

**Speech of the Prime Minister at the Inaugural Session of
Pakistan Development Forum-2005
On 25.4.2004**

Bismillah-e-Rehman-ir- Rahim

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Distinguished Delegates, Excellencies,

**Ladies and Gentlemen
Assalam-0- Alaikum and Good Morning**

It gives me great pleasure to inaugurate the Pakistan Development Forum-2005. The central theme this year is "Sustaining Growth and Improving Quality of Life".

On behalf of the Government and people of Pakistan, I extend a very warm welcome to you all, especially those who have come from overseas for this Forum.

We are honoured to have such a wide representation of our developing partners. This clearly demonstrates your continued confidence in our policies and our collective wish and determination to strengthen our country, Pakistan. We appreciate your support and interest.

This year's PDF is coming at an interesting and important time for Pakistan. As we finalize our Medium Term Development Framework, a rigorous and deep debate at this stage, between policymakers in Pakistan and you – our development partners could go a long way in crystallizing our direction and in ensuring that policy initiatives that we are currently implementing or mulling over for the future can be made as effective and productive as possible.

We look forward to fruitful discussions with our developing partners during the next two days, to share lessons that have been learnt, to exchange mutual experiences, to identify problems that may exist, and to endeavor, as part of a joint effort, to propose new, more efficient and out of the box solutions.

Ladies and Gentlemen

We recognize that the world is looking at us as we move forward. Six years ago, many were cynical about our will and capacity to take Pakistan out of the crisis of governance and to guide its economic revival. We have crossed that stage. We have explored development path suitable to our national conditions. We have accomplished important milestones in the recent past; the most significant of all are, graduating successfully from PRFG last year and rebounding economic growth. We are emboldened by our successes to seek more challenging tasks; tasks that will allow us accelerated and sustainable growth, prosperity, and high quality life.

Ladies and Gentlemen

Pakistan's economy has had a remarkable recovery in the last few years. Reforms, carried out over the last many years, through liberalization, decentralization, privatization, and restructuring, in almost all sectors of the economy, are having a significant impact on the economic performance.

Our two-pronged strategy, maintaining macroeconomic stability while implementing structural reforms in almost all areas, has helped in growth of our economy. Today, GDP growth and agriculture growth are expected to rebound to seven percent plus and five percent, respectively. We have healthy foreign reserves and our exchange rate and interest rate are holding stable. The foreign debt, which was becoming quite onerous, and our obligations almost impossible to meet, has been brought within manageable limit. Export growth is strong and broad based and remittances rising. Our, large scale manufacturing is registering double-digit growth continuously for the second year.

Our banking sector today is more competitive and efficient following restructuring and privatization. Today 85% of sector is in private hands. Both private sector and agriculture credit have outpaced their original targets. Foreign Direct Investment has increased by over 100 percent compared to last year. The revenue system has been strengthened through administrative reforms, introduction of universal self-assessment, reduction and rationalization of customs tariffs and tax rates, and automation of tax based procedures.

We have joined the club of selected countries having rule based fiscal policy with the passage of 'Fiscal Responsibility and Debt Limitation Act. The role of the public sector in the economy is reducing gradually and governance is improving. Political devolution with administrative and financial empowerment of local governments has laid the foundation for improving social service delivery.

By staying on course, persistent in reforms, removing the institutional barriers to factors of production, and establishing a more market economy, we have succeeded in infusing enthusiasm and creativity in Pakistani people, whose participation in the development process is key to sustainable growth and prosperity. We are successfully pursuing the upgradation of industrialization by opening all sectors of economy for foreign investment, absorbing the revolution in technology, and seeking international economic cooperation. We are making sincere efforts in securing an external environment favourable to our economic development and modernization.

Ladies and Gentlemen

Surely, this has not been an easy time and the recovery has not been a walk in the park either. Our society has borne a heavy cost of indiscretions in the past. The good news is that the fruits of this recovery have now started seeping to the micro level as well. The latest unemployment figures are lower than before, and our data does show that some of the labour markets have tightened up significantly, and, in some sectors, wages have also responded. Even on the poverty front, we are making headway. The results of the latest household survey will be available in a

couple of months or so; however, based on the sample survey, poverty is showing a decreasing trend.

