

TO BE EMBAROGED UNTIL DELIVERY.
CHECK AGAINST DELIVERY.

The Puzzle of Pakistan's Social Sector Development: Finally on Track?

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Pakistan's economic growth record, of well over five percent for many decades, with noticeable and not infrequent peaks and troughs, by all accounts, has been quite impressive, especially when compared to other countries at similar levels of economic development. However, this record of economic growth has given rise to a dual paradox with regard to Pakistan. On the one hand, the high economic growth has been achieved with very low level of human development fundamentals, where social indicators related to education, literacy, health, and access to water and sanitation have been lower than what one would expect to be required for a country to achieve Pakistan's growth levels. Growth without sound social and economic fundamental is a contrary to the core assumptions of New Growth Theory that assumes human development is a prerequisite for economic growth. Pakistan may have bucked the pattern by achieving high growth with low fundamentals. The second paradox which emerges from an examination of Pakistan's economic performance is that the relatively high and consistent growth has not resulted in an equal improvement in human development indicators. This paper is an attempt to try to understand this dual paradox and it suggests that perhaps while Pakistan may have bucked the general trend in the past, it may now be moving closer to the general pattern observed, where the relationship between high growth and healthier human development indicators is seen to be moving together.

While the examination of the relationship between growth and human development is the main aspect of this paper, we will also look at some historical trends of human development and the relationship between growth and development. This paper will also provide some explanations of the trajectory of human development and growth in the past. The paper begins with a brief historical account of the social sectors and human development in Pakistan followed by an analysis of contemporary changes in these indicators focusing on key issues related to both growth and development.

ECONOMIC GROWTH AND SOCIAL DEVELOPMENT IN SIX DECADES

The sixty years since 1947 can be distinguished by six specific epochs or eras which represent different economic policies, planning and management choices. Moreover, they represent different sets of political arrangements. The first eleven years, between 1947 and 1958, are the periods when Pakistan and its economy were trying to settle down. This period was followed by what many still call the golden era of economic development (or at least economic growth) in the "Decade of Development" under the regime of Ayub Khan. The economy and the political

scene had indeed stabilised and settled down. Consequently, economic growth rates were unprecedented and Pakistan was considered to be one of the few countries at that time which would achieve developed-country status. The *New York Times* of 18 January 1965 stated: '*Pakistan may be on its way toward an economic milestone reached by only one other populous country, the United States*'. Echoing the similar sentiment the *London Times* of 26 February 1966 viewed that '*the survival and development of Pakistan is one of the most remarkable examples of state and nation building in the post-war period.*' However, with the war of liberation in East Pakistan, the majority wing left Pakistan to form Bangladesh and two, not one, new countries were born.¹

The post-1971 Pakistan was a new country in every respect, compared to the one that existed between 1947 and 1971. The third brief, albeit highly significant era in Pakistan's history, was the five-and-a-half years of Zulfikar Ali Bhutto. His populism or Islamic Socialism or just plain rhetoric made him the most popular and only elected leader of Pakistan at that time. His rule ended by the imposition of Pakistan's second martial law under General Zia ul Haq in 1977. There were some similarities between the first and the second martial law, however, the global scenario changed significantly and Pakistan was a different place compared to the one of the 1960s. The opening up of the Middle East, the outbreak of the Afghan War and consequent rise in underground drug and arms business in Pakistan, attempts at Islamisation of the economy and the society, and a praetorian sort of democracy between 1985 and 1988, were amongst the salient features of the Zia era.

The death of General Zia, in many ways, ended the era of old Pakistan and finally democracy re-emerged in the second largest country in South Asia. While political and social changes were fast to emerge, the post-1988 economic changes and programmes also represented a departure from the past, placing very significant impacts on society. However, in 1999 once again Pakistan was set off on yet another different trajectory, in many ways trying to undo the Zia legacy further.

¹ Some of the historical narrative in this paper is drawn from Zaidi, S Akbar, *Issues in Pakistan's Economy (revised and up-dated, second edition)*, Oxford University Press, 2005.

Laying the Foundations: 1947-58

In 1947, the newly independent Pakistan was indeed predominantly an agrarian, undeveloped country with an insignificant industrial and service sector and weak infrastructure. In the first few years after independence survival was Pakistan's main concern, as an adverse international condition and a precarious domestic situation with millions of refugees left the new born nation in a worrisome circumstances.

The first decade of economic policy and planning witnessed the attempts by a bureaucracy trying to keep Pakistan on its feet. The building of an economic base was a Herculean task for state as the private sector was still in its embryo and did not have the adequate capital to lead an industrial revolution in the country. It was the windfall gain made by the mercantile class during and after the Korean War in 1952 that paved the way for the foundations of industry, an industry which the state sector helped to develop and then handed over to the private sector.

