

**Social Paradigm of Economic Development
in Pakistan**

A Key Note Address

by

Khadija Haq

President

Mahbub ul Haq Human Development Centre

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Khadija Haq

“The objective of development must be viewed as a selective attack on the worst forms of poverty. Development goals must be defined in terms of progressive reduction and eventual elimination of malnutrition, disease, illiteracy, squalor, unemployment, and inequalities. The concerns for more production and better distribution should be brought together in defining the pattern of development.”

Mahbub ul Haq in *The Poverty Curtain*, Columbia University Press, New York 1976

I start with this quote because these lines which were written a quarter of a century ago by Dr. Mahbub ul Haq are as relevant today as they were then.

Today, February 22nd, happens to be the sixty-sixth birthday of Dr. Mahbub ul Haq, who was the pioneer in the world to link economic development goals and strategies with those of social development in order to make economic growth both sustainable and equitable. Dr. Haq not only clearly articulated and passionately advocated for social development but he also provided the world with statistical measures to quantify and compare the indicators of economic growth with human development. Mahbub ul Haq’s vision of social development went beyond the conventional definition to improvements in education, health and nutrition. It is a much broader definition to include the totality of social, economic and political systems in a country impacting on people’s lives and livelihoods that made Mahbub ul Haq’s contribution to development thinking an immortal and enduring legacy for the world.

In this era of competitive global markets and national aspirations for a better living standard, the issues of social development have become a critical element in national planning for economic development. But in our preoccupation with the macro-economic stability and quantitative targets of economic growth, we lose sight of the social imperatives of economic development.

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Social sector development is essential both for improving productivity and ensuring equity. While human productivity is an essential element of economic growth, to treat human being as only a resource for the production process obscures the centrality of people as the ultimate end of development. Human development paradigm, as developed by Mahbub ul Haq, is concerned not only with building human capabilities through investment in education and health, it is also concerned with using those capabilities fully through an enabling framework for growth and employment. Human development model regards economic growth as essential, but pays equal attention to its quality and distribution, its link to human lives and to its sustainability. There is no automatic link between expanding income and promoting human welfare. A link between growth and human lives has to be created consciously through deliberate public policy – such as public spending on social services, and fiscal policy to redistribute income and assets. Such a deliberate, forward-looking and equitable public policy has been lacking in Pakistan over the last fifty years. And that is what has led to the current state of both low growth and increased poverty and human deprivation.

Human deprivation in Pakistan

The sheer scale of human deprivation in Pakistan is mind boggling. To present a few facts,

- Today between one-third to about one-half of Pakistan's population is in poverty.
- Over half the population is illiterate, one-third of school-age children is not in school, and huge sections of people are without basic facilities of health, sanitation and housing.
- All the indicators of human deprivation have a woman's face: two-thirds of women are illiterate, a majority of out-of-school children are girls, maternal mortality rate is very high compared to other developing countries, and women often become victims of discriminatory customs and traditions.

Poverty

Widespread poverty remains Pakistan's most persistent and urgent problem. Today, a quarter to one-third of Pakistan's population lives below the poverty line, if poverty is defined narrowly – for example whether they get enough to eat or whether they have a minimum income to purchase goods to fulfill their basic needs. But using a

much broader definition of poverty of opportunity, nearly one-half of population suffers from serious human deprivations. Two out of three adults cannot read or write, nearly half of the population is denied access to such basic social services as primary healthcare and safe drinking water. In fact, Pakistan's social indicators have lagged behind the social indicators of countries with far lower GDP growth and income levels. As a result, the vast majority of Pakistan's population has not been able to participate in either the process or the outcome of growth.

Pakistan's growth rate has been the fastest in South Asia. On average, gross national product has increased by about 6 per cent a year for the first forty years. But this economic advance has not been translated into the betterment of lives of the poor. The benefits of fast growth have been very unevenly distributed. In 1960, about 19 million people lived below the poverty line in Pakistan. By 1980, the number of people defined by the government as absolutely poor had grown to 34 million. It then fell by 10 million at the end of the 1980s. But poverty started increasing in the 1990s, and between 1990 and 2000 the number of absolute poor rose from 24 million to about 50 million.

Successive governments in Pakistan have placed an overwhelming emphasis on the achievement of high economic growth. Concern for the poor has never been an essential part of this strategy. Little attention was paid to providing basic social services of education, health, safe drinking water and low income housing to the poor. Budgetary subsidies to the rich, in the form of various tax concessions and fiscal incentives, are estimated to be about twenty times the subsidies to the poor. Instead of transferring from the rich to the poor, Pakistan's budgets over the years have further enriched the rich. When there is a financial squeeze, the subsidies to the poor are more likely to be cut. Social safety nets are inadequate. The government transfers only 0.2 per cent of the GNP to the poorest through *zakat* and *bait-ul-mal*, compared to 15 per cent in the US and UK and 35 per cent in Sweden.

