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

**Statement by the Hon. Shaukat AZIZ,
Minister for Finance and Economic Affairs for Pakistan,
at the Joint Annual Discussion**

Mr. Chairman,

It is a great privilege to address the Annual Meetings of the World Bank Group and the Fund. I also join my colleagues in expressing my gratitude and appreciation of the excellent arrangements and the hospitality extended to us by our gracious hosts.

2. It is now more than 18 months since we agreed on the vision enshrined in the Monterrey Consensus. This is the global compact on which there was unprecedented unanimity. It provides for an exit strategy for the countless millions who have lived in poverty, deprivation and despair for generations. Both parties to the Compact need to implement their part vigorously. Developing countries must continue to improve their policy framework and governance, while our development partners need to act, and act quickly, to meet their commitments towards enhancing the transfer of resources to developing countries through trade, and by scaling up the quality and level of ODA.

3. While we welcome the aid increases announced by some bilateral donors, and the Bank's proposal to scale up its assistance to borrowing countries with good policy frameworks as extremely positive measures, much more will need to be done if we are serious about achieving the MDGs.

4. Mr. Chairman, we do not seek permanent financial crutches. We fully understand that the primary responsibility for providing a better life for our people rests with the governments of developing countries. We also recognize that ODA is a supplement to domestic resources, not a substitute, and that we must endeavor to increase these resources. But the magnitude of the resources needed to achieve the MDGs is such that the support of our development partners is essential. Not only is global prosperity indivisible but it should be absolutely unacceptable to human conscience that a substantial proportion of humanity continues to live in abject poverty and without hope. We are running out of time. More than just our credibility is at stake. We therefore urge that the U.K proposal to set up an IFF be examined by the Bank, along with other options on how to bridge the financing gap in meeting the MDGs, and a report be submitted at the 2004 Spring meetings.

5. We are disappointed by the lack of positive outcomes at Cancun. Pakistan seeks a level playing field with open access to markets. Agricultural subsidies in OECD create distortions which negatively impact efforts of developing countries to achieve agricultural growth and higher market share of agricultural exports. We now need to look

ahead and pursue upcoming negotiations with renewed vigor and resolve. It will be trade, not aid, which will ensure sustainable reduction in poverty.

6. There is no doubt that economic growth has to be the center of our attention as the most effective and sustainable means of reducing poverty. However, sustainable growth itself is largely a function of investing in programs that are truly home grown, based on the country's own capacity and priorities. Ownership is the key and can be assured in several ways. Firstly, it is critical that donors' support be built around genuinely home grown PRSPs and development strategies. Secondly it is essential that the quality of aid be scaled up, and micro management and transaction costs be reduced.

7. The substantial progress achieved in implementing the Enhanced HIPC Initiative is indeed welcome but debt sustainability is an issue that is much larger. We also need to focus on the unsustainable debt burdens of the non-HIPC countries that have credible macroeconomic and structural reform programs but are unable, because of their debt overhang, to raise resources to finance human development and badly needed infrastructure. Debt relief will give them the required fiscal space.

8. We welcome the Bank's renewed focus on infrastructure after more than a decade. Timely implementation of the Bank's Infrastructure Action Plan will take us closer to the MDGs more rapidly and remove the constraints to long term economic growth, productivity and poverty alleviation.

9. Monitoring is a crucial aspect of results based development. We welcome the focus on this critical issue. However, monitoring should not become an end in itself. The real issue is effective follow-up and implementing remedial measures and the reinforcement of accountability for results. The design of the monitoring framework should be country specific, consistent with the capacity, and fully harmonized amongst donors.

10. The issue of enhancing voice is a complex one. We are, however, quite clear in our minds as to what this issue entails. To us, it is the ability of developing countries to influence the design and content of the international development agenda, the international financial architecture and the operations of donors in their respective countries. We agree that the issue can be addressed effectively only by a comprehensive package of measures. We note that some capacity building measures have been taken, and others are in the pipeline. While structural issues are more difficult to address, given trust and understanding, there is no reason why we should not be able to make progress. It will also require a sharp focus on genuinely home grown development and structural reform agendas.

11. Enhanced voice will lead to greater ownership and improved development effectiveness. We need to be innovative in exploring other possible avenues of enhancing voice, such as joint meetings of the G-11 and G-7 prior to the Bank-Fund

Spring and Annual Meetings. We need to continue our dialogue and to work towards the objective of a fair and balanced global economic order.

12. Mr. Chairman, Pakistan, has had to face daunting challenges in the post-9/11 period, as a frontline state in the fight against global terrorism. However, our resolve to continue with structural, macroeconomic, institutional and governance reforms has not wavered despite several exogenous shocks. The results at the macroeconomic level are evident in a stable currency, low inflation, improved levels of foreign exchange reserves, decline in fiscal deficit and public debt as a proportion of GDP, a vibrant stock market, and better than targeted growth.

13. However, the biggest challenge before us, as indeed before the policy makers of other developing countries and their development partners, is to translate structural reforms and stable macroeconomic frameworks into strong, broad based economic growth.

14. Mr. Chairman, we are at the threshold of a new era. Our people look at us with great expectations. They look forward to a new dawn that enables them to prosper in peace and harmony. They look to us to deliver our promises, and to deliver them from the multidimensional poverty that they are mired in. Coming generations will judge us for our wisdom, or its tragic absence. Global progress is at stake. We cannot and must not fail-let us reach out and seize the opportunity while it lasts.