The Decade of Development: 1958-68

If we examine the economic growth record of Pakistan, the decade of the 1960s stands out as the best performing period.

Table 1: Growth Rates (%) of Pakistan

Decade/Year	GDP	Agriculture	Manufacturing	Services
1950s	3.1	1.6		
1960s	6.8	5.1	9.9	6.7
1970s	4.8	2.4	5.5	6.3
1980s	6.5	5.4	8.2	6.7
1990s	4.6	4.4	5.8	4.6
1990-91 to 1995-96	5.0	4.2	5.2	5.1
1995-96 to 1999-2000	4.0	4.9	3.2	4.0
1999-2002	3.0	1.3	5.1	4.2
2002-06	6.85	3.95	10.5	7.0

Source: Government of Pakistan, *Pakistan Economic Survey*, various issues, Islamabad.

Table 1 offers a useful indication of the nature of the differences between the decades of the sixties, seventies, eighties and nineties in terms of GDP, agriculture, manufacturing and service sector growth. While the rates of growth for the 1960s and the 1980s do seem to be quite close in most categories, there are important conceptual and ideological differences in the modes of development under the two military regimes.

Dozens of economists and social scientists have written on Ayub Khan's era and they are generally agreed that considerable economic growth and development did indeed take place.² They argue that significant leaps were made in industrial and agricultural production. Consequently, growth rates in excess of 20 per cent per annum were witnessed in the large scale manufacturing sector. In the first five years of the Ayub period, manufacturing grew by as much as 17 per cent and in the second half agricultural growth increased by 6 per cent, while industrial output expanded by 10 per cent. Table 1 shows that the economy in general and the different individual sectors in particular witnessed a phenomenal growth and Pakistan was considered to be a model capitalist economy in the 1960s.

Observers have pointed out that this aggressive capitalist development did create serious economic, social and political tensions. They argue that there was increased disparity in incomes across different regions. This was manifest in the concentration of economic prosperity in both the industrial and agricultural sectors in central Punjab, and in industry in Karachi. Critics of Ayub Khan's model of development point out that these two regions were allowed to grow at the expense of the rest of the country and the end result was the separation of East Pakistan from mainland.

Besides the increasing disparity across class and region, the social sectors were also neglected by the then government of Pakistan. There was little or no increase in the level of real wages and social equity was of little concern. Functional inequality was the preferred philosophy of Mahbub-ul-Haq and Ayub Khan's Harvard Advisory Group. They focused on the affluent class, who were supposed to generate more savings and therefore were to be the engines of capitalist growth and development. The end result of Ayub Khan's economic policies was that his policies did generate economic growth, the forces of production did expand, and a proletariat was born. Hence, compared to the earlier periods this was indeed a very progressive era in the evolution of the economic and political process in Pakistan.

² See some of the references in Zaidi, S Akbar, op. cit.

In terms of social development, especially in the early phases of development, the state played a fundamental role in providing social services such as schooling and health care facilities but was unable to cope with the huge demand unleashed due to the structural changes that had taken place over the decade. The existing structures and systems of the provision of health and education services catered a small urban elite clientele with a huge majority of the rural populace still cut-off from the benefits of high growth. Although many rural health schemes such as the *Barefoot Doctor* were initiated, nevertheless, they reached only to a small proportion of the populace. Once economic growth began to affect social formations and structures, the state was not able to deal with the demands of the new social groups that had emerged. Thanks to the land reforms, a new middle class both in urban and rural areas in Pakistan emerged. The rise of new class in the society did put pressure on the demand for more and better social services and a growing conflict with the state apparatus eventually resulted in the ouster of the Ayub government. The state-capitalist model of economic growth which was supported by the state provision of social services was unable to meet the growing demands for social and other services. During Ayub's period, high economic growth took place with a level of social development. Further, the growth did not translate into higher investment or provision in the social sector.³

Bhutto's Populism: 1971-77

Ironically, while most intellectuals condemned Ayub Khan's policies, it was these policies which prompted the rise to populism and the brand of policies particular to Zulfikar Ali Bhutto, who was supported by the same intellectuals. Without Ayub, Bhutto would not have been possible. Bhutto's economic policies were more 'illiberal' than those of his predecessors and his nationalisation policy was said to be the major cause for a huge downward trend in growth. However, Table 1 exhibits that in the 1970s, GDP grew by close to 5 per cent that proves the propaganda about the failure of the Bhutto regime was highly exaggerated.

Bhutto's government also laid the foundations for future growth that benefited his successors. During his regime, basic industries were set-up and a foundation for the capital goods industry was established. These policies were paid off subsequently by generating higher economic growth. The Middle East Boom which Bhutto did initiate is another irony in Pakistan's history as

³ Despite the highest growth rates for any decade, the literacy rate rose from 18.4 percent in 1961 to just 21.7 percent in 1972, the lowest decadal rise between 1947 and 2007.

this phenomenon helped General Zia government in power for some periods. The interventionist economic policies of Zulfikar Ali Bhutto had been of help in generating economic growth not only during his own tenure, but also for the period after 1977.

