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Statement by the Hon. **SHAUKAT AZIZ**,
Governor of the Bank for **PAKISTAN**,
at the Joint Annual Discussion

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It is a great pleasure and privilege for me to address the fifty fifth Annual Meetings of the World Bank Group and the International Monetary Fund in this beautiful historic city of Prague. I would like to join other colleagues in expressing our deep appreciation to the Czech authorities for their warm welcome, gracious hospitality and excellent arrangements for the Meetings.

May I extend to you, Mr. Chairman, my sincerest felicitations on your election to chair this year's Annual Meetings. I would also like to wish Mr. Horst Kohler the new Managing Director of the Fund success in his new endeavors. Most commendably, he has been making extraordinary efforts to listen to members of the Fund with an open mind. His bold vision for the Fund takes into account our needs and concerns; support for a home grown, bottoms up approach; articulates a clear intention to move away from micro-management; gives due weight to differing economic and political circumstances of the countries accessing IMF resources and recognizes the social and political implications of adjustment programs. I am sure his vision will get translated into actual practice by the Fund in its dealings with borrowing countries.

Let me also congratulate Mr. James Wolfensohn on the commencement of his second term as the President of the World Bank. He has shown outstanding leadership and charted new directions for the Bank, by making the mission of fight against poverty central to the Bank's operations. His far sighted leadership has made the Bank a different institution today – more focused on its objective to fight poverty and committed to a holistic, countrydriven and participative approach as set out in the Comprehensive Development Framework.

Mr. Chairman,

At the threshold of the 21st Century we live in a world of profound contrasts. Unprecedented affluence and extreme poverty co-exist. The average income in the richest twenty countries is 37 times the average in the poorest 20. The widening gap has in fact doubled in the past four decades. Both relative poverty and absolute poverty are increasing. The lingering issue of grinding poverty in the midst of plenty in this global village is difficult to defend ethically and morally. It poses a huge threat to world peace and security. Fighting poverty in all its manifestations has become imperative requiring action not words. We need unreserved commitment not mere expression of sympathy. Since human destiny is indivisible poverty alleviation has become an inescapable responsibility of all the nations. By the same token, the touchstone for measuring the validity and efficacy of all efforts aimed at economic co-operation, and all bilateral and

multilateral policies, plans and programs will be their impact on poverty reduction. Whether globalization is a positive force, whether policy prescriptions for stabilization and growth suggested by the International Financial Institutions are appropriate, whether trade liberalization merits endorsement, whether policies and institutions of different countries are right – must be all judged by this yard stick. Such an approach provides a clear framework for not merely evaluating past actions but also for formulating future direction imparting a pivotal focus to national and international policies.

It is the primary responsibility of countries to improve their own lot. However, some important factors are beyond their control. A sustained flow of resources both commercial and concessional is manifestly necessary to enable sustained economic growth in developing countries.

The capacity of oil importing developing countries to combat poverty has been adversely affected by the recent spike in oil prices. Earlier, large cyclical swings in the price of oil posed oil exporting developing countries with severe economic problems, whereby highlighting the need to set up a system for moderating the wide fluctuations in the prices of commodities and oil.

Today, oil importing countries need external assistance to meet the increased oil import burden. Therefore the IMF should consider setting up an oil facility or make access to Compensatory Financing Facility and PRGF more flexible and speedier. We welcome the initiation of dialogue, as mentioned in the communiqué of the IMFC, between oil producers and consumers, to promote greater stability in the market for oil.

All these positive actions will not, however, yield optimum results unless the debt burden of developing countries is substantially lightened. The international community, has taken significant steps to help the heavily indebted poor countries under the enhanced HIPC Initiative. However, there is no similar willingness as yet to deal with the problems of other developing countries that also have a high debt to exports and debt to budget revenue ratios but are cut off from HIPC eligibility on the basis of the per capita criterion. It is important that we begin to think constructively about radical changes in the framework for the management of the debt overhang of non-HIPC eligible countries that are willing to apply the debt relief to programs for poverty alleviation, by diverting debt repayments for poverty alleviation projects. This could be a major initiative to enhance the capacity of developing countries to fight poverty and needs concerted efforts on part of donors borrowers and Bretten Woods Institutions.

Let me share with you Ladies and Gentlemen highlights of Pakistan's economic performance over the last year. Pakistan has displayed positive economic performance over the last year, particularly since October 1999 when the present Government took over. As a result of sound economic policies, including fiscally important initiatives, the economic situation has stabilized and growth has been restored. Market based incentives and deregulation of the economy has meant that after a decade of economic stagnation, Pakistan is again seeing significant economic growth. During 1999 - 2000, the Pakistan

economy grew by 4.8 % led by an unprecedented increase in agricultural production and textile manufacturing. Inflation was below 4% while the current account deficit declined to 1.6 % of GDP compared to 2.8% of last year. This was achieved despite the doubling of oil prices. If oil prices had not changed, Pakistan would have been in balance on its current account. Simultaneously, Pakistan moved to refocus its economic development program towards reducing poverty. As a result, Pakistan has one of the strongest poverty alleviation programs in the region including microfinance, food support programs as well as pro-poor rural and urban development programs.

Pakistan's significant efforts to restore good governance, eliminate corruption and alleviate poverty needs the support of the international community and the International Financial Institutions. I have every reason to believe that this support will be forthcoming with the new vision of the IMF under Mr. Kohler and with the support of the World Bank's anti-poverty agenda under Mr. Wolfensohn.

Ladies and Gentlemen,

In conclusion let me say I am encouraged by the focus on poverty reduction during the proceedings of the Annual Meeting. However, we need to translate our words into tangible action. We need a significant shift in our thinking, a new approach which is realistic, effective and has traction in order to attack poverty. All stakeholders have to change their thinking process-developing countries, donors, Bretton Woods Institutions, NGO's and public at large. This will allow us to bridge the gap between the rich and poor and make the world better place to live in for all of us and our future generations. Thank you.