

Pakistan's Economy: Potential and Challenges

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Mr President, Distinguished Delegates, Excellencies, Colleagues, Ladies and Gentlemen: Assalam-o-Alaikum.

The Annual Conference of the Pakistan Society of Development Economists has traditionally provided the people of Pakistan—both practising economists and ordinary citizens—with a forum to debate in a rigorous analytical framework the major economic issues facing the country. In this context, the theme of the current conference “Growth, Poverty and Decentralisation” is particularly appropriate as Pakistan begins the 21st century.

Many important issues will be discussed by the honourable participants during the Conference and an excellent start reflecting the quality of the debate has been made by the paper just presented by Dr Kemal. I, on my part, would like to take this opportunity to talk about Pakistan's economy in an overall poverty elimination perspective and particularly the potential and challenges facing it in this regard.

As a starting point, a summary of the potential of the Pakistan economy is in order. First, Pakistan is the home of the oldest and largest integrated land and water systems in the world. The world's other old river basins—the Nile and the Tigris/Euphrates—have remained relatively minor, while Pakistan's Indus Basin is still vital and robust. Last year, Pakistan's record wheat crop again showed the world the potential of the Great Indus Food Machine.

Secondly, Pakistan is gifted with one of the most industrious labour forces in the world. During the last 50 years, there are more and more Pakistanis working successfully overseas in all countries of the world—which as a proportion of the national population (3 to 5 percent) is again probably one of the highest expatriate workers ratios in the world. Our higher education system also has a unique advantage which we tend to underplay—our command over the English language. As a result, with the possible exception of India, the world's information technology revolution with its insatiable appetite for English language computer related skills will largely depend upon Pakistan to provide these skills—in both Pakistan and abroad.

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Most important of all, Pakistan is blessed by Islam. With its ideal of human equality and social justice and its injunction to pursue knowledge at all costs, we have the potential to emerge as a true welfare state. A recent survey of 'voluntary giving' showed that Pakistanis voluntarily give as charity at least Rs 70 to 80 billion annually or about 2 percent of our GDP. This already puts us—despite our current low income level—as one of the most leading charitable and compassionate nations on earth.

Thus the potential to make Pakistan a leading and self-respecting state in the community of nations with little or no poverty is there. What is needed is an ongoing analysis of the situation, continuous debate about the required growth path to alleviate poverty and a consistent set of policies to achieve this if we make it our national objective.

We in the Planning Commission have the privilege of trying to think through and put before the nation some of these poverty reduction and economic growth issues for national debate. I would like to share with you some of our current thinking on the subject.

The first issue the Planning Commission was faced with late last year was to develop a framework for a national development strategy. It became fairly clear as we debated internally within the Commission and externally with concerned citizens of Pakistan that such a strategy must have the following elements: (i) it must reflect the aspirations of the majority of the people of the country—that is the poor, and (ii) it must be broadly acceptable to successive political governments with diverse agendas and priorities over a large time frame. Only one strategy fulfils these conditions—a strategy which is exclusively focused on uplifting the economic and social condition of the poor. This strategy has the additional advantage that it provides enough externalities in terms of economic growth, sectoral adjustments and infrastructure development to provide the basis for an extremely strong and modern economy.

Let me list the *Goals of this Proposed Poverty Reduction Strategy and Programme*, which is still a draft for national discussion and which we hope to debate at various forums including this one over the next several months.

First, to increase per capita income from the present annual level of Rs 24,000 in 2001 to Rs 31,000 by 2004, Rs 43,000 by 2015 and Rs 69,000 in 2025 (constant 2001 prices).

Second, to eliminate food poverty, i.e. to reduce the present percentage of people unable to meet basic food requirements from the present (2001) level of 29 percent of the population to 23 percent by 2004, 10 percent by 2015 and 0 percent by 2025.

Third, to eliminate malnourishment for children under five years of age—which stunts their mental and physical capacity—from 38 percent presently to 30 percent by 2004, 10 percent by 2015 and 5 percent by 2025.

