

WORLD BANK GROUP

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
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

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Governor of the Bank for Pakistan,  
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It is a great honor, Mr. Chairman, to address this Annual Meeting of the Boards of Governors of the Bank and the Fund. First, let me congratulate you, Mr. Chairmen, on your election as Chair of the 2007 Annual Meetings of the Board of Governors.

**Global Economic Outlook**

We note the recent financial market turbulence and revised IMF forecast on the prospects of global growth. Although, the foundations of global economy appear strong, recent events have forced a reassessment of the outlook on growth. Open economies in the developing world may face serious challenges in a more difficult global trading and worsening external environment; especially those oil importing and export dependent countries with significant current account deficits that are currently being financed by external resources. The implications of downside risks to global growth and our poverty reduction mission will be serious and the poor and most vulnerable will suffer the most.

**Scaling up Assistance**

Fellow Governors, as we reach the halfway mark for the realization of the Millennium Development Goals, we share the concern that at the present slow rate of progress millions in the developing world will be left behind and more than 23 countries in Sub Saharan Africa would not meet the MDGs. We also note that official development assistance to low income countries has not increased, despite renewed pledges by international community. Assisting through IDA, the World Bank Group has brought about notable successes in poverty reduction as IDA grants and credits are critical to the attainment of MDG, especially for the poorest and the weakest of our membership. We, therefore, can not emphasize enough that success in achieving MDGs will require a significant scaling up of resources and an ambitious replenishment of IDA-15 to spur pro poor growth and scale up human development. By pledging \$ 3.5 billion, the WBG has set an example of doubling its commitments to IDA. We urge all donors to also commit generously to IDA-15.

## **Inclusive & Sustainable Globalization**

Global challenges are our shared responsibility and require global solutions, global resources and leadership. To meet the major challenges of our times, our international institutions have also to reform, improve their internal governance, adjust their business model and strategies to remain relevant and deliver effective results. In this context, we fully support the strategic directions set out for the WBG by President Zoellick in his vision for an inclusive and sustainable globalization. The underlining principles and the frame-work clearly articulates the value proposition the WBG can offer to its diverse client segments through a more differentiated menu of products, services and support. We also welcome the reaffirmation to integrate group-wide services to bring synergy within all the institutions of WBG, improve internal governance, address issues of voice and under representation of the developing countries, and develop closer cooperation with other multilaterals to foster regional and global public goods in pursuance of its poverty reduction and development mandate. However, to be operationally successful and responsive to the differentiated and evolving demands across its membership, the strategy must retain flexibility, promote use of country ownership and country systems, scale up access to banks financial resources and knowledge services, reduce non-financial costs of doing business with the Bank and, strengthen countries' institutional capacities.

## **Climate Change & Clean Energy**

We welcome the initial progress made by the WBG in implementing its Clean Energy Investment Framework. While implementing this Agenda, we would urge the Bank to strive for the right balance between access to modern energy services for the poor and the promotion of low carbon emission economy without in any way compromising its developmental and poverty reduction mission.

The urgency and the scale of challenge in addressing the causes and impact of Climate Change is enormous. All of us, therefore, need to work together on the basis of principles of “common but differentiated responsibilities” to meet the challenge of adaptation and mitigation and pursue a responsible development strategy for a low carbon growth. We would also encourage the WBG to develop a strategic framework of engagement to assist developing countries in their efforts to reduce vulnerability to climate change, fighting deforestation and drought .and take a lead role in mobilizing additional public and private resources including concessional resources in achieving low carbon growth.

## **Pakistan Economy**

Mr. Chairman, I am happy to state that Pakistan's economy continues to gain traction as it experiences the longest spell of its strong growth in years. Economic growth accelerated to 7.0 percent last year and most importantly, Pakistan has sustained this rate

of growth for the last five years in a row and as such, it has positioned itself as one of the fastest growing economies in the Asian region. The good performance has resulted from a combination of generally sound macroeconomic policies, ongoing structural reforms and maintenance of consistency and continuity in policies. Other major achievements include a sharp pick up in domestic and foreign investment; continuously improving debt profile; build up in foreign exchange reserves and the country's exchange rate remains stable.

Mr. Chairman, strong economic growth on sustained basis coupled with large inflows of workers' remittances and massive spending on social sector and poverty-related programs have resulted in sharp reduction in poverty and improvement in key living standards indicators.

To sustain the ongoing growth momentum within a stable macroeconomic environment is the biggest challenge going forward. Linked with this are the challenges of job creation, further reducing poverty and meeting the MDGs targets, strengthening the country's physical infrastructure to support 7-8 percent growth in the medium-term. Mr. Chairman, Pakistan is the sixth largest country with a population of 160 million of which, 100 million is less than 25 years old. Over the years, as Pakistan's population growth has slowed and dependency ratio has declined. The country is currently witnessing demographic transition with rising share of working age population. Going forward, our challenges include: turning the large proportion of young people into a sustainable economic boom; converting demographic transition into demographic dividend; managing domestic demand and expansion of domestic markets; improving competitiveness for exports growth; increasing savings and investment to support growth momentum to create job opportunities for the young generation. The challenges are enormous but we have a clear road map to meet these challenges. We have undertaken second generation reforms with the view to enhancing our global competitiveness we are spending enormous amount of resources on strengthening and expanding the country's physical infrastructure. We are also investing heavily on people, that is, on education, health, skill development and training and re-training of our work force.

### **Concluding Comments**

Pakistan greatly values its partnership and engagement with the Fund and WBG. We look forward to continuing to work together to achieve our shared goal of reducing global poverty and promoting inclusive and sustainable development.