The poor are trapped in a vicious circle because they lack the access to basic social services that empower them to get out of poverty trap. The welfare approach to poverty-reduction strategy does not address the basic lack of capability of the poor. The strategies for both poverty reduction and economic growth have to be based on empowering human beings. Also, what matters for social development is not just the level of social

spending, but its quality and effectiveness. Increased resources for social services become meaningless in the face of wrong priorities, improper implementation and financial leakage.

Poverty reduction strategies require a two-pronged approach consisting of broad-based economic growth across income groups and improved access to education, healthcare, family planning, sanitation, clean drinking water and micro-credit. These two elements are mutually reinforcing and should be implemented simultaneously. It is also important to recognize that different strategies are required to address poverty in rural and urban areas. Rural poverty requires more immediate attention as there are more poor people in rural areas than in urban areas. This means that the prevailing urban bias in public spending for social services has to be corrected and resources have to be redirected toward rural development and agricultural support programmes. It also means correcting gender bias in providing social services and micro-credit. But most important of all, it is essential to have meaningful land reforms and agricultural income tax. The poor must have a stake in the growth of the economy.

Several new initiatives proposed by the current Government reflect an awareness of the strategies proposed above and a commitment to translate them into policies and actions. As a requirement of the IMF and the World Bank - the institutions that are reinventing poverty after over fifty years of devotion to GNP growth and macro-economic stability at the cost of social sector development - currently Pakistan is preparing a Poverty Reduction Strategy Paper (PRSP) that proposes to link poverty alleviation to the provision of education, health, nutrition and empowerment of women as well as to ownership of assets in rural areas. Additional financial resources are being earmarked and the implementation mechanism for the poverty alleviation programme is also being put in place. The Government's economic revival plan includes a programme of special schemes of small public works in most poor urban and rural areas, a programme of food supplement scheme and the establishment of a micro-credit bank. In the past, many such schemes were developed, but due to lack of institutional mechanisms to implement and monitor the programmes, the number of people in poverty kept on increasing.

Education and training

Pakistan never had a coherent, long-term policy for educating its masses. In fact, the predominantly feudal culture in the country never gave education the kind of priority it deserved, despite the policy pronouncements and targets of all the Five Year Plans. Although successive governments had made the achievement of universal primary education a priority in each plan, there remained a huge gap between planning rhetoric and actual implementation. During the First Five-year Plan period (1955-60), the number of illiterate adults were 20.9 million of which about 11 million were women, and 5.9 million children were out of school. By the time of the 8th Five-year Plan (1993-98), there were 50.8 million illiterate adults and 9.6 million out of school children.

Educational challenges facing Pakistan are huge:

- Almost half the adult population is illiterate;
- Although primary school enrolment rate has gone up to 83 per cent, almost 50 per cent of the children who enroll drop out before completing the primary cycle;
- Only about 17 per cent of primary school graduate enrolls for secondary education;
- Less than 2 per cent of the relevant age group enroll for technical and vocational training; and
- There are huge gender gaps at all levels of educational indicators.

It is widely recognized today that vocational and technical education enhances the productive capacity of individuals and leads to higher output. For instance, in Pakistan vocationally trained workers in the industrial sector were found to be three-times more productive in value-added terms per worker than their counterparts in the agricultural sector. Yet Pakistan produces fewer people than needed with technical skills and often these skills are irrelevant for either domestic or global markets.

Most of the plans for technical/vocational education have been conceived without due analysis of the employment situation or the changing patterns of the skills and competencies required as a consequence of changing technologies. This has resulted in an unbalanced development of various technical education levels, with the higher levels expanding comparatively faster than the lower levels. It has also led to a mismatch between the output of educational institutions and the job market.

In 1990, Pakistan had about 6.6 thousand scientists compared to 128 thousand in India. To contrast with other developing countries, Pakistan had 54 science and technology persons for every one million of its population, compared with 142 for India, 173 for Sri Lanka, 3078 for Singapore and 2645 for Korea.

In the recent past, governments initiated some steps to promote education, particularly of girls. The Social Action Plan, funded by several external donors, has the primary objective of improving access, equity and quality of primary education, basic health and rural water supply. The Prime Minister's Literacy Commission was set up to promote non-formal education. National Education Foundation and its provincial counterparts were set up to support private sector and local communities to provide educational facilities for the under-privileged.

Yet the access, quality, relevance, teacher training and linkage of education and training to job market remain the most persistent problems in Pakistan's education system.

State of employment in Pakistan

Despite high rate of population growth and increased economic activity, the number of people employed between 1993 and 1999 has not gone up accordingly. In 1993, 32.45 million people were employed, which went up to only 38.59 million by 1999. Most of the employment took place in the rural areas.

