



39TH ANNUAL MEETING

BOARD OF GOVERNORS

ASIAN DEVELOPMENT BANK

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PAKISTAN

Omar Ayub Khan, Governor

It is indeed a great honor and privilege for me to address the 39th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB) in this historic and cultural city of Hyderabad. We believe that this is an important occasion which provides a useful platform for all member countries to share their development experiences.

Let me also take this opportunity to extend my heartiest felicitations to Mr. Kuroda for successfully steering ADB toward the achievement of its goals. We sincerely hope that under his able stewardship the Bank will flourish and further accelerate its efforts to make Asia a more prosperous region. Let me also join my colleagues in expressing my deep appreciation to the Government of India for their warm welcome and gracious hospitality. The staff of the ADB also deserve our appreciation for the excellent arrangements for this very important meeting.

I would like to take this opportunity to express our heartfelt sympathy for those in India who were hit by the October 2005 earthquake. In the context of Pakistan, the Asian Development Bank's role in immediately setting up Pakistan Earthquake Fund to help the earthquake victims is commendable. The ADB President's commitment of \$1 billion for the earthquake reconstruction and rehabilitation activities during the Donors' Conference held in Islamabad in November 2005 was clearly in accordance with the goals and targets of ADB. We hope that this assistance will materialize as arrangements are worked out between the Government of Pakistan and ADB. Let me take this opportunity to thank the international community in general and ADB members in particular for the timely and generous assistance extended to us. We have now moved from the relief to reconstruction and rehabilitation stage.

ADB needs to take a critical look at the financial and non-financial costs to its clients, since these largely influence their borrowing decisions. Competing sources of infrastructure financing are available to the major borrowers from ADB's ordinary capital resources (OCR) and their public infrastructure entities. These sources are not confined to the multilateral development banks (MDBs) and bilateral agencies. ADB will need to compete with these alternative sources of financing, including those in the commercial sector, in order to increase its business. Competitive lending charges, with the least possible burden of policy baggage and non-financial costs, facilitated by simplified procedures and innovative lending products, need to be put in place. Reduced costs of doing business with DMCs will play a critical role as they determine the relevance of ADB. ADB needs to become more relevant, more responsive, and more results-oriented. This challenge requires strong commitments from ADB and its stakeholders.



ADB

Pakistan's economy has continued to perform strongly over recent years with economic growth accelerating to 8.4% in 2004-05, the fastest pace in two decades. The strong economic recovery since 2002-03, accompanied by macroeconomic stability, has been underpinned by prudent macroeconomic policies, wide-ranging structural reforms, fiscal discipline and consistency, and continuity in policies. These policies have contributed to a marked improvement in productivity and in consumer and investor confidence. This has led to growing domestic demand, which should support growth at a robust level over the medium term.

There has been a substantial reduction in the unemployment rate, which has come down to 6.9% as a result of the creation of 5.54 million new jobs during the current fiscal year. This, in turn, has helped to reduce poverty incidence from 32.1% in 2000-2001 to 25.4% at present (a 6.7% reduction).

However, Pakistan's economy has faced headwinds from rising energy prices. The price of oil touched an all time high at over \$70 per barrel from the beginning of the current fiscal year. Pakistan was then struck by the massive earthquake of 8 October, causing widespread destruction of areas and human lives. These two developments have so far had a limited impact on growth but the capacity of the economy to absorb shocks of such magnitudes is not unlimited.

Pakistan is a good example of a country that has benefited to some extent from globalization, with more open trade policies and more receptivity to direct foreign investment in the recent years. The priorities of the Government remain the continuation of second generation reforms, development of water reservoirs, energy security and development of new trade and transit routes (namely the North-South and East-West corridors), while poverty alleviation remains the overarching objective.

For Pakistan, the steadfast support of ADB remains critical for sustaining the growth momentum and improving the quality of lives of our people. The support of the ADB is essential for strengthening the country's physical infrastructure, vital for sustaining strong growth momentum, along with improvements in governance, private sector development, capacity building, and an efficient and effective strategy to combat all development challenges.

While we appreciate ADB's recent efforts to reform, we believe that for ADB the major challenges remain simplifying procedures, empowering resident missions, and reducing the cost of doing business for developing member countries.

We are confident that ADB Management will be focusing on these issues in near future.