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

It is a privilege for me to address the Annual Meeting of the Bank and the Fund. I join other speakers in extending my warmest congratulations on your election to the Chair of this august body. On behalf of my Government and the delegation, I would like to welcome Mr. Horst Köhler, the new Managing Director of IMF, and express my appreciation for the initiatives of Mr. James Wolfensohn at the World Bank. Last, but not the least, I thank the Government of the Czech Republic and the people of this country, and especially those of Prague, for their warm hospitality and the excellent arrangements they have made for the meeting.

Mr. Chairman, the economic map of the world is changing fast; the rules determining economic relations within and between countries also are being redefined. I will touch on some of the critical issues in this regard. First, official development assistance (ODA) transfer to developing countries is declining over time; it has been about one-third of the agreed target. Second, the access of developing countries to industrial markets still remains constrained by tariff and nontariff barriers. Competition in the service sector in the domestic market compounds the problems further because of the wide gap in human and technological resources. Finally, liberalization of the flow of goods and services has not been matched by the flow of factors of production. Labour migration policies of the industrial countries continue to be restrictive. Movement of capital has been highly volatile, often exacerbated by unstable portfolio investment.

Against this backdrop, we welcome the initiative to establish a new international financial architecture. But a new structure will not be sustainable unless it is based on equity, where both developing and industrial countries have equal opportunity for participation. To that end, efforts should be made to accelerate the flow of resources to the developing countries, particularly ODA; enhance market access for their products; progressively liberalize labour migration; and establish institutions and mechanisms for ensuring a more orderly flow of capital and currency stability.

Mr. Chairman, delivery of aid also has been experiencing constraints – and in many cases has slowed down or declined. Increasingly, aid is being linked to policy and institutional reforms. We recognize the importance of reforms, but external pressures for

reform that disregard the structural and political complexities attending policy and institutional changes can be self-defeating and may induce a slowdown of the reform process. Slow delivery or cutting down on aid does not necessarily make the environment more conducive to change.

Mr. Chairman, the recent increase in oil prices will create an additional burden on the oil-importing developing countries. Indeed, we are already under this heavy burden. I am happy to note that the Bank and the Fund have already recognized the seriousness of the problem.

Mr. Chairman, it is gratifying to note that participatory and democratic systems and protection of human rights are among the values that aid programs now aim at promoting. It is important for countries like ours, where we are trying to establish democracy on a strong institutional foundation, despite odds –even subtle resistance – from groups that benefited from military rule and have yet to fully absorb democracy as a fundamental value in their political culture. Those who take decisions on aid will have to exercise very fine judgment as to what policies and strategies will promote development and democracy simultaneously.

Mr. Chairman, let me turn briefly to the policies and developments in Bangladesh achieved under the dynamic leadership of Prime Minister Sheikh Hasina. While the list is long, I will mention only a few critical achievements.

- Since 1996, we have been able to achieve noninflationary economic growth, averaging more than 5 percent.
- Macroeconomic stability has been sustained, coupled with low inflation at less than 4 percent, and improvements in domestic saving and national investment ratios were close to 18 percent and 23 percent respectively.
- A liberal foreign exchange regime, deregulation of investments and a wide range of fiscal incentives have been adopted to attract direct foreign investment. The initial response has been encouraging, but we expect much stronger response.
- A flexible exchange rate policy has encouraged exports; however, investment and technological upgrading are required for diversification of export.
- Development strategy focuses on the social sector and human resources, including health and education. Enrollment rates at the primary level exceed 85 percent and, more significantly, gender parity has been achieved by Bangladesh.
- A series of actions has been taken for the empowerment of women, most significant among them being access to direct election to representative local government institutions and recruitment into all branches of the government, including the defense services.
- As part of the strategy for better governance, transparency, accountability, and anti-corruption measures are being strengthened through the enhanced professional capacity of auditors and parliamentary oversight.

The Government remains firmly committed to a development strategy for rapid growth with social justice, poverty eradication, macroeconomic stability, and structural reforms for higher efficiency; and in the political arena, there is commitment to strong democratic and participatory institutions as well as empowerment of the weak and socially disadvantaged.

Let me conclude, Mr. Chairman, by thanking you, my fellow Governors, and the distinguished delegates for a patient hearing.