Fourth, to reduce adult illiteracy from its present level of 42 percent to negligible levels by or around 2015. To increase the primary enrolment rates of 83 percent, elementary enrolment rates of 55 percent and secondary enrolment rates (12th class) to almost 100 percent by 2015.

Fifth, to increase Pakistan's higher educational base, primarily information technology and science driven, so that present enrolment in institutions of higher education grows from about 2.5 percent to about 15 percent by 2025.

Sixth, to have universal access to health services, increasing from 55 percent presently to 75 percent in 2004, 90 percent in 2015 and 100 percent by 2025. To increase life expectancy from its present level of 64 years to 66 years by 2004, 73 years by 2015 and 78 years by 2025.

Seventh, to ensure clean water for all citizens. Presently 37 percent of the population do not have clean water—we should aim to increase its availability rapidly to all by 2025.

Eighth, to ensure clean air for all citizens. Presently 50 percent of our population live in polluted cities and environments. We should aim to clean up our "hot spots" rapidly so that almost our environment is safe by 2015.

These are all pro-poor objectives and all the programmes which will be developed to support them are pro-poor programmes. The rich already have all the above. It is the 90 percent of the people of our country—the poor—who do not have these—and the challenge facing Pakistan is to provide them so that all Pakistanis are truly equal in our Islamic Republic of Pakistan.

Two questions arise, first what are the implications for the 'real' sectors of the economy—the productive sectors—particularly agriculture, industry, communications and physical infrastructure. The answer is fairly straight forward. To achieve our human development objectives we have to develop these physical sectors even faster and among even more modern lines. The synergy between the social sectors and the physical sector is immense and the gains implied for productivity growth are obvious and supported by experience.

The second question which arises is: Where will the resources come from to accomplish these objectives. The answer as we currently estimate it is that 50 percent of the programme can be achieved with the present resource allocation (as percentage of GDP) and from better governance, 25 percent from increased cost recovery from the rich and those with ability to pay and the balance from more sustained economic growth and increased resource mobilisation by the public sector aided by voluntary giving by the private sector.

Elaborating this further, we note that the most important factor hampering human development growth in Pakistan today is the failure of the public sector to deliver quality social services—particularly in the education and health sectors. Governance reforms in these sectors together with related governance reforms in the civil services, judiciary and devolution can achieve efficiency gains of the magnitude discussed earlier from present levels of public expenditures on these sectors.

The other aspect of financing our human development programme is increased cost recovery for our public services from those with the capacity to pay. Cost recovery in education and health is less than 3 percent of the current expenditure, for other government services it range between 5 to 15 percent. The reality is that in many cases we are subsidising the rich and upper middle classes with our social sector and other public service expenditures. A fair means testing system should enable us to increase cost recovery and give better and cheaper services to the poor in the social sectors. Finally, Pakistan's record of voluntary charitable work will also assist greatly in meeting the remaining financial needs of these programmes.

In order to give effect to the above strategy, it is proposed that both the bulk of Pakistan's future public sector expenditures—capital and current—in Federal and Provincial and District Governments; as well as the focus of policy—both at national and local levels—aim at attainment of the above objectives. For us in the Planning Commission and the Planning Agencies throughout Pakistan, the operational implications will be that every time we look at a public sector development project or programme we should start with the question—does it further the above objectives? A similar question should be asked by all Ministries and agencies particularly, when policies and expenditures—both current and capital—are programmed.

Finally, while these programmes are being put into place once national consensus is achieved, Pakistan needs to grow vigorously to generate both private and public resources to achieve these and all associated economic and social objectives. This requires first, a consolidation of national confidence in our economy; second, self-sufficiency and economic independence, third, deregulation and encouragement of the private sector and finally and most important, good and sustained economic management.

I believe that we all need to think through together Pakistan's economic need and priorities. The present Conference and the presence of Pakistan's fore-most leaders—both constitutional and intellectual—leads all of us to hope that your discussions and comments will help to realise the aspirations of the people of Pakistan and the expectations that the international community can legitimately expect from us as a leading, responsible and modern member of the community of nations in the 21st Century.

