

Analysis

# The trickle that never becomes a steady flow

Tuesday 26 December 2006, by [SULERI Abid Qaiyum](#) (Date first published: 24 December 2006).

**Food scarcity and physical insecurity coexist in Pakistan's most turbulent regions. This is what results from economic growth unaccompanied by distributive justice.**

Ever wonder what is common among Dera Bugti, North Waziristan, Musa Khel, Shangla, Kohistan, South Waziristan and Hangu? One possible answer is that all these districts suffer from some kind of political unrest. The second likely response can be the fact that most of these districts are under the scanner of international attention owing to their alleged links with 'terrorism'. But a joint research carried out in 2003 by the United Nations' World Food Programme and the Sustainable Development Policy Institute (SDPI) found another common element among these districts. The research findings titled, 'Food insecurity in rural Pakistan' ranked the above mentioned districts among the most food insecure areas of the country.

Despite the fact that this report was launched by the federal food minister, it could not get due recognition among official circles because it had not supported the official claims of development and poverty reduction. According to that report, 52 per cent of our rural population was food insecure. Food insecurity leads to a situation where livelihoods are contested. Looking at the alleged accusations of terrorism in these districts, it seems that food insecurity may lead to social disintegration and conflict between those who have and those who don't have. My hypothesis is that lack of distributive justice does result in unrest and it ultimately may force the deprived and the marginalised sections of the society to stand up for their rights.

Let us test the above mentioned hypothesis in the context of the government's claims of record economic growth during the recent years. Trade is thought to be one of the most important indicators of economic development. There is no doubt that percentage share of trade in the Gross Domestic Product (GDP) has increased. During the last six years, it rose from 28 per cent to 34 per cent. Growth in exports and imports is touching its record peaks. Likewise, average GDP growth rate during the six-year period was also quite robust and remained above 5 per cent for three consecutive years. Per capita income too has shot up from \$ 503 in 2001 to \$ 847 in 2005-06. Certainly, some macro-economic indicators have shown visible improvement. (Whether the achievement happened due to our role in the 'war on terror' or because of the success of our economic policies is entirely a different affair.)

Regardless of what the critics say, the government never wastes any opportunity to take credit for these economic achievements. This in itself may not be a negative thing but the way the official propaganda machine links it with development and poverty reduction is quite worrying. For good or bad, economic growth has become another word for development and poverty reduction in the official jargon. Sometimes these attempts to portray economic growth as a mantra for everything else seem to push all limits of decency and rational thinking. For instance, the official title of Pakistan Poverty Reduction Strategy Paper is 'Accelerating Economic Growth and Reducing Poverty: The Way ahead'.

The fact does not help the government cause at all that most of the economic gains that the government is so proud of has so far failed to benefit all, especially the man on the street. According to the Human Development Report 2006, an annual publication by the United Nations Development Programme (UNDP), Pakistan maintained its track record of being a perennial back bencher. Among the 177 nations ranked by the report, we were put at 134<sup>th</sup> position, hardly better than our standing during the previous years. In fact, on many counts we fared much worse than even our South Asian neighbours including strife-ridden Sri Lanka and Nepal as well as tiny and reclusive Bhutan.

Though the government is claiming that there has been 10 per cent poverty reduction (from 34 to 24 percent) during the recent years, independent analysts keep contesting the veracity and authenticity of these claims. The government may be able to conjure up some favourable figures on the basis of the innovative definition of poverty it has of late adopted which measures people's economic status in terms of their calory in-take. There, however, hangs a huge question mark on the ability of the official definition of poverty to encompass all dimensions of acute and chronic poverties in Pakistan.

All this is not to suggest that economic growth is something undesirable. The problem arises when economic growth becomes a part of the problem rather than being a part of the solution. To me it happens when economic growth is not accompanied by a corresponding growth in the mechanisms for ensuring distributive justice. Economic growth without fair and equitable governance gives way to rising inequalities. Problem arises when our economic managers perceive that growth will automatically take care of all and everyone through a much praised trickle-down mechanism. This may be theoretically correct but in real lives trickle-down is too slow a phenomenon to create visible difference in the life-time of a generation. People cannot wait indefinitely for the growth to benefit them at some distant point in future. Sooner rather than later, their impatience starts showing in various tensions as conflicts, both at the individual and collective level. The struggle between the Centre and the periphery and political and social unrest resulting from developmental disparities within and among various regions in the country are, but only a few examples of how the failure of the trickle-down theory is straining the very fabric of the society.

