Statement by General Pervez Musharraf, President of Pakistan at the World Leaders Meeting on Action against Hunger and Poverty (20 September 2004)

His Excellency President Inacio Lula da Silva,

Excellencies, Distinguished Guests

Ladies and Gentlemen

Let me start by congratulating President Da Silva for taking this very timely action of calling for a Meeting of World Leaders on Action Against Hunger and Poverty.

The problem of hunger in the world today is inextricably linked with the incidence of poverty and unequal income distribution. Dealing with poverty reduction and asset formation for the poor will lead to a resolution of the problem of hunger and malnourishment. This indeed is an issue which is central to the prosperity of the future generations of the world at large. It must be understood clearly that this is not an issue affecting or to be addressed by the "Have Nots" alone (Have Nots implying the under developed world broadly and the deprived segments of all societies). Quite clearly if the Have Nots are allowed to increase at the pace they are, the Haves or the Developed World will eventually drown in their midst. Poverty reduction should thus, not be taken in the narrow terms of transfer of some aid money from developed to developing countries but, as a global public good whose benefits will be widespread affecting both the developed and the developing countries. It is a clear realization of this truth which should lead all of us to seek solutions with sincerity and apply them with commitment.

This scourge is more acute in Sub Saharan Africa and South Asia which are home to the largest concentrations of hungry people. Therefore, international and national efforts should be focused on these two regions primarily.

Ladies and Gentlemen

Poverty is the core of all ills. Poverty causes illiteracy, it breeds disease, malnutrition, weak growth and sufferings. It is the reason for moral degradation and human trafficking, it leads to drug proliferation; causes grievous environmental degradation and most of all it provides the gun fodder for terrorism and extremism. Thus any concerted effort to address poverty will have multiple positive effects and collateral benefits. Combating poverty is thus a moral, social, economic and political imperative for all Nations. It, indeed poses the greatest challenges to all world leaders. The challenge to Third World leaders is to harness their national resources and assets for optimizing their domestic output towards poverty alleviation. The challenge to the First

World lies in how much they can share and sacrifice their gains for the more needy developing countries.

A glance at the prevailing conditions will show how little we are doing or how little we have achieved in our goal of poverty eradication. The menace of poverty is stalking our globe. More than 1 billion of the human race are in abject poverty and more than 3 billion are living on $ 2 a day. The Millennium Development Goals (MDGs) set the lofty ideals of freeing the world from the abject and dehumanizing conditions of extreme poverty. We are all committed to halving the world's people earning below $ 1 a day and to provide universal primary education to all children by year 2015. The Monterey Consensus gave substance to these goals through calling for organised financing of development in developing countries. These indeed are lofty ideals. But what do we have to show on ground? The plight of a number of countries has in fact deteriorated:-

- 54 countries are poorer now than in 1990.
- In 21 countries, larger proportion of people are going hungry now.
- In 14 countries child mortality has risen.
- In 12 countries primary school enrolment has fallen.

At the present pace and with the existing level of financing the MDGs will only be achieved in the next century.

Ladies and Gentlemen,

This certainly is not the way forward. The world has to show sincerity, commitment and much more resolve. The MDGs may be ambitious but not unattainable. To achieve them we ought to have a new global partnership between the developed and the developing world. For such desperate situations we have to put in extraordinary efforts and adopt innovative and dynamic approaches. What could these measures be?

A two pronged effort has to be put in. One from the individual country or government itself and the other through external assistance. The individual country effort needs to be overseen for rewarding for success as also penalizing for failure. There must not be any political strings for such checks or even constraints of overblown, misperceived notions of democracy laid down as pre-requisites. Social indicators alone should be seen on ground and rewarded or penalized as such.

Although national effort to alleviate poverty is absolutely imperative, the external environment in which the nation – states operate also has to be benign and favourable. We all know that trade and not aid is a potent way to promote growth and benefit from globalization. But the existing trading rules are clearly biased against the developing countries as the rich countries provide huge subsidies of almost $ 1 billion a day to the tiny proportion of their population who are in the farming. This distortion has edged out the developing countries from global markets although they enjoy comparative advantage in agriculture commodities. I am pleased that the Doha round is taking cognizance of this important issue, but in my view, we need not a level playing field but a field tilted in favour of the developing countries. In addition to trade, the developed countries have to open barriers to markets, remove restrictions against migration of labour, give incentives for locating direct investment, promote transfer of technology and higher education in science and technology in developing countries. This is a much better way of assisting the poor rather than providing aid under conditionalities.

When talking of external assistance, the critical factor is to raise sufficient finances. This could be done through mandatory, GDP proportioned contributions or through selected taxation measures. Generating finances through international taxation has been a familiar theme for some time. This needs to be crystallized and matured. Some such proposals, even if implemented partially could generate hundreds of billions of dollars for social and economic development.

