Monitoring Country Progress in Pakistan

Program Office
OAPA & USAID/Pakistan
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Pakistan and its neighbors are among the slowest reformers globally.

Pakistan has weak tax policy and scores very poorly on reforms that increase confidence in foreign & domestic investment as estimated by the World Bank.
Economic Performance vs. Human Capital

Size of Pakistan’s Economy
Pakistan Economic Growth

From 2005 to 2010, Pakistan averaged 4.9% GDP growth, proving its resilience in the face of multiple adverse events.

Population in Pakistan
(in millions)

Pakistan is currently the 6th most populous country

2000 – 152.4 Million

2050 – 290.9 Million

The population is estimated to nearly double in 50 years

Inflation in Pakistan

Inflation is driven by surging government budgetary borrowing. Government borrowing from banks in the first seven months of the financial year 2010-11 increased 62% from the previous year.

Inflation rose at double digit rates for over 35 consecutive months (with one exception).

Top Remittances Receiving Developing Countries

Remittances in Pakistan are estimated at 5.2% of GDP

U.S. Dollars Billion

Pakistan, Mexico, Philippines, Bangladesh, Nigeria, Lebanon, Egypt, Vietnam, Indonesia, Morocco, Serbia, Russia, Ukraine, Romania, Brazil, Colombia, Guatemala


*State Bank of Pakistan reports remittances at $8.9 Billion US for FY 2010.
Remittances in Pakistan from 2000-2011

While historically importantly to the economy, remittances in recent years have soared; more than quadrupling since 2000 bolstering foreign exchange reserves and inflation.

World Bank, World Development Indicators (April 2011). Research in Pakistan shows that remittances are predominantly used to meet daily expenses such as food, clothing and health care; however, funds are also spent on building or improving housing, buying land, cattle or durable consumer goods, the repayment of loans for migration and to fund pilgrimages to Mecca (Suleri and Savage, Remittances in Crisis: A Case Study from Pakistan (November 2006)).
Remittances & Migration in Pakistan

Figure 11

A cross-country IMF study argues that agricultural GDP is a good indicator of economic hardship, which makes a lot of sense for Pakistan (one-fifth of GDP). The study concludes, “when agricultural GDP in these countries falls, workers’ remittances tend to increase.”

Tax Revenue in 2009

Pakistan is one of the top 20 worst tax revenue generating countries in the world. Only 2 million or 1.1 percent of the Pakistani population pay income tax.

Tax Revenue in Pakistan

1999 marks the fall of Benazir Bhutto & Nawaz Sharif’s civilian government

Pakistan’s low revenue collection is a burden on the already significant budget deficit and a threat to devolution of authority to the line ministries

World Bank, *World Development Indicators* (April 2011). Note that taxes in absolute terms are increasing.
Exports Earnings in 2009

In July-April 2010 Pakistan’s Exports only accounted for 9% of GDP.

World Bank, World Development Indicators (December 20th, 2010) and Pakistan Federal Bureau of Statistics.
Current Account Balance in Pakistan

The IMF states that a current account deficit of greater than (3%) of GDP for three or more years is a cause for concern. Pakistan has run a current account deficit of greater than 3% for the last 5 years.

The widening trade gap could draw down foreign exchange reserves and dampen GDP growth in the medium term.
The global recession combined with a worsening business environment discourages FDI.

Surge resulting from investment in telecom & privatization of banks
Subsidies in Pakistan

Figure 18

IMF, Pakistan (January 2011).

<table>
<thead>
<tr>
<th>Category</th>
<th>2008/09</th>
<th>2009/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>132</td>
<td>210</td>
</tr>
<tr>
<td>Wheat</td>
<td>24</td>
<td>19</td>
</tr>
<tr>
<td>Oil</td>
<td>79</td>
<td>13</td>
</tr>
<tr>
<td>Food (non wheat)</td>
<td>11</td>
<td>3</td>
</tr>
</tbody>
</table>

IMF, Pakistan (January 2011).
The burden of energy subsidies has tripled in the last 3 years to over 2.5 rupees per kwh as measured by the ADB.

Energy subsidies account for 1.4% of GDP.
Technical & Distribution Losses as % of net system energy

1/5 of energy produced in Pakistan is lost in technical and distribution. In addition, Pakistan experiences losses due to administrative loss (including theft) and ‘circular debt’.

World Bank, World Development Indicators (April 2011).
ADB estimates that the energy shortfall (including load shedding) is estimated to have reduced GDP growth by 2.0-2.5%.
This crisis is in part due to T&D losses, theft, and pricing policy that does not generate enough revenue to cover power generation costs (GoP 2010).

