



External Relations Department

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Federal Minister for Planning, Development and Reform emphasizes close collaboration amongst institutions for economic progress of the country

Federal Minister for Planning, Development and Reforms Prof. Ahsan Iqbal has said that all institutions of the country should work hard for making Pakistan amongst top 25 economies of the world by 2025. He was presiding over a meeting with Governor State Bank of Pakistan Mr. Ashraf Mahmood Wathra of the senior management of Planning Commission and SBP in Karachi.

Expressing his thoughts, Mr. Iqbal said, "Making Pakistan amongst top 25 economies of the world by 2025 requires very concerted and coordinated efforts by those stakeholders who are involved in economic management of the country," adding, "We have not been able to realize our true potential in many areas including industry, export, agriculture and human resource due to lack of shared vision." He said Pakistan is now well poised to growth and it is important that all relevant institutions work as a team in order to understand future challenges and opportunities.

Extolling the role played by State Bank of Pakistan, the minister said that State Bank is one of Pakistan's success stories and one of the major institutions involved in the economic management of the country. "SBP has wealth of experience and knowledge and Planning Commission intends to collaborate with SBP in order to arrive at shared understanding and knowledge for future of country's economy," said the minister.

Welcoming the minister Governor SBP Mr. Ashraf Mahmood Wathra said State Bank is always forthcoming in addressing economic challenges of the country. The Governor stated that the initiative for engagement of SBP and Planning Commission on various economic issues to share expertise and knowledge on different subjects is a step in the right direction. He assured the minister that SBP will work closely with Planning Commission for evolving a roadmap for economic progress of the country.

Later on, senior officials of SBP gave a detailed presentation on adoption of flexible inflation targeting regime; challenges and potential strategies to boost country's exports and initiatives taken for strengthening of agriculture sector.

The minister was apprised that with a view to enhance the effectiveness of monetary policy, SBP plans to introduce a flexible inflation targeting framework as its monetary policy regime. By introducing an explicit range of inflation target, it would be easier for household and businesses to understand economic conditions and form future expectations accordingly. Moreover, the strategy would allow SBP to balance the need for price stability with economic growth.

The presentation also delineated upon export sector of the country that could not get enough significance, hither to. Most FDI that has come into the country was to cater to the domestic market (like power and automobile sectors) and not exports. Firms did not invest in Research & Development and Technology and also ignored the significance of branding. Also, manufacturers concentrated in a few traditional products and did not diversify and move-up the value chain. Underdeveloped human capital, lack of standardization of products due to small scale companies and almost no investment in the past to establish domestic processing facilities (like tool and die manufacturing) are the key challenges for export sector.



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The meeting was informed that expansion of agricultural finance is a key pillar of SBP's strategic plan for financial inclusion. Agriculture lending has grown by more than 100% in the past 5 Years (from Rs 263 bn in 2010 to Rs 598 bn in 2015-16) whereas Non Performing Loans in agri-lending is down from 17.8% in 2011-12 to 13.5% in 2015. At present, innovations like Warehouse Receipt (WHR) Financing, Value Chain Financing and Alternate Delivery Channels are being promoted in agriculture sector. However, there is a need of moving from mandatory targets to market based mechanism, enabling regulatory framework, capacity building of farmers and enabling innovative financing models for optimum results in agriculture sector.

SBP envisions the growth in agricultural credit by 10% each year, over the next 5 years to reach Rs 1 trillion by year 2020 and an expected 500,000 new farmers are expected to be added into the formal financial network by 2020 as per its Vision 2020.
