

Disaster & IDP Crisis

Situation of IDPs

Survivors' Misery Yet to End

Though the floods are over, the miseries of those affected are yet to end — thanks to the mismanagement in distribution of Watan cards and anomalies in the affected peoples' list. Thousands from different parts of the provincial metropolis swarm to the Government Higher Secondary School No.1 in Peshawar to collect their Watan cards, but are disappointed to find that their names are not on the lists. Similarly, those who had received the cards found that they were not accepted by the automated teller machines (ATMs). Apart from those who have been affected by the floods, two internally displaced persons (IDPs) from the Orakzai Agency were also found at the centre in the hopes that they would get some assistance. However, they were told that this centre was only for those affected by the floods.

[The Express Tribune – November 06, 2010]

7 Million Remain without Shelter

Oxfam November 11 called on rich countries and institutions, meeting for the third time in as many months to discuss flood-ravaged Pakistan, to end the talking and start giving the substantial funds needed to help save lives and start to rebuild the country. An amount of US \$1.1 billion remains unfunded in the United Nations' current Pakistan Floods Emergency Response Plan. Pakistan will host the Pakistan Development Forum on November 14-15 which brings together donor countries and international financial institutions to discuss rehabilitating communities hit by floods and support the reconstruction effort. Fatima Naqvi, Oxfam's acting country director said that this is the third major donor meeting since the floods and it is action that is needed, not endless talking. Funding for humanitarian work is in danger of drying up, yet the needs are still enormous, especially as winter approaches and nearly 7 million people are still without shelter, they must commit long-term funds and ensure money starts to reach those who need it now, rather than making empty promises. She said that Pakistan needs greater support to get back on its feet and rebuild from this devastating crisis. Oxfam says reconstruction can present a new opportunity to tackle Pakistan's chronic poverty and inequality. Fatima said that the needs of the poorest and most vulnerable must be placed at the heart of the relief and reconstruction effort

[The New – November 13, 2010]

Flood Victims Need Aid for Two Years: Aid Groups

The Red Cross and Red Crescent aid groups said on November 01 that millions of Pakistanis affected by July's devastating floods will need humanitarian assistance for the next two years, with many still trapped by high water. The International Federation of Red Cross and Red Crescent Societies said in a statement that three months on, more than one million people are still living in camps because of high water in Sindh and the situation is repeated in other affected areas. In Punjab and Khyber Pakhtunkhwa, most displaced families have returned home but many basic services have been destroyed and there are few sources of income. Castano said that winter is fast approaching and we are doing what we can to ensure people have a warm place to sleep during the cold months ahead.

[Dawn – November 02, 2010]

Flood-Hit Farmers Unaware of Banks' Refinancing Scheme

The refinancing scheme launched by the banks in the flood-affected areas has yet to gain momentum as majority of the affected farmers and landowners are still unaware of it. According to the State Bank's Small and Medium Enterprises Finance Department (SMEFD) circular No 16 issued on November 2 in line with the government's policy to revive agricultural activities and State Bank of Pakistan's relief measures to improve access to financing in flood-affected areas, it has been decided to launch a concessional financing scheme through banks for agricultural production and working capital finance to farmers and Small and Medium Enterprises (SMEs) in the districts affected by recent floods. Under the scheme, financing is being provided at affordable and concessional mark-up rates through banks and development finance institutions (DFIs) for which Rs10 billion has been allocated. All categories of farmers including owners, owner-cum-tenants and tenants of the specified areas are eligible for agricultural loans under the scheme and banks shall provide agricultural loans to farmers as per their lending policy approved by their boards of directors and SBP rules and regulations.

[The News – November 20, 2010]

ANALYSIS: IDPs and the Problem with Graveyards —Farhat Taj

Relatives of a passed away IDP carry his or her dead body from place to place in search of kind people who will allow the body to be buried in their graveyard. Many people are burying dead bodies in other people's graveyards for certain duration of time, with the promise to remove the remains after that time. Internally displaced persons (IDPs) from the Federally Administered Tribal Areas (FATA) confront some serious problems regarding the burial of their deceased relatives during their displacement. Several IDPs invited my attention towards this problem. They say it is a serious problem that befalls the family at a time when it is grieving the loss of a family member. Most IDPs wish to bury their dead in their native areas in FATA but cannot do so due to the ongoing military operations in those areas or high transport expenses. At certain places, the military does not allow people into the war zone even for a quick burial. In other places, the army authorities allow the relatives to transport dead bodies for burial, but many IDPs cannot afford the cost of transportation. In both cases, the deceased have to be buried outside their native areas. Local people in the areas where the IDPs live do not let them bury their dead in their (local people's) graveyards.

