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Statement by the Hon. **SARDAR AYAZ SADIQ**,
Governor of the Bank for **PAKISTAN**

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Governor of the Bank for Pakistan**

Chairperson,

Fellow Governors, Alternates and Temporary Alternates, and

Ladies and Gentlemen

Let me extend my profound appreciation for the Heads of World Bank Group and the International Monetary Fund and their management teams for organizing and making excellent arrangements for the physical meetings and conducting business as usual after the pandemic. It is an honor for me to be a part of these proceedings and to renew Pakistan's commitment to realize WB's twin goals of ending extreme poverty and boosting shared prosperity.

Just over two years after the pandemic caused severe disruptions in the global economic systems since the Second World War, the world economy dwindled once again. The impact has been more pronounced in case of emerging markets and developing countries as they are more vulnerable to high inflation and slow growth. The fallout from the war in Ukraine; in combination with frequent climate change events, is compounding the challenges for many of us. This situation is likely to worsen unless we all join hands and coordinate efforts to handle this situation to better secure our future.

Pakistan's economy, like other developing countries, was on a recovery path after post-pandemic repercussions but due to the supply chain disruption caused by the Russia-Ukraine War and recent devastating floods in Pakistan, the whole economic outlook is set to change drastically. As you may know, the floods in Pakistan have submerged a third of the country, causing huge loss of lives, livestock, property, deterioration of public infrastructure, and depletion of natural resources. The rainfall was nearly 300% more than the national 30-year average. As per initial estimates, the floods have caused damages worth billions of dollars, displaced more than 33 million people, killed more than 1,700 people, injured almost 13,000 people and damaged over 2,000 health facilities. Almost 18,000 health workers are out of job. There are 650,000 expecting mothers without proper medical care. The disaster has also put at risk the education of 3.5 million school-aged children, due to damage caused to over 22,000 schools. Out of a total of 160 districts of Pakistan, 84 have been declared as calamity hit. 13,000 km of roads and nearly 440 bridges and a number of dams have been destroyed. Significant losses have been incurred to cotton, dates and rice crops. 1.7 million people require immediate assistance. There is a health emergency, with rising waterborne diseases; dengue/malaria cases and a dire need of nutrition food for babies. Moreover, the floods have also caused an indirect impact through reductions in

outputs/revenues, increase in spending and disruption to the flows of goods and services. Destruction of 8 million acres of crops, more than 1.1 million livestock and the ensuing loss of livelihoods, has further complicated the challenge of food insecurity and malnutrition in the country. The world might forget and move on but if we do not open our eyes to this climate catastrophe, someone else could be next.

Mr. Chairman

I would like to highlight here that although *Pakistan is only contributing 0.9% to Global Greenhouse Gas (GHG) Emissions*; it is one of the countries' most vulnerable to the impacts of climate change. The floods that Pakistan has experienced are a wake-up call for the world leaders to address the issue of Climate Change more seriously. Climate catastrophe is plain in sight for everyone to see. There have been countless summits and international meetings on climate change, and yet we are still not on track to reach net zero by 2050. It is frustrating for us to see rich countries haggle with each other over cutting back emissions while we continue to pay the costs in lives and livelihoods at a far greater frequency than before. While the response of major polluters during COP 26 failed to match the scale of the climate crisis, we can only hope that COP 27 won't fall short on expectations.

The Government of Pakistan is cognizant of its responsibilities and has set high-priority actions to mitigate climate change impacts. Pakistan's adaptation commitment as reflected in the Nationally Determined Contributions (NDCs) is to abate an overall 50% (15% unconditional and 35% conditional) projected GHG emissions by 2030. This includes shifting to 60% renewables, including hydro and 30% electric vehicles by 2030; and enhanced investment in nature-based carbon sinks through massive afforestation programs. However, the transition to renewable energy will cost Pakistan US\$ 101 Billion by 2030 in addition to US\$ 65 Billion by 2040. Moreover, Pakistan's adaptation needs, as reflected in the NDCs ranges between US\$ 7- 14 Billion per annum until 2050.

I would like to acknowledge the international community's full support and solidarity with the people of Pakistan at this time. However, Pakistan will also need support to bear the increasing climate-induced Loss & Damage (L&D). While a Post-Disaster Needs Assessment (PDNA) is underway in collaboration with international development partners, Pakistan's estimates of climate losses have thus far not covered long-term and non-economic losses related to internal migration and displacement, increasing poverty levels and implications for nutrition, stunting, pandemics, gender and other socio-cultural shocks. This indicates even higher financial needs for a climate-resilient Pakistan and the need to include design of loss and damage financial mechanisms on the climate finance agenda. New finance goal from 2025 onwards should be dedicated to loss and damage, based on the Common But Differentiated Responsibilities and Respective Capabilities (CBDR-RC) principle, the "polluter pays" principle and needs-based approach.