One can, therefore, safely assume that the biggest challenge that we face now is the crisis of governance. Even before we start thinking about the next kid on the Asian economic block we need to ensure good governance practices based on accountability, transparency, consultative culture and meritocracy so that we can ensure redistributive justice as a check against the negative consequences of a high but heavily skewed economic growth that favours a few and leaves the multitude to wait patiently for some trickle down to happen. These practices in 'functional' (not merely institutional) democracies have the potential to create conducive environments where affirmative actions for the poor and the marginalised are taken.

Why the lack of governance can be disastrous is not difficult to prove. For one, a disconnect among the makers, implementers and supposed beneficiaries of a policy is a must as a direct result of a weak governance. In fact, under poor governance the lack of coordination goes much beyond these three principal actors. It happens among the policy makers themselves as well as among the policy makers and the implementers. It also takes place among various government departments and ministries, among public and private players and between the government and the civil society. This leads to the formulation and implementation of overlapping policies which result in the wastage of already scant and precious financial resources, further isolating the marginalised communities.

We don't need to go far in the search of this policy confusion and the disastrous consequences that it creates. A look at the agriculture sector is enough to prove this point. A radical change has taken place in the composition of our GDP. Three decades ago, the agriculture used to be our mainstay with a negligible share of the services sector. Today the contribution of the services sector in GDP has outweighed the combined contribution of the agriculture and the manufacturing sectors.

Agriculture is no more a priority sector for the government. The share of the agriculture in the annual development plan that used to be 2.89 per cent in 1992-93 has gone down to less than half per cent now. Similarly, the public as well as private investment in this sector has declined over the years. To the proponents of economic growth this may make quite a lot of sense. They can argue that the reduction in the agriculture's share in GDP is an expression of the changing nature of the economy which, from being a largely agrarian, rural economy, has recently transformed into one heavily dominated by services as well as industry. But a look at the employment statistics shows that the agriculture sector is still the largest employer. Despite the lack of official interest in the sector, its share in employment is still as high as 43 per cent. Ignoring the agriculture sector under the excuse that its share in GDP is falling and that of the services sector is increasing is like comparing oranges with apples. It is based on a false dichotomy between the agriculture and the services sectors which seeks to develop the latter at the expense of the former. It's no surprise that there is no reduction in unemployment growth rate over the years despite historic GDP growth because the agriculture sector, the biggest employer, is not getting the investment it needs.

And this is just one instance of lack of governance leading to wrong economic priorities and policies. Another victim is the promotion of a consultative culture. Most of the decisions are taken at the will of either an individual or a group of individuals who may have a vested interest in maintaining the status quo.

This status quo strongly favours spending in sectors and areas which create few, if any at all, benefits for people at large. An analysis of the priorities in the public spending shows that only 0.7 per cent and 2.0 per cent of GDP are respectively spent on health and education. The major share of GDP is being spent on military expenditures and debt service (3.4 per cent and 4.5 percent respectively). Composition of our current expenditure reflects that half of it is consumed by defence expenses and interest payments, 7.9 per cent of it is spent on current subsidies, 14 per cent on general administrative expenses and the rest on development. So, which are the sectors consuming a major chunk of our economic gains (if any)? The answer is simple, the two Ds — defence and debt-repayment. Colonel rule has taken over colonial rule in our part of the world and in the absence of functional democracy most of the decisions (to borrow and to spend on defence) are historically being taken by a handful of persons who in the process are bound to marginalise the masses. This is one of the reasons that Transparency International rates us among the most corrupt countries and various think tanks declare us as a failed state.

A country with a proven track record of corruption and mal-governance is a heaven for international lenders. International financial institutes find it extremely easy to dictate terms and conditions of their own choosing in the absence of a system of good governance. It comes as no wonder that we are following a policy liberalisation agenda devised and advised by the donors, without enjoying a modicum of national sovereignty.

Understanding how the micro- and macro-levels of economy interact is of vital importance here. Our national policies are made in isolation under the influence of international and regional institutes by selected individuals in a non-consultative manner. These policies often do not take care of peoples' assets, capabilities and activities. In order to preserve their livelihood options, people (including policy implementers) are forced to find loopholes in institutionally shaped policies, sabotaging the policy implementation process. This lack of coherence gives rise to a win-loose situation, devoid of any distributive justice where one's gain happens only when there is someone else's loss.

In scenarios like these, people find themselves in a situation where only few get benefits and those left out are forced to raise voice for their rights. All governments have their own unique ways of dealing with these situations. The current government is also doing its bit in its own way: In order to reduce the number of food insecure people it has embarked on a war on its own people in places like

Waziristan, Dera Bugti and Hangu, the most food insecure areas in the country. The strategy may be creating more problems than it is solving but so far it seems to be the only policy that the government has.

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\* From The News, 24 December 2006.

<http://jang.com.pk/thenews/dec2006-weekly/nos-24-12-2006/pol1.htm#5>

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