

BANGLADESH DEVELOPMENT FORUM 2015

15-16 November 2015

Bangabandhu International Conference Centre (BICC), Dhaka

INAUGURAL SESSION

ADDRESS BY THE CHAIR

MR. ABUL MAAL A. MUHITH, MP

HON'BLE FINANCE MINISTER

GOVERNMENT OF BANGLADESH

15 November 2015

Hon'ble Prime Minister,
Esteemed Colleagues,
Excellencies,
Distinguished Guests from home and abroad and Participants,
Ladies and Gentleman,

Assalamu Alaikum and a very good morning to you all

It is my great pleasure to welcome you all to the Bangladesh Development Forum 2015 being held in this beautiful city of Dhaka, which is more than 400 years old. We are holding BDF for the second time since we took office in 2009.

Distinguished colleagues,

Let me spend a couple of minutes on the evolution of the Bangladesh Development Forum. Aid coordination became a subject of global interest as early as in 1958. At that time under the leadership of World Bank, an emergency assistance program was prepared for the Indian development program of that time. Very soon this became standard practice to set up annual aid commitment and development review of most of the important developing countries.

Ladies and gentlemen,

Bangladesh emerged as an independent country in 1971, but the scorched earth policy of Pakistan devastated the country, drove away millions of people to the neighboring countries and put both the economic and social fabric in shambles. In March, 1973, Bangladesh invited all development partners to a meeting in Dhaka to discuss its plan for reconstruction and development. When the reconstruction phase was well under control in 1974, Aid to Bangladesh Club was formed. This club continued to meet at Paris and Washington not only once in a year but more often to help the country to be on a smooth path of development. The early performance in Bangladesh particularly in rehabilitation and reconstruction was very promising but then the country went under military control and was stuck in a kind of economic stagnancy and a low level socio economic growth trap. After the restoration of democracy sixteen years later the country began to move forward. Since the later part of the 1990s the country moved up rapidly in the economic ladder and also development capacity.

Ladies and gentlemen,

Since 2009, when we met last, despite the global financial crisis Bangladesh performed reasonably well with an average annual growth rate of 6.2 percent and satisfactory success in reducing poverty as well as containing inequity. In 2009, Hon'ble Sheikh Hasina, Prime Minister of Bangladesh announced the goal of graduating into a middle income country by 2021. Statistically, the country has reached the per capita income level of lower middle income country this year. While in 2009, we had the MDGs to achieve this time we have SDGs as our target for 2030. In a few days time we are hoping that in Paris legally binding agreements will be concluded on controlling global warming. At the same time nationally after completing Sixth Five Year Plan we are just launching Seventh Five Year Plan of 2016 to 2020.

In 2009, the Bangladesh development forum got an idea on our plans and programs for achieving MDGs on time. It is a matter of great pleasure that we have more or less succeeded in achieving our goals. In the last election manifesto of 2014, Honorable Sheikh Hasina set the target of the country as graduating from developing to developed status by 2041. No doubt, this is an ambitious target but the consistency of our development performance in the last six years prompts us to seriously strive for achieving this new target.

Ladies and gentlemen,

In these two days of the session of the Forum we would like to share with you our plans and strategies for the future. Our intention is to obtain inputs from you as we finalize our plans and strategies. Let me acknowledge at this stage that although our expectations on commitment of foreign assistance during the last six years were not sufficiently met but development cooperation richly contributed to our reasonable socio-economic progress. We would like to see a repeat of this success in the coming years.

Presently, the global economy is facing difficult problems in Europe as well as in China which spear-headed global growth and stability in the last few years. It looks that Asia would continue to provide growth momentum in coming years as well. Fortunately, the performance in USA is also propitious.

In this context let me present the socio-economic situation in Bangladesh now and provide a preview of where we want to go. The biggest problem in Bangladesh is poverty and highly under developed physical infrastructure. At the moment the poverty rate is 24.8 percent while the extreme poverty rate is 12.9 percent. The gross domestic investment rate is 28.97 percent in which public share is 6.9 percent. A noteworthy but disturbing feature is that private investment has not been able to keep pace with the growth in overall investment. Foreign direct investment has moved into the country but it is still a paltry 1833 million US \$ in 2014-15. Although the country used to get almost 8 percent of GDP as external assistance presently it is merely 1.7 percent of GDP. We plan to increase the rate of our growth to 8 percent by 2020. This is planned to bring down poverty rate to 18.6 percent and extreme poverty to 8.9 percent. This calls for added efforts for the development partners in keeping with our planned accelerated efforts.

