

A trap and a barrier

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EVEN if the newly elected government does not want to act resolutely to reduce poverty in Pakistan and achieve positive results because of its feudal character, it is under increasing external and domestic pressures to act.

The external compulsion comes from a trio of international aid agencies, the IMF, the World Bank and the Asian Development Bank, and there is increasing awareness in the world of the need to fight poverty to reduce the number of threats it faces, with poverty acknowledged as one of the causes of terrorism. These agencies and other donors are willing to come up with large assistance for poverty reduction if we go about it properly and consistently.

The current IMF programme to assist Pakistan is known as the Poverty Reduction and growth Facility (PRGF). The assistance likely to be forthcoming from the World Bank and the ADB is much larger, including a \$ 3.4 billion programme spread over five or more years, depending on how we perform.

Several donor countries led by Norway and Canada have also said that if we make effective use of the loans already given for social sector development, they could convert the loans into development grants.

On the domestic front, massive unemployment, of which a spate of suicides by desperate youth is a grim reminder, demand early action to reduce poverty, with almost 40 per cent of the people living below the poverty line of a dollar a day.

More and more unemployed young men are taking to major crimes, which are also demanding money from their children.

pipeline on which an interest of half a per cent per year had to be regularly paid.

All that has changed a great deal. The budget deficit has come down to below five per cent from 8 to 10 per cent in the past when the national debt kept on piling, leading to even our modest annual development programmes getting slashed time and again. Now, external aid specifically for poverty reduction is being committed in increasing measure.

One of the pillars of the poverty reduction strategy is privatization of major public sector projects, which are currently causing a loss of Rs 100 billion annually. If this amount is saved within a period of three years, beginning with Rs. 50 billion in the first year, the budget deficit would eventually be reduced by more than a half. Dr Ishrat Husain says

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Along with that, the external debt has been reduced by \$2 billion or Rs 120 billion, says Mr Shaukat aziz, adviser to the prime minister on finance. The interest on domestic loans is also coming down sharply. All that should reduce the debt burden and the cost, which now stands at Rs. 1 billion per dollar cost of the debt.

2001 was 125 while the number was 142 last year. Most of them were responsible for supporting their families but could not find employment. And some young women killed themselves in economic distress as their husbands could not support them.

Will the doubling of the salaries of the rulers from the president downward and of all legislators, central and provincial, make them work harder for the betterment of the masses who pay them their higher emoluments? As far as Prime Minister Jamali is concerned, he is only promising a "relief package" before Eid, but the people expect more substantial benefits.

Reducing poverty is no longer a matter of providing food and clothing. The task has become far more comprehensive. Dr Ishrat Husain has spelled out some of the pre-requisites for that, beginning with

higher economic growth and macro-economic stability and ending with specific safety nets for the very poor and highly vulnerable groups. And now Mr Shaukat Aziz says that an economic growth of six per cent will be achieved in three years, by 2006, and poverty will be reduced to 22 per cent from the current level of 30 per cent. But development spending is set to increase to only four per cent of GDP from the current 3.3 per cent less far than is required to tackle unemployment in any significant way.

To achieve even the modest goals outlined, there are a number of vital preconditions such as political stability, regional stability, better law and order situation, continuation of consistent and transparent economic policies, continuation of the structural reform programme, and sustained fiscal responsibility.

But are the political policies of the government leading to political stability in the country? Are they creating regional stability in a province like Sindh? Will General Pervez I settlement with