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Inclusive Growth in Asia: Pakistan's Experience

Retrospect and Prospects

*Secretary
Ministry of Planning and Development
Government of Pakistan*

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Outline of Presentation

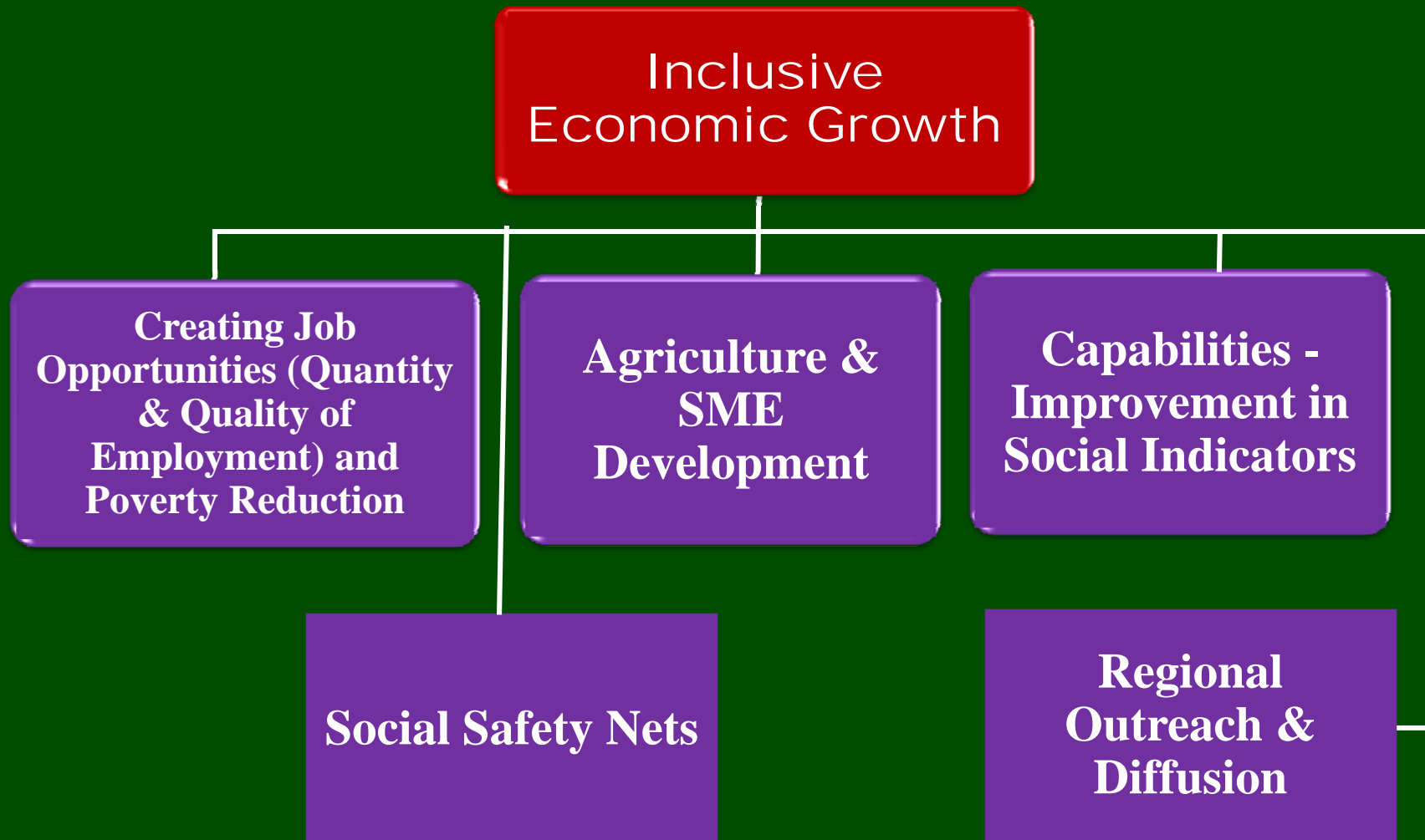
- ◆ Pillars of Inclusive Growth
- ◆ Review of Growth and Inclusion Experience in Pakistan
- ◆ Constraints to Growth and Job Creation
- ◆ Way Forward – Vision 2025

Asia's Strength and Challenge

“Developing Asian economies have grown impressively over a period of nearly 30 years. The region’s real GDP (in PPP terms) climbed from about \$ 3.3 trillion in 1980 to an estimated \$24.5 trillion in 2009. An increase of 7.5 times, compared with 3 times for the world economy during the same period.”