Bhutto's intervention in the economic sphere was matched with equally forceful interventionist policies in the social sectors. Inspired by his populist mandate, Bhutto undertook a set of economic and social reform measures (land reform, nationalisation of industries, banks, educational and health institutions, enforced price controls, etc) in Pakistan. Numerous policies, such as providing free health and education services to all, were initiated in the social sector. Interestingly, although Table 1 shows that in the 1970s, and particularly during the Bhutto's rule, though the economic growth was lower, however, spending on development was substantially higher. In 1974-5, for example, government health expenditure was as high as 1.7 percent of GDP, the highest in terms of percentage growth in Pakistan's sixty year history. Moreover, development expenditure was a staggering 11 percent of GDP in 1976-77 when the Bhutto government was removed, which was also the highest in the history of Pakistan.

The Second Military Government: 1977-88

General Zia's regime was more liberal in economic terms - but certainly not political perspectives - than any of his predecessors. While the trend to liberalise the economy was escalated consciously in the Zia period, the Soviet invasion in Afghanistan and the United States' excessive involvement in Pakistan helped to drive the growth. Remittances from the Middle East and aid from donors set off Pakistan's second economic revolution, where the middle class emerged as a formidable economic and political force. Pakistan's growth rates in the 1980s, as Table 1 shows, were quite phenomenal. By becoming the capitalist world's 'front-line' state against the Soviet aggression in the region, the government of Pakistan received substantial financial aid and other resources from its allies. The impact of General Zia's martial rule, however, inflicted deep-rooted damage to the Pakistani society in terms of ethnic and religious schisms which still affect the nation in many ways. Another major burden from the Zia era which plagued his successors was the astronomical debt burden. The growing domestic and international debt was a major cause for the slowdown in the economy in the 1988-99 period.

Thanks to the remittances and large volume of foreign aid, the economic growth in Pakistan soared. The private enterprises did expand rapidly. The pseudo-socialist model of the Bhutto regime was dismantled with the private sector making a huge comeback in the social and

economic spheres. A second middle class revolution occurred, however, the role of the state began to pull out and the private sector emerged as a new player in the economic sphere under the guise of the global expansion of liberalisation and market economy. The private sector guided by the policies of *laissez faire* and the expansion of Non Governmental Organization (NGO) activities in Pakistan, had started to offer solutions to even social issue like education, healthcare, and access to water and sanitation.

Table 2: Trends in Growth, Poverty and Income Distribution

Decade/Year	Growth	Poverty	Income Distribution (Gini)
1950s	Stagnated	Persisted	Unknown
1960s	Rapid Increase	Increased	Improved
1970s	Slow, Stagnated	Declined	Worsened
1980s	Rapid Increase	Declined	Rapid deterioration, followed by rapid improvement
1990s	Substantial Decline	Increased Considerably	Worsened
1999-2002	Decline Continues	Continued to Increase	Unknown, but worsening trend probably continued
2003-07	Rapid Increase	Declined	Worsened
2003-07	Rapid Increase	Declined	Worsened

The resultant high economic growth affected the social sector positively and the social indicators began to improve and more importantly the state of poverty declined considerably in this period (see Table 2).

Democracy under Structural Adjustment: 1988-99

The decade of the 1990s had been Pakistan's worst period in many regards, not merely because the economy did perform poorly. Explanations for the poor performance in the 1990s range from (i) issues related to the poor governance; (ii) frequent changes of government, there were eleven governments over the period of 1988-99; (iii) the accumulated debt during the Zia period of 1977-88, resulting annual debt servicing equivalent to 60 per cent of annual budget; iv) high defence budget (25 per cent allocated for this sector) left insufficient financial resource for development; (v) sanctions imposed on Pakistan in the early 1990s due to nuclear testing; and,

(vi) the IMF and World Bank managed structural adjustment programme which had a deleterious impact on growth, distribution, poverty and social sector investment.

Besides these factors, the deterioration of the law and order situation in Karachi, country's main economic and financial centre, made the situation bad to worse. Further, a section of Pakistanis' *jihad* agenda in different parts of the region (and in the world to some extent) and the consequent rise in religious fundamentalism depicted a negative image of Pakistan which did fail to attract badly needed foreign direct investment (or even local investment). Moreover, this jihad factor was a core reason why Pakistan, while not at war with India throughout the nineties, was certainly not at peace with its neighbour. Interestingly, once we look at the more recent past since 1999, and certainly since September 11 2001, many of these constraints on the economy have been removed.

