Statement by Moisés A. Pineda  
Date of Meeting: June 12, 2001

**PAKISTAN: Country Assistance Strategy Progress Report**

1. We strongly support the new government’s commitment to improve Pakistan’s current economic situation and build an enabling environment for sustainable growth. My colleagues and I had the opportunity to experience first-hand the level of commitment of the authorities in our recent official visit to Pakistan. Their effort is reflected in the fast and forceful reform implementation conducted by the new government during the past eighteen months.

2. We welcome the response of the new authorities to the difficult challenges confronting Pakistan’s economy. This response has been the articulation and implementation of a Poverty Reduction Strategy (PRS) based on a broad-based program of structural reforms to modernize Pakistan and its institutions, which are anchored on: a) improving governance; b) achieving broad-based growth; and c) improving human development and human protection.

3. The strategy and reforms drawn from the dialogue between the staff of the Bank, the IMF and the Pakistan authorities have created a strategy that we endorse. However, we would like to see a new ongoing CAS initiative fairly soon until the full CAS is finalized.

4. We strongly support the proposed Structural Adjustment Credit for US$350 million in one-tranche this fiscal year, to be presented in conjunction with the CAS. We consider the credit as the Bank’s main vehicle to support the objective of the PRS in the current fiscal year. We believe the actions taken by the Government of Pakistan as part of the PRS (described in the Structural Adjustment Credit document), in addition to our own experience drawn from the recent short official visit to Pakistan, constitute sufficient basis for our support through this operation. We believe the actions supported by the credit will contribute to laying the foundation for poverty reduction and will contribute to maintain the macroeconomic stability needed to advocate the implementation of structural reforms.

5. The support to Pakistan is crucial since a severe four-year drought has worsened the current economic situation. The shortage of irrigation water to the extent of 40% has already affected the performance of major crops in particular and agriculture in general. If the dry spell continues, it will further reduce the production of wheat with more negative growth for agriculture and a further reduction in real GDP growth. Also, the persistence of higher international oil prices will adversely affect the trade balance and lead to slower growth in GDP.

6. In our recent official visit, we were able to assess the private sector’s confidence on the Bank's knowledge about the current economic situation in Pakistan. The country’s private sector has been adversely affected by exogenous factors and is keen about the potential positive results of the Bank’s
programs, such as enhancing an enabling environment for private sector development and sustainable growth.

7. Pakistan's debt indicators are higher than those of HIPC groups of countries. We would like to see the Bank play a more active role not only in finding solutions for Pakistan's current level of debt, but to offer alternatives that would alleviate such a critical issue, as well. We invite the Bank to support Pakistan in its existing commitment to improve the current economic situation, and to focus on debt management and governance-related issues.