

Statement by Liqun Jin, Vice President, Operations I

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Excellency, Prime Minister Shaukat Aziz; Advisor on Finance, Dr. Salman Shah; State Minister for Economic Affairs, Hina Khar; Heads of Delegations, Distinguished Guests, Ladies and Gentlemen,

It is my privilege to once again represent the Asian Development Bank at the Pakistan Development Forum. We are impressed with the pace and progress of Pakistan's economic and social development over the past seven years. Strong economic growth has been underpinned by significantly strengthened macroeconomic fundamentals and steadfast commitment to wide ranging but often painful reforms.

Economic growth, backed by reforms, has contributed to a substantial decline in the level of poverty in the country and a declining trend in the level of unemployment. At the same time, human development indicators such as literacy, school enrolments, and immunization have registered improvements. These achievements indicate that the benefits of economic growth have begun to be realized and have started to touch the lives of millions of people.

The good economic performance has triggered the restoration of Pakistan's international credibility - as manifested in the current high levels of foreign direct investment, strengthened international credit ratings, and a widespread interest in the country's privatization process.

A significant challenge for Pakistan in the past has been to sustain economic growth and poverty reduction over a long period. Structural reforms are therefore imperative for the sustainability of the present growth momentum. Continuity of sound and reform-oriented policies, and of prudent macroeconomic management will be

essential to ensure the achievement of sustained high growth and poverty reduction – national goals, which ADB is strongly supporting.

Ladies and Gentlemen,

Unleashing Pakistan's human capital potential is a key theme of this year's PDF. It goes without saying that an educated and healthy population is the biggest asset of any nation and there are many good examples of countries in the Asia Pacific region that have demonstrated the close link between investment in human capital and increasing prosperity. Pakistan needs to accelerate human capital development to take advantage of the demographic transition underway in the country - a rising youth population. Skilled and employable people, together with strong demand from productive sectors that are able to absorb the new young entrants into the labor force are key to reaping the country's demographic dividend and turning it into a development dividend.

Reaping the demographic dividend requires a long-term vision, careful planning, and corresponding investments. Pakistan's PRSP completed in 2003, the "Medium-Term Development Framework" in 2005, the "Vision 2030" document currently being finalized, and the PRSP II taken together represent a very comprehensive articulation of the country's medium and long-term development strategies and investment plans.

The Asian Development Bank, as a longstanding development partner of Pakistan, supports the unceasing implementation of the Government's reform program and its extension to cover 'second generation reforms' in important areas of economic and social development. We will continue to support priority investments that promote sustained growth, employment generation, and poverty reduction.

Distinguished Audience,

Let me turn now to some other issues that are of relevance to this year's Pakistan Development Forum, and are important as Pakistan prepares to take the next

step towards prosperity and development. The first is the challenge of balanced and equitable development in Pakistan's less developed regions - in particular the Federally Administered Tribal Areas (FATA).

Development challenges in FATA are clearly numerous. Poverty levels are high, incomes low, and social sector indicators disappointing by national and international standards. The development of these regions is important not just for improving the quality of life of the local people but also from Pakistan's long-term strategic perspective of creating enabling conditions for regional trade and commerce across the border with Afghanistan and with the Central Asian countries.

Greater international assistance will certainly help but will not automatically bring about sustained development in FATA. Development assistance has to be accompanied by an improvement in the local security situation and a sustained process to address longstanding governance issues in FATA. Efforts are also required to strengthen the capacity of FATA agencies and institutions to absorb more finance to scale up development effort in these areas. ADB supports an incremental approach to FATA's development that builds on successes and lessons learnt. An ADB-assisted \$60 million rural development project in three FATA agencies is already underway as a first anchor of this approach.

Ladies and Gentlemen,

The second broad area I want to mention relates to strengthening the overall competitiveness of the economy - for Pakistan to sustain high growth rates and create jobs to take advantage of the ongoing demographic transition.

The Government has placed tremendous emphasis on this issue and recognizes that competitiveness in its broader perspective requires sustained improvements in productivity and efficiency across the entire spectrum of the national economy, with each subsector demonstrating enhanced performance and value addition.

The Government has initiated several flagship initiatives to strengthen competitiveness in key sectors. A major 'National Trade Corridor' program seeks to streamline the transportation and logistics system through a comprehensive program of upgrading transport infrastructure and streamlining policies and procedures to reduce the cost of doing business – business, which is very much needed to make the 'National Trade Corridor' an economically viable program.

There is a concerted push by the Government to improve the competitiveness of Pakistan's major cities to make them the engines of economic growth. Improving infrastructure, urban management, and the enabling business environment of the megacities of Karachi and Lahore is of high importance. But there is also recognition for a balanced development approach that includes secondary towns and the rural areas. Otherwise the big urban centers will not be able to cope with the influx of people from the countryside seeking employment and economic opportunities - we have seen this happening in several Asian megacities.

The energy and power sectors are being upgraded through a combination of reforms and much needed investments in generation, transmission, and distribution, as well as by the introduction of alternate forms of energy. Much needed efficiency improvements in the energy sector and an easing of supply side constraints will bring down the cost of electricity and help promote the competitiveness of Pakistan's industry.

The competitiveness of the agriculture sector is important given its share of the national GDP. A comprehensive program to rehabilitate the barrage system has been initiated to reduce water losses and improve on-farm agriculture productivity. Efforts are underway to develop non-farm income sources in rural areas, including programs that promote SMEs to reduce poverty.

ADB is proud to be a partner in several of these important programs to strengthen the competitiveness of the national economy. Our ongoing and planned multitranche financing facilities in key sectors provide a flexible source of financing spread over several years. Such long-term financial assistance is in place for several sectors, such as national highways, renewable energy and power transmission, and

water and irrigated agriculture. Multitranche financing facilities to be approved this year include those for Karachi urban development, Sindh secondary towns development, and for power distribution.

A flagship multitranche facility has been earmarked for promoting private sector participation in infrastructure development. This is key, not only because public sector resources will be insufficient to address the huge investment requirements of infrastructure sectors but also from the point of view of introducing technological innovation, better management, and competitiveness in these sectors.

Ladies and Gentlemen, mainstreaming private sector participation in all sectors of the economy is critical to improving Pakistan's national and international competitiveness.

We are pleased to commit our continued support for Pakistan's development. At the Government's request we are scaling up the level of our annual assistance program. We have also agreed with the Government on streamlining our current portfolio of assistance to ensure significant development outcomes and greater aid effectiveness.

Ladies and Gentlemen,

Pakistan's achievements are hard earned and a culmination of years of effort and perseverance. The Government recognizes that these achievements are not easy to sustain, particularly when there are still many economic and social challenges waiting to be addressed. Instead, achievements need to be capitalized upon and the current momentum used to strengthen the foundations for a prosperous and peaceful future. Translating long-term visions into investment programs with strong private sector involvement, continuity and consistency of reform policies, and a continued focus on inclusive economic growth will be key to realizing the full potential of this great nation.

I wish the Government of Pakistan success in its efforts and endeavors and look forward to taking part in the deliberations of the Pakistan Development Forum.

Thank you.