In the period of 1988-98, governments who took office in Pakistan were severely constrained by the IMF and World Bank's structural adjustment programmes and by the huge debt burden inherited from the profligate Zia decade. Both factors resulted in a fiscal squeeze being imposed on the economy, and in particular on development expenditure and on the social sectors. Hence, the overall development expenditure which was on average 7.3 percent of GDP in the 1980s, when there was a lot of liquidity was slashed to 4.7 percent of GDP in the 1990s. With severe restrictions on expenditure due to fiscal 'discipline' and due to debt interest payments, as always, the social sectors were the first to have their budgets drastically slashed. Matched with this was the fact that the economy was constrained and growth rates were low, and the economic and social sector downslide is not surprising. However, while this general pattern continued throughout the 1990s, it turned bad to worse in May 1998 when both India and Pakistan conducted the nuclear tests.

Soon after the nuclear tests, the developed countries, particularly the G-7, imposed a wide range of economic sanctions against Pakistan, a country which was highly dependent on donor funding and aid. The Japanese, for example, because of having experienced the outcome of nuclear lunacy, do not do business with any country which explodes nuclear tests. As a consequence, the Japanese government stopped all funding to projects and aid to both India and Pakistan. Other governments also castigated Pakistan (more so than India, but which was also in the firing line) for conducting the tests and did slashed aid and other assistance on which the Pakistani economy and government had become most dependent. The IMF also suspended

its ESAF and Extended Fund Facility programmes as well as new Official Development Assistance. On all accounts, Pakistan was squeezed by Western donors and governments as a consequence of conducting the nuclear tests.

Hence, the 1990s did not just observe a deteriorate economic performance, owing to the fiscal and budgetary constraints there also was a squeeze on development funding. Some donor-funded social sector initiatives were initiated, but the economic crisis led to a downturn which was magnified in the social sectors (for details see Section below).

September 11, 2001: The Day the World Changed

There is little disagreement over the fact that as a consequence of 9/11 Pakistan economy has benefited immensely, as have General Musharraf's political fortunes. The single most important feature of Pakistan's economy all over the 1990s was its severe debt burden. Each year the nation had to pay a hefty amount of money for debt servicing that left insufficient budget for domestic development. Soon after 9/11, a huge part of Pakistan's debt was written off and the rest was rescheduled. Remittances and hidden wealth from overseas Pakistanis was inflowed to the economy immediately after 9/11. Many Pakistanis (particularly those in the US and the United Arab Emirates) diverted their funds back to Pakistan. This is evident from the fact that Pakistan's traditional source for remittances, between \$US 2 to 4 billion, was the Middle East. However after 9/11, the United States, uncharacteristically, became Pakistan's single largest source of remittances, replacing Saudi Arabia. Apart from this, foreign aid flew back into Pakistan, a pattern that could be seen when the two previous military dictators ruled Pakistan in the 1960s and 1980s. Available research shows external support to Pakistan, particularly from the US and from multilateral financial institutions such as the IMF and World Bank, grows when the military is in power.

A high GDP growth rate for the fourth consecutive years since 2002 translated into higher per capita income which is considered as one of the positive economic outcomes to emerge over the last few years. There are other positives as well. The level of investment has augmented and the export volume has picked up. The Pakistan stock market has been one of the best performing markets in the region for the last few years. All these favourable economic factors perhaps support the "Pakistan Shining" hypothesis. However, many people in Pakistan view that the high growth rate and other economic performances have not been transformed into conditions which would result in an improvement in the quality of their lives. Even after three

years of high growth, most Pakistanis are still waiting for the trickle down benefits of this growth. Moreover, a growth strategy focused on the rich and upper middle classes resulting in growing income disparity that had only been observed in the 1960s.

Most of the factors that resulted in the poverty stricken decade of 1990's, delineated earlier, have all disappeared. The debt burden has been lifted, the fiscal conditions have improved, there has been no change in government and leadership since 1999, Karachi is no longer at war with itself, the jihadis have been reigned-in on account of which there is talk of serious peace and economic cooperation with India, sanctions have not only been lifted but the debt has also been written off and a hefty amount of external aid have been injected into the economy. One needs to emphasise that, *had the 9/11 incident not taken place, it was quite improbable that Pakistan would have been able to get rid of the post-nuclear tests and post-military coup scenario, both of which had been damaging the economy.*⁴

With the growth rate at 8.6 percent in 2004-05, the highest in two decades, following a growth rate of 7.5 percent in the previous year, with the fiscal deficit near its lowest in almost two decades, with remittances at their highest levels ever, with exports crossing the \$17 billion mark for the first time and showing signs of further growth, the government is claiming that Pakistan economy has rebounded. It seems that Pakistan is finally out of the ruinous decade of the 1990s and set on course for growth and development trajectory. However, it is undeniable that the post- 9/11 global geo political conditions have changed the economic and social perspectives of Pakistan.

