

BANGLADESH

SAADAT HUSAIN, Head of the Delegation

I deem it a great pleasure to address the 37th Annual Meeting of the Asian Development Bank (ADB). My delegation joins with other delegates in extending to you, Mr. Chairman, our warm felicitations on your election to chair this Annual Meeting. President Tadao Chino and his team of competent staff worked hard to organize the annual event here in Jeju. We record our unqualified appreciation for their hard work. Our thanks are also due to the Government of the Republic of Korea and the people of this beautiful island of Jeju for their warm hospitality and excellent arrangements.

ADB has persistently been an important development partner of Bangladesh. ADB's assistance proved to be a crucial input in the development of priority areas like agriculture, education, and poverty reduction. ADB is also a major donor in the energy and infrastructure sector. Since 1973 Bangladesh logged up ADB assistance to the tune of US\$7.32 billion. Last year alone, ADB's loan commitment was US\$532 million, the highest ever for Bangladesh. Justifiably, my Government expresses its sincere appreciation for ADB's contribution to our development endeavors.

May I take this opportunity to thank ADB for the informative and comprehensive Annual Report it has published. The Report has appositely featured "Law and Institutional Reform: Catalysts for Inclusive Development in the Asia and Pacific Region" as the special theme. A viable approach to development and equitable access to its impacts call for reforms that have to be accomplished speedily and with great care. ADB can play a pivotal role in the process. Let me at this stage speak a note of caution that reform agenda also need to be responsive to the local needs and constraints so that they do not cause a disastrously adverse reaction in the society.

The post-9/11 world has started to settle down. The world economy has turned around and gained momentum in 2003. The recovery is likely to be stronger in 2004. Bangladesh is optimistic to gain handsomely from the changed world scenario that promises a flurry of activities following economic recovery.

The domestic economic situation in Bangladesh is registering definite improvement. The present Government under the leadership of Prime Minister Begum Khaleda Zia, elected to power in October 2001, has achieved commendable progress in the country's economic front. The gross domestic product (GDP) growth rate is expected to be 5.5% to 5.7% in FY2004. Performance has been encouraging in 2003 as well: revenue collection, remittance, and volume of exports and imports increased, while the budget deficit has declined. Foreign exchange reserves improved dramatically as a result of effective measures taken by the Government. We have successfully floated the taka since May 2003. It bears mentioning that the transition to free-floating currency has been smooth, without any spasm whatsoever.

Poverty reduction has remained the principal goal for our economic programs. Bangladesh has made considerable progress in the reduction of income and human poverty over the years. We still have a long way to go. To address this daunting challenge of poverty reduction, the Government formulated an interim poverty reduction strategy paper, which is now being further reviewed to develop it into a poverty reduction strategy paper—a policy and working document for coordinated action towards poverty reduction. We are happy to note that ADB has also started to prepare a new Country Strategy and Program for Bangladesh. In order to substantially reduce the incidence of poverty within the time frame set in the Partnership Agreement on Poverty Reduction or Millennium Development Goals (MDGs), accelerated growth will have to ensue. This calls for sizeable investment in almost every sector of the economy, a Herculean task which nevertheless has to be accomplished through our synergies.

I take this opportunity to congratulate ADB and the donor community for having successfully completed the negotiations of the Asian Development Fund (ADF) IX replenishment. We appreciate the fact that for the first time in such negotiations, selected representatives of ADF borrowing countries, including Bangladesh, were invited to participate in the replenishment meetings. Adequate and predictable ADF IX resources are critical for implementing priority poverty reduction interventions. Flexibility and softer terms of ADF IX are therefore very important in supporting greater resource transfers to developing member countries (DMCs). The efforts of the DMCs in achieving some of the important MDGs will suffer a serious setback if ADF funding is not maintained at a level which can effectively carry forward and sustain the good work that DMCs have undertaken to address poverty problems.

Loan utilization capacity is very crucial in development banking transactions. To facilitate proper and timely project implementation, our Government has initiated some positive steps. These include simplification of approval procedures of projects and processing of procurement. We hope that these steps will help improve our portfolio performance.

We are aware that sector reforms are required to remedy historical deficiencies and also to address the changing developmental context. Bangladesh has seen many significant structural and sector reforms implemented with the assistance of ADB and other development partners. These include reforms in such sectors as energy, agriculture, telecommunications, etc. With regard to good governance, the Independent Anti-Corruption Bill has been passed by the parliament for setting up of an independent Anti-Corruption Commission. A separate Judicial Service Commission for recruitment of judicial officers has been constituted as a prelude to separation of judiciary. Regulatory Commission in Energy is in position. We are implementing various reform programs in the financial and banking sectors.

ADB has introduced the system of Performance-Based Allocation (PBA) for allocating concessional loans of ADF. While appreciating ADB's concern for performance, we feel that country-specific realities, the size of the country, and special or unique features of the country should be taken into account in the assessment for allocation. Development projects supported by ADB are increasingly confronting stringent conditionalities, particularly the loan effectivity conditions. For making projects and investments, meaningful conditionalities are important. But it is felt a plethora of them may contribute to delay in the inception of the project and asphyxiate the

implementation progress. For smooth implementation of a project, conditionalities might be kept at the minimum. Also, the requirements proposed for compliance need to be compatible with national priorities or strategies.

We consider this concourse as something more than a bank shareholders' annual meeting. This meeting provides a good forum for exchange of ideas for economic development, its potential and bottlenecks, particularly in the developing countries. We are happy to be a part of this exchange. We expect that out of the deliberations of this meeting a better understanding and outlook about the development needs and dynamics of the region and also the necessity of efficient aid management would emerge. This meeting provides us with the opportunity of exchanging views with important ADB stakeholders. We hope that such interactions would help foster better cooperation between the Government of Bangladesh and ADB.