About half the labour force is still engaged in agriculture and related activities. And only a quarter is engaged in manufacturing, mining and trade. Sixty-five percent of the employed labour force is from Punjab, followed by 21 percent from Sindh. Of the total employed labour force, only 12 percent are women. The majority of women who are engaged in waged labour are in the informal sector.

The official rate of unemployment has increased from about 5 per cent in 1993 to over 6 per cent in 1999. Urban unemployment rate is higher than the rural rate. But these official statistics do not include the unregistered unemployment and under-employment that is estimated to be anywhere between 10 to 20 per cent.

Financing social development in Pakistan

Pakistan, like many other developing countries, spends too little on social sector programmes. As a percentage of GNP, the country has been spending about 2 percent on education for the past 15 years, compared to the global norm of about 4 to 5 percent. What is more, educational expenditures come under pressure whenever there is an overall constraint on financial resources. Harassed policymakers are likely to protect projects with a quick payoff rather than projects for the next generation.

The 1999-2000 Budget allocated Rs.7.3 billion to education out of a total budget of Rs642 billion. The expenditure on education increased from Rs.0.9 billion in 1998-99 to Rs.1.6 billion. The then government also proposed to increase the GNP share of education from the current 2.7 percent to 4 percent by the year 2002.

The primary responsibility for carrying out education programmes belongs to the provinces. Provincial budget-makers are constrained in allocating resources, particularly for development purposes as they rely on money from the federal divisible pool, which remains inadequate and uncertain. As the finances at the disposal of the provinces differ, so do their achievements. Despite these constraints, the recent provincial budgets showed some encouraging signs.

Policy implications

The pervasive economic and social development crisis that Pakistan is going through today cannot be resolved by quick-fix technocratic solutions. As the problems are rooted in the prevailing social, economic, political and institutional systems in the country, the imperative is to think in terms of systemic reforms. We need to create a system which, for example, can truly reform the land tenure system, set up credit institutions that work for the poor, empower women, provide quality basic education and primary healthcare to all, organize a more fair and equitable system of taxation, ensure justice to the poor, and establish institutions of good governance.

Second, we need to earmark sufficient resources to achieve the social development goals in Pakistan within a realistic and manageable timeframe. It has been estimated that to achieve the targets of education, health, water, nutrition and family planning services,

Pakistan will need to spend an additional 2 percent of GNP during the next five years. Is this possible under the current situation of resource constraint?

Third, we need to mobilize the entire civil society to achieve social development goals, not just the government. The experience of other countries shows that NGOs and grassroots efforts have played a major role in spreading primary education, basic healthcare and family planning services, and at a fraction of the costs of the government sector.

Fourth, no social or economic development goals in Pakistan will be achieved without improving the status of women. Our Constitution guarantees equal rights for women, yet its interpretation and successive amendments to the original Constitution have eroded the constitutional rights of women. Human rights of women are violated everyday under the garb of religion, custom and tradition. In every indicator of human development – education, health, employment, wage rate – females are far behind males, although whenever girls have been given the opportunity to compete with boys they have consistently outperformed them.

Finally, there must be commitment at the highest level of decision-making to improve the human condition of Pakistan. This is vital to make a significant difference. It is easy to prescribe institutional changes that are necessary to advance development. But the reforms which are absolutely necessary are the ones the ruling groups have resisted for the last 52 years, for example land reforms, meaningful agricultural income tax, an honest tax collection system, credit to the poor and devolution of power and decision-making to the lower tiers of people's representatives.

The current Government has shown that it has the commitment and courage to make hard choices. It is in that context of making hard choices that I take the liberty of suggesting some additional policy measures that are essential in order to make Pakistan a stable country - a precondition for both economic growth and social development.

It is absolutely vital for Pakistan to concretely work toward building peace with India. Some of the building blocks for this would be increased trade and other economic cooperation between the two countries; enhanced people-to-people contact and cooperation among civil society organizations. The ongoing efforts include the last two building blocks.

But Indo-Pak trade still remains hostage to unresolved political issues, despite the fact that the smugglers on both sides are minting money. More and more people are beginning to realize that to reap the benefits of trade, economic issues must be delinked from political issues. If a powerful country like the United States could delink economic and political issues in dealing with China, why can't we? US-China relations benefited from this delinkage. None of our policies, however brilliantly conceived, will bear fruit unless and until we establish a peaceful and stable society.

In 1996 Mahbub ul Haq said, *"It is time for a psychological breakthrough, for crossing the philosophic bridges that have held up progress in the past...The choices are quite stark today. India and Pakistan can either bury the bitter legacy of the past and cultivate a new harvest of hope, or they can begin to disintegrate in a vast swamp of human despair."*