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NEWSLETTER

JUNE 2021 EDITION

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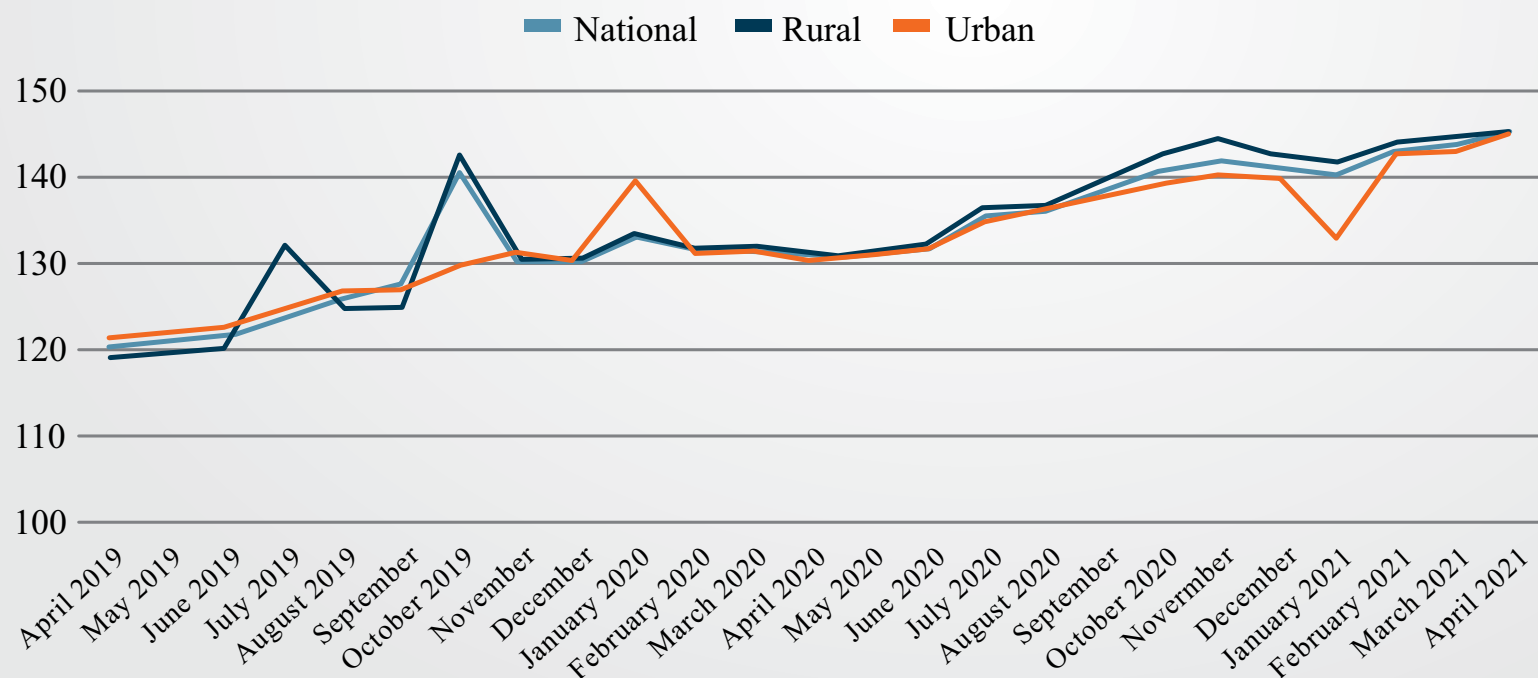
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MACRODATA IN FOCUS

- Consumer Price Index (April 2019 - April 2020)