[Daily Times – November 27, 2010]

Govt, NGOs Losing Interest in IDPs Problems

Flood survivors at the Gulshan-i-Maymar relief camp are facing severe hardships as the government and non-government organizations have withdrawn much of their support and the basic needs of the internally displaced persons are not being attended to. A visit to the relief camp on November 27 showed that the IDPs had strong resentment against the government and questioned why the chief minister never had time to visit them once. The onset of winter has compounded their miseries as the IDPs are deprived of warm clothing. Many of them still do not have mattresses to sleep on. These hostile conditions are making the children, women and the old suffer the most.

Water shortage, substandard food

Speaking to Dawn, flood survivors complained that though a large number of people were still residing at the camp, there had been a significant decline in government and NGOs support since Ramazan and no revenue department official was available at the camp they could approach and get their complaints registered. Zafarullah voicing concerns of all IDPs said that there is an acute shortage of water at our camp being provided with substandard food by the government. We eat food and fall sick. It's difficult especially for women living without men's support to line up for food or fetch water from the ground to the third or second floor as there is no provision of water inside the flats. The IDPs blamed the declining interest of NGOs and the media in their plight on a section of society who called them "Qazba mafia" and spread the propaganda against them that they wanted to take over the flats they were residing in. They also accused government officials of misappropriating flood aid.

No Watan card

A majority of flood survivors Dawn spoke to claimed that they didn't receive any Watan card and those who did, didn't get any money. Khuda Bux, an IDP who is now working with Pakistan Institute of Labour Education and Research, an NGO that has set up a school and a help desk at the camp said that only 15 per cent of flood survivors here have been able to get Watan cards. Of them, many failed to get any money as their request for the money was rejected by the bank on one pretext or another.

[Dawn – November 28, 2010]

Flood Victims Forced to Construct Unsafe Houses

Devastation caused by the floods that have damaged or destroyed more than 1.7 million homes across the country has forced the stricken population to start rebuilding with whatever is available to them – and they are ending up building unsafe houses. Siamak Moghaddam, Country Director UN-HABITAT said that people are helpless and are in dire need of technical guidance; the challenge is to persuade people to build back better and safer. According to UN-HABITAT sand deposits and stagnant waters have severely affected some areas' ability to be considered safe for rebuilding houses or to be used for agricultural initiatives. The agency also stresses the need to get experts on ground to technically assist the people to 'build back safer'. According to the UN-HABITAT team, assessments across Mardan, Charsadda, Sukkur, Larkana and Dadu, have revealed that a lack of funds and assistance has led people to rebuild unsafe houses.

[Express Tribune – November 29, 2010]

Distribution of Watan Cards

Flood Victims Sell Off Watan Cards

In Daira Din Panah Watan Cards worth Rs20,000 were sold by flood victims for Rs80,000 to Rs85,000. After the government's announcement that flood victims would receive Rs100,000 as total compensation for their losses, many have begun to sell off their Watan Cards to the highest bidder. After the encounter, the National Database Registration Authority (NADRA) officials fled the scene. Some of the flood victims said that they had been beaten with sticks by NADRA staff earlier in the week and this led to hundreds of flood victims storming the office to get their Watan Cards.

[The Express Tribune – November 01, 2010]

PM Gilani Finds Fault with Watan Cards Distribution

Prime Minister Yousuf Raza Gilani on November 19 announced Rs200 million grant for development projects and rehabilitation of the flood-hit people of two constituencies of the National Assembly in Dadu district. Addressing a gathering in connection with the collective marriage ceremony of flood-affected couples, he said that besides the Rs200 million grant, the government was planning to provide maximum incentives to flood victims so that they could restart their life and overcome the losses. He said that most of the flood affected families suffered less than Rs100,000 loss, but the government had formed a uniform policy of granting Rs100,000 compensation to each family head through the Watan Cards. He said that he had noticed that the distribution of the Watan Cards was not so speedy and urged the Nadra chairman to make their distribution effective. He said that the provincial governments were asked to help the flood-stricken people but the chief ministers showed their inability in this regard. Therefore, he said that he directed the chief ministers to improve the economic condition of their respective provinces.

