

The US-Pakistan Diamer Basha Dam Project Business Opportunities Meeting

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Washington DC

REVITALIZING PAKISTAN'S ECONOMY

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Distinguished delegates

Ladies and gentlemen

On behalf of the Government of Pakistan, I would like to thank the United States Government, USAID and the US Chamber of Commerce for hosting the US-Pakistan Diamir Basha Dam Project Business Opportunities Meeting, for excellent arrangements, and above all, for the most amiable and congenial environment that has been provided for this Meeting. I am sure that the Meeting will provide an exceptional platform to have a meaningful and focused discussion on Diamir Basha Dam Project and the investment opportunities it provides to investors.

Ladies and gentlemen,

Before I talk about the steps our Government took since coming to office for revitalizing the economy and the results we have accomplished so far, I would like to highlight the basic purpose of our visit here. **Ladies and gentlemen**, through this interaction today, we want to learn from experienced hydro project developers and financing institutions on the one hand, and on the other, inform the learned audience about the steps we have taken to ensure optimal private sector participation in the forthcoming project: the Diamer Basha Dam as one of our top most national priority. This project would, Inshallah, go a long way to substantially contribute in providing the much needed electricity generation (4500 MW) to our energy starved industry and household

consumers; and at the same time allow water storage (6.4 MAF), for irrigation purposes which would also help us contain the devastating floods that keep hitting us.

Ladies and gentlemen, we would encourage open discussion that could help us learn the most and on our part I would like to convey that my Government wants the maximum private sector participation that we would facilitate in every possible manner for this project of supreme national importance.

Ladies and gentlemen,

Economic Development is a key to social well-being of the people and therefore, our Government brought a robust economic agenda aimed at turning around the economy which a year before was headed for a complete breakdown. However, one year after, through sustained efforts of our Government, we have been able to stem the downward slide.

Ladies and gentlemen,

When we took over the reins of government in June 2013:

- i. **Economic Growth**, which had averaged around 3% in the five years before our Government, rose to 4.14% in FY 2013-14 as compared to 3.7% in FY 2012-13. This is the highest growth in the last five years;
- ii. **Per Capita Income**, which stood at \$1340 in FY 2012-13, has increased to \$1386 in FY 2013-14, showing a growth of 3.5%;
- iii. **Industrial Sector**, which grew by a meagre 1.4% during FY 2012-13, has registered a growth of 5.8% in FY 2013-14, aided by increased availability of electricity and better management of available gas supplies. This is also the highest in the last six years;
- iv. **Inflation**, which had averaged around 12% in the five years before our Government, was recorded at 8.6% during FY 2013-14, that too despite the fact that we had taken difficult decisions to raise taxes and rationalize energy prices;

- v. **FBR Revenues**, which had registered a mere 3% growth in FY 2012-13, are up by 16.4%, rising from Rs.1946 billion to Rs.2266 billion during FY 2013-14;
- vi. **Fiscal deficit**, which was registered at 8.2% of GDP during FY 2012-13, has been brought down to 5.7% in FY 2013-14. This is the single largest fiscal adjustment in one year. Here, I would like to remind that in the revised estimates for FY 2012-13, we were told that the fiscal deficit will be 8.8%. We had taken office only a few days earlier but even then in the three weeks of June 2013, concerted efforts were made to economize on spending. The result was that actual deficit was brought down to 8.2%;
- vii. **Development Spending** was recorded at Rs.441 billion in FY 2013-14 against the revised target of Rs.425 billion. Thus, unlike in the past when adjustment was achieved by cutting development spending, our Government has made full development spending, which rose by 36% from actual spending of Rs.324 billion during FY 2012-13;
- viii. **Credit to Private Sector**, which was registered at Rs.19 billion during FY 2012-13, increased to Rs.379 billion for FY 2013-14, a growth of 19 times and reflecting increased investment activity in the private sector;
- ix. **Government Borrowings from State Bank of Pakistan**, which were at a level of Rs.1446 billion during FY 2012-13, were reduced to Rs.303 billion, merely 21% of last year's level;
- x. **Exports** were recorded at \$25.13 billion during FY 2013-14 compared to \$24.46 billion during FY 2012-13, registering an increase of 2.73%;
- xi. **Imports** were recorded at \$45.11 billion during FY 2013-14 compared to \$44.95 billion during FY 2012-13, showing a negligible increase of 0.35%;
- xii. **Remittances**, which were recorded at \$13.93 billion during FY 2012-13, rose to \$15.83 billion during FY 2013-14, showing an increase of 13.7%, for which I salute my expatriate Pakistanis for playing such a critical role in the country's economy;

