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Statement by the Hon. **M. ISHAQ DAR**,
Governor of the Bank for **PAKISTAN**,
at the Joint Annual Discussion

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Mr. Chairman,
Fellow Governors
Ladies and Gentlemen

It is a matter of privilege and pleasure for me to attend the Annual Meeting of the IMF and World Bank Group. This happens to be the last meeting of the present millennium. An eventful century is coming to a close and, in another fourteen week' time, a new millennium with multiple challenges and immense promise will usher in. This meeting provides us with a unique opportunity to reflect back as well as look forward.

Looking back, one notes that despite the Great Depression, two World Wars, natural calamities, and ideological and territorial conflicts, the twentieth century has witnessed tremendous technological and economic advancement. Even the developing countries have experienced substantial economic progress. Notwithstanding these remarkable advances, the fact remains that one-third of the developing world's population is still caught in the web of abject poverty. As a matter of fact, poverty has started rising again in the wake of the East Asian crisis and the outbreak of conflict in many countries. Further, the economic achievements have not been without heavy cost. The pressure on global resources has intensified, reflecting the four-fold increase in world population and the indiscriminate exploitation of resources which has endangered the environment. Given these grim realities, there should be no doubt that the task ahead for the world community will be a challenging one, we have to persist with rapid economic and social advancement while ensuring that the gains are widely and equitably shared and poverty is reduced in a lasting fashion.

We are entering the next millennium with an increasing emphasis on globalism and liberalism. It is no coincidence that the present century had also begun with similar circumstances with freer movement of goods and services across national frontiers and economic thought dominated by market-based solutions. The current situation is, however, more complex as it goes beyond the traditional areas of trade and commerce to new areas of finance, technology, informatics, communications and similar fields whose global flows are expanding rapidly.

Most developing countries are responding to the challenges posed by globalization by liberalizing their markets and disengaging their governments from many economic activities. However, the unevenness of the starting point and the backlog of deprivation and inequity of the past decades is significantly constraining the developing world in benefiting from the gains of globalization. In fact, rapid globalization and integration is tending to enlarge the economic and social gap between rich and poor nations and make

many economies fragile and susceptible to external shocks. Mr. Camdessus, the Managing Director of the IMF in his address yesterday had urged that Globalization be given a human face and its cost be shared equitably. To translate his hope into reality, the developed countries need to increase the concessional resource transfers to the developing countries, reduce their debt burden and facilitate their access to the developed markets.

The turmoil in East Asia has taught us important lessons. We are now more aware of the various elements that are needed to reduce the severity of potential risks in the process towards liberalization: consistent macroeconomic policies, a sound and well-regulated domestic financial sector and an appropriate contingency mechanism to deal with potential threats to sustainability of open regimes. On the latter point, as noted in the Communiqué of the G-24, the limited applicability of the Contingent Credit Line (CCL) calls for a re-examination of all possible options, including consideration of a global lender-of-last resort. We would also urge further analysis of the efficacy of specific capital controls and look forward to an early agreement on a comprehensive and structured framework for involving the private sector in crisis resolution. We hope that this will be done in a manner that does not cause widespread disruption, nor raise the cost of capital flows to developing countries. The Fund can play a crucial role in this endeavor as a facilitator of good relations of sovereign debtors with their creditors.

We welcome the new initiatives for strengthening the international financial architecture, especially as it relates to the intensification of work on social sector issues. In this regard, the recently developed proposals by the Bank and the Fund to strengthen the link between debt relief under the HIPC Initiative and poverty reduction, and, to judiciously blend policies of poverty alleviation with structural adjustment and other reform, and transforming the ESAF so as to give greater emphasis to poverty reduction, are especially noteworthy. We hope that the necessary financing for the enhanced HIPC Initiative will be forthcoming and that the funding embodies genuinely additionality and not come at the expense of non-HIPC developing countries. In this context, we are concerned about using IDA resources in any form to fund the Initiative. While these developments are praiseworthy, we should not lose sight of the debt problems of low income non-HIPC countries.

I also welcome the proposal of Mr. Wolfensohn, the President of the World Bank for a Comprehensive Development Framework. This is a timely and useful concept which promises to ensure integrated and coordinated economic and social development policies in developing countries. We are watching with great interest CDF pilot countries and hope that it will be possible to apply the concept widely in the light of experience gained in those countries. It should be ensured that the adoption of this approach does not lead to burdensome conditionalities in program design. I may add that a similar approach has already been taken in Pakistan where a comprehensive and integrated medium-term development strategy is being followed. The Government of Pakistan has recently launched a long-term "Vision 2010" project which, in addition to sustaining high levels of economic growth and financial stability, emphasizes social and human development,

poverty alleviation and good governance within an integrated and mutually reinforcing framework with active involvement of the community and stake holders.

Let me now briefly comment on the economic situation in Pakistan.

The comprehensive program of macroeconomic adjustment and structural reforms that was initiated by our Government in February 1997, with the support of the international financial community had started to yield positive results. Economic growth accelerated and inflation was brought down from double-digit to single-digit levels against a backdrop of tight macroeconomic policies and the implementation of a number of efficiency-enhancing structural reforms. Unfortunately the momentum of our efforts was derailed by the unavoidable events of May 1998 and its aftermath. However, I am pleased to note that since those extraordinary difficult times, we have been able to consolidate and build on our earlier gains and have succeeded in placing the Pakistan economy on a more sustainable growth path. Financial support from the IFIs has been reactivated and we have reached agreement with the Paris and the London Clubs on rescheduling our external debt service obligations. Indeed, in the current fiscal year, we have broadened and deepened our adjustment effort and strengthened our focus on poverty alleviation. Concurrently, we have taken steps to improve governance and ensure accountability and transparency. We firmly believe that the challenges of globalization as well as those arising out of the low stage of economic and social development of the country can only be met by significant improvements in governance.

Thank you.