

THE ECONOMY OF MODERN SINDH¹

Why this book on the economy of one single province? We have been too much focusing on the macroeconomic picture of Pakistan as a country, which is fine and which is totally justifiable. But that aggregation is top-down, all the information is available at the aggregate level. It is not the bottom of approach which ideally should go from Districts to the Province and then to build the National picture. So, we are losing a lot of useful information in this process of top-down aggregation. Each Province has its own peculiarities, has its own strengths and weaknesses and we have to look at them as a separate unit of study, to capture those peculiarities and build up the strategy within the overall macroeconomic framework. This way the richness and uniqueness of each individual unit of study would mesh in with the overall picture but at the same time identify the tensions and complementarities between the provincial and macro strategies.

This book is aimed to reach several audiences and that made our task quite difficult. First of all, it is a textbook for all the economics students of universities in Sindh.

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That is my first priority because there is no other book in Sindh which analyzes the economic features and dimensions of this province, so my first audience is the students of the colleges, universities, professional institutions where Economics is being taught Business Schools for example.. Second is that we have made enormous efforts in collecting and mining data on key economic and social variables of Pakistan, Sindh and Punjab over a long time series. Not only that we collected it we have also cleaned it up. We have gathered it from so many different sources but we did not accept them on their face value. We had to scrutinize them, test them for their accuracy, for their veracity and for their consistency. So, we have some time series which end in 2005 and 2006 and lot of critics were saying; Oh! In 2018, you are presenting analysis based on ten to twelve year old data.. You cannot invent the data or fabricate the data, we had to discard the recent years because they did not fall within those acceptable parameters and did not withstand scrutiny tests and consistency check. In addition to 209 text tables and 77 figures there are 100 annex tables and 7 figures. This information is now available to the researchers who want to look at a particular sector. For example, if somebody is interested in the educational strategy for Sindh, they will find that latest information, but also historical information available in a consistent manner. So, we are enabling the researchers to have access to authentic to the extent possible on which day can

build their future work. The third audience is the policy makers of Sindh. The policy makers take decisions which are not based on evidence but they take decisions based on intuition and their own personal experiences and therefore the present mode decision making is not very much a perfect substitute for informed judgment. So, by providing the evidence we hope that the policymakers would be able to improve their decision making by making use of the trends, analysis and evidence .

The fourth audience is the media and the general public. Our media without having any basis come to conclusions which are frightening and which mislead the listeners or the viewers and we wanted to place factual information in the public domain so that people like you can challenge them and say look, here is the authentic data which shows what you are saying is quite different from the actual picture. Right now, you don't have anything to challenge these people so they can get away with murder. Our humble contribution is to raise the level of discourse to a much higher stage by equipping people like you with facts and figures to judge whether what the anchors, the discussants, the talk shows, the participants are saying is biased or not. When you have these four different audiences you have to compromise on a few things. If it was simply a guide for policy makers we would have had more in-depth strategic directions for each of these sectors as to what is to be done and how can this be done .

Let me now move on to share the main messages emanating from the work we have done. It shows that Sindh was and still is the richest province in Pakistan. It has 30% of GDP share in the National economy while its population is 23%. Punjab has 54% share in GDP and 53% population so it's not anything exceptional. But what is distressing to me, is the fact that this province at the time of independence had a per capita income which was 55% higher than the rest of the country, by early 1990s it was only 36% higher so other provinces and the national economy were growing relatively faster than Sindh and Sindh was lagging behind. By 2014-15 the differential was down to only 17%. And the sad news is, that during the last few years the growth rate in Sindh has been only 1.2 % per annum while Punjab and KP have done 2.6% and 3.3%, please note KP's per capita income growth rate is twice that of Sindh. So, this is not a very happy news. We are losing our advantage and other provinces are either catching up or overtaking us. What are the reasons for that? If any one views at Sindh from stratosphere or somebody from Mars lands in Sindh and looks at its comparative advantages relative to the other provinces that individual would be very impressed. Why do I say that? We have two major seaports in the country. Gwadar has not yet been developed but all international trade takes place through the two seaports located in Sindh. We have a much richer pool of talent produced by high-quality education institutions in Sindh including this