- xiii. **Exchange Rate**, has depicted remarkable stability and appreciated during the tenure of our Government. In the beginning, as the country entered into IMF Program, speculators caused significant volatility through speculative behaviour, also aided by initial decline in reserves in the face of heavy repayments due from the previous IMF loan. The Government has handled the crisis deftly as, on the one hand, we checked that speculative behaviour and, on the other, mobilized additional resources to shore-up reserves. During this calendar year alone, the rupee has appreciated by 7%, after having pushed up to Rs.110 a US Dollar in November 2013. It had traded in the range of Rs.98-99 for nearly three months, and this is the single most important indicator of economic stability.
- xiv. **Official Foreign Exchange Reserves**, which had declined to a precarious level when in June 2013 they stood at \$6 billion, of which \$2 billion were due to a swap that was payable in August. More importantly, besides regular debt servicing, a payment of \$3.2 billion was due to IMF, bulk of which was in the first half of FY 2013-14. In February 2014, reserves of the State Bank had fallen to \$2.82 billion. Many had predicted that Pakistan would soon default. It is from such a precipice that we have pulled the economy back and put it in on a sound footing. It is due to our prudent economic management and the confidence of our international partners in our policies that foreign exchange reserves of the country have entered safe territory and no longer pose any risk to the economy. As on 1st October, 2014, the reserves stood at \$13.92 billion comprising \$8.882 billion of the State Bank.
- xv. **Karachi Stock Exchange Index**, which stood at 19,916 on 11th May, 2013, the day the elections were held, has continuously scaled new heights and stood at 29,997 on 1st October, 2014 showing an increase of over 50%. On the other hand, market capitalization increased from

Rs.5.04 trillion to Rs.7.22trillion for the same period, showing an increase of 43%; and

- xvi. **Incorporation of New Companies**, which was recorded at 3953 during FY 2012-13 has increased to 4587 during FY 2013-14, showing an increase of 16%.

Ladies and gentlemen,

In addition to the above, we have achieved certain results that have eluded the previous government for its five-year term:

- i) Raising of \$2 billion through **Euro Bond** after 7 years;
- ii) Successful **auction of 3G-4G licenses**. Nearly \$1.2 billion were raised and some more licenses are still available for sale;
- iii) Resumption of **program lending** by World Bank and ADB, that has enabled us to access some \$ 1.5 billion from these institutions during the year;
- iv) Successful revival and resumption of the **privatization program**, whereby we have already divested the shares of United Bank Limited (about \$400 million) and PPL (subscription Rs.30 billion, which is highest ever in our stock market history; and realization of Rs.15.3 billion); and
- v) Construction of terminal at Port Qasim to **import LNG**, which will likely receive 200 MMCFD of LNG within one year.

Ladies and gentlemen,

Two other initiatives of our Government are also worth mentioning:

- i. We have listed **public securities for trading in the stock exchange** to enable individuals who cannot buy them in the open auction, to invest in such securities; and

- ii. **Pro-poor expenditures**, through the National Income Support Program, have witnessed a phenomenal increase from Rs.40 billion in FY 2012-13 to Rs.118 billion in FY 2014-15 (a nearly 3 fold increase). Under the program, the individual stipend has been raised from Rs.1000/- to Rs.1500/- and we increased number of beneficiary families from 4.1 million during FY 2012-13 to 5.3 million in FY 2014-15.

Ladies and gentlemen,

International think tanks and research groups have recognized Pakistan's impressive economic turnaround in the first year of our Government. JETRO declared Pakistan as likely to be the 2nd choicest place for FDI; Goldman Sachs forecasted that Pakistan which is currently at 44th position, would be world's 18th largest economy by 2050; OICCI raised Pakistan's index from -34 to +2; Moody's raised our economic outlook from negative to positive; and in Nielsen's Global Survey of Consumer Confidence, Pakistan's index rose to 99 in the 1st Quarter of 2014 from the lowest level of 86 in the 3rd Quarter of 2011.

