

**The Prime Minister's Speech at the Inaugural Session of the Pakistan  
Development Forum 2007 on 25 April 2007**

Dr Ahmed Mohammed Ali, President Islamic Development Bank,

Mr Liqun Jin, Vice President, Asian Development Bank,

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Ms Hina Rabbani Khar, Minister of State for Economic Affairs and Statistics,

Federal Ministers and Ministers of State,

Distinguished Delegates,

Excellencies,

Ladies and Gentlemen,

It gives me great pleasure to be in your midst on what clearly is an important annual event for us – the Pakistan Development Forum 2007. The Forum provides us a valuable interface with our development partners to review our progress and achievements, to identify our challenges and opportunities, and to discuss our future development needs and strategies. On behalf of the government and people of Pakistan, let me take this opportunity to extend a very warm welcome to all of you and in particular to our guests from abroad. I am really delighted to see such a wide representation of our development partners on this occasion.

Ladies and Gentlemen,

Before I dilate on the specific theme of the Forum – "The Demographic Dividend: Unleashing the Human Potential" – let me briefly share with you some of the milestones that we have covered in our journey towards national renewal. Our vision is to develop Pakistan as a modern developed Islamic welfare state through sustainable democracy and a knowledge-based economy. The primary objective of our government is to promote economic development and social progress in the country.

Since President Musharraf took over eight years ago, Pakistan has undergone a positive transformation. Comprehensive and far-reaching reforms in all walks of life have been implemented. Political, social, economic and governance reforms have brought about a sea-change and led to national renewal.

Ladies and Gentlemen,

You are well familiar with the story of Pakistan's economic turn-around – how we have transformed a sagging economy and put it on the radar screen of the world. Through prudent economic management and first generation reforms of fiscal consolidation, debt reduction, deregulation, privatization, liberalization and transparent governance, we have become one of the faster growing economies of Asia. We have sustained a robust growth rate of 7% for the last four years and this year it looks like that we will be 7% or higher. In last five years the size of Pakistan's economy has doubled. We have one of the highest per capita incomes in South Asia - which was \$ 847 last year, is expected to be around \$ 950 this year and will surpass \$ 1000 next year.

Last year the rate of investment was 20% - the highest ever in last 12 years. Foreign investment touched its highest level of \$ 3.9 billion in our history. During the first nine months of the current year (July-March 2007), foreign investment amounts to \$ 5.6 billion and will reach the level of over \$ 6 billion by the end of the year. Goldman Sachs in a recent study have included Pakistan in the Next-11, a group of eleven countries with a high growth potential.

Ladies and Gentlemen,

We are following the paradigm of shared and equitable growth. The fruits of economic growth are reaching all segments of society and all regions of the country. The unemployment rate has come down from 8.3% in 2001-02 to 6.2% during 2005-06. About 5 million new jobs were added during 2003-06. Sustained economic growth has led to the emergence of a growing middle class and a significant reduction in poverty. The number of people below the poverty line has declined from 34.5% in 2001 to 23.9% in 2005 – in urban areas from 22.7% to 14.9% and in rural areas from 39.3% to 28.1%. In absolute terms, 13 million people have been lifted out of poverty, out of which 10.5 million belong to the rural areas.

The rural landscape of Pakistan is changing profoundly as a result of rising income levels. Improvements in crop productivity – driven by government interventions to ensure balanced supply of fertilizer, efficient and equitable distribution of water, and increased credit availability – are augmenting agricultural incomes and benefiting all sections of the rural population. Similarly, in the livestock sector, there has been a significant improvement in terms of number of animals and productivity. According to the Livestock Census 2006, which will be released soon, the number of cattle registered an annual increase of 4.5%. Major initiatives to boost meat and milk production are under way, which will open avenues of additional income for the rural population.

We recognize the importance of social mobilization as a vehicle of community-driven development. For this purpose, Rural Support Programmes

have been set up at the national, provincial and regional levels. Community Organizations have been set up in 2663 Union Councils, covering about 1.5million households. Our government is committed to fostering a framework of grassroots institutions to bring more households in the organized fold through the process of social mobilization.

