

## Inaugural Address

ABDUL HAFEEZ SHEIKH

Dr Rashid Amjad, President Pakistan Society of Development Economists and Vice-Chancellor PIDE, distinguished guests, ladies and gentlemen, it gives me great pleasure to address the 27th Annual General Meeting and Conference of the Pakistan Society of Development Economists (PSDE).

I am pleased to note that the Society has been instrumental in promoting scholarly research and debate on critical socio-economic issues facing Pakistan, and that the Pakistan Institute of Development Economics (PIDE) has played a vital role in promoting and nurturing the Society since its inception in 1982. The Society has not only upheld and galvanized the profession of development economics in Pakistan but has also helped inspire new ideas for the greater development and prosperity of Pakistan.

Ladies and gentlemen, I am happy to see that when I address you today Pakistan's economy is again showing distinct signs of recovery and we hope to achieve a growth rate of 4 to 5 percent this year which should help lift us to a much higher growth trajectory in the future. Despite the heavy headwinds that we have had to face, our government took important fundamental economic decisions of which we can be justly proud.

First and foremost we reversed the anti-agricultural bias that had been the hallmark of previous regimes through incentives to farmers, including higher prices. This policy has paid rich dividends in terms of providing food security at a time of global scarcity as well as a positive impact on the standards of living in our rural areas, where the majority of our population resides. Second, our government launched for the first time in Pakistan's history, direct income support for the poor through the Benazir Income Support Programme. Our government has increased expenditure on social protection programmes more than seven fold since we took over. There is growing evidence to show that the Benazir Income Support Programme has provided an effective safety net for the poor and the vulnerable. Third, our government took the historical decision to empower the Provinces and through this strengthen the federation by the adoption of the 18th Constitutional Amendment and the unanimous passage of the 7th NFC award. We remain confident that by providing more resources at the provincial level, amongst others, there would be significant improvements in the delivery of much needed education, health and social services. Fourth, we have given the highest priority to accelerate development in Balochistan, FATA and other less developed regions by allocating more resources for them at the federal level. Fifth, rather than relying on aid and loans, the government believes in trade as an engine of growth. It is in this context that we have opened up our economy to more trade with our immediate neighbours in South Asia as well as with Europe and other major international markets.

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Let me also clearly state here that the aim of ensuring macroeconomic stability remains the overarching goal of our economic policies despite a difficult economic environment. This is essential to revive and sustain robust business activity. We will adopt prudent monetary policies and take decisive steps to reduce the fiscal deficit through increasing revenues as well as cutting down on non-development expenditures. This should act as a dampener to inflationary pressures as well as help revive economic growth.

I am acutely aware that continuing energy shortages remain a major hurdle in reviving economic growth as well as a hardship for consumers. The cost of this has unfortunately been highest for small scale producers who cannot afford alternative energy sources. There are no short-cuts to solving the energy problems, given the long gestation time for setting up new generation capacity. Also, the government has to ensure a balance between rising global oil prices and the capacity of our people to bear higher energy costs. This further complicates the problem and despite what you economists may say defies easy solution. We are giving the highest priority to solving the energy crisis through short-term measures of raising power generation from existing plants through modernisation and restructuring, including more transparent and effective management and delivery mechanisms. We are also very hopeful of positive results from the Thar Coal gasification project being undertaken by the Planning Commission. The Bhasha-Daimer Dam and other hydro-projects shall provide more long term solutions to the current energy shortages.

The theme of this year's Conference "Economic Growth and Development: New Directions" is both timely and relevant at the national as well as the global level. The worst global financial crisis as well as the ensuing recession has shaken the faith in self-correcting markets and the current international financial infrastructure. Indeed, there is a growing feeling globally that a system driven by unchecked greed can only accentuate inequality and concentrate wealth in a few hands. This has indeed led many people to question such a system as well to actively demonstrate against it in many parts of the world.

Our moral philosophy as enshrined in the principles of our religion and our constitution teaches us the importance of ensuring a just and socially equitable system that provides equal opportunity for all as well as social welfare for the needy and the vulnerable. Our government has actively pursued these principles in the framing of our economic policies. Our government has also adopted a new growth strategy that draws on the most recent advances in economic thinking. The most fundamental of which is that human capital embodied in an educated and skilled workforce is the major engine of economic growth in highly competitive global markets.

In the end, let me say that ensuring effective implementation of the economic reform programme is a major challenge to which policy-makers, practitioners and academics must actively contribute. In this, you economists and especially the many young economists I see present at this Conference have a major role to play. I wish you all success in your deliberations, and look forward to the recommendations of this scholarly body for moving this country forward on the path to greater development and prosperity.

Thank You.