

An exclusive interview with

Prof. Dr. Khalida Ghaus

Managing Director

Social Policy and Development Centre (SPDC)

At the outset, please give us a brief profile of SPDC and its advisory role in economic, social and public policy issues of Pakistan. What are the main areas of research of SPDC?

As an independent academic research organization SPDC main objective is to contribute to the national goals of social development through research and policy advice. Consisting of technical units on Gender, Governance, Public Finance, Poverty the focus primarily is on the issues of development/ poverty, inequality, governance, social sector policies, gender issues, sustainable development and pro-poor macro economic policy. SPDC's research publications are widely welcomed by researchers, academicians and policy-makers. As member of federal and provincial technical committee SPDC has been influencing the policy-formulation process.

Pakistan is presently passing through a very difficult and challenging phase of history with host of economic, social and political issues confronting the nation? Would you like to share your thoughts on this.

Pakistan is passing through a difficult time. We have low economic growth, low investment to GDP ratio, poor law and order situation, higher inflation and unsustainable fiscal and current account deficits. The fiscal deficit soaks up private saving leaving too little for domestic investment. Simultaneously, it put pressure on monetary policy resulting in both crowding out and higher growth in monetary aggregates. The monetary expansion together with higher international energy and food prices translates to push up inflation. Moreover, the current account deficit has soaked up foreign saving that has resulted in depilation in foreign reserve, weakening of Pak Rupee and mounting of foreign debt in medium to long-run.

What, in your opinion, are the main economic issues of Pakistan today? Do you think that the government that will be taking charge of the country after the elections in May will be able to tackle these issues prudently?

The sustainability of any economy depends on uninterrupted economic activity. This means that production keep growing without any major interruption. Any factor that creates obstacle in economic activity is considered as a major issue confronted by the economy. At present, two such major issues are energy crisis and disrupted law and order situation in general and in major industrial cities like Karachi, Lahore and Faisalabad. These are considered as main issues because they hinder production. For example, energy crisis causes industrial units either to close down or to operate at below full capacity and effect functioning of tube wells. The foremost impact is the escalation in operating cost of these units which result in laying-off of people. This creates unemployment in the economy at two counts; first the laying off of the existing labour force and second no



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fresh job opportunities those entering into labour force. All these factors affect production due to which demand exceeds supply and causes demand pull inflation.

Further, disrupted law and order situation creates uncertainty in the economy which crowding out the existing both domestic and foreign investment and hinders future investment.

The other major problem is the decline in foreign reserves. Pakistan's exports are not showing any significant growth since 2010-11 while the imports increasing. As result, the demand of foreign exchange is continuously increasing its supply and leading to depletion of foreign exchange reserves. In April 2012, the foreign exchange reserves held by the State Bank were \$12 billion whereas in March 2013 they have declined to \$7 billion.

To begin with the relevant question is will the future government be aware of the existing economic challenges and problem. In our view while future government may be aware of few problems they need first to understand and analyse the situation by involving all stakeholders including business community, civil society and research institutions. Moreover, the future government can tackle these problems if it gives such a policy package where investing in few areas would not be at the cost of other pressing areas.

Would you like to highlight few important social sector issues in Pakistan. What are your views on the seriousness and effectiveness of the poverty reduction initiatives undertaken by governments in the past.

One of the root causes of this situation lies in the negligence of social sectors in policies and budgeting. Compared to other nations, we spend less on education and health. We are far behind in social development and the target of achieving universal primary education in 2015 seems a dream. We have large numbers of uneducated and unskilled youth, wide gender disparity in enrollments across provinces, regions and income groups particularly in poor income groups. The trend in public expenditure priorities show that we focus more on security related expenditures which at the cost of social sectors. While security related expenditures are important but ignoring socioeconomic needs of future generation and spending less on human development is diverting us from the path of development. Recently introduced cash transfers scheme like BISP caused an increase in economically dependent population rather than developing the capabilities of the population. In order to place Pakistan on the path of sustainable development we have to focus more on education and skill development.

It is a general perception that Pakistan has failed to penetrate into the international export market despite its immense potential and quality products. Where we are lacking and what has been the role of government export facilitation organizations in this regard?

There is no doubt about the immense potential that exists in Pakistan but unfortunately we are underutilising this potential and whatever are using not managing it appropriately. There are concerns

regarding quality of our products. For example, considering only textile exports, where Pakistan has a niche, in spite of having lower price compared to India (in items that both countries export to international market), the value of Pakistan's exports is far below that of India. This indicates that Pakistan has to concentrate in improving non-price factors to enhance its exports. Having a trade policy every year is not enough rather there is a need to develop a comprehensive strategic plan focusing on the following factors.

Strengthening commerce ministry by appointing technocrats with specialisation in international trade; to break commodity concentration and market concentration by identifying new products and markets; establish export processing zones that reduce production cost; concentrate on developing marketing techniques; establish/strengthen a trade advisory cell with a competent staff at each Pakistan consulate that do lobbying to expand export market, facilitate in removing the administrative and logistic bottlenecks for exports and help identifying products that Pakistan can export to the respective market.

The budget spending on education and health in Pakistan is quite miserable, as compared with other developing countries. Please elaborate?

Public expenditure on social services such as education and health contributes to human capital formation and enhancing human capabilities and is therefore considered as poverty reducing in character. Pakistan currently spends a very low share of its GDP on the social sector. A comparison of public expenditure on education and health indicates that Pakistan not only spends less compared to other developing and developed countries but as percentage of GDP it is declining over the time. For instance, as per government of Pakistan's estimates Pakistan spent 0.72 percent of its GDP on health in 2000-01, which decline to a meager 0.27 percent of the GDP in 2011-12.