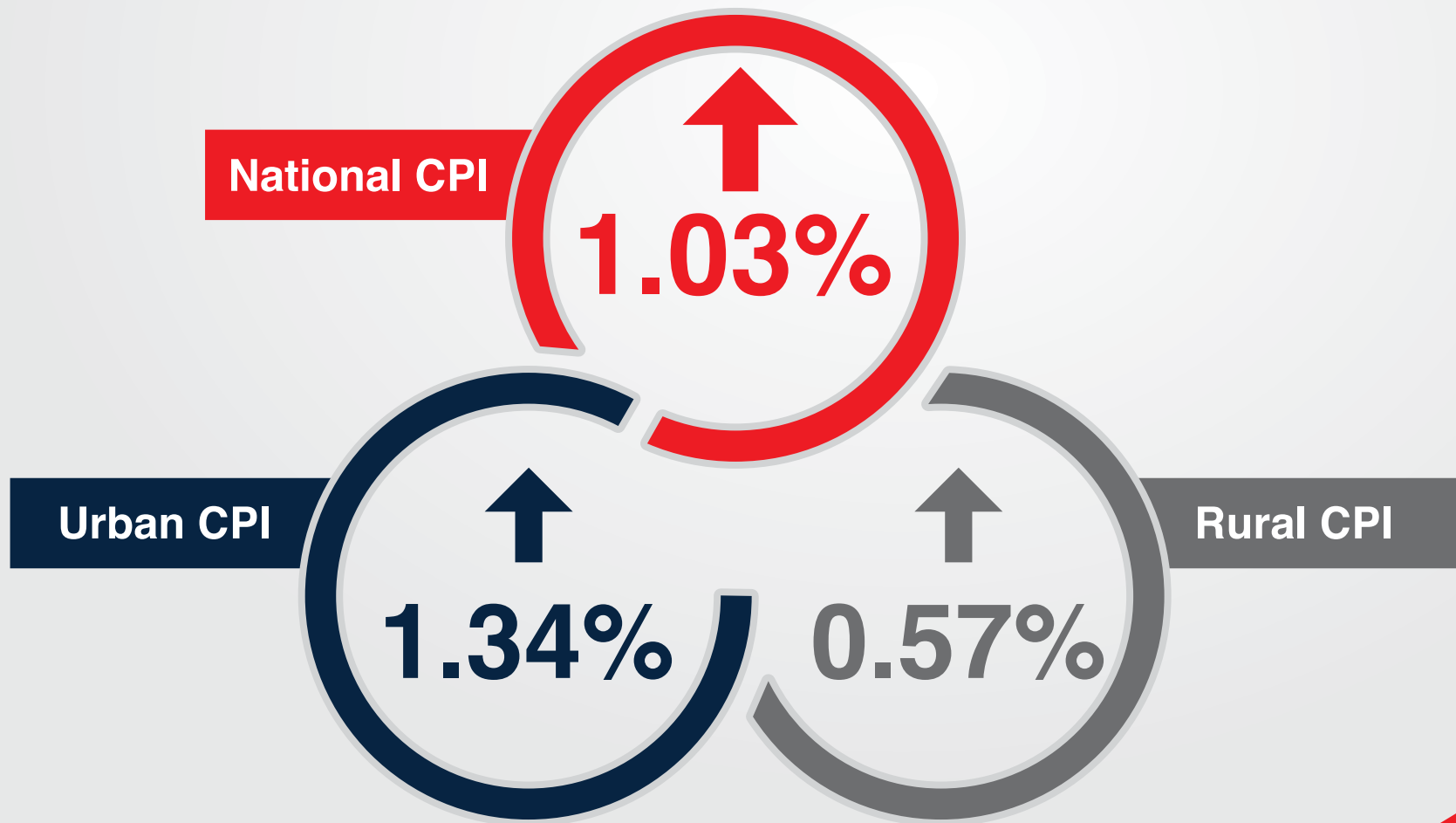
CONSUMER PRICE INDEX (CHANGES FROM APRIL 2019 TO APRIL 2020) BASE YEAR 2015-16



From April 2019 to April 2021, the Consumer Price Index (CPI) increased by 20.6%. For urban areas, the CPI increased by 19.5%, while for rural areas it increased by 22.3%

Source: Press Releases on Consumer Price Index (CPI) Inflation
(April 2019-April 2021) Pakistan Bureau of Statistics

CONSUMER PRICE INDEX (CHANGES FROM APRIL 2019 TO APRIL 2020) BASE YEAR 2015-16



WHAT'S IN THE NEWS?

- Is Pakistan's Economy on Track? A Broad Overview

IS PAKISTAN'S ECONOMY ON TRACK? A BROAD OVERVIEW

Despite being hit with the third & deadliest wave of the COVID-19 crisis, Pakistan is on the path to macroeconomic stability, and looks towards an economic expansion this year.

The World Bank predicts that Pakistan's economic growth will rise to 1.3 percent in FY2021 & will further rise to 2.7 percent for FY 2022-23. This can be attributed to a rise in private consumption since July 2020, a record increase in remittances and income support from the Ehsaas program.

However, baseline figures differ from the ones set out by the government. The new Finance Minister, Shaukat Tarin, has projected the growth rate at 3.94 percent for 2021, and upto 5 percent for 2022. The new Minister's strategy aims to prioritise price stability, increase tax revenue, and promote bottom-up sustainable economic growth.

