

Economic Growth, Development and Resilience

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Let me begin by outlining our current state of knowledge about Economic growth and Economic development. Rapid economic growth has helped bring almost 1 billion of poor people out of poverty during the last twenty five years. But this growth has also given rise to inequalities – income, regional and gender. This mode of growth has also created a major risk of global warming that may damage the human civilization if preventive measures are not taken.

It has become quite apparent that economic growth and development cannot occur without political commitment and consensus on the policy direction and in absence of strong institutions to translate policies into actions. The question which arises now: how can we redesign economic growth? By now, there is a broad agreement that growth should be rapid, equitable and sustainable. This is by no means a straight forward proposition as it involves tradeoffs, tensions and thus, choices. For example, fossil fuels that have been the backbone in the past for growth are no longer the preferred mode of energy due to their impact on Carbon emissions and global warming. Alternate growth strategies would have to be formulated by each country to suit their own requirements. The success of Paris Conference is built on the indicative national commitments made by each country. The free rider problem in such collective endeavors is something we have to grapple with. Externalities arising from weak enforcement of these commitments would have serious repercussions for the climate change agenda.

As we get more and more interlinked and become dependent on each other in the context of globalization we should be prepared to face the unforeseen and unanticipated shocks arising from this interdependence. For example, net external capital outflows from emerging countries in 2015 in the wake of the events in Europe, China, US and Japan have adversely affected these economic prospects of many countries who have managed their economies quite.

Given these challenges what is that we in Pakistan should do to attain rapid, equitable and sustainable growth? Let us first focus on the design feature of such a strategy;. I would like to propose some essential ingredients of such a strategy. The integration of the Climate change agenda and the SDG targets for Pakistan should flow from the execution of this strategy.

- (a) The metrics to evaluate progress and success would no longer be simply GDP growth but also distribution of benefits of growth and mitigation and adaptation to climate change. Unless the measurement tools are properly developed we may drift into uncharted territory not knowing whether we would be able to reach the goal in specific time period or not.
- (b) We have to define the time path clearly and resolve the tradeoffs deliberately. Should we accept a lower growth rate if by doing so it is possible to manage the risks associated with climate change? For example, can we agree to substitute water intensive crops such as sugar by drought resistant varieties of other crops? We may then have to import sugar causing a stress on balance of payments or sacrificing other essential commodities and items. Will the political economy with the existing power structures where the sugar mills are owned by influential members of the elite of this country allow such a transformation?
- (c) ***Social Safety nets and Social transfers*** – The burden of climate change will disproportionately fall upon the poor and vulnerable segments of the population. They do not have coping mechanisms to deal with floods, droughts, water stress, crop failures, poor yield, depletion of fisheries, deforestation. State has to step in to help these people. So far, Social transfers account for less than 2.5 percent of the budget mainly through BISP. Will the Governments be able to re-appropriate resources towards this segment of the population to help them cope with these adversities? Which expenditures would they be able to curtail? Would they be willing to impose additional taxation for example, on urban property, real estate and capital gains on the well-to-do segments of the population?
- (d) ***Institutional capacity and coordination*** – The existing institutional infrastructure in Pakistan to execute the agenda for climate change is too fragile. The Federal Ministry of Environment does not have the requisite mandate or clout to bring all the different sectors, different provinces, and different ministries of the Federal Government together. The Planning Commission, Council of Common Interests and National Economic Council can step in but their past track, lack of awareness and willingness to take initiatives do not give much hope.

- (e) ***Local Governments and Community Participation*** – A few components of the growth strategy can best be implemented at the grass root level by the local governments with the participation of the communities. The ownership for action is likely to be more pounced and the probability of successful implementation is quite high if some the responsibilities are devolved down to the District Governments. Education from primary to matric, Health services from Basic Health units to District Hospitals, Potable Drinking Water Supply, Sanitation, Sewerage and Solid Waste Disposal should be managed by the Local government given adequate financial resources, authority and powers. Accountability of results and policy guidance would remain within the domain of the Provincial government.
- (f) ***Skills gap*** – As the demographics of Pakistan is favorable with a bulging youthful population technical and vocation skill development deserves the highest priority. A few initiatives have been taken in the last few years but the results so far are not very satisfactory. At higher education level, we have to devote attention to ICT nanotechnology, biotechnology, materials sciences etc. to use these technologies in the services of the population by enhancing productivity and thus reducing the use of inputs required for producing one unit of output. This saving in consumption of raw materials, commodities, would have a favorable impact in attaining the new growth strategy.
- (g) ***Shift in agriculture production*** – Hunger, Malnutrition and Food insecurity are like to become intense in the coming decades unless serious remedial measures are not taken and initiated now. The agenda for sustainable agriculture is quite long. Water wastage inefficiency, proper pricing, land levelling, water course lining, reservoirs, dams and storage, drought resistant varieties, overuse of insecticides, pesticides and herbicides are the known and tested measures that can contribute to higher productivity and food security. Construction in flood plains and expansion in hazard prone areas have to be curbed. Targeted subsidies aimed at introducing and disseminating these practices would be desirable compared to the present regime of across-the-board subsidies that encourage these harmful practices.
- (h) ***Diversification of energy sources*** – Although Pakistan is not one of the top emitter of Carbon dioxide the preponderance of furnace oil and diesel and the planned shift to

coal based power plants raises some alarm bells. It is true that solar and wind plants are being set up but the hydropower potential remains unexplored. A combination of indecision, hesitation and suspicions has polluted the atmosphere but the collateral benefits of water storage and electricity generation make this source extremely attractive. Initial Capital Costs are quite substantial but the subsequent operating and maintenance costs are low. The burden on the consumers also falls significantly and clean energy goal is achieved.

- (i) ***Unplanned Urbanization*** – Almost 50 percent of the population in Pakistan lives in urban and peri-urban areas. Building codes for homes, affordable and efficient public transport system, resilient infrastructure, waste recycling to produce energy, solar power can bring about low carbon with savings in water and energy. The governance and management structure of cities has to be aligned with the imperatives of an environment-friendly, poor-oriented growth agenda. Weak enforcement of the existing laws and regulations has given rise to squatters, slums and katchi abadis. Legal titles to those living in these habitats would create property rights and unfreeze the dead capital as well create incentives for orderly improvement in these areas.

The Pakistani society has demonstrated during the last six decades that is quite resilient. It has faced a number of wars, catastrophes, natural disasters, external and man-made internal shocks, political instability, but every time it has come out of these crises quite well. The state has now to play an equally critical role in redesigning the growth strategy, revitalizing its institution, reengineering its business processes, and retooling its bureaucracy. The combination of this partnership between the society and the state would improve the prospects for Pakistan successfully meeting its commitments and bettering the lives of its population.

Climate resilience would involve the whole milieu of social, economic, technological and political strategies that have to be implemented at all levels of society.

This is a daunting task and given the current fragmentation, divisiveness and a general atmosphere of confrontation, point scoring and adversarial relations I am not very hopeful that resilience building for climate change should be assumed on the pattern of the past experience. A lot of pro-active work has to be done to build up this resilience by bringing all political parties, tiers of governments, organs of state, society at large on the same wave length. Visionary Leadership would be needed to get this very difficult task done.

Institutions would have to build the capacity to absorb stresses and recover and keep functioning in the face of external shocks imposed upon them by Climate change. The response capacity, adaptive capacity and ability to re-organize under after absorbing the shocks would ultimately determine the degree of resilience.