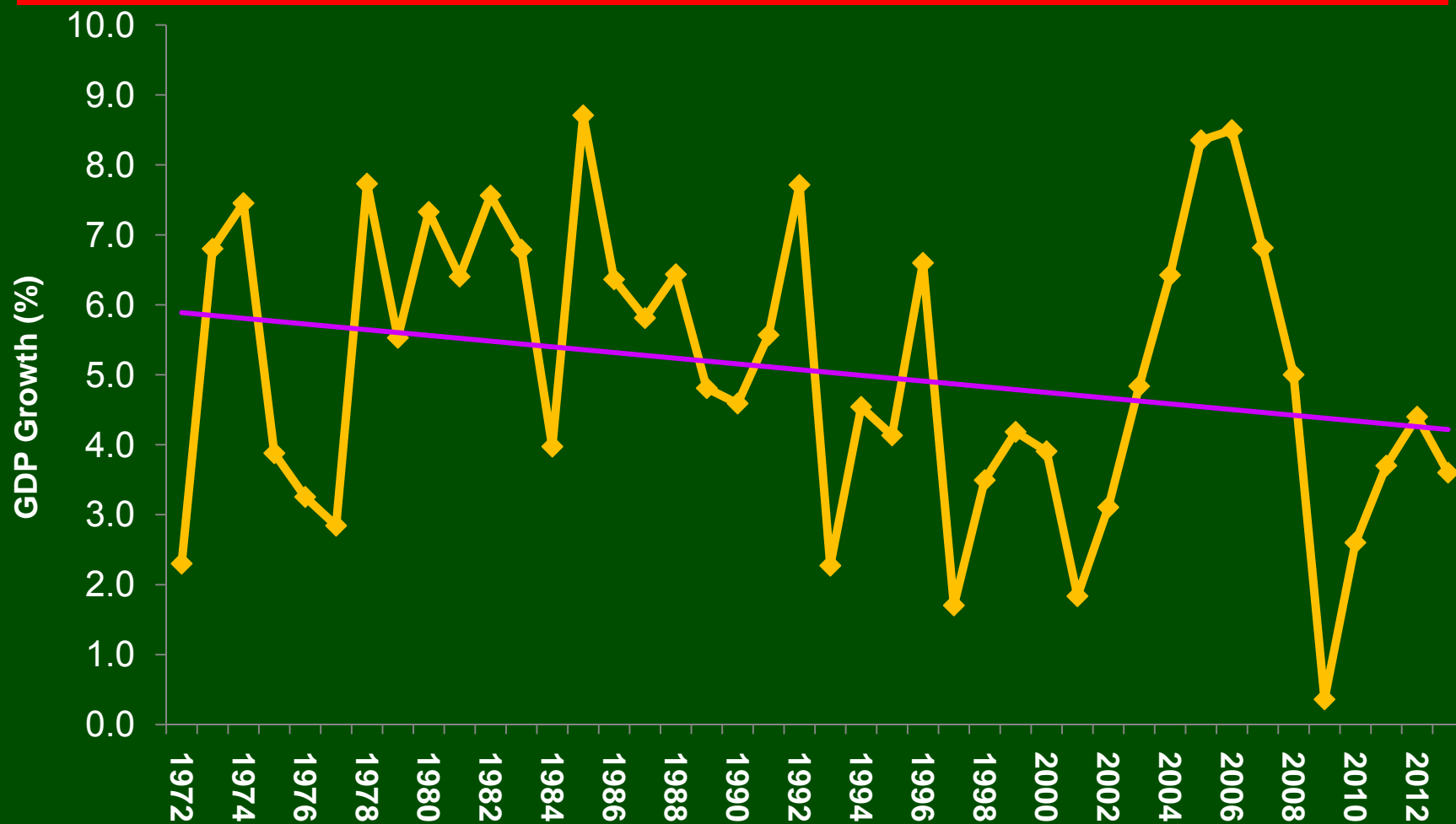
However, **highest number of poor** living in Asia compared to any other region in the world is a challenge