Dr. Ijaz Nabi, member of Pakistan's Economic Advisory Council, in an article sets out six rules to be followed for sustainable economic growth: consistent expenditure targets, changing the subsidy structure for Pakistan's energy sector, fine tuning the Ehsaas program, designing large public projects with regulations that invite private investment, increasing tax enforcement and for the government to build a capacity to consistently monitor and evaluate expenditure and revenue targets.

SOURCES:

- [The Cycle of Futility](#)
- [There should be sustainable and inclusive economic growth in Pakistan: Shaukat Tarin](#)
- [Pakistan Development Update](#)

POLICY ANALYSIS

Balochistan remains one of the most underdeveloped areas in Pakistan despite having abundant natural resources and being Pakistan's largest province by land with geopolitical advantage. Without a guiding framework, public spending in Balochistan remains ad-hoc, inefficient and weakly aligned with Balochistan's development needs. At the request of the government of Balochistan, the International Growth Centre (IGC) sponsored a project that developed a spatial strategy for development in Balochistan that can provide policy makers with information and tools for long-term development planning. [Learn more about it here.](#)

- Report: A Framework for Development of Balochistan Spatial Strategy
- Blog: A New Development Framework for Balochistan

REPORT: A FRAMEWORK FOR DEVELOPMENT OF BALOCHISTAN SPATIAL STRATEGY

Balochistan is Pakistan's largest province by area but least inhabited in terms of population. It is endowed with abundant natural resources including land, fossil fuels (oil and gas), minerals (copper and gold), an expansive coast and rangeland for livestock purposes.

Of all the provinces, Balochistan is the largest supplier of natural gas in Pakistan. Two-thirds of the country's coastline is along its southern border. It sits at the intersection of key regional trade routes and corridors and has a very strategic location. Yet, despite its location and resources, it remains Pakistan's poorest and most underdeveloped regions and its tremendous potential has not been realised. Of the five poorest districts across Pakistan, four are in Balochistan.

An array of conflicts – tribal, sectarian, and ethnonationalist – have also emerged in the last two decades, plunging parts of the province into sustained instability. Compounding these issues is the province's severely underdeveloped socio-economic base, as it continues to lag on all indicators of human capital and economic investment.

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BLOG: A NEW DEVELOPMENT FRAMEWORK FOR BALOCHISTAN


Over the past several years, Balochistan has remained the bedrock of Pakistan's long-term national economic vision. It is the country's largest province by area – equal to the size of both Punjab and Sindh combined – and has been endowed with abundant natural resources in the form of land, fossil fuels and minerals.

It is the largest supplier of natural gas in Pakistan, and there is significant potential to develop wind energy resources. The province is also home to three-fourths of the country's coastline, and as a frontier province, it is ideally suited to become a hub for major regional trade routes across Iran, Afghanistan, Central Asia, and the Persian Gulf.

However, despite its strategic location and resources, the province remains Pakistan's poorest and most underdeveloped region with economic outcomes far below targets set in the long-term vision.

Almost 71% of Balochistan's households, against a national average of 37%, are classified as poor. Four of the five poorest districts across Pakistan are in Balochistan. Moreover, an array of conflicts – tribal, sectarian, & ethnonationalist have also emerged in the last two decades, plunging parts of the province into chronic instability.

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NEWSPAPER ARTICLES BY FELLOWS & PARTNERS

- Helping Graduated Borrowers through Asset-based Microfinance:
Dr. Faisal Bari
- The Impossible Equation of Circular Debt I Reforming Pensions
in K-P: Mr. Hasaan Khawar
- Cuisine and Culture:
Dr. Umair Javed
- A Long-term View of COVID-19's Impact on the Rise of the
Global Consumer Class:
Mr. Homi Kharas & Mr. Wolfgang Fengler

