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Statement by the Hon. **SHAH A.M.S. KIBRIA**,
Governor of the Bank for **BANGLADESH**,
at the Joint Annual Discussion

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Honourable Chair, the President of the Bank, the Managing Director of the Fund, Fellow Governors, Distinguished Delegates,

It is a great privilege for me to address 1998 Annual Meetings of the Board of Governors of the Bank and the Fund. I take this opportunity to extend to you, Mr. Chairperson, my warmest felicitations on your election to the Chair of this August Body. Let me also congratulate the Managing Director and the President for the leadership they have provided to these two important institutions since they assumed office. We have noted with appreciation the policies outlined by President Clinton for a growing world economy free from volatility.

2. Since we met last in Hong Kong, it has not been an easy time. The high performing economies of Asia plunged into a crisis which stalled the course of their rapid development. The contagion effect was apprehended but no one knew for certain the depth and extent of its effect. It appears now that the contagion has spread far and wide - and threatens to engulf the world economy. Some economists even apprehend that the world may experience a deep depression unless corrective measures are taken quickly.

3. The threat to the world economy comes at a time when liberalization was generally accepted and most of the developing countries had made significant progress in terms of policies for structural reforms and adjustment. The volatility of currency and capital market – especially speculation or predatory raid on the economies with vulnerability – has generated scepticism about the benefit of liberalization. The Bank and the Fund will have to take adequate measures to stem the tide of growing skepticism and any likelihood of reversal towards more insular policies. In this context, let me put on record my delegation's appreciation of the initiatives taken by the International Monetary Fund, the World Bank, and the Regional Banks. We listened with great interest the opening statements made by Mr. Michel Camdessus and Mr. James Wolfensohn which gave an excellent analysis of the origins of the current financial crisis and guidelines for its solution. I congratulate Mr. Camdessus and Mr. Wofensohn for their statements.

4. The contagion effect of the Asian crisis has put the developing countries – particularly the least developed countries – in a difficult situation. First, the resources necessary for supporting development efforts and balance of payments have not increased relative to the enlarged needs. Second, as part of liberalization, we have adopted export-led growth strategies. The prospect of global recession dampens our export efforts. Third, the structural reforms and adjustment policies implemented so far clearly indicate

that we should continue to pursue that strategy. The success of the strategy is contingent on adequate external support and expansion of the world economy.

Mr. Chairperson,

5. Let me turn to my own country Bangladesh now. Since the present Government took office in 1996, it has achieved remarkable success in a number of key areas; for want of time, let me touch on only a few of them.

- The present government under the leadership of Prime Minister Sheikh Hasina has established a representative local self-government system at the grass-root level. More importantly, the local self-government institutions are structured in such a way as to secure effective representation of women – to ensure their empowerment.
- The ethnic conflict which plagued Chittagong Hill Tracts for the last two decades has been brought to an end through peaceful negotiation. It is a unique case in the world where peace has been established by the parties themselves without external intermediation.
- Within six months of assuming office our government signed a 30 year Treaty for a long-term Water-sharing arrangement with the upper riparian country India. This has created conditions for more efficient use of the water resource and construction of water management structures.
- We have achieved economic growth at close to 6 percent in the last two financial years.
- In order to improve the quality of governance, we have taken up an ambitious programme of reforms. Financial sector reforms and administrative reforms are two critical areas where we have focused our attention. Privatization has also been taken up in right earnest.

6. Unfortunately, the consolidation of our economic efforts is threatened by the floods that we had since July. This is the worst flood that the country has experienced in recorded history. This not only affected the normal life of the people but also adversely affected agricultural output, industrial production, and exports. The Government has undertaken a large relief operation and rehabilitation programme, thanks to the assistance of all our friendly countries and international and multilateral agencies. We would need significant assistance for rehabilitation and regeneration of the economy to recoup the output loss and sustain the high rate of growth achieved in the recent years.

7. Our basic strategy to cope with the exogenous shock is to stimulate economic activities and maintain the rate of growth while containing inflation. In particular, this includes: maintaining fiscal balance and containing deficits; controlling public expenditure and improving its quality; maintaining adequate international reserve; recoup output losses

in agriculture and industry, especially in the exports sector; and allowing adequate import so that an upward pressure on prices generated by a supply shock can be averted. The success of the strategy requires adequate external resource support.

Mr. Chairperson,

8. It takes strong leadership, deep commitment and courage to pursue an economic strategy based on liberalization and export-led growth in such times of crisis. Fortunately for us, Prime Minister Sheikh Hasina provides such leadership and is a beacon light for all of us. Under her leadership, the economic policies and institutional development for a strong democratic system of governance has remained on course.

9. Let me conclude, Mr. Chairperson, with thanks to you, the Fellow Governors and the Distinguished Delegates for their patient hearing.