

Inaugural Address

SYED YOUSAF RAZA GILANI

Sardar Aseff Ahmad Ali, Deputy Chairman, Planning Commission, Dr Rashid Amjad, President, Pakistan Society of Development Economists, Honourable Ministers, Excellencies, Ladies and Gentlemen!

It is indeed a privilege and honour to address this distinguished gathering of economists. I am very happy that this meeting is being attended by internationally acclaimed economists and academics from both within and outside the country. I am especially heartened to see that students of economics from all over Pakistan have been especially invited to attend this meeting.

Over the years the Annual Conference of the Pakistan Society of Development Economists has become one of the leading events on the calendar of meetings where experts from various disciplines discuss cutting edge issues that confront developing economies in general and Pakistan's economy in particular. The Pakistan Institute of Development Economics is to be congratulated for holding such conferences on an annual and regular basis.

The President of the Society has mentioned that I have actively encouraged the participation of economic experts, academics and researchers in the policy planning process. I firmly believe that this interaction will lead to framing of economic policies that respond to our economic needs and lead to more sustainable and equitable economic growth. I will continue to involve our body of economists in formulating policies and thank you for your offer to work closely with our government.

The theme of this year's Meeting "Economic Sustainability in a Globalised World" is very timely and touches the very heart of the economic challenge we face at the global and national level.

The world has witnessed a global financial meltdown which started in the USA but spread to other parts of the world, both developed and developing. This financial crisis has now hit the real economy, causing a massive decline in global manufacturing output and global trade which is the worst since the Great Depression in 1929. World output is projected to shrink in 2009 and world trade expected to decline markedly this year.

As demand falls globally, smaller developing countries like Pakistan are adversely affected. What makes the global crisis even more worrying is the fact that nobody is certain about the length and depth of this crisis as business trust has evaporated.

Syed Yousaf Raza Gilani is Prime Minister of Pakistan.

For Pakistan this crisis came at a critical juncture when the new democratic government had just taken over. Our government inherited a very fragile economy. The unprecedented hike in oil and food prices during the second half of 2007 and early 2008 created severe macroeconomic imbalances. Poor economic management and inaction by the previous government further worsened the situation. If immediate action had not been taken the country would have faced default and economic crisis.

Over the past year we have tried to grapple with this difficult situation. There were difficult choices to be made and we gave priority to restoring macroeconomic stability rather than short-run political expediency. I can say with confidence that over the past year we have made significant progress in rehabilitating the economy taking the following five steps:

- First and foremost, we have moved decisively to restore macroeconomic stability. This was essential to revive business confidence, both foreign and domestic, and to engage the multilateral and donor agencies in providing us critical support. We are committed to ensuring a stable macroeconomic environment and will honour all our commitments on achieving this with the support of the multilateral agencies. Already our fundamentals are moving in a positive direction.
- Second, we have taken significant steps to reverse the anti-agricultural bias which was a hallmark of the previous regime's economic policies. We have provided incentives to farmers through higher agricultural prices and timely provision of inputs to boost agricultural output and it is already having a positive impact.
- Third, given our commitment to improve economic conditions of the poor people of Pakistan, our government has launched for the first time in Pakistan's history a major direct income support programme for the vulnerable and those most in need. This is reflected in a six-fold increase in resources earmarked for social protection this year. The Benazir Income Support Programme is the leading programme, under which Rs 34 billion have been earmarked for 2008-09. The programme will benefit 3.4 million poor families and with better targeting the programme will be expanded to 7 million poor households.
- Fourth, we have taken significant short and medium term measures to overcome energy and water shortages through fast track energy projects and building of small dams. We have launched a major effort to raise resources through the Friends of Pakistan Forum to build the Bhasha Dam and other major infrastructure projects.
- Fifth, we have given the highest priority to accelerate development in Balochistan, FATA and other backward regions by accelerating development projects in these areas.

I am acutely aware that the financial crunch has put enormous pressure on the development budget. Hence I have given clear instructions to the Finance and Planning Ministries that expenditure on education and health must be protected at all costs. I believe that this is essential to ensure long-term development and for us to compete in the global economy.

Overall, despite the global recession the economy is showing resilience under difficult circumstances. We are hopeful of positive economic growth this year of around 3 percent and expect it to increase to 4 percent next year. Inflation should come down to single digit in the second half of this year.

The economy faces enormous challenges in the current global downturn. Our priority is to protect investment in infrastructure, both social and physical, so that our medium-term growth prospects are not compromised. Most important of all is to ensure inclusive growth so that all regions and all our people especially the poor and vulnerable groups can share the benefits of economic development.

The Cabinet has approved a 9-Point Agenda that provides the overall framework for our medium-term development strategy. It covers macroeconomic stability, emphasis on agriculture as a leading sector, increasing industrial competitiveness, human resources development and good governance.

We look to the economists of Pakistan to assist us in operationalising this 9-Point Agenda. We have always had good plans. My government would like to ensure that they are translated into concrete outputs which lead the way to improved living conditions and sustained and equitable growth.

Let me in the end wish you the best in your deliberations and I request the organizers to send me a summary of the main conclusions and recommendations of this important meeting.