

**Address by the Prime Minister of Pakistan
Syed Yousuf Raza Gilani**

**The 60th Anniversary of State Bank of Pakistan
(Karachi - July 1, 2008)**

Bismillah-ir-Rahama'n-ir-Raheem

Governor State Bank of Pakistan,
Leading Bankers,
Businessmen,
Industrialists,
Development Thinkers,
Members of Academia,
Distinguished Guests,
Assala'm-o-Alaikom!

I am pleased to join all of you in celebrating the 60th Anniversary of State Bank of Pakistan.

It is a matter of great pride for us that the sapling planted by the Quaid-e-Azam Mohammad Ali Jinnah sixty years ago has grown into a sturdy tree.

Standing here amongst you, I cannot but recall the vision of the Quaid that he elucidated in his address at the opening of the State Bank; and I quote:

"I need hardly dilate on the important role that the State Bank will have to play in regulating the economic life of our country. The monetary policy of the Bank will have a direct bearing on our trade and commerce, both inside Pakistan as well as with the outside world, and it is only to be desired that your policy should encourage maximum production and a free flow of trade." (unquote)

Celebrating together 60 successful years of the State Bank is, indeed, a tribute to the vision, determination and ambition of our forefathers; and to all those who have contributed to its achievements.

Ladies and Gentlemen,

Today, I would like to share my views and perspectives on the

- State Bank of Pakistan
- Economy, and
- Development Finance

I take this opportunity to felicitate Governor State Bank for having won two prestigious awards of Asia's Best Central Bank Governor from the leading international finance

publishing houses. This is a testimony to the institution building, Pakistan has managed to achieve and sustain.

Keeping in view the worldwide changes in the role of central banking, the State Bank of Pakistan has also been given independence, while making it accountable to the Parliament.

Our government fully respects the autonomy of the Bank; we value its advice on the global and domestic economy.

Ladies & Gentlemen,

The financial year 2007-08 has been a very challenging year for Pakistan; many external and internal shocks along with policy inactions during most part of the year severely impacted the national economy.

Currently our economy is facing four major challenges; these are, deceleration in growth, rising inflation, particularly food inflation, growing fiscal deficit, instability in exchange rate and widening of trade and current account deficits.

The high growth in macroeconomic imbalances shows that the country was living beyond its financial affordability. With the erosion of fiscal management, public expenditures far exceeded the resource availability.

The government excessively over-borrowed from the central bank, and the demands of the foreign exchange market took a toll on our reserves.

Ladies & Gentlemen,

The challenges are daunting, but Alhamd-o-Lillah, our resolve to address these issues is equally stronger. Our government is committed to restoring macroeconomic stability in a reasonable time-frame.

In the Federal Budget 2008-09 we have taken measures to reduce the fiscal deficit from around 7.0% to 4.7% of the GDP.

We will take additional measures to bring fiscal deficit down to 3.0 to 3.5 percent of the GDP in the medium-term.

I expect the State Bank of Pakistan, to play its critical role in achieving macroeconomic stability, through prudent monetary and exchange rate policies.

All government agencies are expected to play their due roles in achieving the budget deficit target for the year.

I am confident that through a proper coordination between the fiscal and monetary authorities we will succeed in restoring macroeconomic stability.

The State Bank has outsourced part of the Foreign Exchange Reserves to highly reliable financial institutions, and is managing the remaining portfolio in house. I count on the

State Bank for effective management of the reserves and a close watch on reasonable returns from these investments.

Let me turn to our medium-term agenda of economic reform and development.

It is the intention of our government to sustain the growth momentum in the range of 6 to 7 percent in the next 5 years.

Economic liberalization, deregulation and privatization in a transparent manner will be the core principles of our economic reform agenda.

The government will take all necessary measures to promote private sector development, because we genuinely believe that the private sector is the real engine of growth, and the main source of employment generation.

The Government should not be in the business of running businesses. Its role should be to facilitate and create conducive environment, where the private sector can play its role effectively.

Private sector-led initiatives, together with an aggressive export drive will set the country, on a higher and sustainable growth path.

Ladies & Gentlemen,

We have scaled down subsidies to remain within the budget deficit of 4.7%; and will provide targeted subsidies to the poor, despite the fact that over 40% of our fiscal deficit is on account of the subsidies.

Ladies & Gentlemen,

Our top priority would be to focus on quality of growth, in agriculture, manufacturing and the services sector.

Tackling energy crisis by rapidly generating additional power, and by conserving energy, will be another priority of this government.

Overhauling of tax policy and tax administration, to ensure fairer distribution of tax burden to the society will be our key policy objective.

Ladies & Gentlemen,

Let me turn to the subject of Development Finance, an agenda for today's Conference.

I understand that as part of restructuring of the State Bank of Pakistan in 2006, the Governor has established a holistic Development Finance Group – a timely move.

I welcome SBP's mandate and program, to broaden and deepen financial access across the country, to meet the requirements of the economy, the infrastructure, the industry, and the population at large.

Efforts to develop a regulatory framework and guidelines for agriculture, livestock, fisheries and for the SMEs, housing and microfinance are going to catalyze lending in the country. Proper training for specialized lending will also contribute to this goal.

It is our objective to strive for a Pakistan where everyone reaps the benefit of development. It is for this reason that the budget for FY09 mainly focuses on promoting the role of the productive sectors, the mainstay of the economy. Provision of banking facilities to the underserved and unserved segments of population directly helps and reinforces the measures being taken by the Government.

In the budget, the Government has provided a comprehensive incentive regime for the agriculture sector. With the support of the State Bank, commercial banks have managed to promote delivery of agriculture credit, which is likely to reach an all time high at Rs.200 billion, and will benefit at least 2 million borrowers –double the level of the last few years. Of these 75% will be small borrowers.

Also, the Government plans to revamp the Zarai Taraqati Bank to widen its outreach.

Other important measures to support the agriculture sector include lowering duty on agricultural inputs, machinery and equipment, and waiving off 5% Federal Excise Duty on the premiums of crop insurance.

Foreign investment in the agriculture sector will be encouraged to increase the productivity, and develop cultivable areas. Large tracts of land will be made available to foreign investors to induct both capital and technology in the farming sector. Special emphasis is being given to foreign investment in the non-conventional agricultural products, which have vast potential, especially in the barani areas.

Under the Government's special initiative on "White Revolution", Rs 1.5 billion has been ear marked for the livestock and dairy farming.

Similarly, Rs 1.1 billion have been allocated for the development of fish farms and a fisheries training centre in Gwadar.

It is indeed encouraging that the State Bank has marked its 60th anniversary with the theme of "Expanding Frontiers of Financial Access in Pakistan", inviting prominent international and national experts to speak on the subject. I wish you well in your deliberations.

In conclusion, let me congratulate the State Bank, its management and the staff on this auspicious occasion and encourage them to continue performing their role in promoting the economic and financial stability in the country

I thank you all and wish you a productive session

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