There is a general feeling in Pakistan that presentation of budget is a rhetoric and 'jugglery of figures', prepared with the help of international donor agencies? It gives a rosy picture of the national economy to the people. Do you endorse this view point?

We at SPDC partly endorse this statement. In fact, very few people and organizations understand the budget and its documents. The voices raised by these organizations through research reports and newspaper articles generally remain unheard by masses and less influential in formulating economic policies and budgets. In contrast, donors not only understand budget but also pick points from these reports that suit them. Moreover, budget makers also feel accountable in front of donors (IMF and the World Bank) rather than general public. Given this, Pakistan's budget making institutions were focused more on donors and not on the people in the country. In past, SPDC published budget reports and newspaper articles like "Federal Budget FY12: Unpleasant Arithmetic," "Tax revenues: flaws in Estimation," and the like to highlight flawed estimation in budget documents.

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The escalating inflation has increased unemployment and crimes in society. As a social scientist, would you like to share with us if this situation is expanding the gap between the 'have' and 'have not' and leading to complete elimination of the middle class stratum of the society.

The increase cost push inflation (i.e. increase in cost of production) affects production which in turn creates demand pull inflation and eventually increase unemployment and limited or no job creation. Job creation is directly related to growth in economic activity. In Pakistan, the overall economic activity is slowing down. Production particularly the commodity producing sectors like agriculture and industry is not growing enough to absorb the labour force. It is expected that Pakistan could not achieve the economic growth's target of 4.2 percent during current financial year 2012-2013 and it would remain at 3.5 percent. In Pakistan, 42 percent of labour force is illiterate, 29 percent is educated up to primary level and 12 percent up to matric, nearly 7 percent are graduate, postgraduate or professionals. The jobs therefore need to be created in these sectors that can accommodate the bulk of labour force.

Since, ICMA has a large alumni working in various organisations and SPDC a sound research experience of more than eighteen years, they can join hands to make a forum policy dialogue

We can link this to the investment. The decline domestic investment means capital flight i.e. money being invested outside Pakistan. As a result, the domestic production and employment opportunities are declining. Though who have invested outside are earning profit on it but this is not trickling down to the masses as the money that has to trickle down in not in the economy. And, that is one of the main reasons on increase in the gap between have and have not.

What is the status of research in Pakistan. Do you think that there need be a forum for interaction and knowledge sharing by all the academic institutions who are doing some kind of research in their respective fields. Would you like to offer to jointly carry out research with ICMA Pakistan.

Pakistan is among those fortunate countries that had intellectual like Mehboobul Haq in the past. Even in the present era there are institutions and scholars who engaged in doing policy oriented research on economic and social issues. Since social science is not a definite science there might be possibility of more one policy options for a single problem and various paths to achieve the desired goal. In order to choose a right path, the policy research should be discussed and debated. An academic forum to discuss research would a very good idea. Since, ICMA has a large alumni working in various organisations and SPDC a sound research experience of more than eighteen years, they can join hands to make a forum policy dialogue.

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What economic scenario you foresee in Pakistan after five years. Would there be any improvement or our economy is sliding down?

The major set-back to the economy of Pakistan though has been caused by flawed policies and corruption however, the impact of the security on the socio-economic development cannot be ignored. The stabilization will also depend on the regional and internal security situation. The internal socio-political stability alongwith increased FDI, overcoming energy crisis will also influence the stabilization process.

What is your message to the members, students and readers of ICMA Pakistan.

Pakistan is a country with a huge youth population. Undoubtedly, this youth bulge is yet to be converted into youth dividend. It is true that the government/s have been oblivious of this asset, nonetheless, the youth themselves need to realise their importance and responsibility towards the society and channelize their energies towards the development of the society.

Profile of Prof. Dr. Khalida Ghaus

Prof. Ghaus - former Director, Centre of Excellence for Women Studies, Chairperson (Department of International Relations, University of Karachi), and Pakistan Centre for Democracy Studies is currently serving as the Managing Director, Social Policy and Development Centre (SPDC), Karachi. She has a Phd. in International Relations.

Dr. Ghaus has a teaching/ research experience of 30 years and has extensively worked on foreign policy, development, and gender issues. Some of her recent work includes; Devolution and Social Development, Social Impact of the Security Crisis, Women at Work in Pakistan, Gender dimensions of development induced displacement and resettlement: A Case of Lyari Expressway in Karachi, The Socio-economic cost of violence against women: A Case Study of Karachi, Socio-Economic Impact of Floods in District Thatta: A Gendered Analysis, The changing Security Spectrum of South Asia: Consequences for SAARC', and 'Issues of Cultural Identity, Challenges Confronted by Muslim Societies. Author of a book and monographs she has extensively participated in seminar/conferences and has given lectures in Canadian and American Universities besides attending the sessions of the UNCHR. She has been actively involved in the Neemrana process (Track II initiative). Dr. Ghaus has been involved in the policy- making (both) with the Federal and Provincial Governments on gender-related issues and is a member of Several Technical Committees, Public Policy committees and Advisory Committees, besides, being a member of several professional bodies.

The interview ended with a vote of thanks to Prof. Dr. Khalida Ghaus, Managing Director, Social Policy and Development Centre (SPDC) a distinguished economist who spared her valuable time and gave her candid views exclusively for this journal. – Editor