[The News – November 20, 2010]

Distribution of Watan Cards Almost Completed

Punjab Chief Minister Shahbaz Sharif said on November 21 that the distribution of Watan Cards among the flood victims has almost been completed and 95 percent calamity-stricken people have received relief assistance through this transparent process. He said that the provision of free fertilizers and seeds to the farmers of flood-hit areas would also be completed by November 30. He directed accelerated distribution of quilts, blankets and warm clothes among the affected and said that philanthropists and affluent persons should play an active role in this noble cause. He said that the provision of Watan Cards to every flood victim has been ensured and that November 30 has been set as the deadline for the completion of the process. He said that the elected representatives who took part in the relief and rehabilitation work for the flood victims should visit the affected areas and address any complaint regarding the provision of Watan Cards to any deserving person with the cooperation of concerned administration.

[Daily Times – November 22, 2010]

Domestic & Foreign Assistance

PRCS Holds 2,000 Tonnes Food Meant for Affectees

The Nation has learnt reliably on November 25 that despite the fact the flood victims are dying from hunger, the Pakistan Red Crescent Society (PRCS) has still not distributed above 2,000 tons food items airlifted from Turkey, Syria and United Arab Emirates (UAE) during the holy month of Ramadan. The goods include family bags, each containing rice, pulses, sugar, vegetables, ghee, tea, spices, biscuits, dates, salt, soap, and potable mineral water. Insiders said the consignment would be sold at suitable time, adding the luggage could also be recovered if representatives of the government would raid a whereabouts in Multan and the main godown of the Punjab Red Crescent Society located at 2-Sharey Fatima Jinnah minutes after the news items came into their knowledge on November 26. They said the Punjab Red Crescent distributed only a small quantity of luggage from UAE cargo while the consignment comprising over 2,000 tons has still been placed in Lahore and Multan. Interestingly, according to the fundamental principles of PRCS (three year report published on November 2009), the PRCS was a voluntary service, which pledged to work without any discrimination on the basis of race, religious beliefs, class or political opinions. The report reads that it endeavours to relieve the sufferings of individuals, being guided

solely by their needs, and to give priority to the most urgent cases of distress. The Red Crescent Turkey sent 400 food parcels, 300 kitchen sets, 1,000 blankets, 2,000 tents, 960 water bottles (10 liters each) and medicines worth over Rs 8514,000. However, the cargo of the Red Crescent Syria containing 7,500 kilogram rice, 6,500 kg sugar, 5,000 kg vegetable oil, 3,000 kg cheese, 2,000 kg beef, 4,000 kg jam and 1,000 blankets. Moreover, the Red Crescent UAE contributed for the flood victims while sending 500 tents, 5,500 kg flour, 4,000 kg rice, 288 boxes of medicines and 200 boxes of garments.

[The Nation – November 26, 2010]

Distribution of Free Seeds, Fertilizers Launched in KP

The distribution of free wheat seeds and fertilizers has been launched to flood affected farmers of Khyber Pakhtunkhwa as officials of the Agriculture Department and NGOs are busy distributing these items among them as part of government's initiative to help out poor growers in this hour of need. The seeds and fertilizers are available at the food department centres where officials from revenue, market committees and agriculture and food department are available to facilitate and help the flood hit farmers and growers upon the advent of sowing season in Khyber Pakhtunkhwa. The farmers of worst affected villages of Mohib Banda, Dheri Mian Ishaq, Aman Kot, Banda Sheikh Ismail, Pashtoon Ghari, Pir Sabaq and Zakhel have received their share of seeds and fertilizers on October 30 and October 31. The package contained one bag of urea, 50 kilogram wheat seeds per acre besides other necessary items to those whose crops were destroyed by floods in Nowshera and Charsadda and other flood hit districts of the province.

