



BANGLADESH

**Statement by H. E. Dr. Iftexhar Ahmed Chowdhury,
Ambassador and Permanent Representative of Bangladesh to the UN
at the Second Committee
on agenda item 50 (b) International Financial System and (C) External Debt Crisis
and Development at the 60th Session of the UNGA
New York, October 10, 2005**

Mr. Chairman,

May I begin by expressing my heartfelt condolences to the delegations of Pakistan for the disastrous earthquakes that have befallen their country causing horrific damages to life and properties. Also to the delegations of India and Afghanistan for the suffering the disasters have wrought for them. Bangladeshis feel a strong sense of solidarity with those peoples, as they do for the peoples of Mexico and Guatemala who have suffered from floods and to whom our hearts and sympathies also go out.

I thank the presenters of the two reports before us and the Secretariat for their preparations. While the Bangladesh delegation aligns itself with the statement of Ambassador Stafford O. Neil on behalf of G-77 and China, we wish to make and underscore the following points:

Mr. Chairman,

In recent days, we are witnessing both unprecedented prosperity and extreme poverty. Net outflows of financial resources are paradoxically in developed countries' favour. Total debt stocks for developing countries rose by \$43 billion in 2004. These countries are home to large number of world poor. Sadly, they are forced to pay a huge amount of money on debt repayments, which otherwise could have been spent on social sectors that their peoples so urgently need.

Debt sustainability should be redefined as the level of debt consistent with achieving the Millennium Development Goals without a new debt overhang. This will primarily require debt relief. We welcome the G8 proposal for 100 percent debt cancellation owed by some heavily indebted poor countries (HIPCs). The debt relief under the proposal should be a net supplement to other resource flows. It must not erode the IMF and IDA's overall financial integrity, nor create an extra burden on the LDCs.

We also welcome the recent efforts to "ring-fence" more countries into the HIPC list under the extended "sunset clause". This initiative should be provided to all LDCs. Bilateral and multilateral loans of this group should be immediately written off. It will free up much needed capital to invest in the priority sectors to achieve the MDGs and other development goals.

World Bank Group needs to augment its efforts to support the achievement of the MDGs through enhanced delivery of aid commitments, and improved harmonization among development partners. For the poorest countries, the IDA needs to shift to an all-grants facility. Developing countries should be provided with greater policy space. The recent review of World Bank conditionality is a welcome initiative. We see merit in SG's proposal of macroeconomic surveillance of major economies by the IMF.

Developing countries are seriously under-represented in the BWIs. It questions the effectiveness and relevance of these institutions. A new quota formula is needed to reflect more accurately the legitimate voices of the developing countries. This should take into account developing countries' GDP in terms of Purchasing Power Parity, greater vulnerability to price fluctuations, volatility of capital flows, and other exogenous shocks. Providing greater weights on developing countries quotas and increasing their basic votes also warrant favourable considerations. We hope that the upcoming 13th General Review of IMF Quotas will address all these concerns. Developing countries also need to be adequately represented at both staff and senior management levels in the IFIs.

Mr. Chairman,

Since Monterrey, we see a renewed focus on aid effectiveness. Paris Declaration on Aid Effectiveness provides a framework to ensure quality of aid. These can be effectively implemented through systematic monitoring and follow-up on aid commitments.

Appropriate use of aid can be a problem for countries with weak institutions. Absorptive capacity of the recipient is another huge challenge. Bangladesh therefore has its own commitment and programme to further improve governance. As part of the process, we have implemented a series of institutional reforms in almost all sectors to minimize waste, inefficiency and curb corruption.

We have adopted a new approach to enhance the effectiveness of foreign aid utilization in consultation with our development partners. They are assuming to bring coherence in their policies, practices and procedures in channeling aid. At the same time, steps have been taken to harmonize our policies as factored in our PRSP with those of the development partners.

In fiscal year 2004, Bangladesh received USD 954.0 million as official aid against USD1585.0 million in fiscal year 2003. This represented a decrease of 39.8 percent. Repayment of official external debt in fiscal year 2004 amounted to USD 562.0 million, around 60 percent of the total ODA. These resources are amortized at the cost of other important social services.

The Millennium Declaration is a blueprint for our socio-economic development. The 2005 Summit Declaration embodies the Global community's commitment for sustainable debt financing and external debt relief. This entails on us to ensure further debt cancellation, an

improvement in the quality and quantity of aid, fairer trade, and greater voices of the developing countries in the decision making processes of the IFIs. Unless our efforts are directed towards these challenges, our deliberations here and elsewhere can sadly lead to futility.