Elements of Inclusive Growth



Economic Growth 1972 - 2012

Volatility and decline in potential GDP growth



Boom – Bust Cycles

Recent Level and Pattern of Growth

Year	GDP Growth rate (%)	Volatility of Growth (%)	Extent of Balanced Growth	Relative Growth Rate of Labor Intensive Sectors
2000-01	2.0	-2.2	7.18	0.78
2001-02	3.1	-0.2	4.79	1.01
2002-03	4.7	1.4	4.04	1.68
2003-04	7.5	3.9	13.27	0.16
2004-05	9.0	4.8	9.09	0.72
2005-06	5.8	0.5	11.83	0.72
2006-07	6.8	0.8	4.85	0.82
2007-08	3.7	-3.1	4.07	1.22
2008-09	1.7	-4.8	4.60	n.C
2009-10	3.1	-1.6	4.93	1.98
2010-11	3.0	-2.0	4.62	n.C
2011-12	3.7	0.0	3.52	1.84

Recent Level and Pattern of Investment (Shares in Labor Intensive Sectors)

Year	Gross Domestic Capital Formation (% of GDP)	Private Investment as % of Total Fixed Investment (%)	Share of Private Investment in Labor Intensive Sectors (%)
1999-2000	17.4	65.0	40.3
2000-01	17.2	64.0	37.5
2001-02	16.8	72.7	33.7
2002-03	16.9	73.8	31.6
2003-04	16.6	72.4	34.4
2004-05	19.1	74.3	36.0
2005-06	22.1	75.6	30.5
2006-07	22.5	72.0	31.4
2007-08	22.1	73.2	36.0
2008-09	18.2	74.0	41.8
2009-10	15.4	73.9	46.0
2010-11	13.1	72.7	57.8
2011-12	12.5	72.7	57.8

Recent Direction of Private Investment (% Sectoral Share)

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Agriculture	22.2	24.2	28.4	31.6	33.1	35.1
Large Scale	22.2	22.3	16.5	14.2	13.4	9.9
Construction	1.0	1.4	0.9	0.5	0.7	1.1
Electricity & Gas	0.7	2.4	1.2	2.9	3.1	0.3
Transport & Communication	20.5	15.4	16.6	12.5	10.1	9.6
Wholesale & Retail Trade	2.3	2.3	2.7	3.0	3.0	3.2
Finance & Insurance	2.3	2.0	1.7	1.5	1.5	1.6
Personal Services	8.0	8.6	9.9	10.9	11.2	12.2
Others	20.7	21.4	22.1	22.9	24.0	27.0

Share in GDP and Employment (Labor Force)

	Total Labour Force (Mln)	Employed Labour Force (Mln)	No. of New Employment (Mln)	Unemployment Rate (%)
2000	40.49	37.32	-	-
2007	51.55	48.80	11.48	5.3
2008	53.22	50.45	1.65	5.2
2009	55.91	52.86	2.41	5.46
2010	56.92	53.76	0.90	5.55
2011	57.84	54.40	0.64	5.95
2012	59.33	55.80	1.40	5.95
2013	60.52	56.92	1.12	6.00

Pace of Job Creation in High growth period

Labour Force Survey	Employment (in millions)	Number of New Employment (in millions)
FY 00	36.82	0.28
FY 02	39.05	2.23
FY 04	42.00	2.96
FY 06	46.94	4.94

