

INTERNATIONAL MONETARY FUND

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

J

Press Release No. 27

September 29, 2002

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

**Statement by the Hon. M. Saifur Rahman,
Governor of the Fund for Bangladesh,
at the Joint Annual Discussion**

It is a great honor for me to address the Annual Meetings of the Board of Governors of the Bank and Fund for the eighth time since 1980. During last twenty two years of my association with the Bank-Fund Boards, the world in general and Bangladesh in particular witnessed significant achievements as well as difficult challenges in the economic sphere. Compared to the past, the challenges of economic management today, are, however, much more complex and painful. I would like to congratulate both Mr. Wolfensohn and Mr. Kohler for their stewardship of Bretton Woods institutions at this critical juncture and extend my warm felicitation to you – Mr. Chairman, on your election. We welcome East Timor as the newest member of the Bretton Woods family.

2. The political and economic outlook in the global context continues to be uncertain. We are meeting today in the USA which was traumatized in the recent past by sinister forces of terrorism. Bangladesh under the leadership of Prime Minister Khaleda Zia is totally opposed to terrorism in all its forms and will continue to extend full support for its elimination everywhere. The prospect of economic recovery in many parts of the world in the current year had turned out to be elusive. According to latest forecast, world economic recovery is likely to be weak, vulnerable to shocks and confined to a few countries. Oil prices are back to a very high level and the terms of trade for developing countries like Bangladesh have significantly deteriorated leading to the paradox of less earning for more exports. According to estimates of Development Committee, the flow of official development finance has declined in both 2000 and 2001 and the actual flow in 2001 is less than the average flow during both 1985-89 and 1990-99 periods. It has been accompanied by a decline in the flow of private capital in much of the developing world.

3. Against this backdrop of adverse international economic environment, a number of initiatives have already been taken to reverse the declining trend in flow of resources to developing countries. The Monterrey Consensus is a milestone in forging a new partnership between developed and developing countries. We also welcome the successful conclusion of IDA XIII. World Summit on Sustainable Development at Johannesburg has revitalized the urge for environmental protection and maintaining climatic equilibrium. The highest ever replenishment for the Global Environment Facility is also a welcome news. Millennium Development Goals by setting quantifiable targets for economic and social development have added new dimensions to the Monterrey and Johannesburg consensus.

4. The initiatives taken so far are in the right direction. However, they are not sufficient. If we really want to implement the Millennium Development Goals, the past

practice of allocation of aid must be reviewed and more resources must flow where much of the poor live. It may be relevant here to note that Asia contains the largest concentration of world's poor. Measures should also be taken for swift implementation of the Fourth Amendment of the IMF's Articles of Agreement on allocation of SDR and for satisfactory review of IMF Quota. Parallel to additional measures for increased flow of assistance to developing countries, the gains of globalization must be consolidated. With a view to removing the misgivings about globalization, high income countries must come forward unilaterally with pro-trade policies and demonstrate good faith by curbing non-trade barriers including unrealistic labor standards.. Low income countries should be allowed duty-free and quota-free access to markets in industrial countries. Globalization must be embedded in democratic institutions both nationally and globally and measures for further democratization of multilateral financial institutions and instruments of global governance should be explored.

5. Development cannot be generated from outside by the flow of assistance alone. The developing countries must themselves create the enabling environment for effective utilization of foreign assistance. In this context, we welcome better measuring, monitoring and managing for development results. We support surveillance measures of IMF and welcome intensified work on Anti Money Laundering and combating of terrorism. Nevertheless, it must be remembered that development cannot be promoted by policing alone. The ends and means of development must not be confused. Development is a complex transformation in an ever –changing environment. The multilateral institutions must remain ready to respond flexibly to challenges of development on case by case basis.

6. The last decade in Bangladesh started with great promise. During the period 1991-96, major reforms were implemented in areas of trade, banking, fiscal consolidation, human resource development and privatization. Unfortunately political changes in 1996 stalled and reversed the process of reforms for five years. The present government, which pioneered reforms in the early 90s, has within the shortest possible time restored macro balance and undertaken the painful process of restarting reforms. Fiscal consolidation along with closure of large loss-making industries already contributed to high social costs. The government from its meager resources have so far mitigated some of these costs. However, further reforms are not likely to be socially acceptable unless additional resources for safety net, investment in physical infrastructure and human resources development could be mobilized. The Government has already prepared a draft IPRSP through a participatory process and we hope to complete the process expeditiously. In the past, Bangladesh demonstrated its ability in efficient utilization of aid, significantly lowering population growth, building rural infrastructure, increasing food production, reducing poverty and introducing innovative measures for empowerment like micro credit. Given adequate support from the world community, we are confident that Bangladesh will attain millennium development goals by 2015 despite the enormity of her problems.