

POVERTY, FOOD SECURITY & IDPs

Poverty & Food Security in Domestic Context

6-7m People Joining the Pool of Poor Each Year

Pakistan is adding 6-7 million people a year to its pool of poverty which currently stands at about 60 million, contributing to social and political instability in urban areas. The task force, appointed by President Asif Ali Zardari, was working with the planning commission. It has submitted its report to the government. Senior economist Mr. Burki said in the report; "In a history of exceptional turbulence that has lasted since Pakistan gained independence more than six decades ago, the current economic situation is at the lowest point ever reached. The country today is the poorest performing economy in South Asia and its growth in gross national income (GNI) stood at one-third that of India and half that of Bangladesh. The trend is reversed with most of the poverty increase taking place in urban areas contributing to social and political instability. Another member of the task force, Dr Pervez Hassan, has concluded that Pakistan has lost ground in manufactured exports, the engine of growth. Its share in the South Asian group was 1.4 per cent in 1980 but had fallen to 0.4 per cent by 2008.

Mr. Hassan has identified three factors for this relative decline: **First**, Pakistan remains heavily dependent on relatively slow growing textile exports and has also made less headway in faster expanding garment exports. **Second**, since 2005 Pakistan has lost market share in both textiles and clothing not only to China but also to emerging important exporters like India, Turkey and Vietnam. **Third**, its record in fast expanding other manufactured exports, whether sports goods, surgical equipment, auto parts and jewelry, has been dismal and its presence in international market is negligible. He also said that the government should reverse this declining trend by setting ambitious but realistic goals with an export-driven development strategy that should allow better participation and competitiveness in world markets.

Among several recommendations, Dr Hassan has advocated a 10 per cent nominal devaluation of currency during the current year "just to keep the exchange rate from further appreciation". Real exchange rate appreciated 8.3 per cent in fiscal year 2010 as against real depreciation of 0.3 per cent in fiscal 2009. He has also recommended joint public and private sector efforts to promote foreign investments in textiles, clothing and other promising sectors from Korea, Hong Kong, Malaysia and Taiwan which are losing ground in labor intensive industries due to high and rising wage. The report calls for rationalization and expansion of the fiscal base to increase tax-to-GDP ratio from the current 9 per cent to 17 per cent over a period of five years. It has also recommended an institutional and analytical framework to guide the process of fiscal decentralization.

[Dawn - March 21, 2011]

Militancy & Poverty Make a Never-Ending Vicious Cycle

Sustainable Development Policy Institute (SDPI) Executive Director Dr. Abid Suleri has said that as poverty brings militancy, militancy also leads to poverty making it a vicious cycle that never ends. He was speaking at consultative meeting of civil society on 'Relationship between Food Insecurity, Poverty and Conflict' organized by the Sustainable Development Policy.

Dr. Suleri said that there is individual, national, regional and global food insecurity and these types of insecurity are interlinked so steps need to be taken from individual level to prevent it from reaching higher levels. There needs to be a proper way to explore such opportunities though Baluchistan now is in the same situation; 27 per cent population in 2003 was food insecure, but in 2010, the percentage reached to 55 per cent. In 2003-2007 boom was at micro-level, there is a need for active field implementers.

Syed Kamal Shah, former federal secretary interior, stressed the need to differentiate between extremism and terrorism, as all extremists are not necessarily terrorists. He included in the causes of extremism lack of education, poverty, food insecurity, long fostering political disputes, political deprivation and a sense of powerlessness as major contributors.

Dr. Sahib Haq, Head of Vulnerability and Food Security Assessment, World Food Programme, said that the regions having more food insecurity had a higher rate of militancy notably areas like Waziristan, Dera Bugti and some other parts of Punjab have had a higher rate of militancy as compared to other areas of conflict. He said that militancy needs to deal with an economic perspective like creating job opportunities for the unemployed etc. He said that after the floods, food security deteriorated in the country from 38 per cent to 49 per cent.

[The News - March 16, 2011]

CPI & Food Security

Consumer Price Index (CPI) inflation grew 12.91 percent in month of February this fiscal against the same month of last year, Federal Bureau of Statistics (FBS). During the first eight months (July-Feb) of 2010-11, CPI also increased 14.33 percent over the corresponding period of last year. The major increase in food items caused CPI to grow during the period under review as it went up 17.72 percent in month of February against the same month of previous year.

In food items, perishable items' prices shoot up 28.08 percent whereas non-perishable items prices recorded 16.44 percent growth. The prices of chicken farm increased 11.54 percent, cooking oil 5.49 percent, vegetable ghee 2.67 percent, tea 2.33 percent, rice 2.12 percent, mustard oil 1.11 percent, fruit and milk products 0.95 percent each etc. House rent index grew 6.52 percent and fuel and lighting index increased 9.05 percent. Medical expenses registered 16.30 percent and transportation and communication cost went up 12.31 percent.