Source: Labour Force Survey, PBS

Growth in Real Per Capita Income by Quintile: Recent Trend in Income Inequality

	Q U I N T I L E					
	Total	1 st	2 nd	3 rd	4 th	5 th
2001-02 to 2005-06						
Pakistan	8.4	4.9	6.3	7.5	8.1	10.4
Urban	5.3	0.7	0.7	3.7	2.8	6.1
Rural	9.5	5.8	8.0	9.0	11.2	14.9
2005-06 to 2007-08						
Pakistan	0.4	-0.9	0.7	-0.9	-0.2	1.0
Urban	2.4	5.7	6.5	1.2	4.7	2.0
Rural	-0.7	-2.1	-1.1	-1.7	-3.0	0.1
2007-08 to 2010-11						
Pakistan	0.4	0.3	-0.5	0.0	1.6	0.3
Urban	0.7	-1.1	1.7	0.7	3.2	-0.1
Rural	-0.1	0.6	-1.3	-0.3	0.6	0.6
2001-02 to 2010-11						
Pakistan	3.9	2.0	2.7	3.1	4.0	4.9
Urban	3.1	1.2	2.3	2.2	3.3	3.1
Rural	4.0	2.2	2.8	3.4	4.3	6.6

Social Indicators

Indicator	1990-91	2001-02	2010-11
Literacy rate (age 10+ in %)	35 (M:48, F:21)	53 (M: 65, F: 40)	58 (M: 69, F: 46)
Net Primary Enrolment Ratio	46	42	56
Gender parity index (GPI) Primary Education	0.73	0.82	0.83
Share of women in wage employment in the non- agricultural sector	8.07	9.65	10.45
Under-five mortality rate	117	n/a	87
Maternal mortality ratio (MMR)	533	350	276
Poverty Head Count Ratio (%)	26.1	34.5	-

Poverty-Growth Nexus in Pakistan

1960s	High Growth	High Poverty
1970s	Lower Growth	Lower Poverty
1980s	High Growth	Lower Poverty
1990s	Lower Growth	High Poverty
2000s	High Growth	Lower Poverty

Social Safety Nets

Name of Programme	Type of benefit	Target group	Expenditure 2011/12 (Bill. Rs.)	Number of Beneficiaries
Benazir Income Support Program	Cash	Female Family Heads of ultra poor households	40.401	4 mill households
Public Works Program	Cash for Work	Rural population through provision of electricity, gas, farm to market roads, water supply.	37.885	n.a.
Employees Old Age Benefits (EOBI)	Cash	Formal-sector employees	11.700	358,800
Workers Welfare Fund	Housing, schools, health facilities	Formal sector employees	3.560	86,700

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Social Safety Nets

Name of Programme	Type of benefit	Target group	Expenditure 2011/12 (Bill. Rs.)	Number of Beneficiaries
Social Security and Welfare	Health, special education	Laborers, widows, youth,	23.465	n.a.
Natural Disaster and Rehabilitation	Emergency relief and Rehabilitation	Disaster affected population in affected areas.	77.096	n.a.
Subsidy on electricity on Life line users (Major Share)	Subsidized per unit electricity cost	The families consuming less than 200 units per month	376.50 (2012-13)	4.446
Health Insurance Scheme in 4 districts in KPK	Health insurance upto Rs. 25,000:general surgery, gynecology and general outdoor health services	BISP beneficiary families of less than 7 members	1.16 (2013)	155,300
Prime Minister's initiative for youth employment	Qarz-e-Hasna (Microfinance), Internship and Skill Development, Small Business Loans	Unemployed youth of upto 25-26 years	20.00 (2013)	100,000