HELPING GRADUATED BORROWERS THROUGH ASSET-BASED MICROFINANCE

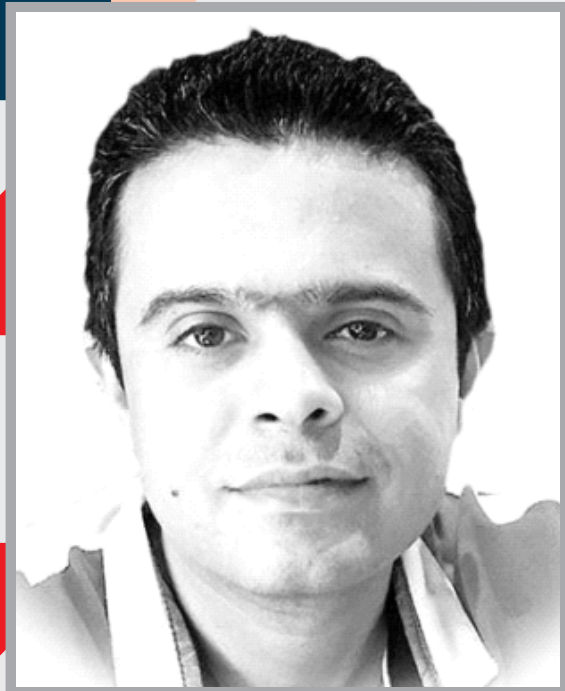


Dr. Faisal Bari

Associate Professor,
Department of Economics,
LUMS

“ Most microfinance loans are relatively small (Banerjee et al. 2015). Their size and structure can be something of a mystery when compared to business financing in many parts of the world, where small firms often have access to contracts that specifically allow them to purchase large fixed assets, often with flexible repayment terms and asset ownership options. This is a stark contrast to most low-income countries, where microenterprise owners typically only have access to inflexible debt-based cash loans that may be insufficient for large fixed capital purchases. Microfinance institutions may be uncomfortable lending larger sums, especially in the absence of appropriate collateral, and if clients do not have productive investment opportunities to generate high returns. ”

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Mr. Hasaan Khawar

Public Policy Expert /
Honorary Fellow CDPR

THE IMPOSSIBLE EQUATION OF CIRCULAR DEBT

“Shaukat Tarin wants to reduce the circular debt but does not want to increase tariffs. Considering the inflationary pressure, his ambition is understandable and even admirable.

Right before Tarin joined the cabinet, the government came up with a three-year circular debt management plan, aiming at containing the circular debt at the current level until 2023. This would essentially mean reducing the flow (addition to the circular debt) to zero. In the absence of this plan (do-nothing scenario), a flow of Rs2.5 trillion is expected to be added to the circular debt by 2023, with new capacities coming online.”

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REFORMING PENSIONS IN K-P

“Khyber-Pakhtunkhwa is the first province to constitute a high-level cabinet committee on pension reforms, signaling its commitment to this very important yet greatly ignored fiscal challenge. Although the issue of mounting pension liabilities has been repeatedly highlighted in the recent past, so far neither the federal government nor any province has been able to move the needle on this front.”

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Dr. Umair Javed

Assistant Professor of Politics
and Sociology,
LUMS

CUISINE AND CULTURE

“ COLONIAL-ERA district gazetteers are interesting documents. Reading them requires constant reminders that their value as historical record is tempered by the fact that they were produced for particular political and ideological ends. The former being how best to understand and order native communities and geographies from relative distance and the latter being how best to transform them for stated social & economic objectives. Resultantly, the effort expended in documenting notable families, their customs, and their willingness to collaborate with the colonial state is significant.

At the same time, though, there are other aspects documented that even with all the caveats that come with colonial anthropology, provide us with good insight into long-term cultural change taking place at the time. With subsequent historical research on pre-colonial and early colonial societies providing important contextual and corrective information, the scale of this change can be assessed.”

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Mr. Homi Kharas

Senior Fellow - Global Economy
& Development, Center for
Sustainable Development, Brookings



Mr. Wolfgang Fengler

Lead Country Economist,
Southern Africa - World Bank

A LONG-TERM VIEW OF COVID-19'S IMPACT ON THE RISE OF THE GLOBAL CONSUMER CLASS

“ COVID-19 has triggered the greatest global economic crisis since the end of World War II. It is important, however, to keep its impact in perspective and measure it against the long-term trends of steady economic progress in the world. Despite last year's global economic meltdown, COVID-19 will only look like a blip in the steady expansion of the global consumer class, which we define as anyone earning more than \$11 per day in 2011 PPP (or approximately \$12 per day in 2017 PPP). In the long-term, the forces of demographic change and productivity growth are too strong to be substantially interrupted by a short-term crisis. Since 2003, when the number of poor and vulnerable people in the world probably peaked, the middle class (\$11-110) has been growing fast. It is the dominant group in the consumer class; the upper class (>\$110) only includes some 200 million relatively wealthy people, although they do account for one-quarter of the total spending by the global consumer class. ”

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 - 4.2 Women and Political Inequality: Umair Javed
 - 4.3 FATF: Looking into the Crystal Ball: Hasaan Khawar

In Pakistan, policy decisions and public discourse are often uninformed by available research. The consortium for Development Policy Research (CDPR) bridges this gap by communicating cutting-edge, evidence-based research on development issues in Pakistan to an audience of policymakers, students, the media and the wider public. With support from the international Growth Centre (IGC), CDPR disseminates policy briefs, hosts events, engages with the media and produces digital content to make topics in development research such as economic growth, energy, education, health and governance intelligible to both decision makers & the public.