

POVERTY & FOOD SECURITY

Domestic Context

'High Oil Prices To Push Inflation Up'

Business community of the twin cities has rapped the government for increasing oil prices to historic high, terming it a move to push inflation further up. The unprecedented increase in petrol prices within a short time would have a negative effect on national productivity that is already facing high cost of doing business. Mahfooz Elahi, president Islamabad Chamber of Commerce & Industry (ICCI) while talking with a delegation of traders and industrialists, asked the government to consider reducing the petroleum levy. The increase in petroleum prices would add to rising trend of inflation and the cost of industrial production that is already under pressure because of higher electricity and gas charges. The Rawalpindi Chambers of Commerce and Industry (RCCI), its president, Syed Ali Raza, also asked the government to reconsider the policy of passing on the impact of increasing petroleum prices in the international market. It showed that the government has no agenda to counter any emerging situation. The nation demands counter measures to mitigate inflationary impact of rising oil prices. The statements by the ICCI and RCCI asked the government to strengthen the industry and trade activities.

[Dawn - May 3, 2011]

Water, Crisis

The water crisis intensified forcing people to go out in search of water with buckets in their hands. They were not able to wash up nor do have water for drinking. Officials at the Water and Sanitation Department (WASA) said that floods triggered by melting of snow at glaciers swept away the main water reservoir at Kargah, forcing the suspension of water supply to the city. More than 20,000 people in Jutial, Khomer, Konodas, Kashrote, Nagral, Majini Muhalla, Yadgar Muhalla, and Barmas have been affected by the water shortage. In Kashrote, people complained that the water filtration plants also shut down the day tap water stopped flowing. People in Jutial said that they tried to hire a water tanker but said that drivers demanded Rs. 1,500 for one trip. It is too expensive for people to bear. Meanwhile, the water level in Gilgit River and adjacent tributaries has increased manifold as rising temperatures have intensified the melting of glaciers. As a result, siltation has also increased in the water, leaving it undrinkable. Ironically, G-B's glaciers are the source of most of Pakistan's water supply.

[The Express Tribune - May 23, 2011]

Food Insecurity Increasing in Balochistan: Speakers

The roundtable on `State of Food Insecurity in Balochistan` was organized by the Centre for Research and Security Studies (CRSS) and Action Aid Pakistan. Presenting data on food insecurity, the panelists called for swift action by the federal and provincial governments and other stakeholders to address the damages caused by the last year's floods, and added that the province needed a long-term plan to rehabilitate its agriculture. The 2010 floods destroyed around 60 per cent of water courses in Jaffarabad alone, adding that almost all the paddy fields in various agricultural areas like Jhal Magsi and Naseerabad were destroyed. The 22 per cent of land in Jaffarabad and 15 per cent in Jhal Magsi were not cultivated for the last wheat crop due to unavailability of agricultural inputs and land related issues. If these issues were not addressed, it could result in severe food insecurity in the province in the coming years. Poverty and increasing food prices have resulted in reducing food intake by ordinary citizens in the province. But the most serious issue is lack of significant efforts by the government to rehabilitate irrigation infrastructure and agriculture.

In last year's floods, 30-35 per cent livestock perished. The roundtable called for starting small livestock schemes for women in Balochistan and increasing the outreach of Benazir Income Support Programme and Pakistan Baitul Maal in the province's most affected areas. 27 of the total 30 districts of Balochistan are food-deficient. According to the 2009 World Bank report, 20 districts in Pakistan are chronically food deficient. Out of them, 10 are in Balochistan. 6 districts in Balochistan produced surplus wheat in 2009-

10, but even these districts are food-deficient after the 2010 floods. Balochistan was getting around 66 per cent of its food needs from Punjab and Sindh, which has caused price-hike, hoarding and manipulation by market players. The provincial government had not devised any “cohesive strategy” to counter food insecurity, adding that most of the development activities in Balochistan were in and around few cities. The biggest challenge to food security in Balochistan was smuggling of food items to Afghanistan. The worsening law and order situation in Balochistan is adding to food insecurity. The Nawabs and Sardars of Balochistan are one of the hurdles in development, including growth of small scale agriculture in most of the province.