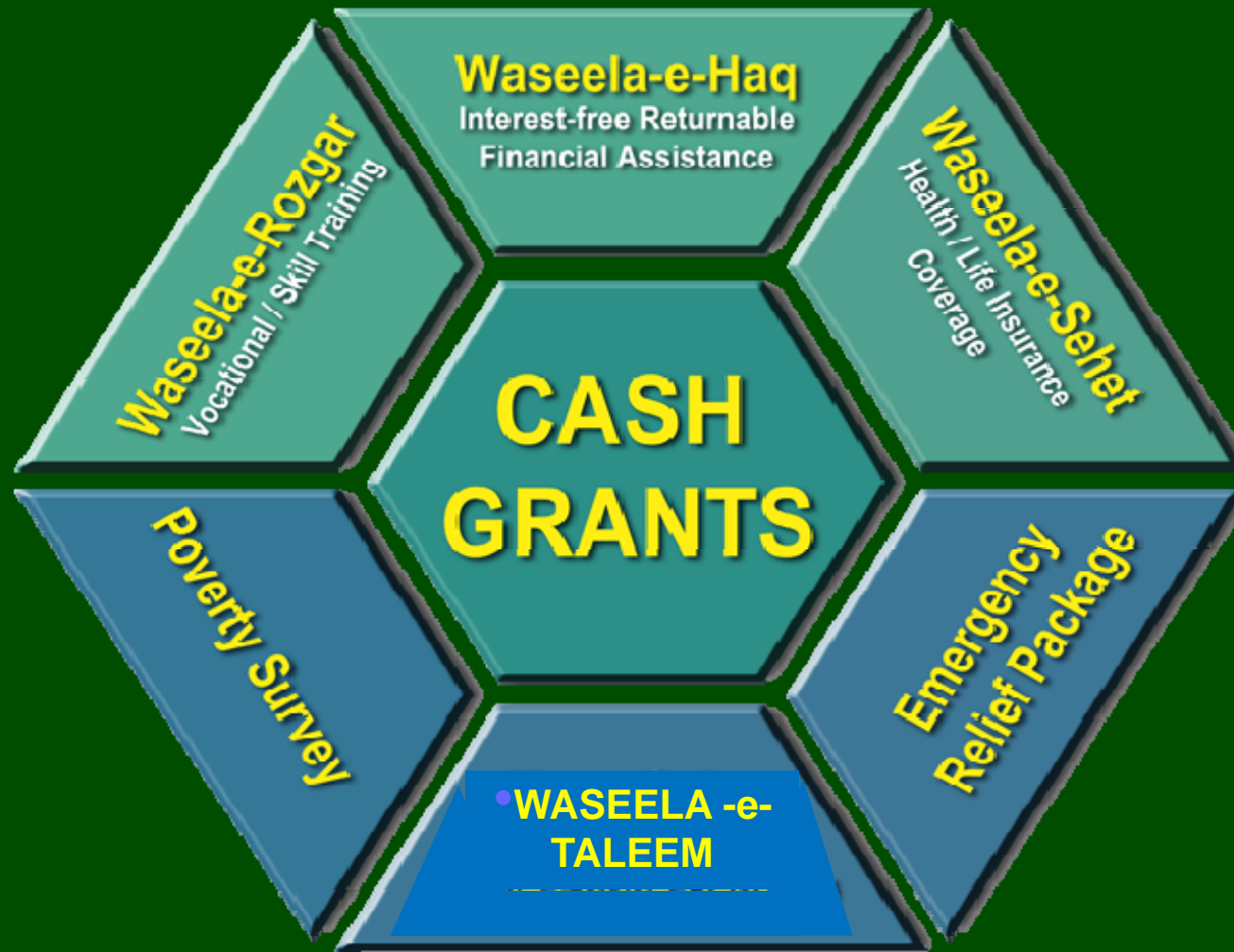
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Social Safety Nets

Name of Programme	Type of benefit	Target group	Expenditure 2011/12 (Bill. Rs.)	Number of Beneficiaries
Bait-ul-Mal	Cash grant for daughters' wedding, food supplement in education	Disabled persons, invalids, widows, orphans and poor households	1.423	21,200
Bait ul Mal Child Support Programme	Education, health and livelihood support	Orphan and disabled children	6.647 (2010-13)	148,000
Zakat & Ushr (Source Private)	Cash: Resources divided amongst provinces	Deserving/Needy	3.669	n.a.
Private Philanthropy Ranked 34 th out of 154 countries (Gallup)	All kinds of support including subsistence, cash grants etc.	All under privileged persons (Orphans, Widows etc.)	103 (only Punjab in 2009)	na
Corporate Social Responsibility	Health, emergency response, livelihood support through CSO's	The poor, women, minorities, IDPs and those affected by natural disasters	3.30 (2010)	n.a.