Mr. Chairman

The Government of Pakistan has launched a massive relief effort with the support of Development Partners to alleviate the devastating health and economic impacts of the floods. In this regard, I would like to appreciate Development Partners' immediate support, particularly instant facilitation of World Bank in mobilizing a rapid response to the disaster, by way of restructuring the existing loan portfolio so as to facilitate the Government's immediate relief efforts for the affected families across the country. The vehement support of Government organizations, NGOs, Civil Society and Armed Forces in the rescue and relief services to the flood-affected population is also praiseworthy.

While the immediate crisis has to be addressed through assistance from friendly countries, Pakistan would require support at scale including substantial financing to support the government's efforts in improving climate resilience, mitigation, adaptation, and to support rehabilitation and reconstruction.

Mr. Chairman

I would like to highlight here that at the time of announcement of the FY 2023 budget, there were positive expectations about our economic growth in the coming years. The trend of core macroeconomic indicators reflected an optimistic scenario for growth, and it was expected that growth will remain 5 - 6 % in the medium term with price stability. Despite challenges imposed by the macroeconomic environment during the pandemic, Pakistan performed much better in terms of managing its debt burden. Over the period, Debt to GDP ratio is projected to increase by 18 percentage points for advanced economies, 10 percentage points for emerging markets and 6 percentage points for low-income developing countries from their pre-pandemic levels while Pakistan's Debt to GDP ratio witnessed an overall decline of 1.2 percentage points from pre-pandemic levels i.e., FY 2019 to 2022.

Now, the emergence of severe monsoon weather since June, 2022 has changed the whole scenario and outlook of the economy due to colossal losses caused by flooding to human lives, livelihoods, property and infrastructure. The inflation is increased during July-Aug FY 2023 by 26.1%, as compared to 8.4% during the same period last year. The inflationary pressure is primarily attributed to a rapid increase in global fuel and commodity prices, an adjustment in prices of POL, electricity & gas, exchange rate depreciation. The impact has further aggravated due to losses in production of perishable food items after the flood. In short, Pakistan's economy is now confronting wide-ranging economic challenges like shrinking fiscal space, exchange rate pressure, mounting current account deficit, energy sector crisis and high inflation accompanying monetary policy reaction etc. Therefore, it is feared that the devastation caused by floods would further derail Pakistan's economy. Based on estimated losses in each sector of the economy, the GDP growth is expected to be within 1.8 – 2.3 percent.

Keeping in view the current economic challenges, it is essential that development institutions like the World Bank should not only provide project financing but also extend support through enhanced policy-based lending, results-based finance and technical assistance for reform initiatives of the government to cover the financing gap necessary to retain the required level of spending on social sectors and to better pursue and sustain the economic recovery.

Mr. Chairman

I would also like to highlight here that the Government, under the leadership of Prime Minister Mian Shahbaz Sharif, is fully committed to introducing and implementing wide-ranging reforms aiming to improve fiscal management including debt management; reduction of revenue losses of the energy sector and SOEs and broadening tax base to create fiscal space for enhanced development spending, human capital development and job creation.

The Prime Minister, Mian Shahbaz Sharif, has already taken tough decisions to ensure revival of the IMF program and GDP growth rate by (i) increasing electricity tariffs, (ii) removing energy subsidies, imposition of incremental levies on petroleum products and introducing personal income tax reforms. The government had to bear political cost while taking tough and unpopular decisions amidst high global commodity prices and domestic inflationary pressures. Notwithstanding the political cost, government is committed to further strengthen the implementation of reforms once we are through the flood crisis.

Despite our strong political commitment and resolve to accelerate the pace of reforms and prioritizing human capital development, we expect at the same time that the international development community will step up its support to the government in undertaking much needed investments in climate-resilient infrastructure, transition to clean energy, resource efficiency and social development sectors. Such investments, underwritten by bold country-owned economic and governance reforms, will bring sustained growth and prosperity to the country. Pakistan, in this regard, has always considered World Bank as a frontline development partner that is both trustworthy and dependable.

At the end, I would like to once again express my sincere appreciation for the Boards of Governors, management of the World Bank Group and the International Monetary Fund for extending their continued support and cooperation to Pakistan.

Thank you.