[The News – November 01, 2010]

100 Tents Set up for IDPs in Dera Ismail Khan

South Waziristan and Dera Ismail Khan Operational Commander Major General Muhammad Nawaz on November 28 said a transit camp consisting of 100 tents had been established at Dera Ismail Khan for internally displaced persons (IDPs), so they could return home, adding that the South Waziristan political administration had been directed to setup a similar camp at Tank. He was addressing a meeting of military and civil officials at Jandola regarding the IDPs from South Waziristan. The operational commander said that free medical camps would be set up in affected areas and the affected people would be provided with cooked food and complete security.

[Daily Times – November 29, 2010]

Punjab Focusing on Rehabilitation Plan for Flood-Hit People: Shahbaz

Punjab Chief Minister Shahbaz Sharif has said that the Punjab government is implementing a comprehensive plan for the rehabilitation of flood victims and free seeds and fertilizers are being provided to the farmers of the flood-hit areas. He urged the assembly members to maintain a close contact with the people and spare no effort for the solution of their problems. Shahbaz was talking to assembly members from various districts on November 29. The meeting discussed ongoing development projects in their respective areas.

[Daily Times – November 30, 2010]

Assessment of Housing in Flood-Affected Areas Conducted

The UN-HABITAT team has conducted a qualitative technical assessment of housing and settlements in the flood affected-areas of Pakistan. The results were compiled in the Rapid Technical Assessment of Damage and Needs for Reconstruction in Housing Sector, an extensive report which explores the nationwide housing needs, community capacity, vulnerability and preferences based on 47 tehsils of the most affected districts from all the provinces that were struck by the 2010 monsoon floods in Pakistan. Lieutenant General (R) Nadeem Ahmed, NDMA chairman said that the team used participant observation, community interviews and detailed analysis of individual houses to provide an overview of the damage, and, more importantly, an initial estimate of the capacity of households and communities to participate in the reconstruction. From August 20 to September 4, joint teams of engineers and community social mobilizers assessed the housing situation in all 5 provinces and AJK. The report consists of the different types of damages and aspects of construction such as building performance, existing practices in construction, material and local knowledge for protection of building and settlement. Community involvement during construction season and their off-season engagement in construction trends and practices is reported as well.

[The News – November 02, 2010]

Flood-Hit Areas MPs to be taken on Board: PM

Prime Minister Syed Yousuf Raza Gilani has said that he would soon meet all the MNAs belonging to the flood-affected areas to take them on board regarding rebuilding of the damaged infrastructure so that the government's efforts could be given public ownership. The Prime Minister was talking to a number of Parliamentarians who called on him separately at the PM's House on Friday to discuss the status of ongoing development projects in their respective areas and various issues of the public nature. The Prime Minister said that the proposal given by the MPs would be given high consideration and any future development plan would be designed in the light of consensus reached at these meetings.

[The Nation – November 13, 2010]

Survivors to Get Free Fertilizers, Seeds: CM Sindh

Sindh Chief Minister Syed Qaim Ali Shah said on November 06 that government's attention is focused on rehabilitation of more than seven million flood-affected people and efforts are being made to give Rs100,000 as well as seeds and fertilizers to each survivor family free of cost. Talking to journalists, the chief minister said the government was doing everything in its power to rehabilitate the flood-affected people. He said the government would protect interests of the province at any cost. Work on Thar coal project was proceeding at a rapid pace and all formalities had been completed in this regard, he said, adding that besides producing electricity the project costing around \$4 billion would also create thousands of jobs.

[Dawn – November 07, 2010]

Relief Goods Arrive in Gilgit Baltistan

Sources said that more Chinese aid arrived for the disaster-hit people of Gojal on November 20. Chinese officials accompanied the trucks of relief goods and were received by Pakistani officials in Sost, Gilgit-Baltistan (G-B). The Chinese delegation was led by Lie Yong. Secretary Finance, Gul Baig, and Director General G-B Disaster Management Authority, Abdul Qayyum, along with others participated in the ceremony organised by the G-B government in Sost to thank the Chinese government for extending timely and continuous help to the affected people of Pakistan. The total aid amounts to over Rs 150 million. While addressing the ceremony at Sost, the Chinese representatives said that China would never leave Pakistan alone in times of grief and would offer more support in the future if the situation required it.