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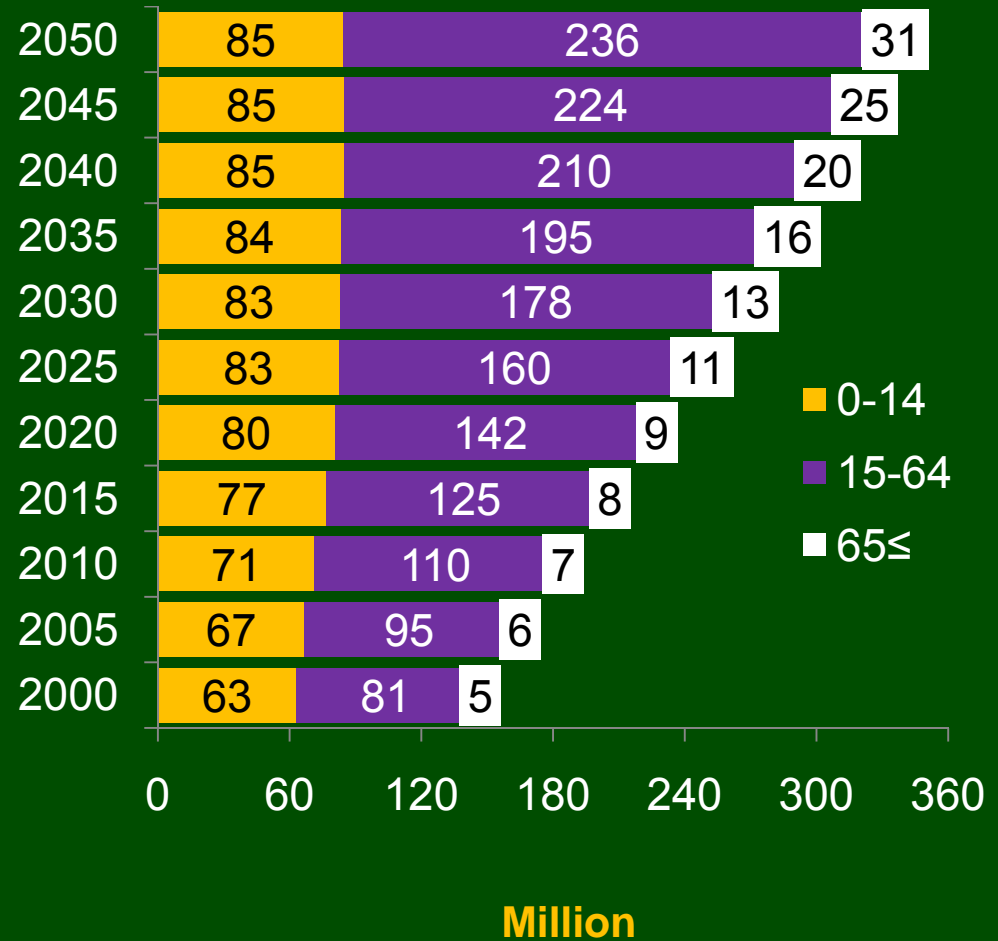
Social Safety Nets: BISP Initiatives (CFY Rs.75 bn)



