

Economic Growth & Human Development in Pakistan

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The economic growth that leaves no one behind, that fosters equality of opportunity irrespective of gender, income, religion or ethnicity, that creates job and protects environment, and that promotes a accountable society is the kind of economic growth that is regarded as pro-human development and pro-human rights. This was the vision that was first expressed by Mahbub ul Haq 1972 at a conference of the Society of the International Development. At that conference Mahbub ul Haq said, and I quote, "Let us put GNP on its head, because GNP does not tell us anything about how people are doing; it is concerned only with how the economy is doing." This was the realization that led to the conceptualization and development of human development paradigm, and the construction of human development indicators to supplement and complement the economic growth indicators.

The critical difference between economic growth model and human development model is that the first focuses exclusively on the expansion of income while the second embraces the enhancement of all human choices-economic, political, social and cultural. There is no automatic link between expanding income and improving human welfare. A link between economic growth and human lives has to be created consciously through deliberate public policy, such as public spending on education, health, nutrition and environmental protection, and the fiscal policy to redistribute income and asset. Such public policies to enhance the lives of all people have been missing in Pakistan, resulting in the current state of increasing poverty, inequality, unemployment, and unequal participation of women and marginal groups in the benefits of economic growth.

During 1999-2000, the average annual growth rate in Pakistan was 4.8%. This modest growth was neutralised by high population growth rate of 2.6%. In 1999, Pakistan's real GDP per capita (in PPP dollars) was U.S. dollars 1834.

Human Development and Human Deprivation In Pakistan

Human development indicators in Pakistan show much progress compared to initial condition. For example,

- In 1960, the average life expectancy in Pakistan was 43 years, by 1999 it had gone up to 64.4 years.
- Combined gross enrolment ratio went up from 19% in 1980 to 40% in 1999.
- Adult literacy rate also went up from 21 % in 1970 to 45% in 1999.
- Infant mortality rate went down from 139 in 1960 to 84 per 1000 live births in 1999.
- Real GDP per capita also went up from US\$ 820 in 1960 to US\$ 1834 in 1999.

- Human development index (HDI) improved from 0.183 in 1960 to 0.498 in 1999. Gender-related Development Index (GDI) also went up from 0.399 in 1995-96 to 0.466 in 1999.

Yet, colossal human deprivation pervades the country. Compared to the initial conditions, much progress has been made. But high population growth rates and inadequate policy attention to human development concerns have negated many of the gains made. The result is that there are now increasing absolute numbers of people in poverty, without adequate education, health, sanitation, and million of malnourished children. Today,

- more than half the adults in Pakistan are illiterate,
- about one-half (46%) of the primary-school children drop out before completing the primary cycle.
- Child and maternal mortality rates at 112 (per 1000 live births) and 340 (per 100,000 live births) respectively are still very high.
- Old diseases such as malaria and tuberculosis are staging a comeback, and new diseases like HIV/AIDS are threatening to become a major health problem.

There is a gender dimension to these deprivations. Defying the global biological norm, Pakistan has only 91 women per 100 men, showing the cradle to grave discrimination against girls and women. In 1999, female literacy rate was only 51% of the rate for men, and women's earned income share was 26% of men's share.

Poverty in Pakistan

The scale of human deprivation in Pakistan is underscored by the sheer number of people in poverty. Over 30% of the population lives below the income required for meeting minimum daily needs. Pakistan has experienced both lower growth and higher incidence of poverty in the 1990s. The income distribution across various income groups has worsened. The richest 20% of the population has over 40% of income, while the poorest 20% has less than 10%.

Employment situation too has worsened. In this era of globalisation and market liberalisation, there has been a trend to move away from large enterprises, stable workforces and wage systems towards flexible production processes, and flexible employment and payments systems. But in the context of Pakistan, the flexibility of labour market has led to increased informalisation and casualisation of employment.

Thus, in critical areas such as improving the capability of the poor through better access to education and health and expanding their opportunities through improved access to jobs and real wages, the situation has worsened during the last decade in Pakistan. While poverty has not declined, inequalities has increased. While the rate of illiteracy has declined, there is still a huge backlog of

illiterate adults and out-of-school children. Also, malnutrition among the children and child labour continue to remain a daunting problem for policy makers in Pakistan.

Social Development Policies in Pakistan

In 1990s, Pakistan made commitments at the UN conferences in Jomtien (education), Cairo (population), Copenhagen (social development), and Beijing (women) to develop and implement policies and programmes for social development. The social sector policies at the central and provincial levels were developed in accordance with the global goals and national aspirations. Increased allocations were one of the imperatives to implement these goals. Yet, while in 1988-89 Pakistan's social expenditure as a percentage of GDP was 2.94%, it went down to 2.48% in 1998-99. Over this ten year period, the share of education in the GDP went down from a very low of 2.01% to 1.68%. So despite global commitments, social sector expenditure as a percentage of GDP did in fact go down during the 1990s.