We are also fully conscious of the importance of micro-credit as a means of creating income generating avenues for the poor, particularly women. Our government has established strong foundations of micro-credit in the formal sector along with extending support to civil society institutions. A separate regulatory framework for micro-credit has been provided through a new law. As a result, during the last five years, four specialized micro-finance banks have been established at district level. The Pakistan Poverty Alleviation Fund has been working since 1999 as whole-sale organization for credit disbursement. One million clients have been reached by December 2006 and it is targeted to increase the coverage to three million by 2010.

All these initiatives are raising income levels in the rural areas. Market surveys indicate a significant increase in the sale of consumer goods in the rural areas, which has a direct bearing on the quality of life of the people. We have become the fastest growing mobile phone market after China – with tele-density rising from 3% to over 35%. Similarly motorbike sales are registering record levels in the rural areas. Rising incomes and new opportunities unleashed by economic growth are bringing a silent revolution in every nook and corner of the country.

Ladies and Gentlemen,

Let me take this opportunity to express our gratitude and appreciation for the continued support from our development partners for rehabilitation and reconstruction activities in earthquake affected areas. Out of \$ 5.6 billion committed by the donors, an amount of \$ 2.9 billion has been disbursed so far. Despite difficult terrain and logistical problems, reconstruction work in all 12 sectors is going on at good speed. All essential services have been made functional. Out of 600,000 houses affected, work on 250,000 is in progress. 1500 educational and 150 health facilities will be completed during the current financial year. It is gratifying that the donor community has appreciated the progress and quality of work, which is based on the policy of building back better and providing improved service delivery.

Ladies and Gentlemen,

We have come a long way but still we have a long way to go. Significant progress has been achieved in all sectors of economy and

governance, but new challenges are also emerging together with new opportunities. We believe in nimble and proactive governance and want to fully leverage our strengths and advantages.

As you are aware, Pakistan is a country of 160 million people. The people of Pakistan are our biggest asset and we have to leverage this asset for growth and development. Over half of our population is below the age of 19; about 100 million are below 25. Compared to many other countries which have aging populations, we for the next several decades are positioned to get the demographic dividend as this young generation enters the work force.

The demographics of Pakistan present both a challenge and an opportunity. In order to realize the potential of a large population, our development strategy is focused on providing quality education, health cover, and a cleaner environment to our people. Human development also remains the corner-stone of our strategy for poverty reduction in the country. We have made a lot of progress in achieving the Millennium Development Goals (MDGs), particularly those relating to poverty alleviation and female empowerment, and remain fully committed to realize the targets. The National Commission on Human Development has been set up to coordinate and monitor social sector initiatives.

Ladies and Gentlemen,

The single most important element of our development strategy is education. Our government has made record investment in education. We believe that this will change the destiny of our nation. I will not go into various initiatives that we have undertaken to promote literacy and basic education such as Education for All, Education Sector Reforms, and Free Education upto Matriculation. I would only say that our strategy aims at improving the access to and quality of education as well as overcoming gender, rural-urban and regional imbalances. We are also paying particular attention to governance and management aspects of education, particularly by involving communities in school management and devolution of powers and functions. As a result of these efforts, Literacy Rate has gone up from 45% in 2001 to 54% in 2006.

In order to meet the shortage of skilled manpower in our rapidly growing economy, we are implementing a comprehensive programme of technical and vocational education aimed at maximum utilization of existing facilities as well as creating new ones. The National Vocational & Technical Education Commission has been set up as an apex body at the national level. At present 350,000 students per annum are being imparted various skills and it is targeted to reach the level of one million students per year by 2010.

Pakistan, though a late starter in the field of higher education, has made significant strides in the last seven years. The thrust of our strategy is to improve the quality of and access to higher education, particularly science and technology that directly contribute to economic

development. Nine new universities involving huge investment are being established in collaboration with renowned world institutions.

Ladies and Gentlemen,

One of the biggest challenges facing mankind today is to build a world where the goals of environmental conservation and economic development do not conflict with each other, but exist in perfect harmony and accord. Population growth, increasing urbanization, global warming, and natural disasters pose grave threats to environmental sustainability. Our government is paying a lot of attention towards environmental issues. Our National Environment Policy 2005 is geared towards protecting, conserving and restoring the environment. The Medium-Term Development Framework 2005-2010 also focuses on sustainable environmental development as a vehicle for economic growth. Mega projects for improving access to clean drinking water, namely 'Clean Drinking Water Initiative' and 'Clean Drinking Water for All' are being implemented. Similarly a mega project with a cost of over \$ 1 billion for lining water courses to improve agricultural productivity through efficient irrigation management is in progress.

