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Infrastructure financing

Bangladesh to launch sovereign wealth fund: central bank chief

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Atiur Rahman

DHAKA -- Bangladesh is readying a sovereign wealth fund to channel its foreign exchange reserves to infrastructure investments, the governor of the country's central bank told The Nikkei in a recent interview.

The fund, to be launched in the next few months at the earliest, will have an initial size of $1 billion to $2 billion, said Gov. Atiur Rahman.

"Our economy could achieve double-digit" growth if it overcomes a lack of modern infrastructure and other problems, he said.

To try to do something about its shoddy roads, ports and other economic bedrock, Bangladesh has already declared itself a founding member of the Chinese-led Asian Infrastructure Investment Bank.

Its foreign exchange reserves reached an all-time high $25 billion at the end of the fiscal year through June 30 -- the equivalent of seven months' worth of imports -- swelled by a record $15 billion in remittances from Bangladeshis working abroad. Foreign direct investment is also pouring in.

Besides launching a sovereign wealth fund, Bangladesh will also put $200

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million of its reserves toward a new refinancing program for exporters. An existing credit facility providing long-term, low-interest loans for infrastructure projects is to be expanded from $350 million to $500 million next year.

With remittance inflows rising, the country's foreign exchange reserves will climb by $1 billion over the next three months, Rahman predicted.

The economy grew by 6.5% in the fiscal year ended June 30, the quickest pace in three years. Were it not for opposition-party-led strikes in the January-March quarter, which sunk exports, growth would have topped 7% for the first time, he said, adding that he expects that to happen in the current fiscal year.

Bangladesh has a potential growth rate of 10% or more but needs greater political stability and energy security, more diverse export markets, and infrastructure development to achieve it, Rahman said. By some estimates, the country needs to spend around $10 billion a year on infrastructure.

Bangladesh has managed to shed its low-income status. Per capita gross national income has crossed the $1,046 line, prompting the World Bank to reclassify it as a "lower-middle-income country" in July.

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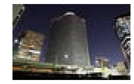

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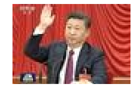

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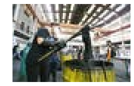

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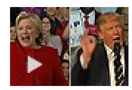
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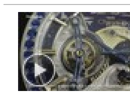
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