

Address to the Pakistan Development Forum
April 25-26, 2005 Islamabad, Pakistan
By Praful Patel
Vice President, South Asia Region
World Bank

Prime Minister Shaukat Aziz,
Members of the cabinet,
Delegates to the PDF,
Ladies and gentlemen

When we gathered for the Development Forum last year Pakistan was in the middle of an historic cricket series with India. The welcome Indians felt here made headlines around the world, touched millions. A year later, you have been welcomed in India and have returned the victors. Hearty congratulations. What a series. What a sustained effort.

Last year I also commented that the World Bank was scrupulously neutral in the matter of cricket. I told you we had no advice to offer. You looked relieved. This year I am rather more humble. These cricket fellows have done such a marvelous job for this region – two years in a row now. Perhaps we in the development community need some technical assistance from these chaps.

The theme of this year's Pakistan Development Forum says it all: "Sustaining Growth and Improving Quality of Life". That is the essence of the challenge before this nation. And this is a hopeful time for Pakistan. The remarkable economic turnaround – now in its fifth year – continues. GDP growth for the fiscal year is expected to exceed 7 percent. The burden of debt has been brought under control. This has dramatically reduced interest costs. And Government has been able to redirect its efforts towards sustaining growth, reducing poverty, improving outcomes in education and health. The Poverty Reduction and Growth Facility arrangement with the IMF was completed successfully last December. In short, Pakistan's economic performance made the boundary and prospects are now more favorable than at any time in the past decade.

Now, the twin challenges to be addressed are sustaining growth and improving the quality of life for all citizens – the poor, the vulnerable, the excluded, among them millions of resourceful women. It begins with sustained growth of 7 to 8 percent a year; with continued macroeconomic stability, with an improved investment climate. Government is aiming high, as it must. For the poor to **participate** in growth and **benefit** from it, takes growth over an extended period of time.

This last element must be emphasized. Pakistan is feeling good about itself right now, as it should. But we cannot take for granted that the benefits of growth will be felt as rapidly and widely as we might wish. Remember the 1990's when Pakistan experienced modest growth. What impact on poverty; on social indicators? Sadly, little impact. Even during periods of **rapid** growth, as in the 1980's, social indicators such as literacy and school enrollments saw only small improvements; large gender disparities remained untouched. It is how Pakistan's citizens at every level experience the **impact** of growth that can lead to feelings of exclusion and deprivation. This in turn undermines support for needed reforms.

Thus the **twin** challenge: sustaining growth **and** improving the quality of life.

Thinking about the first of these, may I suggest that Pakistan's strategy for **sustaining growth** must address three key challenges:

First, Pakistan's infrastructure needs to be 21st Century infrastructure. Pakistan needs what it takes to support a modern and efficient economy.

- That means reliable, affordable power supplies for industry. And Government driving down the fiscal costs of the sector. Money spent on inefficient power is money lost to social spending. This will take both new investment in generation, transmission and distribution as well as policy and institutional reforms that attract private investors.
- A 21st Century infrastructure means substantial investment in the water sector. And institutional reforms to underpin this investment for more accountable, transparent and financially sustainable systems of irrigation, water supply, sanitation. Water in Pakistan is complex and developing this sector must bring in today's losers, ensuring equitable management of the resource. And of the environment.
- A 21st Century infrastructure means a crack transport sector. Pakistan's works but its inefficiencies and costs **hobble** economic growth; **drag** on diversification and export competitiveness; **hinder** social development. Unsafe roads, urban congestion, poor rural mobility, inefficient railways and costly port operations will all take substantial investment to address.

Second, Pakistan needs a business environment to match the challenges of today's world. How to get there?

- Drive down trade protection – even further.
- Lower the burden of government bureaucracy and regulation, particularly for small and medium enterprises.
- Improve labor market flexibility.
- Improve tax administration – even more.

Finally, to sustain the kind of growth that will reduce poverty, where are the jobs? Which sectors and services need help to contribute to job creation? Let me share my rough list.

- Rural development in general and here I'm thinking opportunities in rural electrification, rural roads, irrigation maintenance, on-farm water management works.
- Finance for poor people, especially in rural areas. Here I'm thinking institutions to provide access to credit, land registration.
- Modern agriculture technology for farmers, big and small.
- An investment climate which thinks not just big business but small and rural entrepreneurs who also need a market-friendly climate.

The twin challenges before us are very closely related of course. **Improving the quality of life** requires significant and effective investments in **human capital**. Sustained growth is built by **strong, healthy and educated people**.

First, Pakistan needs to dramatically increase its investments in its people. This has already begun: we celebrate the commitment to a substantial increase in poverty-related expenditures like education and health to 6.8 percent of GDP by fiscal year 2008. To deliver on this commitment means bold action on a number of fronts.

- It means marshalling the efforts of the public and private sectors and of NGOs in the delivery of education services.
- It means confronting teacher absenteeism which, in our experience, is best done when teachers are **accountable** to local officials and parents.
- In particular, it means a dramatic breakthrough in education outcomes, especially for girls and rural children. **Access and quality** will both be needed to drive this breakthrough as we have seen in the recent impressive achievements in increasing enrollments in Punjab. The World Bank looks forward to supporting efforts to replicate this on a wider scale.

Second, local governments must be **empowered** to deliver services like health, education and water and sanitation.

- Further administrative and fiscal devolution will drive increased accountability.
- Further devolution will ensure that the additional resources get into the hands of those responsible for delivering services.
- And the National and Provincial Finance Commission Awards will pass a greater share of resources to the provinces and districts.

Finally, to reach the most needy and vulnerable will take stronger safety net and targeted programs.

- Khushali Bank, Pakistan Poverty Alleviation Fund and First Microfinance Bank should be applauded.
- Beyond them Pakistan has all the basic elements of an effective safety net in Zakat and Baitul Maal programs, in pension and social insurance programs. But these are under-funded and need improved targeting and administration.

Pakistan's achievements over the past four years are impressive indeed. And I see not just the twin challenges of sustained growth and improved quality of life but indeed important elements of a **twin commitment** to stay the course on the macro discipline and to build the strong people it will take to reach the nation Pakistan imagines for itself.

Let's imagine together: a Pakistan where poverty falls from one third to one quarter and eventually one sixth of the nation. I can imagine that. A Pakistan with a booming private sector, creating jobs and employing the products of a bold education system, young women and men both. I can imagine a government that gets out of the way of private business, conducting the business of government with growing effectiveness.

Can we together imagine a nation where women are empowered players in the social and economic life, protected from violence, safe on their way to school as little girls? Can we see a nation where education makes space for the disabled as fellow citizens, where basic services like clean water and immunization reach the poorest of the poor?

The scale of the all these important matters which need sustained attention can seem overwhelming. But there are many initiatives underway, some of which I've named. They need our full support – both financial and technical. They need government, donors, NGOs, and businesses shoulder to shoulder. Other programs need to be developed with care. And we all need to work energetically to make sure that every citizen feels something is going on that affects their families; something that makes a difference, that allows them to imagine.

Khuda Hafiz.