Losses in the industrial sectors are estimated at $2.5 billion per year because of load shedding, costing 400,000 jobs.

In the past 3 years, NEPRA estimated that customers went from experiencing the equivalent of 2 weeks to 22 weeks a year with no power.

National Electric Power Regulatory Authority, *State of the Industry Report* (2009-10). This crisis is in part due to T&D losses, theft, and pricing policy that does not generate enough revenue to cover power generation costs (GoP 2010).
Government of Pakistan, Ministry of Finance, *Pakistan Economic Survey 2009-10* (2010). Estimates for agriculture consumption are as high as 90% of water resources with potentially 60% of which is wasted due to aging and poorly maintained infrastructure and irrigation management that is largely unresponsive to the needs of the bulk of the country’s farmers.
Woodrow Wilson International Center for Scholars, *Running on Empty, Pakistan’s Water Crisis* (2009). Nearly 50% of the population was affected by food insecurity in 2009, and is likely substantially higher after the 2010 floods.
Composition of GDP over Decades in Pakistan

Agriculture is constrained by insufficient investment over many years, inappropriate policies, and an impending water crisis.
Figure 28

Labor Force Participation Rates

<table>
<thead>
<tr>
<th>Province</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Punjab</td>
<td>71</td>
<td>29</td>
</tr>
<tr>
<td>Sindh</td>
<td>77</td>
<td>26</td>
</tr>
<tr>
<td>Balochistan</td>
<td>70</td>
<td>12</td>
</tr>
<tr>
<td>KPK</td>
<td>65</td>
<td>18</td>
</tr>
</tbody>
</table>
Poverty Rates in 2006
(population living under 2$ a day)

Pakistan's high poverty rates are partially driven by low literacy, poor access to basic health care services and a significant youth bulge.

Pakistan's low literacy rate is accentuated by weak rural and female literacy. It is estimated that less than half of the rural (48%) and female population are literate (44%).

Adult Literacy in Pakistan by Gender

Figure 31

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995-96</td>
<td>52</td>
<td>26</td>
</tr>
<tr>
<td>1998-99</td>
<td>59</td>
<td>30</td>
</tr>
<tr>
<td>2001-02</td>
<td>58</td>
<td>32</td>
</tr>
<tr>
<td>2004-05</td>
<td>65</td>
<td>40</td>
</tr>
<tr>
<td>2006-07</td>
<td>67</td>
<td>42</td>
</tr>
<tr>
<td>2008-09</td>
<td>69</td>
<td>45</td>
</tr>
</tbody>
</table>

Pakistan’s poor education attainment is intensified by low female enrollment. The survival rate of females to grade 5 was only 60% in 2009.

Public School Facilities

Figure 33

UNICEF estimates that annual public healthcare only amounts to $4 per person.
Deaths per 1,000 Live Births

Pakistan is committed to reaching the MDG of an Under Five Mortality rate of 52 deaths per 1000 by 2015

Nearly 1 in 10 children die before the age of 5

Pakistan is committed to reaching the MDG of a Maternal Mortality ratio of 140 deaths by 2015.

Pakistan’s fertility rate is not estimated to reach replacement rate until 2030.

Global Replacement Rate = 2.1

Population in Pakistan
(in millions)

1990 – 118.8 Million

2010 – 184.4 Million

2030 – 242.9 Million

Demographic Indicators for Pakistan

<table>
<thead>
<tr>
<th>1990</th>
<th>2010</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Midyear population (in thousands)</td>
<td>118816</td>
<td>184405</td>
</tr>
<tr>
<td>Growth rate (percent)</td>
<td>2.9</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Fertility</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total fertility rate (births per woman)</td>
<td>6.5</td>
<td>3.3</td>
</tr>
<tr>
<td>Crude birth rate (per 1,000 population)</td>
<td>42</td>
<td>25</td>
</tr>
<tr>
<td><strong>Mortality</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life expectancy at birth (years)</td>
<td>57</td>
<td>66</td>
</tr>
<tr>
<td>Infant mortality rate (per 1,000 births)</td>
<td>107</td>
<td>65</td>
</tr>
<tr>
<td>Under 5 mortality rate (per 1,000 births)</td>
<td>162</td>
<td>87</td>
</tr>
<tr>
<td>Crude death rate (per 1,000 population)</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td><strong>Migration</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net migration rate (per 1,000 population)</td>
<td>-1</td>
<td>-2</td>
</tr>
<tr>
<td>Net number of migrants (in thousands)</td>
<td>-162</td>
<td>-435</td>
</tr>
</tbody>
</table>