What needs to be recognized is that a few years of economic growth and right policies cannot undo the past follies of decades and ensure long-term equity and social cohesion. What needs to be concentrated on is the direction that we are heading in. We must understand that the "rigid top-down, one-size-fits-all poverty reduction strategy is now beginning to lose ground. It is diversifying into customized approaches and priorities that are driving indigenous strategies. Our integrated policy and strategy architecture is embodied in Poverty Reduction Strategy Paper geared towards high growth, infrastructure and private sector development, improvement in service delivery, and good governance aligned with Millennium Development Goals. We consider this forum as an important opportunity to discuss the policies and the new initiatives that we are taking in this direction.

Ladies and Gentlemen

We are not complacent, however, because of the achievements we have. We recognize that the journey of reform must continue for sustaining growth, rural development, creating job opportunities, and equitable distribution of income. On taking over the reins of the Government as the Prime Minister; one of my primary areas of concentration was to initiate a wide ranging program to address the issue of creating opportunities for the People of Pakistan, especially those dwelling in the rural areas.

We are already on to the second generation of our structural reform programme. These reforms are concentrating on strengthening institutions, improving the competitiveness of our industries, building a robust financial system in an environment of global financial restructuring, further strengthening of tax administration, improving our legal, police and judicial system, restructuring our civil service compatible to meet the challenges of 21st century, promoting transparency in economic policy-making and strengthening the country's physical and human infrastructure needed to support high growth trajectory.

We are also committed to the promotion of the social sector, in particular health, education and women's empowerment. We strongly believe that investment in human capital to equip our population with quality education will be instrumental for Pakistan's long-term sustainable growth. We are launching a major initiative to bring all vocational training facilities in the country under one umbrella and initiating an aggressive program to train 300,000 people additionally through a public private partnership programme. This would make a significant dent in the shortage of skill labour that the country is facing.

Our strategy in the health sector is focused on prevention and disease control, ending malnutrition, providing maternal and child health care and ensuring nationwide out reach of public health facilities, better sanitation and clean water.

Gender issues have taken a centre stage in our reform agenda. We firmly believe that any rapid economic growth must address the gender dimension, because empowering women hits poverty at its root with many intangible benefits.

Our rural strategy is focused on incentivizing productivity, output, and prompt interventions to stabilize prices. Here, we are following the path of making interventions on two ends; firstly, our government through a process of timely policy decisions has ensured that farmers are given incentives to increase their output and yields and, secondly, availability of basic farming inputs such as credit, seeds, fertilizers, and even farm machinery.

This is already paying rich dividends as for the first time in the history of Pakistan we achieved a 50 percent growth in cotton production achieving a total production of 15 million bales and are expecting to achieve bumper crop of wheat of 22 million tons. The effects of this have reverberated in the form of not only increased income for the farmers but also for the cotton pickers, mostly women, who saw an increase of about 25 percent in their service charges.

We are also endeavoring to make our livestock and fisheries sectors more Dynamic, vibrant, and competitive with industrial bases and marketing to exploit their full potential. We are also launching an innovative program to enhance non-farm

income of the rural areas by launching a scheme whereby we will provide consolidated, design and marketing support for region specific products at the national and international level.

Additionally, we have launched a number of new initiatives, which build on the past successes of the government in the realization of an effective network of micro credit facility providers, and community based organizations through the various rural support programs functioning in the country.

Ladies and Gentlemen

Nevertheless, we believe that a major portion of future growth will have to come from industry and the manufacturing sector. Double digit growth consecutively for the last few years in this sector is quite encouraging. The most inspiring trend is that the growth is broad based and not restricted to one or two sub-sectors. In addition, construction and service sectors are making substantial contributions. Recent trends in foreign direct investment, investor interest in Pakistan, especially in the areas of oil and gas, telecommunication, financial services and information technology will further strengthen the recovery.

We recognize Pakistan's private sector as the main engine of growth and the primacy source of employment generation. The private sector can produce, distribute and trade more efficiently and at a lower cost than the Government. The interest in our privatization program and the response to incentives given to local and foreign investors, in sectors as diverse as tourism, housing, oil and gas, telecommunication, information technology, and textiles is clearly indicative of the broadening base of the recovery. It is our belief that the role of the Government should be limited to facilitating and creating a conducive environment in which the private sector can play its effective role.