[The Express Tribune – November 21, 2010]

Efforts to Drain Out Floodwater Reviewed

The provincial education minister, Pir Mazharul Haq, has said that efforts are underway to drain out floodwater from low-lying areas within the shortest possible time to reclaim agriculture land and make it fit for Rabi crop. Talking to journalists after a meeting with the irrigation officials on November 23, he said that he had been assigned the task to monitor the arrangements to drain out stagnant floodwater from low-lying areas of Qambar-Shahdadkot district into Manchhar through Hamal Lake. The Chief Engineer Indus Right Bank, Agha Rafique, engineers of Wapda's Scarp division and irrigation officials thoroughly briefed the minister about methodologies of plugging breaches (into different canals) and draining out stagnant floodwater.

The minister said that coordinated efforts of the concerned departments were required to flush out floodwater through Main Nara Valley drain into the Manchhar. He said that 75 per cent of water would go by gravity while 25 per cent would be drained through heavy pumping machines. , the minister said that currently three pumping stations were working to drain out water from Khairpur Nathan Shah, Mehar and Johi. He added that urgent efforts were needed to flush out water from three low lying talukas of Dadu district. He said power distribution companies had been asked to restore electricity in the flood-affected areas and stand-by generators were also installed at the pumping stations to ensure an uninterrupted de-watering process. He said heavy floods had caused damages to educational institutes as the survivors had damaged furniture while staying in relief camps established in schools. He claimed that majority of schools had been vacated where educational process had also resumed.

[Dawn – November 24, 2010]

Resolution on Loans for Farmers, Land-Owners Passed

It was recommended at the Sindh Assembly session on November 08 that the Sindh government should approach the federal government to ensure that every district starts providing flood survivors access to money so that they may rebuild their homes and businesses. MPA Arif Mustafa Jatoi of the National Peoples Party (NPP)

tabled a resolution at the session, asking that the flood survivors be given money through the House Building Finance Corporation (HBFC), the Zarai Taraqiati Bank Limited (ZTBL) and other financial institutions. The resolution received unanimous approval and was passed on November 08 sessions, where most of the legislators were of the opinion that people living in rural areas were unable to receive loans because of the complicated policies of financial institutions. The law minister said that the government will try and negotiate a policy with the State Bank of Pakistan (SBP), under which people may get loans to reconstruct their houses and restart their businesses. Muttahida Qaumi Movement's (MQM) parliamentary leader Sardar Ahmed said that there is a "dire need" to support the country's agriculture and production sectors, which have already reduced from six per cent to two per cent over the last few years. Sindh Finance Minister Murad Ali Shah said that the ministry had negotiated with the federal government for a relief package for farmers and land owners, adding that he hoped that the package would be approved and benefit the people soon.

[The Express Tribune – November 09, 2010]

USAID to Spend Rs 7.7 Billion to Provide Food to Flood Victims

The United States government has announced that through the United States Agency for International Development (USAID), it will provide an additional \$90 million (Rs 7.7 billion) to the World Food Programme (WFP) in Pakistan to help 7.3 million flood victims. A press release of the US embassy issued on November 09 said that USAID Assistant Administrator for the Bureau of Democracy, Conflict, and Humanitarian Assistance Nancy Lindborg announced the contribution at the WFP Executive Board Meeting in Rome. **As part of the \$90 million contribution, USAID is providing emergency food assistance valued at \$45 million, including more than 37,000 tonnes of wheat flour, 6,100 tonnes of vegetable oil, and 2,700 tonnes of dried peas.** To help address needs in the coming months, USAID is complementing its in-kind food assistance with a \$45 million International Disaster Assistance grant, which will allow WFP to meet immediate food assistance needs by purchasing food in local markets, including approximately 70,000 tonnes of wheat in Pakistan. According to the statement, to date, **the United States has provided more than \$227 million in emergency food assistance to the flood victims through WFP and private voluntary organizations.** The statement added that this is in addition to USAID food assistance provided to populations affected by the ongoing complex emergency.

[Daily Times – November 10, 2010]

EU Assured Gilani of More Aid for Flood Victims

A delegation of the European Union Parliament assured Prime Minister Yousuf Raza Gilani on November 01 that the Trade Concession Package for Pakistan would be passed quite easily by the European Parliament soon along with the new assistance for Pakistan to help it in rehabilitation and reconstruction phase. The assurance was given to the premier in a meeting of the delegation led by Ms Jean Lambert, chair of the European Parliament's delegation for relations with South Asia, at the Prime Minister House on November 01. Reiterating Pakistan's position for preference of trade rather than aid, he said greater market access would facilitate the reopening of the closed textile industries in flood-hit areas of Pakistan, besides creating new jobs.

