

Pakistan

Competitiveness and Growth Development Policy Financing

June 21, 2016

Chair Summary*

The Executive Directors approved a credit in the amount of SDR352.8 million (US\$500 million equivalent) and a Policy Based Guarantee in the amount of up to US\$420 million to the Islamic Republic of Pakistan for the Competitiveness and Growth Development Policy Financing (R2016-0099[IDA/R2016-0119]) on the terms and conditions set out in the President's Memorandum.

Directors commended the Pakistan authorities for implementing significant reforms and continuing with pro poor growth policies in spite of a challenging economic and political environment. Directors noted that the Bank's program would help maintain reform momentum as the IMF program nears completion. They stressed that maintaining this momentum is critical to realizing the Government's growth ambition, reducing poverty, expanding Government revenues, and creating much needed jobs for a fast growing population.

Directors expressed broad support for the operation and its two pillars. They also appreciated the use of the Policy Based Guarantee (PBG) and the additional benefits it can bring in terms of financial sector market development and freeing domestic resources for private investment. They welcomed Management's offer for an update, after execution, on the final terms of the PBG supported commercial financing. Directors urged the Bank to remain strongly engaged with the Government of Pakistan to raise the tax-to-GDP ratio and improve domestic resource mobilization, and stressed that transitioning informal businesses into the formal sector would help in this regard.

Directors welcomed the extensive analytical and advisory work underlying the program and the ongoing collaboration with the IMF and other development partners. They welcomed the inclusion of new reform areas, such as reform of State Owned Enterprises (SOEs), debt management and poverty measurement. Directors encouraged more efforts to achieve debt sustainability and measures to increase the engagement in the agriculture sector and to address the longstanding trade deficit.

Directors took note of the risks involved in this operation and in this regard urged close monitoring of the agreed prior actions to ensure they are attained in a timely manner and called on the Bank to continue to provide technical assistance and advisory services.

Finally, Directors stressed that continuation of the reform effort is of utmost importance and urged the Bank and the Pakistan authorities to maintain close cooperation and constructive dialogue.

*This summary is not an approved record.