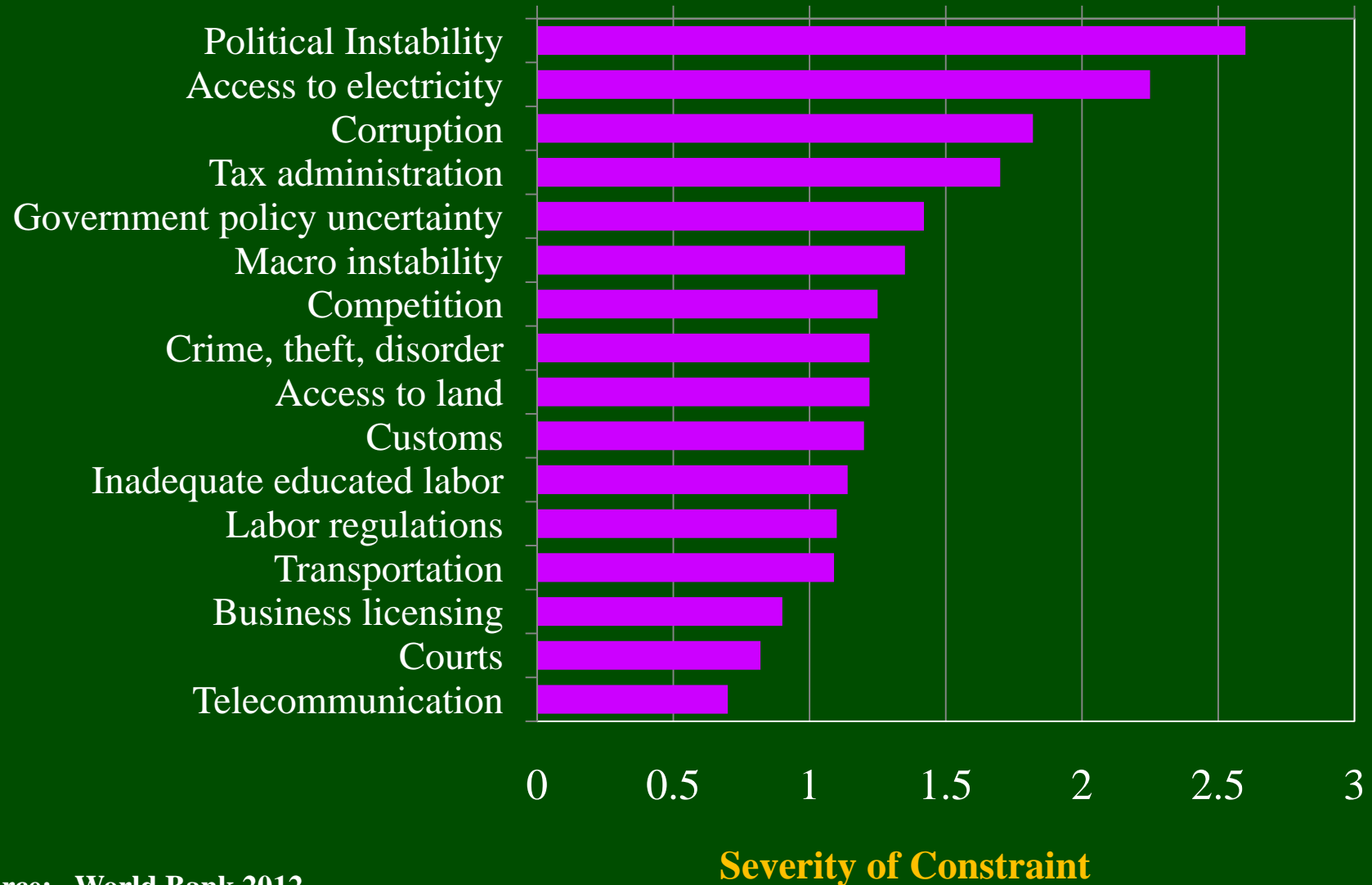
Demographic Challenge

- ◆ A bulge in the working age in coming 40 years
- ◆ Required growth:
 - 8% per annum to absorb growing labor force

Projected Population by Age Groups



Constraints on Job Growth



Source: World Bank 2012

0= No Obstacle, 4= Very Severe Obstacle

Other Constraints for Inclusive Growth

- ◆ Limited Access to Finance
 - Only small % have access to deposits, loans, remittances, insurance etc.
- ◆ Poor Social sector indicators
- ◆ Rural non-farm sector is not fully developed
- ◆ Infrastructural deficiencies
 - Physical: Roads, electricity, water management etc.
 - Social: Financial, technological and governance

Way Forward - Vision 2025

Guiding Principles:

- i. Maintaining Macroeconomic stability and sustainable inclusive growth
- ii. Energy for All (Secure, Affordable and Sustainable)
- iii. Building new pillars for self reliance and high sustainable growth through resource mobilization, investments and exports
- iv. Making SME and Private Sector the driver of growth (Promoting Public Private Partnership and Entrepreneurship)

Way Forward - Vision 2025

- v. Value Addition in Productive Sectors for a globally competitive knowledge economy (From Commodity to value added Products) Invest in R&D. Link universities with policy research and industry
- vi. Developing modern infrastructure (Transit Economy, Energy, IT and Trade Corridor)
- vii. Initiating institutional and governance reforms for high performance Government (Public Sector Modernization for quality service delivery).
- viii. Building Human & Social Capital (Peace, Social Harmony, Education, Health, Skill Development, Harness the potential of youth).

Thank You