



2015
LIMA
ANNUAL MEETINGS
WORLD BANK GROUP
INTERNATIONAL MONETARY FUND

Governor's Statement No. 9

October 9, 2015

Statement by the Hon. **ABUL MAAL A. MUHITH**,
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STATEMENT OF ABUL MAAL A. MUHITH, FINANCE MINISTER AND
GOVERNOR OF THE BANK-FUND FOR BANGLADESH AT THE 2015 ANNUAL
MEETINGS AT LIMA, PERU - OCTOBER 9-11, 2015

Mr. Chairman, my fellow Governors, distinguished delegates and ladies and gentleman,

It is, indeed, an honour and privilege for me to be able to join you all at this annual Fund and Bank meeting in this city of pre-Columbian period, which has remained prominent for nearly five unbroken centuries. This is my first visit to this place after a few abandoned plans of about five decades and so you can guess my enthusiasm for the festive mood in which we find the city now. Congratulations to our hosts and the Bank Fund secretariat for the excellent arrangements and hospitality.

A land of ameri-Indians Peru became a part of Spanish empire in the early sixteenth century. As Latin America began its struggle for self-rule, Peru won its independence in 1835. Since then Lima has grown from a city of thousands to one of 9 million plus now accounting for about a third of the population of Peru. This is also the financial centre of South America. In addition, it is reputed as the Gastronomical capital of the Americas. Industrialisation in Peru has a history of nearly a century. We have, therefore, a lot to learn from this country and I am glad that we are holding the Fund Bank meeting here.

The global economy has been living with crisis for more than half a decade now and we can be proud of the fact that we have managed it reasonably well. The forecast for socio-economic performance for this year and the next were quite comfortable but the turmoil in Europe and somewhat uncertainty in China are rather disturbing. We are told that India is out of the woods and a robust growth is expected there. We should perhaps accept the reality that in a diverse and dynamic world of today we have to be permanently prepared for improvisations and strategy changes. Resilience is what we all have to seriously strive for.

In the past, at least for fifteen years, we have worked hard for achieving the MDGs - the Millennium Development Goals - which were agreed to in a series of international summits and concluded finally in the United Nations in 2000. After quite a strenuous exercise spread over about two years our leaders have just adopted the SDGs – Sustainable Development Goals for 2030. It is good that the Bank and the Fund have remained involved in the process of setting up the seventeen goals of the SDGs. Such target setting has proved to be an effective tool for promoting socio-economic development of mankind in its totality. Shared Prosperity is the slogan of the SDGs and that is what is also the philosophy of the Fund Bank group. IMF has already chalked out a tentative programme of technical and financial support for the SDGs. The World Bank is also grappling with alternative options to rise to the occasion.

Initially I thought that the ADB choice of merging the operations of both the ordinary capital resources (OCR) and Asian Development Fund (ADF) resources might provide an

easy solution to meeting the increasing demand for development financing by the World Bank group. But considering the very large demand for resources for all low income countries it does not appear that this is a replicable option. The Bank needs not only increased volume but also better targeting of capacity building and mobilisation of private investment that has been sought to be done under IDA Plus concept. Here there is some hesitance due to a few very pertinent questions such as: extra cost of borrowing, crowding out effect on IDA resources, effective voice of the poor and debt sustainability of the borrowing low income countries. Let us work on allaying these concerns.

I have repeatedly welcomed the WDR for its contribution to evolving development theology since its first publication in 1978. This year it has boldly focused on mind and society. Every now and then we emphasize the issue of mindset and sometimes give up reforms under the plea of mindset. But that is very wrong as civilisational advance demands change of mindset. We need to learn and practice as to how to change mindset. I hope we shall learn something about it now.

The importance of digitisation or ICT is possibly an area in which Bangladesh as a late-comer is trying to move fast to recover the lost ground. Under the leadership of a willing and keen digital student our Prime Minister Sheikh Hasina, we began our foray into digitisation less than two decades ago. We believe that the digital process assists us in leapfrogging the usual socio-economic development route and more importantly eliminating corrupt practices systematically. As of July mobile phones in use in a land of poverty-stricken 155 million people is about 129 million, internet subscribers are 51 million and software export goes to 30 countries. You can well imagine, Mr. Chairman, how keenly we look forward to the WDR 2016 whose subject is Internet and Development.

Let me now give a brief account of how we have been faring in the face of global financial crisis. In the last six years we maintained an average output growth of 6.2 percent and our per capita income level has put us in the low middle income category. We shall hopefully graduate out of the least developed category by 2021. Maintenance of strong domestic demand and success in export promotion have blessed us with steady growth in the last six years. Reserves have grown to \$ 26 billion from \$ 6.1 billion in 2007-08. Equally noteworthy is the revenue growth from 8.8 percent in 2007-08 to 10.5 percent of GDP last year.

Such over-all improvement in the economy coupled with growth in agriculture and careful social protection measures have reduced overall poverty level along with inequality level as well. Poverty level in 2015 is estimated at 22.4 percent and extreme poverty accounts for only 7.9 percent of the population. We have reached virtually 100 percent enrollment at the primary education level. Gender parity has been achieved at both primary and secondary levels. Average life expectancy is 70.7 years, maternal mortality is 1.7 percent and infant mortality is 3.3 percent.

I must highlight at the same time a few concerns for the future:

- First, investment is still rather low and especially the private sector is lagging behind. Not without reason FDI is also very low. Investment in 2014-15 was 28 percent of GDP with private sector remaining almost static at 22 percent for four successive years. The inflow of FDI has been just over a billion dollars in the last three years. Investment surely is not good enough considering the huge requirement in the country and the consistent growth of domestic demand in at least the last few years.
- Second, recently we are experiencing export deceleration, the annual growth rate of two digits has come down to about 4 percent in the few months of this fiscal year.
- Third, remittance from expatriate employees has been a source of strength for the economy and this advantage should be retained. Regulation of fees for manpower export and prevention of unfair practices in this business need to be strengthened but export of manpower must remain primarily with the private sector.
- Fourth, an area of attention is upgrading of skills of labour for both domestic and expatriate manpower. We have initiated a programme with ADB and DFID support but this is not sufficient; help from more development partners is required.
- Fifth, in the labour force women participation has increased, albeit from 7 percent in 1983-84 to 30 percent now, but there is discrimination in job quality as well as in remuneration. This must be corrected.
- Lastly I would draw attention once again to accessing funds for programmes and projects related to environment. In the worst affected climate vulnerable country, we have incorporated climate concerns in our overall development planning and we have also created a dedicated fund of our own for climate related projects. But it looks that our domestic efforts have unfortunately not been matched by the interest of our development partners. It is regrettable that accessing funds for climate related programmes and projects is both complex and time consuming. This is in need of early reform.

I would conclude now with a message of hope that in the financial year 2016, we are poised for an output growth rate of 7 percent, overcoming the 6+ percent stagnancy of about a decade. It appears that loss of public interest in power politics of strikes, killings and burnings is at last in a position to work for peace in the country.

Joi Bangla! Joi Bangabandhu! Long live Bangladesh!