

**Address to the Pakistan Development Forum  
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Prime Minister Shaukat Aziz,  
Members of the Cabinet,  
Delegates to the PDF,  
Ladies and Gentlemen

As always it is a pleasure to address the Pakistan Development Forum. This is my fourth consecutive PDF, and it seems to get better each year.

In preparation I looked over my speeches for the past three years – and not surprisingly, the focus has been similar each year. This made me wonder if Pakistan is making the progress we all expect. And in the context of the demographic dividend, is Pakistan poised to provide jobs and livelihoods to the young, productive classes? More importantly, will Pakistan be able to ensure long term poverty reduction?

### **MACROECONOMIC FRAMEWORK**

I will return to this issue of poverty reduction, but first I should mention some other important areas of focus. First is the macroeconomic framework. The **macroeconomic framework** is the foundation on which Pakistan will grow and attract investment. It is the basis on which the economy will expand and become more competitive. On this front the successes of Pakistan are well known.

- economic growth has accelerated in the past three years,
- investment rates have increased; and
- the economy has proved resilient by absorbing two exogenous shocks - the October 2005 earthquake and the increase in global oil prices.

While there are still some fragilities around the current account deficit and competitiveness, we can confidently say that Pakistan is making progress on the macroeconomic front. But we must also emphasize the importance of sustaining this progress because macroeconomic stability is – and must remain – the strategic foundation for Pakistan’s enhanced growth and poverty reduction prospects.

### **INFRASTRUCTURE**

In the past, I have also focused on **infrastructure**. Pakistan is already beginning to reap the rewards of reforms. The cost of doing business in Pakistan is decreasing, and international investors have found Pakistan to be fertile ground. But the lack of world class infrastructure in some sectors remains a concern. Fortunately the Prime Minister and his Government are aggressively pursuing infrastructure development. And we are proud to be partners with Government in this.

The National Trade Corridor Improvement Program (NTCIP) is one example. This is a comprehensive approach to ports, roads, rail – and importantly, institutional and policy reforms. At the same time, we see continued infrastructure re-development in the earthquake areas, the quick development of Gwadar Port, and efforts to make Pakistan’s large cities more livable. There is also a renewed commitment to address challenges in the power sector with recent actions to complete the unbundling of WAPDA.

While there are still many challenges, we can say yes, Pakistan is making progress on infrastructure.

## **WATER**

The third issue on which I have focused for the past three years is **water**. It is clear that Pakistan – like its neighbors – must invest in appropriate water management. On this I am particularly pleased that the World Bank has been able to contribute. Building on a 50-year legacy of partnership in Pakistan’s hydraulic infrastructure, the World Bank and the Government of Pakistan have entered into a comprehensive dialogue that seeks to ensure that development of water in Pakistan is comprehensive – not just about dams – but about dams, hydel, irrigation, and agricultural practices – and in the context of appropriate regard for the environment, social impacts of investment, communities and voice.

Anyone familiar with the issue of water in Pakistan knows its complexities, not only from the technical perspective - but more importantly from the political economy angle. Concerted efforts on investing in institutions, building trust, and ensuring equity among provinces will yield results.

Improved management of the Indus river system is essential to address the challenges of rapidly growing demand and competition for water. With Government’s commitment to making major new investments in hydraulic infrastructure, there is an opportunity for a quantum step in reversing decline in this sector.

So, yes, Pakistan is making progress on the water agenda.

## **INVESTING IN PEOPLE**

Now I turn to my last areas of focus from past years. And this gets to the core of the demographic dividend. **Investing in people – particularly those encompassed in the demographic dividend.**

On each visit to Pakistan I visit a remote area and see how the hard-core poor live. These are Pakistanis living on less than \$1 per day. These are the individuals who want to know how they benefit from a well managed current account deficit or investment in ports and dams. These are the citizens of Pakistan living day-to-day and struggling – and they need to see the links between the macro and the micro.

Last year I had suggested that we hold the PDF in a village so that our deliberations are tempered by on-the-ground realities. That to me is still a good idea

Yesterday I spent the entire day in Keti Bunder, a poor coastal village in Thatta District in Sindh. We are proud to be associated with development in this community through the Pakistan Poverty Alleviation Fund. We also saw wonderful initiatives of the Aga Khan Development Foundation.

The people of coastal Sindh are among the poorest in the country. The people of Keti Bunder have been forced to move three times due to encroachment of the sea; the mangroves around their village have completely disappeared; and the once lush rice fields are only memories.

Yet, these villagers have hope. They have hope because they understand that together they are in charge of their own development – and importantly the women are equal partners. I witnessed the

results of this village-level development. They are investing in their community – investing in themselves – through improved schools, sanitation, health facilities, and water provision.

It is because of committed people such as those in Keti Bunder that I am an optimist. I am because there has been progress in reducing poverty in Pakistan - but this is where the biggest challenges lie.

**And here I give a challenge to you. My challenge to Pakistan is to eliminate this hard core poverty by 2015. It can be done.**

Pakistan's poverty-reduction strategy emphasizes broad-based rapid growth along with improvements in social services and strengthening of the social safety nets. Government has demonstrated its firm commitment to implementing this strategy and has built a track record for which it can be proud.

The most recent household survey showed the share of the population in poverty decreased significantly between 2000-01 and 2004-05. Notably, the decline has been greatest in rural areas.

Clearly, therefore, the challenge now is to sustain this trend. Sustaining a declining poverty trend – and eliminating hard core poverty - requires concerted efforts to ensure that the poor can participate in – and benefit from – growth. The key here is to improve the capabilities of the poor by investing in social mobilization, education, and public health.

A second challenge for extending the promising trends in poverty reduction is to ensure that growth is inclusive. Employment creation among the poorest, especially the rural poor, is a priority here. The alternative is extreme inequality and polarization, with large pockets of poverty in rural areas and accelerated migration of unskilled people to urban.

I know that many of these issues will be discussed over the next two days. And I am confident that Pakistan will take up my challenge. The worst forms of poverty CAN be eliminated by 2015. The World Bank will continue to be a strategic partner in this fight. And this will not only be done for the future of villagers in Keti Bunder, but for the 100 million young people on whom the future of Pakistan rests.

Thank you.