Ladies and gentlemen,

Now, I will give an overview of our Government's vision for 2017-2018:

- i. **GDP** to grow gradually to around 7%;
- ii. **Inflation** to remain in single digits i.e. no more than 8%;
- iii. **Fiscal Deficit** to be brought down to 4%;
- iv. **Foreign Exchange Reserves** to be built over \$20 billion;
- v. **Investment-GDP Ratio** to be increased to 20%;
- vi. **Industrial sector** to grow by 8%;
- vii. **Public Debt** to be brought down to less than 55% of GDP;
- viii. **Tax-GDP Ratio** to be increased to 15%;
- ix. **Exports** to be increased to \$32 billion;

- x. **Current Account Deficit** to be brought down to -2% of GDP;
- xi. **Foreign Direct Investment** to be increased to \$5.5 billion;
- xii. **Expending** around 4% of GDP on education and health;
- xiii. **Poverty Alleviation and Support** to vulnerable sections of the society;
- xiv. **Power cuts** to be reduced; and
- xv. **Shortage of Natural Gas** to be met with enhanced supplies through increased exploration/production, imports both overland and sea.

Ladies and gentlemen,

I would also like to briefly explain our program for Energy, Inflation, Taxation, Exports, Infrastructure and Social Protection:

We are bringing more watts online by initiating power projects which are:

- i. Two Coal Power Plants of 660 MW each at Port Qasim;
- ii. Two Coal Power Plants of 330 MW each in the Thar Desert;
- iii. Two Coal Power Plants of 660 MW each in Punjab;
- iv. Two Wind Power Projects of 250 MW in Sindh;
- v. Ten Wind Power Projects of 660 MW each in Balochistan;
- vi. Chashma Civil Nuclear Power Project of 600 MW;
- vii. Keyak Khawar Hydro Power Project of 122 MW;
- viii. Allai Khawar Hydro Power Project of 122 MW;
- ix. Two Karachi Nuclear Coastal Power Projects of 2117 MW; and
- x. Chichoki Malian of 525 MW.

Ladies and gentlemen,

Now, I will quickly go through the on-going power projects:

- i. Nandipur Combined Cycle Power Projects of 425 MW;
- ii. Conversion of two oil-based power plants of 3120 MW to coal;
- iii. Tarbela Fourth Extension Project of 1410 MW; and
- iv. Thar Coal Gasification Project of 100 MW.

At the same time our Government has:

- i. Signed loan agreement with the World Bank for Dasu Hydro Power Project Phase-I (2300 MW), Phase-II of the project will be of 2200 MW;
- ii. Fast tracked Neelum-Jhelum Hydro Power Project of 969 MW;
- iii. Upgraded generation units of Mangla Power Station; and
- iv. Upgraded Guddu Power Project of 747 MW.

Our Energy Policy is aimed at improving the energy mix to avoid the need for frequent tariff increases; and at attracting private investments in transmission and distribution to improve efficiency of our system.

Ladies and gentlemen,

In order to keep inflation in single digits i.e. below 8%, our Government is making all out efforts to:

- i. Curb non-developmental government spending;
- ii. Limit government borrowing;
- iii. Decrease tax rates;
- iv. Reduce power cuts and energy cost;
- v. Lower interests rates through effective monetary policy; and
- vi. Remove supply side bottlenecks through increased agricultural output and reduced wastages.

Ladies and gentlemen,

In taxation arena, our Government is gradually withdrawing tax exemptions over a period of next 3 years, and in the current financial year we have withdrawn tax exemptions worth Rs.103 billion. This step will not only add to our revenues but will also make our tax system transparent and corruption-free and will ultimately bring entry barriers down.

Our Government has also incentivized export industry by offering drawback to exporters on enhanced exports. We have also reduced mark-up rate for Export Refinance from 9.4% to 7.5%. Rates for Long-term Financing Facility which is for 3 to 10 years period to textile sector for up-gradation of technology have also been reduced from 11 % to 9%.

Ladies and gentlemen,

Regional connectivity is very important for economic growth of Pakistan given its geographic location. Therefore, our Government has initiated in-country North-South corridor projects to be completed in the next 4 years. These are: Karachi-Lahore Motorway, Gwadar-Ratodero Motorway, and Faisalabad-Khanewal-Multan Motorway. We have also initiated Pak-China Economic Corridor from Gwadar to Kashghar through motorway and railway. This economic corridor will give the much-needed boost to our reviving economy.

Ladies and gentlemen,

Our Government's main intervention regarding Social Protection is National Income Support Program which comprises of BISP, and Prime Minister's Youth Program. We are working to synergize these programs to make them more effective.

Ladies and gentlemen,

To conclude, I would like to reiterate that we are a resilient nation and the whole world is witness to this fact. Though we are facing political, social, economic, and security challenges, yet we are optimistic and confident of our country's future. We are and will remain committed to our vision for the country. Pakistan's economic journey that started with us coming to power will continue to accelerate and our country will reach new heights, and one day, God willing, will be counted amongst great and prosperous countries.

Thank you!
