

PAKISTAN
NAWID AHSAN, Alternate Governor

It is indeed a matter of great privilege and honor for me to represent Pakistan at the Annual Meeting of the Asian Development Bank (ADB), which provides a forum for intensive and comprehensive interaction between a large number of countries in the region.

Mr. President, there is no doubt in my mind that under your excellent leadership, ADB has provided diversified and focused policies and has been able to strike a new working relationship with individual governments based on commitment and sincerity. The diversity of sectors covered under ADB's programs, ranging from agriculture to industry, from health to education, and from capital markets to financial services, indicates the depth of its operations and broad-based nature of its support.

I take this opportunity to commend your successful finalization, Mr. President, of the seventh replenishment of the Asian Development Fund (ADF). Due to your ceaseless efforts, new contributions amounting to \$2.9 billion are now available in the ADF, which has come at the right time as development efforts, especially poverty alleviation, are gaining momentum. Our appreciation is also due to the Japanese Government for the Japan Fund for Poverty Reduction, providing Y10 billion to be administered by ADB to support innovative poverty reduction initiatives. I may also refer to the recent approach of ADB to focus more on performance-based lending from its concessional window. It is within the overarching goal of poverty alleviation, and will definitely enable the member countries to effectively pursue poverty alleviation policies.

The relationship with ADB will continue to be that of partnership where ADB is seen as helping the developing member countries (DMCs) and not as an external agency. I will be failing in my duty if I do not acknowledge another accomplishment made under the dynamic leadership of the President, i.e., the approval of the long-term strategic framework. It provides the road map for ADB until 2015, carrying forward the mandate of poverty reduction. Considering that the development challenges of the region are far beyond the resources and capacities of DMCs, the long-term strategy framework puts emphasis on selectivity and efficiency in operations so that ADB remains an effective partner for all its DMCs.

No challenge is more formidable than to eradicate poverty. There are two aspects of this problem that need to be kept in view. Firstly, the process of economic growth must realize its maximum potential to make possible sustainable reduction in poverty. Secondly, in view of the high levels of debt burden, there is reduced flow of resources to poverty alleviation programs. What we need is a concerted effort to revive the growth process and a common effort to secure significant relief from debt burden.

The present government in Pakistan is embarked upon a sustainable economic reform program that is embodied within the theme of poverty reduction and good governance. To achieve this, sectors such as agriculture, small and medium industry, oil

and gas, and information technology and software have been selected to lead the process of growth. Coupled with the focus on revival of growth, a broad-based agenda of reforms is also being implemented covering such important sectors as fiscal management, financial sector, capital market, public sector corporations, energy, trade and industry, and privatization. In each of these areas the objective is to recognize the costs of government involvement with a view to limiting the role of government and expanding the role of private sector, removing market distortions, and allowing greater freedom to market forces in the process of resource allocation.

An enormous challenge that Pakistan faces is the burden of public and external debt. With external loans of \$37 billion and domestic debt of Rs1.6 trillion, which are almost equal to 100 percent of the real GDP of the country, two thirds of the tax revenues are spent on debt servicing. This has come about because of the large and persistent fiscal and current deficit, borrowing for current consumptions, undertaking low economic priority development projects, and poor implementation, all of which weakened the debt servicing capacity in terms of stagnation or decline in real government revenues. While we are making efforts to reduce debt burden in the medium to long run, we will still need strong support from the international donor community, especially ADB.

We in Pakistan are conscious of the urgency to address the poverty alleviation issue and have undertaken a number of measures as a part of overall strategy for poverty reduction. This includes integrated small public works programs both in urban and rural areas, with an allocation of Rs15 billion; establishment of Kushhal Bank to provide access to micro credit; a food support program; and revamping of *zakat* system. (The *zakat* is a religious tax of 2 percent of net savings, and is used to aid the poor.) An Interim Poverty Reduction Strategy Paper has also been prepared and was circulated in the Pakistan Development Forum in March this year. The final draft is under process and will be ready for the forthcoming Poverty Reduction and Growth Facility.

We have envisaged assistance of \$700 million per annum each from the World Bank and ADB on concessional terms during the next three years within the context of our economic reform agenda and debt reduction and management strategy. It is only through such efforts that meaningful change in the poverty profile can be effected.

Before I finish I would also like to draw your attention to the prevailing drought and water shortages in Pakistan, which are likely to claim around \$2 billion from Pakistan's gross domestic production and will also affect the balance-of-payments position. The economic forecast for GDP growth has accordingly been revised down to 3.8 percent against the original plan of 4.5 percent. We have prepared a three-pronged strategy to mitigate the suffering of the affected people. We are considering higher allocation for the food support program and Khushal Pakistan Program and an increase in the availability of agriculture loans in drought affected areas. We are also considering options to ensure that the social sector spending does not decline in the next year.

We look forward to further expanding the fruitful cooperation with ADB for

improving the socioeconomic condition of the people of Pakistan. I would also like to express my gratitude to ADB for arranging this Annual Meeting and for the warm hospitality extended to our delegation by the people of Honolulu, Hawaii, during our stay.