



External Relations Department

ERD/M&PRD/PR/01/2016-105

October 24, 2016

Following is the text of Joint Press Release issued by Ministry of Finance and State Bank of Pakistan on October 24, 2016 after a seminar titled "Emerging Markets in the World Economy" held in Islamabad on October 24, 2016 wherein Ms. Christine Lagarde, Managing Director, International Monetary Fund was a key note speaker.

Hard work and reforms are starting to pay off: says MD IMF

"This is a moment of opportunity for Pakistan, a country undergoing an economic transformation that can place it well among the ranks of emerging market economies," stated Ms. Christine Lagarde, Managing Director of the International Monetary Fund. She said that given a subdued external environment with global growth remaining too low for too long, Pakistan will need to rely on the strength of its own policies to generate more jobs and improve living conditions. The main priorities are to reinforce Pakistan's economic resilience and put in place reforms for higher and more inclusive growth.

Ms. Lagarde was addressing the seminar as the key note speaker organized by the Ministry of Finance and State Bank of Pakistan titled, 'Emerging Markets in the World Economy' on 24th October in a local hotel here in Islamabad.

Adding further, she said that costly and inefficient subsidies were reduced. 'These subsidies disproportionately benefited the more affluent. And the accumulation of power sector arrears, also known as circular debt, has also significantly decreased. These are major achievements,' she said. 'There have been equally important achievements on the budget revenue side. By closing tax loopholes and setting up a more targeted approach to widen the tax base, revenue collection improved by 2 ½ percent of GDP over the past three years.' She remarked. "Indeed, the hard work and reforms are starting to pay off. Pakistan was recently upgraded from a frontier economy to an emerging market in the MSCI index. This is an important signal given the changing global landscape, where economic dynamism has gradually been shifting from advanced to emerging market economies. The significant success achieved by Pakistan in raising a \$1 billion in Sukuk on a competitive pricing is also a reflection of international investors' confidence on what has been achieved. She urged Pakistan to continue to remain on the path of reforms, as this is the right strategy to ward-off against any future risks.'

The Finance Minister, Senator Mohammed Ishaq Dar giving an overview of the economy and welcoming the MD IMF said that her visit to Pakistan was an acknowledgement of the economic reform agenda undertaken by the government during the last three years during which Pakistan has moved to the macro-economic stability road from a position of instability, which prevailed in 2013. The major factor which led to the successful completion of the program is the election Manifesto of April 2013 of the Pakistan Muslim League (N), which provided a roadmap of economic reforms to be followed after

winning the general elections 2013 under the leadership of Prime Minister Nawaz Sharif and formed the basis of economic policies of our government including our negotiation with the IMF for the Extended Fund Facility.

Pakistan's economy continues to maintain its growth momentum above 4.0 percent for the 3rd year in a row with real GDP growing at 4.71 percent in FY 2016, which is the highest in eight years. Inflation has been brought down to single digit at 2.86 percent in FY 2016, the lowest in decades. Prudent fiscal and effective monetary policies, coupled with regular monitoring of prices both at federal and provincial level, along with decline in international commodities and fuel prices, has helped in containing inflation. The present government also passed on the benefits of reduction in international oil prices to consumers.

Our government's strong commitment to supporting the poor and most vulnerable segments of our population is reflected in our social protection initiatives. This government has nearly doubled the budget allocated to the Benazir Income Support Program (BISP), Pakistan's largest social protection initiative, which has enabled increase in coverage from 3.7 million families to 5.6 million families.

Welcoming the guest, Governor State Bank of Pakistan Mr. Ashraf Mahmood Wathra said Ms. Lagarde has not only led the IMF judiciously during a time of global economic and financial stress, but it has been under her leadership that the IMF has forged successful collaborations with many emerging countries for their economic betterment.

In his opening speech the Governor highlighted the conditions leading to a balance of payment crisis and under which Pakistan entered into an IMF's External Fund Facility Program back in 2013. 'The economy was mired in persistent energy deficiencies, declining development expenditures, rising inflation, and meager foreign exchange reserves,' said the governor. 'As a result, the country's economic potential was on the decline and investor confidence was badly shaken,' he added

Mr. Wathra also briefly mentioned financial sector reforms carried out during incumbent regime to restore much needed macroeconomic stability and investors' confidence. Governor Wathra remarked with that with rising growth, stability and consolidation of reforms, the future for Pakistan is very promising.