[The News – November 02, 2010]

UN Raises Winter Funds Alarm in Flood-Hit Pakistan

The United Nations on November 03 expressed increasing alarm over sluggish funds for Pakistan's 21 million flood victims, appealing to donors to act swiftly to stave off a new winter emergency. UN statistics show that only 39 percent of a record appeal for nearly two billion dollars -- about 760 million dollars -- has been received and almost another eight million pledged. The World Bank and Asian Development Bank estimate the damage at 9.7 billion dollars and the Red Cross warned this week that millions of Pakistanis affected by the calamity will need humanitarian assistance for the next two years. Winston said large tracts of land were still under water in Sindh province in southern Pakistan and warned the emergency was far from over. Winston said latest imagery from certain areas of Sindh showed 20-kilometre (12-mile) stretches of land still under water. Winston said the onset of winter threatened a new crisis. She said that fresh data from the government showed that the number of damaged houses had risen to more than 1.7 million in Sindh and the northwestern province of Khyber-Pakhtunkhwa. Eliane Engeler, spokeswoman for the International Organisation for Migration, said only 15 percent of those displaced in Sindh had been given shelter material. UN refugee agency official Duniya Aslam Khan said around one million people were living in camps in Sindh, where 18 new facilities had been set up for those who had been staying at schools until the new term began.

[The News – November 04, 2010]

UN and Islamabad Launched \$1.9b Appeal

The government of Pakistan and the United Nations (UN) on November 05 launched a joint appeal titled "Pakistan's Flood Relief and Early Recovery Plan 2010" seeking \$1.9 billion in addressing the residual relief needs and early recovery needs of the flood-stricken families for the next 12 months. The much-awaited programme document which highlights key challenges, prioritizing projects for early recovery and reconstruction phase, was released at the National Disaster Management Authority (NDMA) secretariat. Funding requirements have been revised on the basis of fresh needs assessment. However, the overarching goal of this plan is to prevent excess morbidity and mortality and to enable flood-affected communities to return to their normal lives. A total of 470 projects were submitted of which 397 have been approved by the government. NDMA's chairman Lt-Gen Nadeem Ahmed said that the reason for the delay in the launch of projects was because each scheme was looked into closely. He said the progress of the projects will be assessed in January 2011. NDMA's chairman said that all the flood victims belonging to Punjab and Khyber-Pakhtunkhwa have returned home but the situation is still intense in Sindh where only 65 per cent of the flood survivors have gone back to their areas of origin. Ahmed said that the situation in Sindh will be a challenge in the coming two months as the government has to provide relief there as well as pump out water from large tracts of land. Funding will be prioritised by facilitating 29 worst affected districts and through facilitating agriculture projects. Those projects which are adequately funded or partially funded will also get funds while there will be a monthly coordination meeting with the stakeholders to revise the needs, explained Ahmed.

[The Express Tribune – November 06, 2010]

Conference on Floods Calls for Reforms to Protect Vulnerable

Speakers at a conference on November 11 emphasized the need for a redefinition of civil, social, governance, economic infrastructure along with a pro-rights and inclusive order as part of a post-flood rehabilitation exercise to ensure protection of the vulnerable in the future. The speakers at a two-day conference, titled 'Flood and Beyond: Recovery, Reconstruction and Reforms' jointly organised by the Pakistan Institute of Labour Education and Research, Pakistan Fisherfolk Forum, South Asia Partnership Pakistan (SAP-PK), Sungi Development Foundation and Center for Peace & Civil Society at a local hotel, warned that short-term measures to flood devastation and rehabilitation of victims will not be helpful. Noted architect, town planner and chairman of the Urban Resource Centre, Arif Hasan, commented on experiences shared by the community representatives, civil society activists and journalists and said that during the recent floods civil society and urban philanthropists came forward to assist the internally displaced persons (IDPs) at relief camps scattered across the country. He underlined the need to strengthen this relationship. "In fact, strengthening this relationship is what will bring positive changes in the society," he said. Chairing the first session on 'Stock Taking of Floods,' Hasan said it was a positive change that displaced persons hailing from rural areas have witnessed a 'new world' after moving to cities, which has inspired them to stay there and find new sources of livelihood.