I would be remiss if I did not raise the question of “Loot money laundering” which afflicts about all the developing countries. The illicit transfer of looted funds by corrupt leaders themselves from developing countries to banks in Developed Countries is a major source of capital flight. An international regime to curb this practice and to repatriate the looted wealth is an urgent need. Similarly, creation of tax havens also indirectly provide an incentive to evade tax and encourage capital flight. Mechanisms must be devised to discourage this trend.

OECD countries have rightly made a big issue of corruption in developing countries. But, in my view, the rating of the countries should be based on the incidence of corruption at the highest level, at the leadership level and not at the lower hierarchy level. The lower functionaries indulge in petty corruption because of poverty and also because they enjoy disproportionate discretionary powers. However, corruption at the higher levels of decision making is simply not condonable. Organizations such as Transparency International should, therefore, modify their approach in assessing corruption and good governance in developing countries. Corruption is essentially the symptom of the decay of institutions of governance and unless these institutions are restructured, revitalized and reenergized, corruption will continue to remain a pressing problem.

All Third World countries are groaning under the yoke of heavy debts from various Developed Nations and monetary agencies. Some of these debts are at exhorbitant rates of interest. The debt service liabilities of these countries is such a burden on their exchequer that they cannot possibly divert funds towards the social sector or human resource development. There is an urgent need to give substantial relief to them in the form of debt write off or debt re-profiling or at least interest rate swaps to replace high interest with low interest loans. The developed countries must realize that they either must take measures to return the looted money to respective countries or give this debt relief.

Another innovative means of financing can be applied through utilizing Official Development Assistance (ODA) as a catalyst and stimulant for FDI flows to specific projects in developing countries. If donor governments cannot raise the .7% ODA target as promised by them, through their Parliaments they should make up the difference by raising market money, meeting the interest payments and providing concessional finance to the developing countries. The issue here, basically is of a lack of will, otherwise there are many innovative ways of meeting the .7% ODA target by the Developed Countries.

Ladies and Gentlemen

I would now like to talk of what we are doing in our country – the Pakistan experience.

My Government, since assuming office in October 1999, is relentlessly pursuing a three track approach to ensure higher growth, that this growth is pro-poor and poverty reduction is accelerated:

- The first track is revival of economic growth through macroeconomic stability, structural changes in policies and good governance. We have already attained more than 6 percent growth this year and hope to sustain and enhance this over the coming decade.

- The second track is targeted interventions by focusing our efforts on agriculture, small and medium enterprises, construction, telecommunication and information technology. Majority of the poor derive their livelihood and employment through these four sectors and, if we are able to increase incomes and productivity in these sectors, I am quite confident that high growth will be accompanied by poverty reduction as these interventions bear fruit.

- The third track is closely linked with the strength of Islamic economic system. While promoting efficient allocation of resources through markets and private sector, Islamic system enjoins upon well-to-do Muslims to share a part of their

wealth and income with the disadvantaged and the vulnerable segments of the population. Thus, Zakat and Bait-ul-Mal are used to provide transfers as social safety nets, to the poorest of the poor who are unable to fend for themselves. Food stamps are given to those below a certain income level.

This three-pronged strategy for poverty reduction i.e higher growth, targeted interventions and social safety nets will hopefully result in achieving this goal. Other poor countries can examine this strategy and choose and pick those elements, which suit their peculiar conditions.

To make this strategy work in actual practice it is essential that benefits of increase in average per capita incomes should accrue to poor people more than the other segments of the population. As 70 percent of the poor live in the rural areas and depend upon agriculture, we have adopted a deliberate policy to boost this sector. The Government makes sure that the poor obtain international prices for their output, have access to bank credit and sell their produce in open market. As part of the public sector development programme we are committed to provide basic infrastructure facilities such as irrigation water, lining of water courses to prevent wastage and farm to market roads to enhance productivity. Other Government interventions include:-

- Water resources development.
- Credit to small and subsistence farmers.
- Khushhal Pakistan program for small infrastructure development.
- Micro finance for the poor.

In addition, greater emphasis is being placed on human development as Pakistan has low indicators. The education and health services to the poor are being delivered under a new model of joint partnership between the public-private-community sectors. A National Commission on Human Development is working to build capacity at the district level and to promote this partnership. One of our provincial governments provides stipends to the girl students and the enrolment of girls in schools has significantly gone up since this scheme was initiated.

A major problem facing developing countries is weak implementation capacity. We have decided to devolve powers to local governments in order to empower the poor to obtain basic services at the grass roots level. This experiment in devolution is going through the initial birth pangs but we know that this is a silent revolution in overcoming implementation problems and providing efficient and effective delivery of services to the poor. Local people are in a better position to hold their elected representatives accountable for results and thus leakages, waste and corruption can be detected easily. Management of buffer stocks at local levels can release food into the market reducing the fluctuations in prices and reducing hunger.

Ladies and Gentlemen

Pakistan pledges to remain constructively engaged in the process of tackling poverty urgently and effectively. I am very hopeful that our deliberations at this meeting would generate the necessary momentum to develop a worldwide consensus on an action plan to fight poverty and hunger.

I thank you.