

**Speech Dr. Salman Shah, Adviser to the Prime Minister on  
Finance, Revenue, Economic Affairs and Statistics  
Pakistan Development Forum, 2006**

Honourable Prime Minister, Ministers, development partners,  
distinguished guests ladies and gentlemen,

On behalf of the Government of Pakistan, the Ministry of Finance  
and Economic Affairs Division, let me welcome you to the Pakistan  
Development Forum 2006. The overarching theme for this year's

PDF “*Drivers of Economic Growth - Unleashing the Potential of the  
Private Sector*” is reflective of the Government's commitment  
towards sustained and rapid economic growth and development.

An integral aspect of this strategy is to place and facilitate the  
private sector as a key engine of economic growth.

Ladies and Gentlemen

Pakistan's economy has continued to perform strongly over the last several years with economic growth accelerating to 8.4 percent in 2004-05, its 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.

As a result we have made substantial progress in not only reviving overall growth but also have been successful in drastically reducing internal and external macro-imbalances, bringing Public and external debt ratios to sustainable levels; maintaining market determined interest rates and exchange rates leading to upgraded creditworthiness for Pakistan in international capital markets culminating in the flotation of 30 years Pakistan dollar bonds. An

unprecedented achievement for a country that just graduated from an IMF PRGF program in 2004.

Our major achievements include a strong economic recovery supported by a robust performance in industry, agriculture and services; extra-ordinary strengthening of domestic demand; reduction in fiscal deficit; a high double-digit-growth in exports and imports; increased workers' remittances; stability in exchange rate; foreign exchange reserves; a sharp reduction in the public and external debt burden; accelerated privatization program; capital market strengthening and improved social and human development indicators. The achievements notwithstanding, the country is also faced with some major challenges that emerge from the strong economic recovery. These relate mostly to the incline in the price levels and widening of trade and current account deficits.

Pakistan's economy has witnessed rising energy prices, touching an all time high at over \$ 70/bl from the beginning of the current fiscal year. The country also suffered a major set back by the tremendous and widespread damage and destruction of the October 8 earthquake. These unforeseen events were shocks of a significant magnitude. We are, however; confident that their impact on overall growth will be limited.

Ladies and Gentlemen

Let me take this opportunity to express our solidarity and continued support. to all those affected by the earthquake. We have made considerable progress in rebuilding the lives of the quake affectees and are grateful to our development partners and others who stood by us in this time of crisis. The emergency phase of the

quake relief effort. is changing to reconstruction and rehabilitation.

We are making every possible effort to ensure immediate and medium to long term livelihood recovery of the affected population and in allowing them to restore their lives and livelihoods with respect and dignity. .

I am pleased to inform you that this is the first time since the initiation of the PRSP process in 2001 - 2002 that the results of a representative household survey, PSLM 2004-05, on the incidence of poverty, are available. The survey results estimate that poverty has declined significantly by 6.7% point from 32.1 % in 2001 to 25.4% in 2004-05. The most recent Pakistan Labor survey indicates a substantial decrease in the unemployment rate with the creation of 5.5 million new "employment opportunities in the last two years.

The policies of privatization, liberalization and deregulation have contributed to a marked improvement in productivity and in consumer and investor confidence leading to strong growth driven by domestic demand and exports. We have truly laid the foundations of a robust and vibrant market economy driven by a resurgent private sector. We have now got to establish and strengthen the institutions required for a competitive and free market economy that delivers the jobs and prosperity needed by the people of Pakistan.

The real issue facing us is to ensure that we can sustain the stability and growth well into the next decade and beyond. This growth and stability will be sustainable if we are successful in achieving the goals of equity, poverty reduction and human development embedded in the MTFD, PRSP and MDGs.

Ladies and Gentlemen

In The current fiscal year our effort was to consolidate the gains made over the last three years and also to address the challenges of economic recovery. Accordingly, the real GDP was targeted to grow by 7.0 percent, supported by a 4.2 percent growth in agriculture, 12.0 percent growth in manufacturing and a 6.5 percent growth in all other sectors. Inflation at 8 percent was targeted for the fiscal year 2005-06 - slightly lower than the last year's average inflation of 9.3 percent. Fiscal deficit was targeted at 3.8 percent of GDP, exports and imports were targeted to grow by 16.4 percent and 16.2 percent, respectively and remittances were targeted at \$4.3 billion. We are well on our way in generally achieving our targets with **the**

latest inflation data showing April 2005 to April 2006 CPI down to 6.13 %

Our mid term targets given in the PRSP 2003 are to be completed in June 2006. To avoid vacuum we evaluated our strategy in **2005** and started working on second generation PRSP II based on a broad based consultative process. The first draft of this is in the process of being completed. I would like to invite you all to also benefit from the findings and rich analysis in the PRSP's Annual Progress Report 2004-05 and Progress Report for July-December 2005 that have been made available for you.

