



BANGLADESH

M. SAIFUR RAHMAN, Governor

It is a great pleasure for me for being able to be present here in this beautiful city of Istanbul and to address today this session of the 38th Annual Meeting of the Asian Development Bank (ADB). I join other distinguished fellow Governors in extending to you, Mr. Chairman, my delegation's warm felicitations on your election to chair this meeting. I would like to record our deep appreciation for the hard work done by President Kuroda and his team of competent staff for organizing this big annual event. Our particular thanks are also due to the Government of Turkey and the people of Istanbul for their warm hospitality and excellent arrangements.

We regard ADB as a dependable, friendly and very important development partner of ours. ADB's assistance helped us in a very crucial way in our developmental endeavors and in achieving notable success particularly in the areas of agriculture, education and poverty reduction. ADB has also been a major donor in energy and road infrastructure, and recently extended assistance for the development of port (Chittagong port) management. Since becoming a member of ADB in 1973 Bangladesh has received assistance from it to the tune of US dollar 7.57 billion. This year, in the year 2005, we are expecting that ADB's loan commitment for Bangladesh would be around US dollar 680 million, which would be the highest ever for Bangladesh. My Government expresses its sincere appreciation for ADB's contribution to meet our development needs.

We have already received ADB's Annual Report, 2004. I take this opportunity to congratulate ADB for having this excellently informative and analytical report published. With the change in ADB's lending philosophy, opting to addressing the poverty issue of the region as its overarching goal, ADB has become a vital development partner of Bangladesh in the field of poverty alleviation activity. Despite the huge challenge Bangladesh achieved one of the fastest rate of poverty reduction in the world in the last 15 years. One of the most important basis of this success is public-private collaboration in microfinance. I may claim that Bangladesh is the place where the concept of microfinance was born and very successfully laboratory tested. It is heartening that ADB is actively considering microcredit or microfinance as a very effective vehicle of poverty alleviation. I think the ADB Annual Report has rightly chosen " The Changing Face of the Microfinance Industry: Building Financial Systems for the Poor" as the special theme. Indeed, the nature of the microfinancing organizations/institutions is rapidly changing. In Bangladesh we are presently working on two laws: (i) microcredit bank law and (ii) microcredit regulatory authority law. With the enactment of these two laws microcredit activity in the country would become institutionalized and assume a new dimension. Capital is important for the people, however, we must also emphasize the fact that the state also needs to invest in a big way for the development of basic social and physical infrastructures. These need to be in place, so that poor people can readily use them and try to come out of the trap with the help of small capital extended through the structure of microfinancing.

As you are aware, we are witnessing some turmoil in the international economic arena and having some consequential internal fallout. Particularly we have experienced some shocks in our economy due to dollar depression and oil-price rise. We have also suffered a devastating flood in 2004, that affected about 38% of the area of Bangladesh, and caused extensive damage to standing crops, infrastructure and livelihoods of about 39 million people. Despite the setbacks caused by external factors and natural calamities, we have been able to recoup the momentum of our economy with out much loss of time. We are expecting an estimated GDP growth of about 5.3% in 2004-2005 fiscal year, slightly lower than 5.5% in the preceding year of 2003-2004.

May I recall here that Bangladesh has always been able to manage its economy to grow. On the average it grew at a rate 2.7% in the 1970s, 3.7% in the 1980s, 4.8% in the 1990s and 5.1% during 2000 to 2004. We have been able to reduce the incidence of poverty and even absolute poverty, we have achieved enormous enrollment and also gender parity in the primary and secondary levels of education, higher rate of literacy, a rapid decline in population growth rate, and a steady decline in infant mortality. And for the first time, Bangladesh was ranked by UNDP in 2003 as being in the medium human development group.

No doubt Bangladesh has made considerable in-road into the reduction of income and human poverty over the years, But, still, we have a long way to go. Bangladesh is a poor country consisting of a very big population of 140 million living in a small area of only about 56,000 square miles. Economic development and poverty reduction has thus become a daunting task. Poverty alleviation has remained our principal policy goal for economic development. To address the challenge the Government has formulated the Poverty Reduction Strategy Paper (PRSP). PRSP has devised a pro-poor approach of economic development and identified seven strategies for its realization. We are happy to note that ADB has also started preparation of a new Country Strategy and Program for Bangladesh. While we always appreciate ADB's assistance with regard to poverty reduction activity, I may remind that it has been estimated that to achieve the poverty reduction objectives and related MDGs by 2015 or by the time limit set in the Partnership Agreement between ADB and the Government of Bangladesh on Poverty Reduction (PAPR), Bangladesh's economy need to grow at a rate of around 7-8% a year. For this massive investment in almost every sector and effective resource mobilization, both from internal and external sources, are required.