However, social sector expenditure showed some improvement in the budgetary allocations. In 1988-89, social sector expenditure was 9.8% of Pakistan's federal budget; by 1998-99, it went up to 11.5%. The share of education in total public expenditure during this period also went up from 6.7% in 1988-89 to 7.8% in 1998-99.

Policy Implications

Today, the challenge for Pakistan is not only to accelerate economic growth but also to improve the lives of the vast majority of its people. Pakistan needs to make sustained efforts in four broad policy areas. These are: (a) accelerating human development, particularly education; (b) reducing poverty; (c) advancing gender equality; and (d) improving governance. I will briefly discuss each one of these:

Accelerating Human Development

Pakistan needs to improve both the quantity and quality of education at each level, from primary, secondary to professional levels. The first essential step is to achieve the goal of universal primary education.

Pakistan must prepare its labour force to compete in the world market. Central to this is the strategy to provide quality primary and secondary education to all school-age children, provide them with relevant skills, and also cater to the needs of the higher levels of professional education. While the government should allocate sufficient resources for primary and secondary education, the private sector should be mobilized to set up institutes of higher learning. Education budgets of Pakistan, as a percentage of both GDP and central and

provincial government budgets, have to be increased in order to provide better access to and improve the quality of education.

Reducing Poverty

Equitable patterns of growth are essential for sustainable poverty reduction. This requires a two-pronged approach consisting of broad-based economic growth and improved access to social services. Secondly, separate strategies are required for reducing poverty in rural and urban areas. Rural poverty requires more immediate attention as most poor people live in rural areas. Elimination of urban bias in public expenditures and redirection of resources to rural development and agricultural support programmes are essential to address rural poverty.

Thirdly, experience shows that effective poverty reduction strategy requires the active involvement of local communities. The current devolution plan offers an opportunity for local ownership and management of poverty alleviation programmes.

Poverty reduction policies in Pakistan must be mainstreamed. For macro-economic policies, this means much more than just promoting economic growth. Poverty reduction strategies must be built into the macro and micro policies. This we believe is expected to happen in the implementation of the current PRSP. Poverty reduction policies need to be analysed to assess their impact on the poor, rural areas, food security and employment generation.

One of the critical links between economic growth and human development is through the expansion of employment opportunities. But in recent years many countries have experienced periods of job-less growth. And even when jobs have been created, they have often bypassed various groups of people on the basis of gender, class and ethnicity.

In Pakistan, as over 60% of labour force is in agriculture, job-creating strategies should focus on rural areas and agro-industries so that the rural to urban migration is halted and rural economy revived.

Advancing Gender Equality

The human development model puts the concerns of all people, irrespective of gender, at the center of policies, strategies and action. But in Pakistan women are the most deprived people. Of the total number of female adult population, 70% are illiterate. Of the total number of out-of-school children, 70% are girls. Women do not have legal equality with men despite constitutional guarantee. As the majority of women work in the informal sector, their participation in, and their contribution to economic activity, are not recorded in the official statistics.

In the governance structures of Pakistan, so far women have had very little voice. In 1999, women occupied only 2.6 % of parliamentary seats. 4.3% of the civil services posts were held by women. However, recently 33% of seats in the local government elections have been reserved for women. Some 35,000 women are now in the local governance structures.

A truly engendered human development model in Pakistan needs action in at least three critical areas:

- (i) Building women's capability. Although gender gaps in education and health have narrowed in recent years, the pace of progress has been inadequate and uneven within and among different regions and provinces.
- (ii) Improving opportunities for women. Without the opportunity to earn income or to participate in decision-making process, women in Pakistan will remain marginalized in economic and political spheres.
- (iii) Equality of rights between women and men must not only be enshrined in the constitutions of Pakistan, but must also be implemented and enforced in the true spirit of the law.

Improving Governance

In the 1999 South Asia Human Development report, Pakistan emerged as one of the most poorly governed countries of the world, with corruption, inefficient economic management, centralized bureaucratic structures, and absence of rule of law dominating the political, economic and social landscape. Most taxes are regressive, their incidence fall more on the poor than on the rich. Only one percent of the population pays income tax. Poor economic governance has led to increasing poverty and human deprivation, increasing violence and reduced human security.

At the heart of any agenda for economic growth with human development must lie the affirmation of a broad-based democracy, based on rule of law, accountability and transparency. The real challenge is to create an environment where people are able and free to earn a living, to live in peace and security, to enjoy their human rights, and to participate, through their elected representatives, in the decisions that affect their lives. Transparency in all public actions, accountability of elected representatives, adherence to rule of law and devolution of power to lower levels of governance will provide just such an environment. A code of conduct for civil society and the private sector needs to be developed to complement government's efforts in promoting a humane governance that combines economic growth with social justice.

The recently introduced system of devolution of power from the federal and provincial levels to districts and lower levels is seen to be an important policy initiative to empower people to govern themselves. At the same time, the new

system is supposed to improve the transparency and accountability of government by reducing the distance between the rulers and the ruled. The decentralized structure, being implemented slowly, will distribute financial resources to local governments through fiscal transfers and some specified taxation powers, involve people in community development, in designing programmes, and in monitoring the functioning of government.