We in the Planning Commission would welcome any suggestions and observations on our draft Poverty Elimination Programme and associated policies and targets so that we may further improve on them.

I thank you all.

Draft for National Discussion*Pakistan: Proposed Poverty Elimination Programme
2001–2025**Goals, Targets, and Instrument Matrix*

Goal 2025	Instruments to Accomplish Goal, (Policy, Sectoral Focus, Reform)	Targets	2001	2004	2015	2025
1. Rapid Income Growth	Investment rate of 22 percent of GDP, Open Economy: Human Development through Education: Health; Nutrition: Higher Science and Technology Capacity (S&T): Deeper Information Technology (IT) Capacity and Infrastructure (Connectivity): Implement Energy Policy Primarily Based on Natural Gas and Clean Coal Technology.	• Per capita income in thousand Rs (2000-01 prices)	24	31	43	69
		• Population growth rate per annum (%).	2.15	1.9	1.5	1.0
2. Elimination of Food Poverty	Agriculture: Water: Salt/Water Drainage: Shared Growth to Reduce Income Inequality: Education: Research (i.e. S&T: and IT): Energy Adequacy.	• Percent of population unable to meet basic food requirement 2150 calories/day	29	23	10	0
3. Elimination of Malnourishment for Children under 5 Years	Targeted Food Distribution Programme with Deep Involvement of Communities: NGOs Using Teacher—Parent Links to Expand Awareness.	• Malnutrition of children under 5 (%)	38	30	10	5
		• Infant Mortality Rate (per 1000 live births)	85	50	25	10
		• Maternal Mortality Rate (per 100,000 live births)	350	300	200	100
		• Incidence of Low Birth weight babies (%)	25	20	14	10
100 percent Adult Literacy, and Universal Pre-college Education	Education: Information Technology: Distance Education: Expansion of Teachers, Schools, Teacher Training.	• Adult literacy rate (%)	52	61	97	100
		• Female literacy rate (%)	25	50	90	100
		• Primary Enrolment (%)	83	93	102	101
		• Elementary Enrolment (%)	55	64	100	100
		• Secondary Enrolment (%)	38	49	95	100

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Goal 2025	Instruments to Accomplish Goal, (Policy, Sectoral Focus, Reform)	Targets	2001	2004	2015	2025
4. Pakistan's University-level Enrolment and Scientific Capability at 'Middle-income Country' Levels	Increase Enrolment in Universities with Crash Programme to develop S&T capacity to 4500 per million population by 2025 (i.e. in the rank of middle income countries). Concurrently, increased allocation to R&D.	• Enrolment in Universities (%)	2.5	8.0	10.0	15.0
		• Number of scientists and engineers per million population	116	300	1600	4500
		• Proportion of GDP allocated to Research & Development (%)	0.2	0.5	1.9	2.7
5. Universal Access to Health Services, Social Safety Net	Education: Health: Nutrition: S&T:IT: Rural infrastructure: Shared growth to reduce income inequality: Social safety net: Old age pensions.	• Population without access to health services (%)	45	25	10	0
		• Life expectancy at birth (years)	64	66	73	78
		• Human Poverty Index(%)	42	30	15	5
6. Clean Water for All Citizens	Investments in Water Supply System: Strict enforcement of emission control laws: Enhancing institutional capacity to monitor compliance and enforce.	• Population without Access to Safe Water (%)	37	30	10	0
7. Clean Air for All Citizens	Ten Year Crash Programme of Legislation and Enforcement to control Emissions of SO ₂ , NO _x , PM ₁₀ , in hot spots which are Karachi, Lahore, Rawalpindi, Faisalabad, Hyderabad, Multan. Natural gas and clean coal energy policy.	• Population without Access to clean air (%)	50	40	10	0
8. Efficient Governance Infrastructure	Civil Service Reform: Judicial Reform: Police Reform: Implement Local Government Devolution: Education and Health Sector Reforms.	• Significantly mainstream the Reforms	20%	75%	100%	100%
9. Achieve 'Middle-income' Country Status	All of the above implemented effectively and as a package.	• Rank on Human Development in the United Nations	135	120	80	50

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