[Dawn - May 20, 2011]

Economists Ask Government to Introduce Ration Card Scheme

Pakistan's 74 per cent population is food insecure at a time when the country is fighting its battle of survival against militants that resulted in exacerbating its economic difficulties. Instead of exporting 6 million tons surplus wheat at cheaper rates keeping in view the lower international prices, the economists asked the government to come up with ration card scheme for catering to the needs of the poorest segment of the society in the next budget. In a pre-budget seminar organized by Pakistan Institute of Development Economics (PIDE), it was also pointed out by former Principle Economic Adviser Ministry of Finance Sakib Sherani that Karachi's 94 per cent commercial land was blocked by Pakistan Army, Navy, Karachi Port Trust (KPT) and Railways, leaving no space available for undertaking any economic activities for the private sector. The economists also warned that the lack of fiscal efforts on part of the government was increasing woes of the struggling economy of Pakistan and risks of hyper inflation was very much there keeping in view experience of Latin America.

PIDE Vice Chancellor said that they were suggesting 3-point strategy to steer the economy out of stagflation including better macroeconomic management, maintaining fiscal prudence while reviving the role of government in development and prudent monetary management to spark the revival of the private sector in the economy Pakistan is witnessing deep recession resulting into higher poverty and unemployment. Our 74 per cent food insecure population coupled with deep recession is causing severe stress for the nation at a time when we are fighting battle of survival against militants. The major reason of higher budget deficit was the inability of the government to generate the desire revenues because the low growth restricted its ability to get higher revenues. The government was suggested to address structural issues being faced the economy and undertaking of institutional reforms were the dire need of the day. The government is asked not to slash down the development spending because it would hamper growth. The key challenge was to bring changes in composition of expenditures by abolishing non-productive expenditures while increasing development budget coupled with ensuring effective utilization.

Rightsizing in ministries could save Rs. 91.5 billion while public sector enterprises were causing cash bleeding of over Rs. 140 billion that needs to be restructured and privatized. The commodity operation is burdening the national exchequer by Rs. 450 billion and there is need to end unnecessary intervention of the government. Former Special Secretary to Ministry of Finance Dr. Ashfaq H Khan lambasted the government for finalizing 7th NFC Award purely on political grounds instead of taking any economic analysis and projections of revenues over the next fiscal years. Dwelling upon the bleak economic indicators, the investment to GDP ratio declined from over 22 per cent to 13.4 per cent in few years which is the lowest in last 40 years period that indicates that there will be no higher growth and job opportunities over the next 2 to 3 years. Revenue Advisory Council (RAC) misguided the government by recommending fixing Rs. 1,667 billion as FBR's target for the current fiscal year that was now expecting a shortfall of around Rs. 200 billion.

On the basis of higher revenue targets the provinces built in higher expenditure in the budget as the federating units were given additional Rs. 500 billion in 2010-11. It was assumed that the provinces would provide one per cent of GDP surplus budget but they came up with deficit budget so there was slippages from day first. The government was again repeating the same mistake by fixing higher target and any number beyond Rs. 1765 to Rs. 1775 billion would result into putting built in shortages in achieving the desired target from day one. Pakistan has experienced boom bust cycle on growth trajectory and the country per capita income growth shrunk compared to India and Bangladesh even during the period of higher growth from 2003 to 2008. The country has witnessed an average growth of 2.6 per cent over the

last three years while inflation was in double digit in last 45 months, which was highest ever since 1973-74, paving the risk of plunging into hyperinflation.

[The News - May 13, 2011]

Poverty termed cause behind rise in street children

Generally children are known as the purest form of human beings, but the reality seems contrary when one sees them on traffic signals requesting to wash car screen for Rs. 2 to Rs. 3, selling flowers at beaches and working as a waiter at roadside restaurants. Thousands of children can be observed at the traffic signals across the metropolis. They avoid saying anything about their background or introducing themselves. Renowned Human Rights activist when contacted said that the number of street children is rising day by day. He said that rising poverty, absence of social justice and criminal negligence from all stakeholders of the state were core reasons behind the ongoing worst situations. The governmental machinery had failed in tackling the burning issue. Unfortunately, the severe issue is not even a part of any party's manifesto. The children, working day long in streets are vulnerable to sexual abuse, usurp of basic rights and several other life threatening dangers, and these children can easily be used for nefarious purposes.