Ladies and Gentlemen



Our integrated policy and strategy as espoused by the PRSP is geared towards high growth, infrastructure and private sector development, improvement in service delivery, and good governance aligned with the MDGs.

Ladies and Gentlemen

The growth strategy rests on five pillars: water security, energy security, Infrastructure development, human capital development, and second-generation reforms. We are looking forward to achievement of a sound and stable economic development and achievement of human development. We are committed to fulfilling our goal of providing quality education for all, ensuring access to safe and effective health services, reduce maternal and infant mortality rate, providing access to water and sanitation and

achievement of our targets that we have defined for ourselves in the MDGs, PRSP and MTFD.

We stay committed and responsive to our citizens and to our development partners in maintaining macroeconomic stability, implementation of reforms and in removing the constraints and challenges that we are faced with vis a vis capacity, implementation and continuity. In particular, we reiterate that the human development challenges we face are immense and that Pakistan is slowly but steadily making progress towards achieving its human development goals.

Ladies and Gentlemen

We are striving to further broaden the country's tax base in order to provide increased revenue for investment in improved infrastructure, health, and education. We are pleased to note that our industry and the manufacturing sector are performing better, construction and service sectors are making substantial contributions, trends in foreign direct investment, investor interest in Pakistan, especially in the areas of oil and gas, telecommunication, financial services and information technology are improving.. These positive trends will further strengthen the recovery. .

Ladies and Gentlemen

The Government is striving to ensure water security, increase the availability of energy resources to help sustain the high growth of

economy especially in the fields of industry and agriculture.

Growth and competitiveness is another focus area for the government. Our emphasis is on the entire value-chains to enable the country to earn more foreign exchange through the exports of value-added products. The continuity of and consistency in the second generation reforms is also critical.

The second generation reforms are aimed at 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, improving our legal, police and judicial system, restructuring our civil services and promoting transparency in economic policy making and strengthening the country's physical and human infrastructure needed to support high growth trajectory.

We are focused on meeting the twin objectives of achieving and sustaining the high economic growth and ensuring that this growth translates into human development. For this we are committed to the development of the social sectors, in particular health and education.

Ladies and Gentlemen

We recognize Pakistan's private sector as the main engine of growth and the primary source of employment generation. The private sector can produce, distribute and trade more efficiently and at a lower cost than the Government. The interest in our privatization program and the response to incentives given to local and foreign investors, in sectors as diverse as tourism, housing, oil

and gas, telecommunication, information technology, and textiles is clearly indicative of our interest in broadening the recovery base.

The role of the Government will be that of a facilitator and catalyst in creating a conducive environment in which the private sector can play its effective role.

Ladies and Gentlemen

The Government of Pakistan recognizes that public private partnerships for service delivery are not just a necessity but also a compulsion for achieving efficiency and effectiveness. We are happy to announce that since the last year's PDF, we have made the concept of public-private partnerships a firm reality and Pakistan now has a comprehensive public-private partnerships programme in place. This programme includes the provision of a policy and

legislative framework for public-private partnerships; an infrastructure project development facility that will support and build capacity for viable and sustainable infrastructure projects and an infrastructure project financing facility for providing residual financing and targeted subsidies. A task force has been established and the I\_FF business plan is to be finalized shortly.

Ladies and Gentlemen

The Pakistan Development Forum (PDF) offers us an excellent opportunity to come together under a common agenda; the PDF provides the government the opportunity to review and reflect on how we have fared; formulate our medium term goals and strategies; refine and finalize our resource requirements and implementation plans. Finally, it is an excellent opportunity for us

to share our thinking, plans, hopes and aspirations with our development partners and in working together for common objectives.

We are honoured to have such a wide representation of our developing partners. This clearly demonstrates your continued confidence in our policies and our collective wish and determination to strengthen our country, Pakistan. We appreciate your support and interest.

Ladies and Gentlemen

In conclusion, Ladies and Gentlemen, let me reiterate that Pakistan is committed towards prudent economic management, good governance, transparency and improved quality of life. I urge all



of you to continue with your understanding and support in making the country a strong, stable, and economically vibrant nation. Let us give today our best so that we can have a better tomorrow!

Thank you once again for your interest and participation in PDF 2006!