Ladies and Gentlemen,

Pakistan also has the advantage of a unique location at the cross-roads of South Asia, Central Asia and the Middle East. We are developing a network of infrastructure to leverage our location as a bridge-head for multiple corridors of regional cooperation involving energy, trade and transportation sectors. We are according the highest priority to infrastructure development and improving the logistics chain. That in fact is a critical requirement for improving business competitiveness and productivity. The strategic concept of National Trade Corridor – involving huge investment and public-private partnership - is being implemented. The project aims at upgrading and expanding our rail, road, air and port network as well as streamlining processes to save time and hassle. This will reduce by half the travel time of commercial vehicles from Karachi to Peshawar as well as decrease operational cost and accidents rate. A number of mega projects are also in progress to ensure energy, water and food security.

Ladies and Gentlemen,

Apart from human capital and strategic location, our third main strength is the quality of our reforms. One thing that we are most proud of in Pakistan is our reform agenda. We recognize that in a highly competitive and inter-dependent global environment of today, the fundamental challenge facing countries like Pakistan is to adjust to the realities of the new global order and to measure up to the rapid pace of change in the world around. We in Pakistan are determined to ride the tide of globalization and turn this challenge into an opportunity. It gives me a great sense of pride and satisfaction that Pakistan is ahead of many countries in implementing

economic reform and improving governance as well as very well positioned to make the best of the available opportunities. You may be aware that Pakistan has been ranked as one of the top ten reformers globally and the top reformer in the South Asian region in a recent study conducted by the World Bank and IFC. It is the quality of our reforms which have made Pakistan an attractive destination for local and foreign investment and put it on a high growth trajectory. I call it the 'Reform and Governance Dividend' of Pakistan.

Ladies and Gentlemen,

Sustaining growth and ensuring that its benefits reach all segments of society remains a major challenge. In order to sustain growth and give our economy a competitive edge, we are vigorously implementing our agenda of second generation reforms. The main objective of these reforms is to enhance productivity and competitiveness of our economy. Our reform agenda has three prongs which are mutually reinforcing and predicated to achieving good governance and institutional strengthening.

One, we are committed to a market-based economy. To this end we have been deregulating markets as well as improving supervision and regulation of markets to ensure greater competition.

Two, we are also committed to developing policies and regulatory mechanisms that are aligned to global norms and also supportive of efficient markets. We have, therefore, adopted measures for better tax and tariff policy including better tax administration. Our Fiscal Responsibility and Debt Limitation Act of 2005 puts a check on fiscal policy slippages by future governments. And I might add that this policy is recommended by research at the frontiers of economics.

Three, we want to build better governance through institutional strengthening of the public sector. While privatization gets government out of the areas it should not be in, we also have to build a more capable and transparent government. As part of the drive to strengthen institutions, our government has already launched initiatives to modernize several of the key agencies of government. This will of course be done by deepening decentralization, developing greater transparency, utilizing the latest technology and relying on a high degree of professional and technocratic management.

Ladies and Gentlemen,

We are highly appreciative of the important role that our development partners have played in helping us to achieve our development objectives. Your support has helped our country in building infrastructure, improving the quality of life of our people and moving forward as an anchor of peace and stability in the region. We have formulated short, medium, and long term plans through a consultative process. While we welcome the inputs and advice of our development partners, we believe that development strategies and programme must reflect the wishes and aspirations of the

people to build consensus and ownership. That in our view is a key element of the success of any development effort.

Ladies and Gentlemen,

In conclusion, let me say that Pakistan today has all the attributes of a modern emerging economy and a stable democratic polity, with a clear sense of direction and commitment to maintaining a stable and peaceful environment, both internally as well as externally, and to pursuing a path of social and economic progress in the country, the region and the world at large.

We are privileged to have development partners who share with us the journey to create what is and will be a progressive, growing and vibrant Pakistan. A Pakistan which will have challenges. A Pakistan which will have many more opportunities for all of us to share. I would, therefore, call upon all of you to join Pakistan's journey going forward – a journey towards peace, progress and prosperity.