Ladies and gentlemen,

In achieving these goals we need to accelerate investment and there our targets are Tk31,902 billion, equivalent to about 4 hundred billion USD. We are optimistically targeting that private sector contribution will be 77 percent of it. Another important target is that we expect the share of external financing to be 9.6 percent. We are targeting to overcome our deficiency in investment level and reach investment of 34.4 percent of GDP in 2020. This will demand a Herculean effort in domestic resource mobilization as also development effectiveness. We have devised annual performance agreement by all ministries in order to emphasize implementation of development programmers. We have at the same time reformed the right to information regime to improve transparency and accountability and thus ultimately the quality of governance. While we have been reasonably successful in raising domestic resource mobilization at about 11 percent of GDP, it is still one of the lowest in the world. We are hoping that this performance will be substantially improve but it is dependent on one factor and that is implementation capacity of all the economic performers especially of public administration. I can assure you that political commitment could not be any stronger than it is now.

I visualize four major challenges: (1) continued proliferation of stand-alone projects and heavy aid fragmentation, (2) less vibrant coordination in sector level working groups resulting in less alignment with sectoral plan (3) low harmonization and low use of

country systems, (4) capacity deficits and implementation lag. Admittedly, however in the new phase of economic development of the country much greater importance has been assumed by transformational projects whose financing will provide the biggest challenge in the next few years. Presently, we have nine of these programs namely Padma Bridge, MRT-6, Ruppur Nuclear Power Plant, Sonadia Deep Sea Port, LNG Terminal, Matarbari Power Plant, Rampal Power Plant and Paira Port.

Ladies and gentlemen,

A national **Policy on Development Cooperation** is being prepared to guide development cooperation in Bangladesh from strategic perspective. The 7th FYP urges all development partners to align their country assistance strategies with the goals and sectoral targets of the Government. This 7th FYP also stipulates that all aid data be made public and the **Aid Information Management System (AIMS)** should be the principal means of data sharing by development partners in Bangladesh to ensure accountability, transparency and better coordination. Economic Relations Division (ERD) as the principal gateway to development assistance issues is leading these efforts. I would like to mention here that the Government has already established a new Wing in ERD called **Development Effectiveness Wing** in line with its commitment to enhance effective development cooperation through strengthened partnership. This wing will explore high quality and more innovative, more catalytic partnerships, also reaching out more pro-actively to emerging actors in development such as the private sector and the southern donors.

Ladies and gentlemen,

Beyond its traditional development cooperation, Bangladesh is also playing a key role in boosting South Asian Regional Economic Cooperation through greater connectivity, regional infrastructure networking in roads, power and energy, ports, ICT, trade promotion and investment. The South Asia region has all the ingredients needed to emerge as a successful example of regional integration: one of the world's largest consumer markets with 1.65 billion people, geographical proximity, 6% annual GDP growth for the last two decades, and significant economic complementarities among regional economies. In spite of that, South Asia is one of the least integrated regions of the world. Despite various efforts under the auspices of SAARC since 1985, intra-

regional trade remains at 5% of total trade while investment is well below 1% of GDP. Recognizing the immense potentialities in this sub-region, the four governments (Bangladesh, Bhutan, Nepal and India) have signed the Motor Vehicle Agreement (MVA), paving the way for closer economic integration of a region that has hitherto remained disintegrated with fragmented road and rail infrastructure defined by political boundaries rather than economic necessity. The vehicles with goods have already started working in the 4 countries.

Excellencies, ladies and gentlemen,

Bangladesh has a solid track record in managing its **external debt** that has served the country well. The rapid growth of national savings, exports, remittances and a comfortable foreign exchange reserve have allowed Bangladesh to reduce reliance on foreign borrowings, improve debt servicing capacity, and have a reasonably comfortable balance of payments positions. Looking forward, under the 7th FYP, the investment requirements will sharply increase to finance a more rapid pace of GDP growth. While much of the additional resources will need to come from our national savings, there will also be need for drawing on foreign savings. The increased requirements of foreign resources, especially investment, will present a challenge for Bangladesh during the Seventh Plan and beyond. We hope that we will get our development partners on our side as before to overcome those challenges and to make our journey from lower to higher middle income country possible.

Excellencies, ladies and gentlemen,

I would like to express my profound gratitude to the Hon'ble Prime Minister for her gracious presence in the inaugural session of the Forum. I also extend my appreciation to all my colleagues and representatives of development partners for their participation in this Forum. I look forward to exciting deliberations in these two days with a view to reach understanding on the collective journey that we will undertake.

I thank you all.