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Md Ismail Zabihullah, Alternate Governor

It is a great pleasure for me and my delegation to be present here in this historic city of Hyderabad and to address the 39th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB). I join fellow Governors in congratulating our chair and I would like to put on record my deep appreciation of President Kuroda and his team for the dedication, commitment, and leadership in steering ADB toward its core goal of achieving a poverty-free Asia and Pacific region. Our particular thanks are due to the Government of India and the people of Hyderabad for their warm hospitality and excellent arrangements.

As an important development partner, ADB has always been responsive to our needs and sensitive to our development aspirations. My Government expresses its sincere appreciation of ADB's contribution to our development efforts. In particular, I would like to mention ADB's prompt response to our appeal for support for our post-flood rehabilitation programs of 2004. We also thank ADB for including Bangladesh in its multi tranche financing facility.

We have already received ADB's country strategy and program (CSP) for Bangladesh for the period 2006-2010. The National Poverty Reduction Strategy provides a medium-term socio-economic framework centering on a number of well-focused strategies to combat poverty and the social exclusion of the poor as well to attain the Millennium Development Goals (MDGs). Pro-poor economic growth will be the main vehicle for poverty reduction. Our growth is projected to reach 7% in 2007 and is expected to accelerate to over 8% per year by 2015. The inclusiveness of the growth process will be reinforced through adoption of policy measures to protect the weak and vulnerable sections of the population.

I would like to underline the biggest challenges faced by developing member countries (DMCs), including Bangladesh. Recent external developments, in particular, the sustained high oil price, are playing havoc with macroeconomic management in the region. This has cast a gloom over the development prospects of countries like Bangladesh and could even destabilize the global economy, with serious repercussions for everyone. In my country, the sudden spike in oil prices will require over \$1 billion annually to defray the additional fuel import costs. Other DMCs will need to mobilize additional resources to meet this external shock. Needless to say, this will not only put immense pressure on our balance of payments, fiscal situation, foreign exchange reserves, exchange rate, and general price levels, it will also divert scarce resources that would normally be available for investment by the private and public sectors in the priority sectors of the economy. The attainment of the MDGs will also become uncertain.

It will be extremely difficult for DMCs to confront this challenge alone. It threatens to put our economic and social development back by many decades. It is a difficult time for all of



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us. In a trying time like this ADB should marshal all its resources to help member countries overcome this crisis. I encourage ADB to play a catalytic role in supporting DMCs to meet this challenge. Asia has an enormous reserve of \$2.7 trillion. ADB must come forward with arrangements for using part of this reserve to mitigate the sufferings of Asian countries. I would like to take this opportunity to request ADB to also augment its grant financing and concessionary ADF lending to member countries hit badly by the recent price hike of fuels in the international market.

Let me also briefly dwell on few issues that impinge on ADB portfolio performance in the DMCs. First, it is important to reduce the cost of capital for DMCs. I congratulate ADB and the Board for agreeing to a 20 basis point waiver of loan spread and full waiver of the 1% front-end fee of ordinary capital resources (OCR) loans from July 2006 to June 2007. Second, I would like to suggest that agriculture should be included as one of the core areas for ADB's support in its medium term strategy II for the period 2006 to 2008. The poverty reduction agenda in most DMCs will require the existence of a vibrant agricultural sector with links to the rest of the economy. Third, we strongly support ADB's proactive role in promoting regional cooperation and integration and particularly of the South Asia region. Last year's South Asian Association for Regional Cooperation (SAARC) summit in Dhaka took a number of major decisions to strengthen economic ties among the member countries. Following the decision at the last summit, the finance ministers of the SAARC countries met on 2 May 2006 to discuss ways to further strengthen our economic cooperation and ties. We need to move forward on the commitments and pledges made in previous summits, including transport connectivity, and communication and energy links across the region. Since certain countries of the region have surplus electricity, there is also scope for greater regional energy initiatives to utilize the surplus in countries with energy deficits. Regional cooperation in water resources management is also important.

The euphoria surrounding globalization seems to be waning as the champions of globalization have in recent times expressed doubts as to its effect on their industries and employment. We still believe in the process of globalization but at our own pace and convenience based on realities on the ground. The process should move forward by providing weaker countries better access to developed markets, as well as by augmenting the flow of overseas development assistance (ODA) to facilitate investment in critical sectors of the economy. Along with the above, it is also important that developed countries live up to their pledges of increased ODA flows so that we can attain the MDGs within the predetermined time.

I would now like to touch on the issue of governance, on which so much importance is being placed. We are all for good governance for understandable reasons. However, we must allow the developing countries to make their own decisions in this regard specific to their own requirements. A debate on this issue should never be allowed to deflect attention from our core objectives of greater employment and development and their main determining factors. The assessment of appropriateness of governance-related matters should also take into account our achievements and their relevance in our development paradigms. We should by all means avoid the pitfalls involved in allowing the debate on governance to overshadow the main challenges and problems facing the developing countries.

The policies of my government have all along been pro-people and pro-growth. Bangladesh has achieved a GDP growth rate of 6.5% in financial year 2006. In the last decade we have been able to reduce income poverty by 1% per annum. The rate of social poverty reduction was even better. Our primary school enrollment rate has gone up to 97%. My government's Female Secondary Education Stipend Program has been instrumental in removing gender disparity in schools. The infant mortality rate has gone down significantly. We are determined to bring down the poverty rate to 25% by 2015. The attainment of the income

poverty reduction targets and outstanding social outcomes all testify to the government's strong political commitment to poverty reduction and development.

We are determined to remain on course to consolidate our recent significant achievements. We also remain equally committed to move steadily ahead to make growth and progress an enduring feature for Bangladesh. We deeply value the support and assistance of our development partners, including ADB, which complement our national efforts.

Before I conclude, let me reiterate that the enormity of global poverty demands a global compact to eradicate it. The commitments we made earlier on different occasions will remain as mere pious wishes unless we all work together with strong political determination to bring smiles to the poor people of the world.