⁴ For a detailed analysis of the positive outcomes for the economy as a consequence of 9/11 see, Zaidi, S Akbar, 'Pakistan's Economy After 9/11: Will the end be different this time Around?', Occasional Paper No 6, 2004, Centre of South Asian Studies, University of Cambridge. [Published May 2005].

HUMAN DEVELOPMENT IN THE 1990S AND TODAY

International Comparisons 1993-2002⁵

It is probably not very wise to compare countries. There are too many specific factors such as history, culture, governments and institutions which may influence events and consequences in very special way. The context of each event or development must be recognised. Often, standards of a very alien kind are imposed across a general universe, which may result in numbers or results which are not comparable. Even so-called scientific criteria are not insensitive to their social environment and even simply counting and comparing 'obvious facts' can be hazardous. Hence, there are numerous problems in taking a set of indicators showing the state of the economy and comparing them across countries. We too, despite our criticism and concerns, continue that tradition in order to point out some salient trends.

In this section, we examine the performance of Pakistan's social sectors vis-à-vis other developing countries. While it is difficult to make comparisons across countries, it is possibly more difficult to find some countries across which comparisons can be made. The eight selected countries (see Table 3) are all belonged to the World Bank's classification of Low Income Countries. According to the World Bank, economies with a per capita GNP of less than US \$730 are low income countries.

While the low income status may be the first criterion for our selection of countries, there are some others countries namely India, Bangladesh and Sri Lanka share similar histories. They belong to South Asia and are also grouped together under the South Asian Association of Regional Co-operation (SAARC) and offer a compelling justification for comparison. China is included in the sample because it is a key player in the region and used to have a GNP per capita close to that of Pakistan's in the past when the country was guided by communist doctrine. The "New China", with its liberal and open market economic policies like most economic players in the region, is also worth comparing. Ghana and Nigeria are very different from the Asian countries, however, are included in our study because they have large populations (particularly Nigeria), and Ghana had a GNP per capita (in 1993) close to or equal to Pakistan's in the 1990s. Also, like the four South Asian countries, they have both been under the British Colonial rule, and hence some comparison is probably feasible. The outlier is Vietnam, which is included because it is still a socialist state like

⁵ This Section makes use of Zaidi, S Akbar, Pakistan's Economic and Social Development: The Domestic, Regional and Global Context, Rupa and Co., New Delhi, 2004.

China, but has not experienced long period of capitalism. Despite having a per capita GNP of only 40 per cent of Pakistan's in 1993, it has some very interesting and revealing social indicators. Possibly, GNP per capita, as is often assumed, may not be the sole, or even the key, criterion for social development. Political commitment, structure and involvement, may be equally, if not more, important.

Table 3 is not easy to interpret, indeed, if there were any interpretations which could be made from it. There are no conclusions or hard overriding truths which emerge from the table, simply observations are open to conjecture. It allows us to examine the pattern and trend of human development in Pakistan in the 1990s, before we turn to trends in recent years.

The first row of the table shows the figure of GNP per capita in US dollars terms for 1993 for each of the eight countries, followed by the second row which demonstrates the GNP per capita for 2002. These rates indicate the rate at which countries have grown over the decade of 1993-2002. Table 3 shows in 1980 China had a GNP per capita of \$206 compared to Pakistan's \$285 and was one of the poorest countries in the world. With a phenomenal 8.2 per cent annual average growth rate for over two decades, it has improved its position markedly. While China, Sri Lanka, Vietnam, India and even Bangladesh had substantially improved their per capita GNP in the 1990s significantly, however, Pakistan along with Ghana and Nigeria had not. Unlike experiencing the dynamic economic growth of East Asia, *Pakistan remained a poor and underdeveloped country like Africa.*

Table 3: Social Indicators: International Comparisons

	Pakistan	Vietnam	Bangladesh	India	Nigeria	Ghana	China	Sri Lanka
GNP Per capita 1993 (In \$US)	430	170	220	300	300	430	490	600
GNP Per capita 2002 (In \$US)	410	430	360	480	290	270	940	840
GNP pc rank 1993 *	31	5	12	20	21	30	33	39
GNP Per capita rank 2002 *	30	32	27	38	22	18	53	50
HDI rank 1993 **	128	120	146	134	141	129	111	97
HDI rank 2003	144	109	139	127	152	129	104	99
Literacy rate 2001	44.0	92.7	40.6	58.0	65.4	72.7	85.8	91.9
Female literacy 2001	28.8	90.9	30.8	46.4	57.7	64.5	92.5	89.3
GDI rank 2003 +	120	89	112	103	124	104	83	80
Poverty Index rank #	65	39	72	53	54	46	26	34

Notes:

* The higher the rank, the better -- the poorest country is ranked 1;

** The lower the rank the better – the best country is ranked 1 and the worst 175;

+ Best ranked 1, worst 175;

Best ranked 1, worst 74.