institution. We have vast tracks of irrigated land; we have highest proportion of irrigated land compared to any other province;. We have significant reserves of natural gas, coal, and minerals. it's only recently we have started exploiting coal reserves . We have a dynamic Private sector. We have strong financial and industrial infrastructure in this province and finally we have all the wherewithal to mobilize resources for development of Sindh and for providing public services. The conundrum is if the province enjoys such strong comparative advantages why is that that our graph is going down .Let me submit what we considered in our book as the reasons for this downfall. 52% of the population lives in urban areas and 48% live in rural areas according to census. Urban areas have industry and services as the major sectors of economy, and the Rural areas have agriculture as their major source of income. But 39% of the work force is are employed in agriculture and 34% in informal sectors. Productivity of labor in informal sector and in agriculture is not only low but is also declining and those of you are Economists know it well that productivity is actually the force for structural transformation and growth . According to Lewis Economic Growth Theory, low productivity agriculture releases workers who are surplus, they come and work in high productivity urban areas and this reallocation of labor leads to high economic growth, that is a theory. So, why is it that we are not getting the results according to that theory ? It is because in urban

areas 50% of the population is living in Kacchi Abadi, in informal settlements they don't have access to water, electricity, they don't have access to what I called as basic services. They are not educated and are prone to disease. Therefore the majority of the population draws its subsistence from doing odd jobs , part time jobs, casual workers, daily wage labour, footpath vendors, setting up khokas and driving rehris etc. We all know that productivity in informal sector is much lower compared to the formal sector. . The widespread encroachments outside the Empress market in Karachi or any other market in Sindh were manifestation of informal economic activity.. So the theoretical expectation that there would be reallocation of labour from agriculture to industry and services does not take place in actual fact although the surplus labour migrates to urban areas from the rural.. In this way you see a pull-down towards overall lower productivity. In agriculture , the introduction of high yielding varieties, fertilizers, increased availability of water raised productivity significantly until 1990s. But during the last 20 years there has been no major breakthrough either in technology, seeds, irrigation water availability and as a result our agriculture productivity has gone down. What is more disturbing is that we have focused on crops mainly and neglected other sub sectors which have potential to augment rural incomes and reduce incidence of poverty. We have a long coastline and the world market of the fisheries runs into 150 billions of dollars

annually rising by 8 percent per annum. ,while Pakistan's sea food exports are a miniscule 450 million dollars or 0.3 percent of the world market. Any other country possessing such long coastline would be able to sell billions of dollars of sea food to the rest of the world. Coastal tourism can also be developed for those interested in water sports. We are sitting on a reservoir of riches and nobody has given any attention to the fisheries. Similarly, as urban incomes rise the demand for poultry, meat, vegetables, fruits, dairy and other high protein diets rise and that is provided by livestock. Artificial insemination, Veterinary services , Genetic improvements , cross breeding and feed enrichment , biotechnology or research on livestock are missing. Dairy production in the organized sector –pasteurized and UHT brands – has not touched even 10 percent of total milk production in the country while urban middle class is growing rapidly .We have tourism spots in Sindh as it is citadel of the Indus civilization and with proper facilities we should would be making a billion dollars of tourist receipts from Moen-jo Daro alone . Are we doing that? Not at all. I am sure majority of you sitting here have not even thought about the potential of fisheries, livestock, and tourism for Sindh as the propellant of growth and for reducing the rural urban income disparities. This is what the contribution of this research work is i.e. to bring to public notice the wide gap between the potential sources of income that are at present neglected and are not on the radar screen of

the policy makers. Their development would also create jobs as these are labour intensive activities,.. Similarly we have had sizeable Coal reserves in Thar , which had been sitting there for a long time and it is only recently that we had the first coal power generation plant for electricity. In the meanwhile we had been importing 15 billion Dollars of oil and oil products from abroad. 66% of power in China until recently was generated by coal.,60% of electricity in India, therefore their bill for imports was much lower compared to Pakistan. Those are the kind of insights we gained from this study.

The other finding of this book is that the gap between the rural females in the urban males is widening. I don't know of any country where if the females are not given equal opportunities for education and labor force participation it can ever take off. Look at the story of Vietnam, Vietnam was completely devastated by the Americans after the war with the US. And Vietnam was way behind Pakistan till 1998-1999. Today their exports are 350 to 400 billion, while we are stuck with 25 billion. Why? The female labor force participation rate is equal to that of the male force participation rate. If 50% of the population not taking part in economic activities you can never take advantage of that reservoir of labor which is one of the factors of production for growth. Sindh, unfortunately, is going the other way where female literacy rate, female labor force participation rate are either stagnating or going

down. Girls enrolment is very high in Medical colleges, in universities but look at the rural female labor participation rates , they are very very low. 28% only; can you imagine? 72% are sitting home and are not contributing, anything to the productive economy.