Analysts pointed out that though CPI inflation registered growth however full impact could not be seen in February as food prices remained low and the government was absorbing most of the impact of higher world oil prices. They felt if the full impact of fuel prices had been passed on this month, the February CPI would have been estimated at 14.80 percent year-on-year. Analysts said steady inflation meant the central bank was likely to keep its policy rate unchanged again when it announces the next monetary policy by the end of the month. In January, the State Bank of Pakistan left its policy rate unchanged at 14 percent, noting the delicate balance in growth and rising inflation.

[Daily Time - March 11, 2011]

Poverty & Food Security in Global Context

World at Risk of another Food Crisis: FAO

Surging global prices of basic foodstuffs raise the risk that the food crisis of 2007-2008 in developing countries will be repeated, the head of the U.N.'s Food and Agriculture Organization. A jump in oil prices and the fast recent drawdown in global stocks of cereals could herald a supply crisis. The high prices raise concern and it is quickly drawing down stocks. February's UN Food Price Index rose for the eighth consecutive month, to the highest levels since at least 1990. Every commodity group except sugar rose last month. Last July, inventory levels were a full 100 million tons higher than during 2007, but rapid economic growth in developing countries, and a return to growth in highly industrialized economies, has led to new drawdown.

A number of countries in North Africa and the Middle East have made big grain purchases to head off the sort of unrest, partly fueled by food prices, which has toppled the leaders of Tunisia and Egypt. South Korea is looking to build a strategic grain reserve and is planning to buy cargoes of corn and another staple, joining similar efforts by other Asian nations worried about high food prices and social unrest. In December, Mexico bought millions of tons of corn futures to guard against price hikes for tortillas that sparked street riots in 2007. The recent surge in oil prices, which rose to nearly \$120 per barrel in late February, is exacerbating food price rises that may crimp developing countries' ability to cover food import needs. Oil prices impact transportation costs and agricultural inputs including fertilizers.

BIOFUELS: The FAO has asked developed countries to re-examine their bio-fuels strategies which include large subsidies since these have diverted 120 million tones of cereals away from human consumption to convert them to fuels. Developed countries give \$13 billion in annual subsidies and protection to encourage bio-fuels production. In the United States, corn stocks have dipped to near 15-year lows as more of the crop is used for making ethanol. Developed countries should look other ways of renewable energy production rather than making more bio-fuels.

[Reuters - Mar 14, 2011]

IDPs' Updates

Number of Displaced People Hits Global High – Pakistan Has 980,000 IDPS

The number of internally displaced people (IDPs) worldwide reached 27.5 million in 2010, the highest number since the mid-1990s even though the situation in Africa improved, Internal Displacement Monitoring Centre of the Norwegian Refugee Council said. While refugees who cross a country's external border gain rights under international law, IDPs who have been forced to move due to conflict or hunger have no such rights in many countries.

The number of IDPs in Africa fell by 4 percent to 11.1 million, while all other regions showed an increase, according to the annual report by the Internal Displacement Monitoring Centre of the Norwegian Refugee Council. By comparison, there are about 15 million refugees worldwide, the report said.

The report said displacement in most countries was caused by conflict between governments and armed groups or by widespread violence in countries where armed conflict has formally ended. "In the remaining situations, international or foreign armed forces were involved, or the displacement was caused by generalized violence involving ethnic groups, as in Kyrgyzstan, or armed groups such as the Lord's Resistance Army (LRA) in south Sudan and drug cartels in Mexico."

The country with the most IDPs continues to be Sudan, with between 4.5 and 5.2 million or about one in eight of the population, said the report. Some 490,000 people in Sudan were newly displaced in 2010, most in the world. Then come Colombia (3.6 - 5.2 million), Iraq (2.8 million), Democratic Republic of Congo (1.7 million), Somalia (1.5 million) and Pakistan (980,000), the report said.

[Reuters – March 23, 2011]

ADB Okays \$650m to Rebuild Flood-Hit Infrastructure

The Asian Development Bank (ADB) is extending \$650 million in emergency assistance loans to help Pakistan rebuild the vital infrastructure destroyed during last year's floods. The ADB's board of directors approved the loan assistance, along with a supporting technical assistance grant, for the Flood Emergency Reconstruction Project. The loans will be used to reconstruct damaged roads, bridges, irrigation systems and flood and drainage protection works in the worst-affected areas. The emergency loan will help reconstruct over 790-kilometres long national highways and 800 kilometers of provincial roads and bridges of higher standards. It will also upgrade flood protection embankments and other drainage infrastructure in 1.5 million hectares of agricultural land.

The assistance will include \$600 million to be taken from Ordinary Capital Resources with a 32-year term, an eight-year grace period and interest set in accordance with ADB's LIBOR-based lending facility. Another \$50 million will be tapped from ADB's concessional Asian Development Fund, which will have a repayment term of 40 years, with a 10-year grace period, and interest charges at 1 percent per annum. The outcome of the project will be the restoration of critical infrastructure to restore livelihoods and access to markets which will support economic and social recovery.

[Daily Times - March 31, 2011]