prosperity, harmony and the cherished values throughout the world. Against this backdrop of volatile political environment, the world economy continues to sputter and for three consecutive years is growing well below the potential. The emerging challenges in the global village in the twenty first century cannot be effectively met by any nation singly. This is the time to rededicate ourselves to proactive cooperation within multilateral framework.

Globalization in the recent decades has opened up new opportunities for both developing and developed countries. However, the gains of trade liberalization have been offset in developing countries by barriers in agriculture, inequitable obstacles of intellectual property rights, particularly in lifesaving drugs, absence of special and differential treatment for developing countries, non-tariff barriers including impractical labor standards and restrictions on labor mobility. Doha Development Agenda is a step in the right direction. Unfortunately the process of trade liberalization suffered a serious, but I hope temporary, setback in recently concluded ministerial conference at Cancun. We hope that new initiatives will be undertaken promptly to put the negotiation back to track.

While many of the challenges we face are new, the most persistent and arduous task before humanity today is the curse of poverty, which is as old as history itself. Of late, some encouraging trends in poverty reduction have been noticed in certain regions. Nevertheless, more than 1.1 billion people earn less than a dollar a day; more than 2.8 billion, less than two dollars a day. There is no quick fix for poverty. There are many necessary conditions for poverty reduction, but none of them by itself is sufficient. Good governance, sound macro policies and people's participation are essential for generating development. They are not, however, enough. Developing countries need huge investment for development of physical infrastructure and human resources. We are, therefore, disappointed by the recent unfavorable trends in flow of Official Development Assistance (ODA) to developing countries and a dramatic decline in private investment in physical infrastructure. Over the decade 1990-2000, the percentage of their GDP given as aid by industrial governments fell from 0.33 to 0.22 percent – a far cry from the agreed target of 0.7 percent. This was accompanied by a fall in the share of scarce ODA to the Least Developed countries (LDCs). The share of the LDCs in total ODA has fallen from 32 percent in 1990 to 24.7 percent in 2000. According to Human Development Report 2003, per capita ODA in developing countries in 2001 stood at \$ 9.7, in LDCs, at \$19.8 and in Bangladesh, at \$7.3. Ironically, annual per capita government subsidy for a cow in Europe, according to one World Bank estimate is about \$730. These unhealthy trends must be reversed. The Millennium Development Goals have roused new expectations. Unfortunately, adequate resources for realizing these goals have not been committed as yet. The World cannot afford the luxury of aid fatigue at this critical hour.

The effectiveness of aid utilization is contingent to a large extent on enhanced voice and participation of developing countries. However, it is not a technocratic issue and cannot be solved by tinkering with the existing system. It is a structural issue which will have to be addressed at the political level. It needs reaffirmation of the goals of multilateralism and realization in industrial countries that poverty anywhere is a threat to prosperity everywhere. The unfinished agenda for the allocation of SDR and a review of the IMF Quota, and capital increase of the World Bank should be addressed in an equitable manner. The PRSP process should be streamlined by recognizing greater role of government in aggregating conflicting goals and aspirations.

Despite limited resources, we have benefited in Bangladesh from good policies and painstaking efforts since the assumption of office by the present Government under the dynamic leadership of Begum Khaleda Zia through a democratic process in 2001. I am happy to inform you that Bangladesh, according to latest Human Development Report, has graduated from the category of "Lowest Human Development" to "Medium Human Development". The Country Performance Rating of Bangladesh, according to World Bank estimates, has improved very significantly since the new Government took over. We have successfully finalized the Interim Poverty Reduction Strategy Paper and concluded an agreement for a loan from PRGF. GDP growth in 2002-2003 was around 5.3 percent; inflation was contained to about five percent. In last two years, foreign exchange reserves have been doubled from a disastrously low level inherited by the present Government. Floating exchange regime has been successfully introduced. Reversing the trend of negative growth last year, exports grew at around nine

percent. The fiscal deficit has been significantly curtailed. The benefits of these reforms cannot be reaped fully unless investment in physical and social infrastructure could be accelerated. We appreciate the support of the management of World Bank under the leadership of Mr. Wolfensohn and of IMF under Mr. Kohler to the ongoing reforms in Bangladesh. Both the institutions share our vision for urgently needed investments in social and physical infrastructure underpinned by PRSP. We look forward to more fruitful and continued cooperation from all multilateral and bilateral development partners in the arduous task of alleviating distress in one of the deepest pockets of poverty in the world.