

Honourable

Ladies and Gentlemen

I am immensely pleased that the National Defense University has invited me to throw light on such an important issue of Macroeconomics. Let me say from the very outset that your cause is noble and your deliberations are extremely important, I appreciate and acknowledge the commitment to the cause and professional skills displayed by Pakistan and the Brotherly countries officers.

Ladies and Gentlemen

1. This era of Globalization has further pushed the menace of poverty. The world Economic recession has badly affected Pakistan regarding the availability of funds to fund its various development programs. Similarly the shortage of funds has created serious budgetary imbalances. Moreover, the increase in petroleum prices had adversely affected the current account Balance of Pakistan. This Global economic crunch has further compounded the miseries of the poor. Consequently, we must infuse hope to our marginalized segment of the societies. We must not keep them relegated to the back waters of our societies. They should be Educated, Equipped with new skills and be given productive employment. Most importantly, their rights should be protected and health needs should be fulfilled.

Slow Growth which is expected to be less than 5 % in FY 09 has caused the inflation to double digit which is expected to be more than 20 % in the current year. Due to slow growth unemployment is surged and expected to be 5 million in FY 09.

At the moment I must say that most of the Economic Indicators for MACROECONOMIC STABLIZATION are weak such as;

Ø Growth is slow

Ø Foreign currency Reserve are Low

Ø Unemployment is up

Ø High Fiscal deficit ( +7.0% in FY 08)

Ø Loss of Investor confidence (FDI, Capital Market, Privatization )

Ø Monetary policy ( Liquidity crunch )

Ø Double digit Inflation ( Expected more than 20% )

Ø A collapsing Infrastructure

Ø Chronic Poverty

While these were the weak Indicators, at the same time let me highlight the positive indicators as well;

- Ø A Leadership willing to listen and take the tough decisions
- Ø Reduction in International oil & food prices
- Ø Positive signals of support from IMF, WB, and Friends of Pakistan
- Ø Workers remittance ( ALL time high )
- Ø Populist government in place

After identifying the impediments to the economy: the government is devising various measures for macroeconomic stabilization these include;

- Ø Measures to Immediately Increase FX reserves ( through IMF )
- Ø Reducing the Fiscal Deficit by:
  - Giving greater incentives to the provinces to generate and use their own resources.
  - Reductions in borrowing from the SBP.
  - Prudent cut in government spending.
  - Increase Tax to GDP (at present it is 9.5%)
- Ø Reducing the trade gap:
  - Greater reliance on domestic sources of energy.
  - Turning food shortage into surpluses for export.
  - Cut in wasteful consumption in imports.
- Ø Greater use of monetary tools to control inflation.
- Ø Insulation of poor segments of the population for the socio- Economic uplift.
  - Labor intensive infrastructure projects
  - Direct Support under the Benazir Income Support Program.

Ladies and Gentlemen,

The BISP is the flagship safety net programme of the government with a commitment of Rs 34 billion, and an estimate over 3.5 million beneficiary families. Selected families will receive a monthly cash grant of Rs 1,000, at least for the remainder of the fiscal year 2008-09. The method

employed is that every MNA & Senator irrespective of political affiliation is provided 8000 forms as this programme is not party specific but for the poor. Beneficiaries must apply through these forms distributed by local MNAs/ Senators. Forms require applicants to provide information on a number of socio-economic characteristics such as income, employment, formal sector employment/pensions, disability, asset ownership, and household members abroad etc. which match with the targeting criteria for the scheme. This information is verified partly by the nominator (i.e. MNA/Senator) and then detail verification by NADRA through the information held for or provided by the applicant to the National Database Registration Agency (NADRA). Selected beneficiaries must possess NADRA CNICs which will be provided free of cost and expeditiously in case a beneficiary is without a card. Benefits will be made out in the name of a woman member of the beneficiary family. This is one of the strongest features of scheme design and responds to the transformative role of social protection. The BISP definition of a family is around a married couple (average size 3.5 persons).

The objectives of BISP are;

- Ø To register the women with NADRA.
- Ø Empowerment of women.
- Ø To bring the women in mainstream.

The ongoing IMF program has sent strong and positive signals to the International financial market and the credit rating agencies. Resultantly Stock market in Pakistan has already started showing positive signs. IMF program has brought with it certain reform packages which would positively impact the overall Macroeconomic outlook of Pakistan economy and strengthen the business and investor confidence on the future of the economy. Overall credit crunch and down slide in the national economy has been averted.

The IMF program is a short term standby agreement (SBA) of the fund with a tenor of 23 months for an amount of 7.6 billion dollars. Additionally, the foreign exchange inflow has significantly increased, as funding from other multilateral and bilateral development partners has resumed , after social safety net envisaged in the program encompasses BISP of Rs. 34 Billion in the budget 2008-09 and additional space to use up to \$ 500 million for spending on the poor. Thus there is a much bigger spending, largely in the form of cash transfers to the poor to mitigate the impact of price adjustments on vulnerable groups in the country. Its multiplier effect would generate economic activity in Pakistan. This social safety net program with the name of (BISP) will be extended to cover:

- Ø Unemployment and Life Insurance, very largely subsidized by GOP.
- Ø One scholarship and cash stipend per family, for a child entering college.

Ø Local vocational training by volunteer groups to create more than one skilled person per family

To conclude:

I must say that Good governance has assumed a critical importance in the Global debate on development. And it is the centrality of this issue of poverty that has compelled the various interest groups in good governance and democracies to address this issue. The dichotomy of the rich and the poor has created the socio-cultural division of people which defines the poor's role to live in miseries while the rich rule them. With the increasing cultural awareness by rights movements and media, the divide between poor and rich has been increasingly challenged across the Globe. The assertion is to bridge the gap between the poor and the rich which is only possible through well thought MACROECONOMIC reforms and the delivery of socio-Economic services so that a common man may have a sigh of relief.

It is crystal clear that a country's economic development and stability thrive well under the umbrella of peace and congenial atmosphere. But unfortunately, the whole world is sinking deep in the cauldron of terrorism. Under the threatening clouds, the economic development and foreign investment in our country has suffered a great setback. In the current milieu of threats, the role of Armed Forces and law-Enforcement Agencies is worthy of our admiration such brave, sturdy and spirited sons of this soil avert the threats at the cost of their own lives for the cause of our country. This role deserves our eulogistic applause and for this gallant role, I salute them.

Once again, I am thankful to you, for inviting me and sharing views with the senior officers.

PAKISTAN PAINDABAD