Source: S Akbar Zaidi, *Issues in Pakistan's Economy (second, revised and up-dated edition)*, Oxford University Press, 2005.

Vietnam was the fifth poorest country in the world with a GNP per capita of only \$170 in 1993 and Pakistan with a GNP per capita of \$430 was the 31st poorest country out of the 132, then classified by the World Bank. What is most interesting to read from this comparison of ranks of GDP per capita in 1993 and 2002 is that in line with improvements in absolute levels of GDP per capita, countries which performed well in 1993-2003 did also relatively better than other countries. While Vietnam was the fifth poorest countries in 1993, it is now the 32nd poorest, showed considerable

improvement, while Pakistan *joined the African countries whose ranks had worsened in this decade.*

While GNP per capita is a very simplistic and crude (yet indicative) measure of social development, the Human Development Index (HDI) is a larger and broader composite indicator which captures broader economic and social development than just merely per capita income. The HDI contains three indicators namely life expectancy, represents a long and healthy life; educational attainment, represent knowledge and skills; and real GDP (in purchasing power parity dollars), represents a decent standard of living.

Thus, the HDI in Table 3 for our selected countries, unlike the GNP per capita, shows a reverse order- the higher the number, the worse the nature and extent of social development. According to HDI, Pakistan's rank in 1993 was 128th out of 174 countries, showed a low level of social development, but had fallen further to 144th position in 2003, mirrored the worsening trend in per capita income. In our sample, Sri Lanka was the best of the eight countries selected (97th) and Bangladesh (146th) the worst, as per 1993 data. However, ten years later Sri Lanka still remains the best with 99th position, while Nigeria has become the worst in terms of HDI ranking. Again India, Bangladesh and Vietnam had improved their ranking, but Pakistan had fallen by as many as fourteen positions down the HDI ladder in the 1990s.

Not only did Pakistan's social and human development worsen, but so did its comparative position with regard to other countries. In terms of HDI performance, the worst 27 performers – from rank 149 to 175 – were all African countries. In the lowest HDI category, called Low Human Development, of the 34 countries only four were outside of Africa and Pakistan ranked 144th in this league. Pakistan's human and social profiles after the decade of Democracy and Structural Adjustment looked more like that of poor African nations, rather than South Asian or Latin American countries. Even Nepal, Bangladesh and Bhutan had better human and social statistics than Pakistan.

The next part of Table 3 contains the statistics on literacy, one of the most important yardsticks of social development. Overall adult literacy (and importantly, female literacy) is considered a fairly good indicator which reveals the true status of social development in any country. In New Growth Theories, where human capital formation is an essential component and prerequisite for growth, literacy acts as an important proxy for many key ingredients. Further, the growing need for

education and skills in the present electronic and information age, the role of education and literacy has become more important than ever.

Vietnam, with a GNP per capita quite similar to Pakistan, had impressive education attainments which is comparable to many high income economies. Sri Lanka also has an excellent record of education accomplishment. All the four poorest countries in our sample outperformed Pakistan very markedly. Even Bangladesh, which many in Pakistan see as a country with few prospects, did far better than relatively wealthier Pakistan. Some 91 per cent of Vietnamese and 91 per cent of Sri Lankan women were literate, while only 29 per cent of Pakistani women could read or write. All Sri Lankan girls aged 5-9 enrolled in school, while only half of Pakistani girls were in school, and even Bangladesh had a very impressive record in this area. Bangladesh and Pakistan were the worst performers when we compare the women labour force participation vis-à-vis other countries of our sample. Only 8 per cent of Bangladeshi and 13 per cent of Pakistani women were in the labour force compared to 47 per cent for Vietnam.

The gender-related development index (GDI), an index created by UNDP, measures the inequalities between men and women capturing differences of life expectancy, adult literacy, primary, secondary and tertiary enrolment rates, and standard of living. The GDI data in Table 3 shows that out of 175 countries, Pakistan and Nigeria performed the worst in our sample, whereas in case of Sri Lanka and China the gender gap between men and women was less severe.

It is difficult to reach any definite conclusion from the myriad of data presented in Table 3. However, some general observations can be made:

- Pakistan's economic and human development profile over the period of 1993-2003 looked increasingly like that of African countries, rather than South or East Asian nations.
- Most countries in our sample saw their per capita income rise in the period of 1993-2003, except for two African countries (Nigeria and Ghana) and Pakistan. The GDP per capita rank of these three countries also fell.
- Pakistan's literacy rate was abysmally low. With the exception of Bangladesh, all countries, including Ghana and Nigeria both of which had lower per capita incomes, had better literacy rates.
- Pakistan's performance was better in terms of health indicators, although with one of the highest population growth rates in the world, problems may occur in the future.

