

**Statement by Isabel Guerrero, Vice President for South Asia region, The World Bank  
Plenary Session: Pakistan Development Forum 2010 – November 15, 2010, Islamabad**

Your Excellencies, delegates, ladies and gentlemen. I am honored to be here today and represent the World Bank in the Pakistan Development Forum (PDF).

**Flood Support**

The Government and the Provinces showed in yesterday's sessions their early recovery response and the large unmet needs still before them. And we have been reminded that this phase is not over. There are still flooded areas, which bring serious health risks that require constant government attention.

In this early phase, the World Bank has already extended \$300 million in critical import financing to assist the Government. Our overall program this year will be over \$1 billion through International Development Association (IDA). The World Bank has also worked with the Asian Development Bank (ADB) and the Government in preparing a Damage and Needs Assessment (DNA) presented at the conference. The DNA provides a sobering view of reconstruction needs.

The Government has asked the donors to support this program through compensation fund to flood affected families. We are currently working with the Government to make sure that the program is effective, well targeted, garners credibility through an effective grievance procedure and a public information campaign, and is well monitored. We are also working on institutional mechanisms that will allow the verification of assets, when cash transfer mechanisms are used for future disaster. The Provinces in their presentations have also identified additional reconstruction projects that donors could help on. Given the size of reconstruction costs, the World Bank stands ready to provide such support if requested.

**Longer Term Development**

I turn now to the longer term agenda. Many of the essential elements have already been identified by the Provinces yesterday, and will be the focus of the sessions today.

**First**, development requires growth. This is of course true for all countries, but is particularly true for Pakistan. In light of the looming "bulge" in the population entering the labor force over the next few years, Pakistan's GDP will need to grow by at least 7-8 percent per year in order to make a real dent in poverty and unemployment. This is an ambitious goal. But it is achievable through a combination of institutional efforts including public enterprise reform, higher investments in critical infrastructure, energy development, and incentives to increase productivity.

**Second**, and to echo the Provinces, to achieve this level of growth, the power of the private sector needs to be unleashed. As the Finance Minister said this morning, Pakistan can improve its private sector environment – everything from business licensing to contract enforcement to labor market mobility.

**Third**, as mentioned by many speakers yesterday, reducing poverty, making progress towards MDGs and enhancing expenditures in the social sectors, is also essential. Providing measurable progress in education, health and nutrition, is a vital for higher growth and equitable development.

**Fourth**, achieving growth and poverty reduction requires sufficient domestic resources to fund essential services and infrastructure. The current tax-to-GDP ratio of Pakistan at below 10 percent is among the lowest in the world. As the Finance Minister said, this leaves Pakistan dependent on foreign aid, and chronically short of the resources needed to meet its development goals. Subsidies take an additional toll. Pakistan's subsidies for the power sector equal total budget spending on health or education. By widening the tax net and targeting energy subsidies to the poor, Pakistan can commit itself to providing better services for all its citizens.

The **final** area of urgency I want to highlight is improving environmental and disaster risk management. As we heard yesterday, natural disasters have increased in both frequency and intensity, causing billions in damages, not to speak of

the immeasurable cost in terms of loss of life. Pakistan needs to urgently build the disaster management organization, so that it can build from this experience in both preparation and responsiveness to future shocks.

**Closing**

These are not easy issues. But Pakistan can meet all of these challenges if it faces them with determination and resolve. And if the Government, the provinces and stakeholders are all committed to reaching consensus on a way forward, Pakistan will find its partners including the World Bank ready to help.