[Daily Times – November 12, 2010]

Impact of Floods

Floods may Fuel Budget Deficit in 2010-11

Floods are expected to have a substantial adverse impact on the economy and the overall damages made by floods may add significantly to the budget deficit in 2010-11 because the reconstruction and rehabilitation expenses are mainly borne by the government. Rationalizing and reprioritizing the existing development and recurrent budgets both at the federal and provincial levels could yield some fiscal space, but overall, the floods may add significantly to the budget deficit in 2010-11 along with inflationary pressure, adverse balance of payment position due to more flood related imports and many more. According to the World Bank and Asian Development Bank preliminary Damage and Need Assessment report, the effect on various macroeconomic parameters would essentially depend on the policy that the government will adopt in the post-flood scenario. The adverse impact on economic growth is likely to be substantial. The floods are expected to have a substantial impact on the pace of real GDP growth, the rate of inflation, the size of the fiscal deficit and the balance of payments.

Agriculture: In terms of cost, agriculture has been the most severely affected sector, accounting for a full 50 percent of the estimated cost of overall damages. With an estimated 34 percent of area under rice and 21 percent

of area cotton under cotton crop damaged by flood waters, rice and cotton output may fall 2 to 2.5 million tonnes and by about 2 million bales, respectively. In addition, there were significant losses to the sugarcane, fruits, vegetable and other minor crops. The overall damages and losses to the agriculture sector are estimated to be around Rs 429 billion.

Livestock: This sector too has suffered some heavy losses as in many areas of Khyber Pakhtunkhwa, Balochistan and Sindh flood took villages by surprise making it impossible for farmers to save their animals. About 1.5 million animals and about 10 million poultry birds were lost. Nonetheless, the overall direct and indirect losses in livestock sector are estimated to be Rs 48 billion.

Manufacturing: As rural areas have borne the brunt of flood devastation, the industrial sector has not been much affected by floods. Some small industrial units, largely cotton ginning and rice husking mills, were damaged. Nonetheless, the industrial sector is expected to be quite significantly affected by loss in cotton, sugarcane and other agricultural crops.

Services: Due to the impact on agricultural and industrial income, demand for output of services sector is likely to weaken, thus adversely impacting the growth of the sector. Moreover, large-scale damage to the private housing, transport infrastructure, and banking sector along with disruptions in economic activities in other areas, will also contribute to an overall slowdown in economic growth. These dampening impacts are likely to be partly offset by higher construction and public administration activity as rehabilitation efforts get underway.

Inflation: Inflation has already started to accelerate. During 2009-10, headline inflation averaged a relatively high 11.7 percent, but it had been expected to decelerate this year. However, at end-September 2010, the month-on-month headline inflation surged by 2.7 percent. This increase in the monthly headline inflation is driven by post-flood price increase of perishable and nonperishable food items. On month-on-month basis, prices of perishable food items increased by 14 percent in September, while that of non-perishable food items increased by 3.6 percent.

Fiscal deficit: The 2010-11 government's budget targeted a fiscal deficit of four percent of GDP, and although this target will require substantial revenue mobilisation and a surplus at the provincial level, the government seeks to meet this goal, before the impact of the floods. However, tax revenue may decline as economic activity weakens, while expenditures would increase sharply due to relief, recovery and reconstruction-related efforts. This impact on the revenue could be mitigated if the government promptly proceeds with additional tax policy and administrative measures. This positive step, however, would cover only a fraction of the expected fiscal cost. Pakistan would need a health injection of grant and concessional financing to avoid a medium to long-term damage to economic stability. A careful balance needs to be established between the need for an early rehabilitation of infrastructure and ensuring economic stability. An accelerated reconstruction effort, in the absence of adequate inexpensive financing, can force the government to borrow heavily from the banking system fueling inflation and building-up the stock of more expensive debt, which can further destabilize the economy. Balance of payments position may also weaken. Even before the floods, the current account deficit was projected to widen slightly in 2010-11 from the two percent of GDP registered in 2009-10.

[Daily Times – November 23, 2010]