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**WORLD BANK GROUP**

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INTERNATIONAL FINANCE CORPORATION  
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Statement by the Hon. **SHAUKAT FAYAZ AHMED TARIN**,  
Governor of the Bank for **PAKISTAN**,  
at the Joint Annual Discussion



**Statement by the Hon. Shaukat Fayaz Ahmed Tarin, Finance Minister  
Governor of the Bank for Pakistan,  
at the Joint Annual Discussion**

Mr. Chairman, Distinguished Colleagues.

I would like to thank our Turkish hosts for their warmth and hospitality, and for the generous support provided by the Turkish people for Pakistan over the years.

It also gives me great pleasure to address the Annual Meeting at such a delicate stage in the recovery from the global crisis. We remain concerned that the global economic recovery remains fragile, and that the prospects for a resumption of activity levels and trade are subject to considerable uncertainty. In addition, the food and energy price fluctuation have severely affected developing countries, like Pakistan, increasing the vulnerability of the tens of millions of poor in our region and in other poor countries. We are also deeply affected by the war on terror, and the battle that has been joined on our soil—leading to millions of internally displaced people.

We are grateful to the Friends of Pakistan and the international community for their expressions of support at this critical juncture in our history, and in providing for the humanitarian needs for the refugees. The international financial institutions, including the IMF, the World Bank, the Asian Development Bank and the Islamic Development Bank have all played a role in helping to stabilize the economy and in addressing key constraints that continue to hold back growth, development and poverty reduction.

Adequate policy responses in the systemically important countries should also ensure that there is no global spike in inflation or interest rates that tend to have a disproportionately negative impact on poor countries. Thus, a premature end to stimulus packages should be avoided, but at the same time structural adjustments are needed in all economies to prevent a buildup of unsustainable fiscal positions that might threaten global inflation and interest

rate hikes. Better global regulation of financial markets should also help to prevent a build up of incipient crises in the future.

We see increasing markets for developing countries exports as critical in mitigating the effects of the crisis and sustained poverty reduction—this includes reductions of trade barriers in developed countries, as well as enhanced trade and investment in the region and among the developing countries, particularly in East and Central Asia. Indeed, we would like to see enhanced regional cooperation for enhanced trade, growth, and also a more significant voice in the international financial institutions (IFIs). We would like to see greater international and IFI support for projects that relieve infrastructure and trading bottlenecks—in particular, oil and gas pipelines and electricity grids, as well as transportation networks, that would better link Pakistan with neighbors in West, Central and South Asia, as well as with China.

We agree that the large remaining financing gaps facing developing countries, engendered by the crisis, will require concerted efforts, including by the IFIs. While the temporary increases in the resources of the Fund are welcome, these should be adequately channeled together with bilateral support, to address the difficulties of the poor countries. While the streamlining of conditionality in IMF programs, as well as new lending instruments, are steps in the right direction, reliance on traditional debt sustainability analyses pose straight jackets for countries that lack reserves, and also lead to diverging advice for countries in the same region and facing similar problems.

For the longer term, the quota increase in the IMF should be concluded expeditiously and equitably, building on the 2008 formula. While we support the emphasis on giving the larger G24 members a greater voice in the institution, this should not be at the expense of other developing countries.

We would also like to see increased resources made available to the World Bank to enable it to better address the needs of the vulnerable affected by the crisis, in addition to the long term poor, and also to assist in meeting the critical infrastructure needs of developing countries.

Let me turn now to the specific issues relating to Pakistan and its role at the gateway to the Middle East and Central Asia and also its pivotal role in the war on terror and extremism.

Pakistan has been one of the countries most severely affected by the crisis that has swelled the ranks of the poor, and made their livelihood increasingly precarious. Yet the government has put in place a determined stabilization and growth program that has been supported by the Friends of Pakistan and the IFIs. Despite the global slowdown leading to declining trade and revenues, we have made a fiscal adjustment of over 2.5 percent of GDP during the past 12 months. Over the medium term, our strategy remains predicated on strong domestic resource mobilization, based on a full VAT and effective tax coverage and administration. We are committed to tackling the challenges posed by vested interests and narrow parochial perspectives that bedevil many developing (and some developed) countries.

The cornerstone of the program is the resumption of sustainable growth and employment for a country of 170 million inhabitants with a relatively young demographic profile. We bear the burden of providing for public services for the population and in meeting the Millennium Development Goals, establishing an effective social safety net and countering the influence of the extremists. In order to generate sustained growth for productive employment opportunities, investments are needed in critical sectors, particularly energy, agriculture and industry to build on our pool of resources and comparative advantages. The assistance of the Friends of Pakistan in addressing critical bottlenecks will be a great help.

Although high-quality growth should address the needs of a growing population, we are aware of the need to provide effectively and in a timely manner for those who have been affected by terrorism, including the 3 million refugees due to the military action in the Swat valley, as well as the unfortunate victims of the global crisis facing unprecedented increases in prices of food and energy. Social safety nets to support such victims of the crises, as well as the long term poor are being established with international support. We are also committed to streamlining governance and ensuring that services are effectively provided to ensure household food and economic security.

Pakistan is cognizant of the challenges posed by Climate Change, and sees the opportunities for growth out of the restructuring of outmoded and inefficient industrial structures. We have taken the positive step of imposing a Carbon Tax, and hope very much that the international community will assist those countries helping themselves in the enormous task of industrial restructuring towards a more environmentally friendly and sustainable growth path.

Pakistan benefits enormously because of remittances from its citizens working in the Middle East and other parts of the world. We would also like to expand the opportunities that would arise through the expansion of trade and investment links with regional neighbors, including Turkey and the Central Asian region—though gas and oil pipelines and electricity grids. Similarly, road and rail links with these countries, including with Afghanistan, should be of mutual benefit and strengthen employment opportunities and growth prospects.

Thank You