- Almost all indicators regarding women empowerment showed Pakistan as the worst performer, revealing excessive and unacceptable levels of gender discrimination.

Although there are many contested explanations why the decade of the 1990s was indeed the “Lost Decade” for Pakistan, with poor economic and social development, not just in absolute terms but compared to many similar countries in the region and around the globe. Has the economic turnaround since 2002-03 resulted in an improvement of social and human development as well?

A Turnaround in Development?

At some point between 2002 and 2004, Pakistan entered the United Nations Development Programme’s (UNDP) classification of those ninety or so countries which the Human Development Report (HDR) classified under the category of ‘Medium Human Development’. Since 1990, when the UNDP initiated its annual HDRs, Pakistan was consistently classified as one of the forty or so countries in the ‘Low Human Development’ category. (As a comparison, both India and Bangladesh too, not surprisingly, were also originally considered in the Low Human Development category but both moved into the Medium Human Development group well before Pakistan, somewhere towards the end of the 1990s). For many years considered to be a ‘middle income country with low human development’, perhaps Pakistan has now moved into the category which reflects its economic and social characteristics better. The fact that this elevation to Medium Human Development came at the beginnings of the uninterrupted four year period of economic boom that started in 2002. With per capita income almost doubling in this short period, implies that perhaps Pakistan’s human development status and its ranking in 2004 (134/177) may have improved considerably since then.

In this section, we consider some recent trends in Pakistan’s social development dealing largely with data from the UNDPs HDRs, where some international comparisons can be made. Further, Pakistan’s social and economic progress since the 1990s, when the HDR series was initiated, can be compared overtime using one consistent data set. Table 4 presents Pakistan’s HDI position and shows the trend for a period of thirty years.

Table 4: Pakistan's Human Development Index, 1975-2004

	1975	1980	1985	1990	1992	1994	1995	2000	2001	2004
HDI value	0.365	0.388	0.420	0.463	0.483	0.445	0.493	0.511	0.499	0.539
HDI rank					128/ 174	139/ 175			144/ 175	134/ 177
Per Capita (PC) Income PPP \$US					2890	2154			1890	2225
PC Income Rank					100/ 174	120/ 175			137/ 175	130/ 177
PC GDP \$US					420	373			415	632

Source: UNDP, *Human Development Report 2006*, Oxford University Press, New York, 2006

Firstly, it shows that Pakistan's HDI value has risen over the last three decades between 1975 and 2004 by 47 percent. The corresponding value for India, Bangladesh and Nepal in the same period has risen by 48, 53 and 76 percent respectively. In the 177 country sample, most countries showed an increase in the value of the HDI over this period, some at a faster pace, some at slower. In Pakistan's case as well as many other countries the value first increased but then due to some shocks the value declined followed by an upward trend. Many of the poorer African countries in the 1980s and 1990s depict this trend probably owing to the two fold crises; structural adjustment and HIV/AIDs. Nevertheless, most developing countries have shown overall progress over these three decades and Pakistan's record is no exception.

Between the period of 1992 and 2004, Pakistan's rank fell from 128th in 1992 to 144th in 2001 and has only improved recently. Although Pakistan is still below where it was in 1992. Per capita income in purchasing power parity terms also fell sharply between 1992 and 2001 and has risen again after 2001. From being the 100th ranked country on the basis of per capita income in 1992, Pakistan's rank today is 130th or it is the 47th poorest country in the world today, however, in terms of the overall size of the economy it is the 44th largest economy in the world.

To sum up, Table 4 suggests that in the period of 1992-2001, although there was an improvement in the HDI value by 12 percent, other countries did far better than Pakistan (since its relative position deteriorated). Pakistan's per capita income fell as did its relative economic ranking in terms of per capita income. Nevertheless, all these trends were reversed in the period

of 2001-04, where there has been considerable improvement. Moreover, given the fact that the period of 2004-07 has seen higher growth than in the past with per capita GDP reached \$US 847 by July 2006. One can safely assume that Pakistan's HDI value and rank would both have improved even further.

FINALLY ON TRACK?

The evidence and data in the last section suggests that in the 1990s, the Decade of Democracy in Pakistan was the 'Lost Decade' in terms of social and economic development. It was General Musharraf who derived the Pakistan economy into the high growth and development path. Is this indeed the case?

