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INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION
INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES
MULTILATERAL INVESTMENT GUARANTEE AGENCY

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Statement by the Hon. **SALMAN SHAH**,
Governor of the Bank for **PAKISTAN**,
at the Joint Annual Discussion

**Statement by Honourable Salman Shah Governor for Pakistan to the Plenary
Session of the world Bank/IMF Annual Meetings**

Mr. Chairman, Governors of the Bretton Wood Institutions, Mr. Paul Wolfowitz,
Mr. Rodrigo de Rato.

Ladies & Gentlemen,

It is a privilege to participate in the Annual Meetings of the Board of Governors of the Bank and the fund, here in Singapore.

I would like to express my gratitude to the Bank, the Fund and our hosts – the Government of Singapore for their gracious hospitality and outstanding arrangements for these meetings.

Monterrey consensus, UN and Gleneagles Summits set the global framework of achieving Millennium Development goals (MDGs) and delivering development outcomes. In this context, implementation of debt relief plan has already been accomplished this year.

Debt Relief and Additionality of Resources

While we applaud the full implementation of the multilateral Debt Relief Initiative (MDRI) we urge our development partners to deliver on their commitments to make debt relief initiative truly additional to other aid flows.

This Additionality is not only critical for achieving the MDGs but also for the sustainability of IDA. We therefore, look forward to scaling up of IDA 15 replenishments next year.

Governance and Accountability

Good governance and accountable institutions are necessary to achieve economic development and realize our mission of poverty reduction. In this context, we welcome Banks proposed strategy to partner with member governments in their governance and anticorruption programmes. Strong country ownership and consistent and equal treatment across member countries must, however, remain the guiding principles for implementing governance and anticorruption assistance framework.

We also welcome the Bank's recent sanctions reform and voluntary disclosure programme to guard against any risk of corruption in its own operations. But in order to build more accountable and representative institutions at the multilateral level, enhancing the **Voice** and **representation** of developing countries in the decision making process of Bretton Woods Institutions is of critical importance. In this context we appreciate the enhancement of quotas for four specific countries as a small first step in the right direction. We look forward to the next steps that will take the governance of the Bank and the Fund towards achieving the goals that the leaders of the international community had set for themselves at Monterrey in 2002.

Engaging Middle Income Countries

Middle Income and Emerging Market Countries (MICs) have made important contributions to global growth and poverty reduction. At the same time this group of countries also face major challenges of poverty reduction.

We welcome Bank's initiatives to build partnerships with MICs in addressing these challenges. We also support mainstreaming subnational lending, competitive loan pricing and use of country system to broaden Bank engagement in these developing countries.

Energy Challenge and Infrastructure Deficit.

The global community faces a major challenge in securing affordable and cost effective energy supplies while preserving regional and global environment. There are two dimensions to the energy challenges: the escalating oil prices which are posing fiscal and macro economic stability challenges in mostly oil importing countries; and the deficit of needed investment in energy sector. Closing the huge infrastructure deficit is critical to any efforts towards unleashing growth potential and attainment of MDGs in the developing countries. The Bank and the Fund have to play an active role in financing and assisting countries to accelerate needed investments in infrastructure.

Aid for Trade

While the global efforts such as MDRI are important, trade and market access for the developing countries remains the most effective way of sustaining growth and poverty reduction. We therefore urge an early resumption of Doha development round of trade negotiations, and would encourage the Bank to play a more active role in strengthening mechanism for Aid for Trade.

Pakistan: Economic Performance and Outlook

Before concluding my remarks, let me briefly review the event of last fiscal year (June 2006). Less than a month after the last Annual Meeting, the South Asian region was struck by massive earthquake on October 8, 2005, causing extensive damage to social and economic infrastructure along with the loss of thousands of human lives. Mr. Chairman, Pakistan witnessed massive destruction of infrastructure, private properties and a loss of over 70,000 human lives. This tragedy not only tested the resolve of Pakistani people but also put international humanity at work. The outpouring of sympathy and the commitment of the international community to help Pakistan rebuild its affected areas were deeply appreciated by the people and the Government of Pakistan.

Mr. Chairman!

Pakistan's economy has delivered yet another year of solid economic growth last year in the midst of the extra-ordinary surge in oil prices and the devastation caused by the earthquake of October 8, 2005. With economic growth at 6.6 per cent last year, Pakistan's economy has grown at an average rate of almost 7.0 per cent per annum during the last four years and over 7.5 per cent in the last three years. Pakistan has thus positioned itself as one of the fastest growing economies of the Asian region. The growth momentum that Pakistan has sustained for the last several years is underpinned by dynamism in industry, agriculture and services, and the emergence of a new investment cycle with investment rate reaching a new height. Therefore, the pre-requisite for sustained economic growth have gained a firm footing during the last seven years.

Mr. Chairman!

The strong economic growth that Pakistan sustained for several years in a row has paid handsome dividend in terms of reducing poverty, unemployment and improving the country's social indicators. Pakistan's economy has succeeded in creating millions of new jobs and taking almost 13.0 million poor out of poverty in the last four years. I would like to state that a sustained high economic growth did play a critical role in reducing poverty but we did not rely exclusively on growth to do the job. We spent over Rs. 1300 billion on social sector and poverty-related programme as part of our direct intervention to complement growth in reducing poverty and improving the country's social indicators. I would also like to point out that Pakistan is a large country of 160 million people that is relatively a very young country where more than one-half of the population is below the age of 19 years. This is our major asset and will drive our economy and markets for the next 50 years. Sustaining a growth of around 7-8 per cent per annum over the next decade is our primary objective to ensure that we gainfully employ our young people in an expanding job market. On our part, we are trying to

maintain a stable macroeconomic environment where private sector would play the dominant role. We are also making efforts to further improve investment climate by removing impediments to private sector development. The outcomes of the effort made so far are highly encouraging. Both domestic and foreign investors are upbeat on the prospects of Pakistan's economy. Domestic and foreign direct investment have attained a new height. Foreign investors, in particular are taking keen interest in our country by seizing not only the opportunities of a rapidly growing economy with strong middle class taking firm hold but also taking the locational advantages of Pakistan. Mr. Chairman, Pakistan is serving as a bridge between the West Asia, South Asia and Central Asia and is emerging as a potential production base for these vibrant regions. We are also building a network of energy corridors and linking these regions to achieve their potential. Mr. Chairman, the philosophy of our Government is that it is not the job of the Government to remain in the business. It is in this perspective that we are following an aggressive programme of privatization, both through the strategic sale of assets and through the General Depository Receipts (GDRs) by listing some of our best scripts in international stock exchanges.

Mr. Chairman!

Reform is a dynamic concept. A country must continue to adjust itself with changing domestic and international environment. Pakistan is currently implementing its second generation reform to sustain the current growth momentum. These reforms include the areas that would further improve the country's business environment and governance; would further strengthen financial sector, would enhance economic efficiency and competitiveness, expand social protection, and most importantly, would help improve our resource mobilization efforts.

Thank you