After coming to the state power in October 2001, my Government undertook and completed several reforms, particularly in the financial sector management. We have disciplined and stabilized the macroeconomy of the country by adopting an appropriate fiscal and monetary policy. We have been able to reduce the fiscal deficit from 6.2% of the GDP in FY2000 to 3.2% in FY2004, maintain stable commodity prices by keeping the inflation level low, and improve foreign exchange reserves to US \$ 3.2 billion due to increased export earnings and remittance by the non-resident Bangladeshis. I may here mention that Bangladesh has been able to register a double digit growth in exports of goods and services for almost a decade and achieve phenomenal increase in remittance due to some innovative actions taken by the Government, which reached an estimated total of US \$ 3.4 billion in 2004 .

We understand that ADB's Board has authorized the eighth replenishment of the ADF (ADF IX), which covers 2005-2008. Donors had recommended a replenishment of US \$ 7.0 billion. This had been significantly higher than the US \$ 5.65 billion agreed during ADF VIII. While we are happy on this success of ADB in having a higher replenishment commitment, we are nonetheless concerned about the fact that ADF lending to Bangladesh has been diminishing. As a B1 category country Bangladesh is eligible to borrow mainly ADF loan with limited amounts of ordinary capital resources (OCR) loan. The Partnership Agreement for Poverty Reduction (PAPR) concluded in April 2000, envisaged that ADB will attempt to maintain an

average annual lending level in the range of US \$ 400-500 million, including an ADF component of US \$ 350-400 million, subject to resource availability, country performance and the assistance provided by other donors. But in reality ADF lending to Bangladesh for the past few years has been dwindling, coming down to US \$ 198.9 million in 1994. It is also evident that the overall net transfer of resources from ADB to the Developing Member Countries (DMCs) has also been decreasing. Total transfer of ADF resource has declined from US \$ 717.15 million in 2002 to US \$ 640.76 million in 2003 and to US \$ 458.54 million in 2004. We are concerned with these trends, and hope that with the ADF IX in place the trend now would be reversed. Increased concessional assistance and net resource transfer are very crucial for a DMC like Bangladesh. The efforts of the DMCs in achieving some of the MDGs might suffer serious set back if ADF is not maintained at a level which can effectively carry forward and sustain the good work that they have undertaken in addressing the problem of poverty.

I support ADB's opting for the Managing for Development Results (MfDR) in handling of its loan portfolios. ADB has also adopted Performance Based Allocation (PBA) of ADF resources. However, it has correctly been stated in the ADB's Annual Report that country ownership and capacity to manage for results is of primary importance for the success of the ADB's MfDR agenda. I can say that this is also true with regard to PBA. We feel that while results should be emphasized, real needs of the DMCs, which are engaged in a bitter struggle of poverty eradication, must not be over looked. Country specific realities, the size of the country and special or unique features/situation need to be taken into account in making assessment for allocation.

Loan utilization capacity is crucial in the performance matrix. If we look into the disbursement position percentage wise our cumulative loan disbursement position (77.43%) is not much lower than the ADB average (81.39%). It is also above the south Asian average. Having said that, we admit that our aid utilization position needs to be greatly augmented. We have been working for capacity building and streamlining of procedures in this regard. The fundamental implementation problem was the complicated procedure of project approval, requiring long drawn processes, and the bottlenecks in affecting procurement of goods and services under development projects. We have accordingly revised the project approving procedures, reducing the number of documents and time required, and also delegating much power to the executing agencies for quicker disposal. We have also formulated and put in place the Public Procurement Regulations 2003 (PPR,03) and a Procurement Procedure to streamline and standardize procurement processes and ensure transparency. We hope that with the new practices in place we would be able to improve the situation substantially. In this regard I may like to call upon ADB to come forward to harmonize and align its Procedures, particularly procurement and project monitoring Procedures, with that of the DMC's for quicker implementation and assumption of ownership of the projects by them in line with Rome Declaration and Paris Meeting of High-Level Forum on Harmonization.

I may also in this regard point out that ADB's development projects are increasingly becoming stringent upon numerous conditionalities, particularly the loan effectivity conditions. These conditions are very often contributing to delaying the loan from becoming effective after the signing, and eventually leading to late commencement of projects and in case of OCR loan causing the Government to pay commitment fee for this period of waiting. For making projects/investments meaningful conditions may be considered important and sometimes necessary, but it is felt that too many of them may contribute to undertaking of less number of projects causing lesser commitment and flow of resources into the country and also may cause delay in the startup of projects and thereby hinder the pace of implementation. For smooth undertaking and implementation of projects, the number of conditions might be kept at the minimum. Also the conditions proposed for compliance need to commensurate with the national priority and strategy.

My Government believes in two things: to reform and to ensure openness of the economy for greater development and benefit. We have also been striving to establish good governance. Bangladesh has seen many significant structural and sector reforms implemented with the assistance of ADB and other development partners. These include reforms in sectors like finance and banking, energy, agriculture, telecommunications, etc. With regard to good governance the independent Anti-Corruption Commission has started working, Bangladesh Telecommunication Regulatory Commission and Energy Regulatory Commission have been made operational, a separate Judicial service Commission for recruitment of judicial officer has been constituted with a view to help ensuring quality and impartiality of the judiciary. The Government is also making sincere and all-out efforts to address the law and order situation, which in recent months has witnessed significant improvement.

Thank you Mr. Chairman, Mr. President and distinguished delegates for your patience and attention.