Evidence from the period of 1947-77 seems to show that the trajectory of economic growth was not translated into a corresponding path for human and social development, and equally, low human and social development was still able to support high levels of economic growth. In fact, in the 1971-77 period, despite low growth we were able to see considerable reorientation in the delivery and expenditure on social development which must have led to a marked improvement in terms of outcomes. Between 1977 and 1988 high economic growth did cause an improvement in human and social development indicators, most noticeably decline in the poverty. However, this improvement in human and social development did not sustain over the 1990s. In fact, an economic slowdown resulted in a severe deterioration of human development indicators in that decade. Despite the deterioration in human capital in the period of 1993-2002, the economy was able to pick up considerably after 9/11, a development which has led to an improvement in human development indicators.

The high growth and high human development in the period of 1977-88 was matched by high development expenditure in the 1980s. This decade witnessed the highest proportion of the GDP allocated to development budget. Similarly, the 1990s were the period when as a consequence of poor economic growth and structural adjustment, a restricted fiscal space allowed only 4.7 percent of GDP in the 1990s to be spent on development purposes. More interestingly, in the early Musharraf period, as we see in Table 1, the economic slowdown since the 1990s continued, the development expenditure in the 1999-2005 was a mere 2.6 percent, amongst the lowest ever. What do these often contradictory and conflicting trends suggest?

The first observation from our data and discussion suggests that there are different patterns and processes at work in the period of 1947-77 and 1977-2007. In the first, economic growth (either high or low) did not seem to reflect the same sort of trend in the social and human sectors. In the 1977-2007 period there does seem to be a trend in human development which is reflected in economic growth. A key difference in the model and structure of the type of social development in the pre- and post-1977 period relates to the extent of state involvement and that of the privatisation of services. Pakistan adopted a far more open and market-based mechanism for social services after 1977 and perhaps that is why we see a closer relationship between growth and human development. In a market-based system where states play a minimal role, people's income determines their access to health, education and other services. Private sector spending in health, for example, constitutes 76 percent of total health sector spending and at primary and secondary level of education one would expect similar trends. Hence, if social sector provision is market-based, one would expect income to govern access and hence outcomes. This could be a likely reason why in the post-1977 period one observes a closer relationship between economic growth and human development.

Linked with the argument above, perhaps, is the argument of the impact of development expenditure and public policy, more broadly. In the 1971-77 period, there was active intervention in the social sectors as well as increased spending, despite low growth. It is probable that human development indicators improved as a consequence of public sector based development. In the period of 1999-2005, despite the fact that development expenditure was abysmally low, since private income was rising, the market-based model was more responsive to people's income than to development expenditure, resulting in improved human development indicators. This analysis shows that since 1977 private sector income determine human development outcomes and increased development spending may not ensure better human development. Even if this conclusion is partially correct, it has major repercussions on Pakistan's development strategy.

If human development outcomes are increasingly determined by the pace of economic growth and the rise in income, clearly economic growth becomes critical for better human and social development. Hence, if economic growth falters, so does the human condition. And herein lies the Achilles heal of Pakistan's economic and social success and where the international relations and security dimension draw closer in a forceful manner.

Both in the 1980s (under General Zia ul Haq) and since 1999 (under General Musharraf), international powers primarily, if not exclusively, the United States along with international donors have been more than generous in their support for military dictators in Pakistan when on both occasions Pakistan was fighting the US-led war on its Afghanistan border as a front-line state. Under both military generals, Pakistan received financial and military aid, special privileges and grants, and political support for the two generals to perpetuate their undemocratic rule over the Pakistani people. Largely on account of this support and financial aid, Pakistan's growth rates in these two eras – as they were under General Ayub, another beneficiary of US largess – soared compared to other periods in Pakistan's history. In this Age of Terror, General Musharraf has benefited far more than General Zia from the geopolitical events since 9/11.

Pakistan's economic growth and consequent progression in human development is based on these weak and fragile foundations. If Atlas were to shrug, or Musharraf not to tow the Bush line, it is improbable that the growth seen in Pakistan in recent years would continue for much longer. As it is, trends related to Pakistan's economy suggest that the high growth of the last three years is slowing down, largely because Pakistan's recent growth has been built on a spurt of excess liquidity, mainly in the form of remittances and transfers, much of which have fuelled an artificial asset boom. As this 'boom' slows down, the more fundamental issues of an unmanageable current account deficit and budget deficit, along with growing inflation, emerge and begin to undo the economic gains of the recent past.

In a market-based model of social development, with the state on the retreat, economic slowdown will have a deleterious impact on social and human development outcomes. In the context of Pakistan, we may have not seen the trend where increased human development enhanced economic growth, as in the East Asian model. Hence, only high economic growth can support human capital development. Clearly, in the case of Pakistan, it is its international relations and regional as well as global security issues which determine human development outcomes through the linkages created by donor money and aid. Because of the precarious nature of the relationship between military dictatorships, compliance with US needs and demands in its War on Terror and economic growth, the Pakistan model of social and human development, should not be recommended to other countries.