

**PAKISTAN****OMAR AYUB KHAN, Governor**

It is indeed a great honor and privilege for me to address the 38<sup>th</sup> Annual Meeting of the Asian Development Bank in this historic and cultural city of Istanbul. We believe that this is an important occasion which provides a useful platform to all the member countries to share their experiences in development fields.

Let me also take this opportunity to extend my heartiest congratulation to Mr. Kuroda for you for becoming the President of the Asian Development Bank. We sincerely hope that under his able stewardship the Bank would flourish and further accelerate its efforts towards making the Asia-Pacific Region a more prosperous region. Let me also join my colleagues in expressing my deep appreciation for the people and the Government of Turkey for their warm welcome and gracious hospitality. The staff of the ADB also deserves our appreciation for the excellent arrangement for this very important meeting.

I take this opportunity to express our heartfelt sympathy for those member countries who were hit by the Tsunami and earth quake and for the loss of lives and belongings. In this context the Asian Development Bank's role in immediately setting up funds saved from existing projects to help Tsunami victims is commendable. The setting up of a \$ 600 million Asian Tsunami Fund and organizing coordination meetings on rehabilitation and reconstruction assistance to Tsunami affected countries also helped identify gaps in the relief and recovery efforts.

Pakistan's economy has made major progress in recent years. After five years of hard work the complexion of Pakistan's economy has changed altogether. The economy is no longer fragile. Indeed, it is more healthier today than ever before; economic policies are consistent, transparent, and predictable; private sector is buoyant – they have borrowed over \$ 12 billion during the last 21 months from the banking system; imports of machinery, equipments and raw materials are up by 37 percent; industrial sector is growing in the range of 16 – 18 percent per annum and the economy is likely to grow over 7 percent this year. Accordingly, Pakistan will emerge as one of the few fastest growing economies of Asia. Economic growth is not only accelerating but is also becoming more sectorally broad-based. Expatriate Pakistanis have gained confidence on the economy and bringing their capital back; the telecom sector is booming; external balance of payments has never been so comfortable; current account balance is in surplus and foreign exchange reserves are now sufficient to provide cover to 9 month of imports; our exchange rate is stable, budget deficit is reduced to below 3 percent of GDP; the country's debt burden has not only declined sharply but fast approaching to a sustainable level; we have pre-paid expensive external debt and above all, both S&P and Moody's have upgraded Pakistan several notches during the last five years. Pakistan has also made a successful return to the international capital market through the floatation of a \$ 500 million Eurobond in February 2004 and \$ 600 million Islamic Bond (Sukuk) in January 2005 on the back of an exit from the IMF Program. Both the transactions were oversubscribed several folds, reflecting a huge vote of confidence of international investors on Pakistan. To ensure fiscal discipline, the National Assembly of Pakistan has passed the Fiscal Responsibility and Debt Limitation Bill and is now one of the select countries of the world where such legislation exists. It was conceived and finalized by the Prime Minister of Pakistan Mr. Shaukat Aziz.

Going forward! We believe that we have laid the foundation of a stable and strong economy and the stage is now set for the economy to grow more vigorously (8% per annum) over the next 2 to 3 years with the private sector playing the lead role.

Structural change is the essence of development. Reform is a dynamic concept. The country must continue to adjust itself to changing domestic and external environments. Over the last five years we have introduced wide-ranging reforms in various sectors of the economy. These reforms have started yielding results in terms of improved macroeconomic environment and acceleration in economic growth. To achieve a 7 – 8 percent growth on a sustained basis, as we envisage in the medium-term, we have introduced **second generation reforms**. Over the next five years our reform agenda will concentrate 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, promoting transparency in economic policy-making and strengthening the country's physical and human infrastructure.

Notwithstanding these successes Pakistan still faces many challenges. How to translate these gains in improving the living standards of the common man and how to improve education and health services, are the greatest challenges for our government. We are aware of the issues and at the same time we have a plan to address these challenges.

Few policies have promoted development as powerfully as effective investment in human resources. The most important asset of any nation is its people. A weak social profile is an indicator of a waste of human potential. No nation can afford under-utilizing its most important asset, particularly so in an era of globalization where the world economy is experiencing skill-based technological change. Our government is fully committed to improve our human capital base because Pakistan cannot afford another decade of missed opportunities. We have prepared a comprehensive human development strategy aimed at effective utilization of available resources through improved institutional mechanisms. In devising these strategies, the government has given particular attention to three factors.

First, we have developed these policies through a comprehensive bottom up consultative dialogue, which ensures that they are demand driven and locally owned. Second, instead of going for additionalities the government's human development priorities are focused on building on what is already there on the ground. Third, we are putting special emphasis on cultivating public-private partnership for improving human capital in the country.

We are allocating more resources towards human capital development. Many initiatives in the areas of education, health, clean water supply, job creation and social safety nets have been launched. The prospects of achieving and sustaining a 7 – 8 percent growth per annum will depend on the ability of the country to unlock the creative energies of its people. This requires investment in human capital. This is exactly what we are doing in the country. We have prepared a comprehensive human development implementation strategy which is synchronized to achieve the MDG's and our own PRSP. The Prime Minister is personally leading the Human Resource Development through his Technical and Vocational Training initiative which is part of the Social Development program called Khushaal Pakistan.

In our venture of taking the economy on a sustainable higher growth path we believe that the private sector will be playing the lead role. We believe that respective roles of the government, development partners and the private sector should be clearly delineated.

In Pakistan, a substantially large portion of our activities is in the hands of the private sector. It employs 90 percent of the labour force. With accelerated pace of privatization, the role of the private sector is further expanding. Pakistan's banking and financial sectors are much stronger today as compared to 10 years ago or in comparison to other countries in the Asian Region – thanks to wide-ranging reforms in the banking and financial sectors. Today, over 85 per cent of the banking sector is in the hands of the private sector. Over the past few years, the Securities and Exchange Commission of Pakistan has actively pursued a capital

market reforms program with a view to developing a modern and efficient corporate sector and capital market based on sound regulatory principles.

The steadfast support of the Asian Development Bank remains critical at this juncture in sustaining growth momentum and improving the quality of lives of our people. The support of the ADB in strengthening the country's physical infrastructure – vital for sustaining strong growth momentum – along with improvement in governance, private sector development, capacity building, an efficient and effective Medium-Term Strategy and enhancing regional cooperation, will be absolutely essential for us.

On the issue of capacity building, I must add that its importance is greatly enhanced with compounding policy initiatives and increasing fine-tuning of accompanying reform packages. Good implementation is our common goal and a successful implementation would require a two-pronged underpinning through capacity building and technical assistance. As borrowers, we are concerned about the long time lag involved in loan processing, the high costs of overheads and the limited range of our products. These are some of the areas calling for immediate attention of the Bank. We were encouraged by the vision and goals set by President Kuroda in his keynote speech. We look forward to working towards our mutual goals.

Let me once again congratulate you Mr. Chairman for your inspiring leadership and constructive actions to enhance the Bank's effectiveness as a development partner.

These are exciting times in Pakistan. We have done a lot to improve the economic environment but more work is needed on our part. Our vision of a strong, vibrant, stable and moderate Pakistan which is a major regional anchor of peace, stability and economic prosperity is realistic. Pakistan is a moderate Islamic country. President Pervez Musharraf's initiative of Enlightened Moderation is the way to proceed for the Muslim world at large and the rest of the world too. Let us work together to bequeath an economically stronger Pakistan to our current and future generations.

Thank you.