What is the way forward? There are several challenges we have identified in this book which need to be addressed . One of the major challenges is that every year we will have 300 thousand to 400 thousand young men and women entering the labor force and we have to find jobs for them. Not in informal sector but in productive sectors. How are we going to do that? We have to get away from accreditation-based degrees chasing education system to a system where skills and knowledge are the main drivers for employability. We have graduates coming out of the universities, who cannot contribute anything useful to the productive sectors of economy. We have to produce technically and professionally skilled manpower and increase the participation of the females. Second how to raise a productive of agriculture which is declining so that we don't meet food shortages. I am sorry to say it is the governance problem, this is a province where they have allowed outlets from the main canals to the influential well to do landlords while the tailenders who are poor, and don't have any influence are deprived of their legitimate share of water. We call it warabandi, but warabandi is only one sided to benefit the rich

landlords. So, there is over flooding in those fields by excessive use of water and production touching four tons and five tons, while the tailenders cannot produce even one ton due to inequitable distribution of water. Imagine a situation where if there is equitable distribution of water, the tailenders get their share and they increase from one ton, I am just saying from one ton to two ton how much extra agriculture output and agriculture incomes we will gain and how much poverty will be reduced, because the tailenders are the poor people. The landlords or 0.45% of the farm owners having hundred acres and above have the same power as 75% of the farmers who have only less than five acres as they control access to scarce water resources and subsidized agricultural inputs. They are the ones who have marketable surplus which is sold to the Food departments at procurement prices higher than international prices. Despite these advantages most of them are absentee landlords and are not actively engaged in management of their lands. They rely upon Munshis and whatever Munshis do they are not interested in increasing productivity because the landlords get huge tax free income to ply their SUVs and live in Defense, Clifton in Karachi and send their children to the best schools.

What about water pricing? When I was in the Sindh government, we used to recover 100% of operational and maintenance expenditures from water charges. Today this

recovery amounts to only 10%. People talk of electricity losses, but the most glaring example is the loss to the economy from irrigation water inefficiencies and mispricing. We are recovering one tenth of the expenditure on operation and maintenance, what to speak of capital expenditure .

The third challenge is how to use the relative strengths of the urban and rural economies for the larger benefit of the population of the province. Karachi can take care of itself, if it is allowed to collect the property tax on a new cadastral survey and market-based valuation system. The city would not need any money from the Provincial government. Sindh government should use its share of the Federal Divisible Tax pool for the benefit of Tharparkar, Jacobabad, Badin, Thatta, the backward districts, which need infrastructure, social services, technical, vocational and higher education, health care and a decent transport network. So the urban and rural local governments, if empowered and resourced, can actually provide synergies uplifting the general welfare of the population. The message from the book is that if we devolve the powers from the provincial government to the local governments, and financial appropriations from the Divisible pool are based on the criteria of inequality and poverty, and the rich districts are allowed powers to raise their own resources we would end up with a positive sum game.

The fourth challenge is how to bridge the social gap between the females in the rural areas and the males in urban areas. And our recommendation is that we should make education free for all the females in the rural areas, I think that is the only way whereby this social gap will be reduced, otherwise we will perpetuate this sharp inequality between the rural females and the males.

Finally, all of these boils down to what I have been now advocating and documented amply in my last book; *Governing the Ungovernable* i.e good governance . In the ultimate analysis, the story of Pakistan and also the story of Sindh is that we have a lack of governance. We have decay of Institutions; we have patronage client relationships in allocation of resources and employment in public sector. Why should a bright first-class degree holder work hard when he is denied a job compared to a second-class graduate who is either a relative of a member of the National Assembly or the Provincial Assembly or he has got connections. You tell me is this justice? Is this fair play? We want to get these boys and girls to work hard , to have confidence in themselves, but to do so we should recognize that merit and merit alone is the only consideration for giving them employment opportunities. I predict that if we go on merit-based system for jobs and not on connections we would have vibrant well functional institutions and good governance. I was just talking to Prof. Nisar and he said to me that the teachers selected after clearing the

IBA test were doing extremely well in the Schools, compared to those who were appointed on Sifarish and on connections. You have a living example in this province where the behavior and the output of those who were selected on merit is totally different from

those who come through the backdoor. So, governance and institution reforms which I happen to be involved these days are the only way whereby we can again take this Province back to its glory in 1947, 1948. It was 55% higher than the national economy. I wish by 2030, 2031 Sindh should have placed 60% higher than the rest of the country. Thank you very much.