The measures taken by the government, that indeed the government had paid no heed to address the issue. Forming day care centres or some other cosmetic measures are not the solution to the matter. Proper legislation, short and long term comprehensive planning and involvement of entire nation may overcome the issue. Approximately 30,000 to 40,000 street children are present in the metropolis. In this regard, the cabinet had proposed a bill on child rights, but due to some unknown reasons it is yet to be tabled, the bill offers a complete package for children. It is a huge problem and the government of PPP had taken all concern NGOs onboard to make some joint efforts so as to overcome the issue. A 'Child Rights Bureau' on the pattern of Punjab province to mitigate the sufferings of affected children is proposed. These children are a 'national asset' and though measures were taken in the past, including forming children rights desk, no results were surfaced yet. The government now is responsible for the ongoing miserable condition of children community in Pakistan.

[Daily Times - May 02, 2011]

Global Context

UN Survey Report: Inflation Poses Serious Challenge to Asia-Pacific Developing Countries

The Asia-Pacific developing countries would continue to drive the global economy in 2011. However, skyrocketing prices of food and fuel are serious challenges the region is facing. According to the UN report, Pakistan one of Asia-Pacific countries has been experiencing double digit inflation for the past three years. In 2010, inflation stood at 11.7 percent having decelerated from 20.8 percent in 2009. Increase in electricity and natural gas charges and upward revision in petroleum prices influenced production and transport costs, causing prices of other consumer price index items to raise as well. The report reveals that the inflationary pressures increased further due to the devastation caused by the floods. Moreover, increases in electricity and natural gas charges and reforms in the generalized sales tax will automatically contribute to keeping inflation higher at least over the medium term. In Pakistan, the UN report suggests lower revenue generation and higher current expenditures are the underlying reasons for the stressed fiscal position. Without substantially increasing the resource envelope, it would be difficult to sustain the fiscal deficit at manageable levels.

Similarly, the government must carefully scrutinize and reprioritize spending to create room for public investment to support growth. The budget deficit, at 6.3% of GDP in 2010, will face further pressure in 2011 as a result of the devastation caused to the economy by the severe floods and the consequential need for rehabilitation and reconstruction activities. According to the survey report, in Pakistan, the external current account deficit came down to 2.0% of GDP in 2010 from 5.7% of GDP in 2009. The improved performance in 2010 was helped by the relatively strong recovery of exports, which grew at 9.4% in 2010 while imports continued to contract though at the much smaller rate of 0.3%. Higher food prices are responsible for higher inflationary pressure in the country. The increase in wheat support prices

from Rs. 465/40 kg to Rs. 950/40 kg is termed as “a criminal increase,” which affected prices of other food items in the country. Higher fuel prices further aggravated the situation. The government should re-evaluate its’ policies keeping in view socio-economic condition of the country. The need to create conducive environment in order to attract foreign investment in the country is needed. The PIDE chief urged a tighter monetary and fiscal policy so as to control the higher inflation in Pakistan. The greedy speculation is also responsible for higher prices of food items. The shift from sowing of food items to bio-fuel crops also caused higher food prices in the region.

The Survey Report, which was issued in 28 countries, suggests that containing inflationary pressures should therefore be a priority in the policy agendas of governments in Asia Pacific countries. High budget deficits in most countries have been instrumental in increasing liquidity and have generated price pressures in the face of supply constraints. There is an urgent need to bring budget deficits down to a more sustainable level. Some countries have been tightening monetary policy to alleviate pressures on inflation from the demand side but a combination of monetary, fiscal and other measures are needed to reduce price pressures. Repeated supply shocks pose a constant challenge to sustaining a low inflation regime. A more medium-term approach is needed in order to augment the supply of items of mass consumption by addressing structural supply constraints. Strong and sustained growth momentum is needed in South Asia to tackle the long-term problem of widespread poverty. Over the past few years, most countries have made progress in reducing poverty. Even today, however, at least one in every three persons in South Asia is classified as poor. The fight against poverty therefore must continue.

[Daily Times - May 06, 2011]