Equally important is the role of civil society, which is critical to ensure good governance and transparency of Government policies. In fact, our ideal is to promote effective partnership between the government, the private sector and civil society.

Ladies and Gentlemen

We need to focus on two important issues; first, how do we sustain this recovery and entrench it so that we can grow at about 8 percent per annum of GDP for the next couple of decades or more; and second, how do we make sure that all groups of people, across geography, gender, class, caste, religion, and any other divides are able to benefit from this growth.?

Ladies and Gentlemen

We are looking forward for sustaining a 7-8 percent growth rate for Pakistan for a variety of reasons:

- We need to make sure that we have enough growth in output and income to help the poor and the marginalized in our society.
- Our economy needs to go through a structural transformation to turn into a more developed, industrialized, and modern economy. For this we need massive investments in human and physical infrastructure. We need to sustain a high growth rate to allow us the resources that will need to be invested in this infrastructure.
- The gap between the developed and the developing, between the rich and the poor (across and within nations) is increasing every day. We need to catch up with the rest of the world. To catch-up, we need to run faster than the runners ahead of us
- We live in a geographical area where we are surrounded by emerging markets and rapidly growing countries. China, East Asia, and India are just a few examples. We cannot miss the boat on using these rapid growers to help us grow as well. By trading with them, by learning from them, and in turn by helping them, we can all grow rapidly and, more importantly, ensure that this growth is sustainable.

Ladies and Gentlemen

We realize that growth is not an end in itself. Ultimately, development is about People. People are the 'end in themselves'. Growth is needed to make the life of each and every citizen of Pakistan better. Every child that is out of school, every person who is not gainfully employed, every citizen who does not have access to basic facilities in health, sanitation and safe drinking water, and every citizen who

does not have adequate opportunities to develop his/her potential fully is a travesty of justice and denial of basic human desires. We cannot allow this to continue. We have to grow, and grow fast to address these limitations.

Ladies and Gentlemen

We know where we are, and we know that we have the right opportunity at the right time. We also know from our PRSP, our MDG commitments, and our national goals as to where we want to be.

Our future growth strategy rests on five pillars: water security, energy security, Infrastructure development, human capital development, and second-generation reforms. We are looking forward to universal primary education with 100 percent net primary enrolment ratio, reducing infant mortality rate to 50, increasing fully immunized children to 90%, improving maternal mortality ratio to 180; and access to safe water to 84% of the population by 2011-12, to ensure that we are well on our way to achieve the Millennium Development Goals. We have set ambitious targets in the PRSP, MTRF and through the MDGs. Clearly, this is a huge task and we look forward to working together to reach these signposts.

We will also be looking for your support for a special program to address the issues of poverty, social exclusion, and environmental consequences in areas that hosted millions of Afghan refugees for the last several decades.

Our vision for Pakistan is to see a developed, prosperous, modern, and enlightened Islamic State--a Pakistan with a position of great respect and strength in the comity of nations; a Pakistan where our children get quality education, where the genius of our people is fully harnessed, where our people have social justice and equal opportunities to pursue prosperity, where we have modern, thriving businesses and markets, a Pakistan which is populated with modern urban centers and dynamic rural communities, where Pakistanis can lead peaceful, productive, and fulfilling lives; a Pakistan that becomes a model for others to emulate. The Pakistan of today and tomorrow is not the Pakistan of yesterday. The Pakistan of tomorrow is a Pakistan of opportunity.

In conclusion, Ladies and Gentlemen, let me say that with your support and Understanding, and our commitment towards prudent economic management, good governance, and transparency. Pakistan will come Inshallah, achieve its full potential and prosperous future for its entire people. A strong, stable, and economically vibrant Pakistan will be a source of strength for our people, for the region, and the world at large. The sustain upward trajectory of Pakistan's economy will offer vast opportunities for upgrading the economic, trade and commercial co-operation with our regional partners and the world. It will make Pakistan capable of serving the region as a corridor for energy, for trade, for tourism and for transportation. Let us join together to make Pakistan further vibrant, exciting, and prosperous. We are all committed to make this happen.

Pakistan Zindabad