

BALUCHISTAN FALLS FAR BEHIND BY DR. HAFIZ A. PASHA

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In recognition of the growing need to continue contributing to the stock of knowledge through enquiry, research, and interaction, Beaconhouse National University (BNU) set up the Center for Policy Research (BCPR) as the hub for policy-oriented research. Originally focused on applied socio-economic areas, the Center's remit has been expanded to include the entire spectrum of disciplines and fields of inquiry studied at BNU.

BCPR seeks to foster a culture of rigorous, policy-relevant research and analysis. In keeping with the interdisciplinary approach of BNU, the center explores new avenues by taking an integrated view of Pakistan's policy issues in the context of our economic, political, and social realities, their changing dynamics, and global developments. It is also a platform for interacting with organizations, academia, think tanks, and related institutions in Pakistan and abroad.

Thriving under the patronage of eminent personalities, including the Center's Director, Dr. Hafiz A. Pasha, BCPR is in a strategic position to benefit the policy research and practice communities from the unique experience of its diverse faculty. The BNU community has already been contributing extensively to the policy debate in the country, and their counsel has been regularly sought by successive governments in their respective disciplines, both through formal institutional structures and informal exchanges.

Using cutting-edge analytical and critical thinking techniques, often developed indigenously by our experts over the years, BCPR shall furnish evidence-based research to develop specific proposals and recommendations to all relevant stakeholders for informed and inclusive policy-making in Pakistan.

BCPR envisions formulating its recommendations from the lens of its likely beneficiaries, making them primary stakeholders in policy-making exercises. It aims to elicit research to contribute to the ever-evolving narrative for human development and sustainable growth, eventually benefiting the citizens of Pakistan.

“ The Policy Beacon is BCPR's Policy Brief series in which authors analyze contemporary challenges and present recommendations for decision-makers. The series covers all disciplines taught at BNU. ”

KEY HIGHLIGHTS

The report titled "Balochistan Falls Far Behind" by Dr. Hafiz A. Pasha discusses the economic performance and development challenges faced by the province of Balochistan in Pakistan. Here are the important highlights from the report:

- Balochistan, despite being the largest province in terms of land area, has a small population share of 6.2% in Pakistan.
- The per capita Gross Regional Product (GRP) of Balochistan has significantly fallen behind the national per capita GDP over the past two decades. In 1999-2000, it was approximately 75% of the national average, but by 2021-22, it had declined to only 44%.
- Balochistan's per capita GRP was higher than that of Khyber-Pakhtunkhwa in 1999-2000, but Khyber-Pakhtunkhwa has caught up and now has a per capita GDP almost double that of Balochistan.
- Balochistan has experienced a low and declining growth rate, with a GDP growth rate of only 2.1% from 1999-2000 to 2018-19, which is significantly below its population growth rate of 3.2%. In contrast, Khyber-Pakhtunkhwa has emerged as the most dynamic economy during the same period.
- Balochistan has the highest incidence of poverty among the provinces, with over 71% of its population classified as poor in 2014-15, according to the Multidimensional Poverty Index.
- Factors contributing to the underdevelopment of Balochistan include a severe shortage of water for agriculture, low population density, inadequate governance capacity and accountability, under exploitation of mineral resources, and a relatively underdeveloped private sector.
- The development strategy for Balochistan should focus on sectors where the province has a comparative advantage, such as agriculture and minor crops.

“Balochistan lags behind in terms of human development as well. Its Human Development Index (HDI) has shown minimal growth, with a growth rate of only 0.1% from 2006-07 to 2018-19.”

“The literacy rate in Balochistan is significantly lower than the national average. In 2020-21, the literacy rate in Balochistan stood at 40%, while Punjab had a literacy rate of 64%.”

These highlights provide an overview of the economic challenges faced by Balochistan and the need for targeted development strategies to address them.

Balochistan is the smallest province of Pakistan, with a share of 6.2% of the national population, according to the 2023 Population Census. However, it is geographically the largest province with a share in the national land area of 43.6%.

The appointment of Mr. Anwaar-ul-Haq Kakar as the caretaker Prime Minister, based especially on the fact that he is from the smallest province of Balochistan, provides an opportunity to highlight the performance of the economy of this province over the last two decades and the extent to which it has fallen behind.

Research undertaken by the author on the size, composition, and growth of the four provincial economies provides insights into the extent to which Balochistan has fallen behind since 1999-2000. Table 1 presents the ratio of the per capita Gross Regional Product (GRP) of each province with respect to the national per capita GDP in different years.

Table 1			
Ratio of Per Capita GDP by Province to National GDP per Capita (National per Capita GDP = 100.0)			
	1999-2000	2014-15	2021-22
Punjab	98.6	99.5	99.8
Sind	128.8	129.9	129.0
Khyber-Pakhtunkhwa	71.3	77.0	86.2
Balochistan	75.3	51.3	44.0
Source: BCPR Calculations			

The very worrying finding is the big decline in the ratio of the per capita GRP of Balochistan with respect to the national per capita GDP. The former was approximately 75% of the national average in 1999-2000. However, it is estimated to have fallen to only 44% by 2021-22.

The table also indicates that the per capita GRP of Balochistan was higher than that of Khyber-Pakhtunkhwa in 1999-2000. However, over the years, the latter province has caught up and now has a per capita GDP almost double that of Balochistan.

Clearly, the fundamental reason is the variation in the long-term growth rate of the four provincial economies. The UNDP Human Development of

Pakistan for 2020-21 has highlighted the average annual growth rate of the GRP of the four provincial economies, as shown in Table 2.

Table 2		Provincial GRP Growth Rates 1999-2000 to 2018-19	
			%
	Punjab		4.2
	Sind		4.5
	Khyber-Pakhtunkhwa		5.0
	Balochistan		2.1
Source: BCPR Calculations			

Therefore, while Balochistan has lagged behind with a growth rate of only 2.1%, significantly below its population growth of 3.2%, the province of Khyber-Pakhtunkhwa has emerged as the most dynamic economy since 1999-2000.

The UNDP Human Development Report has also quantified the Human Development Index of each province. The estimates are presented in Table 3.

Table 3		Human Development Index by Province		
	2006-07	2018-19	Groth Rate (%)	
Punjab	0.527	0.572	0.7	
Sind	0.529	0.574	0.7	
Khyber-Pakhtunkhwa	0.491	0.546	0.9	
Balochistan	0.470	0.473	0.1	
Pakistan	0.529	0.570	0.6	
Source: UNDP, HDR of Pakistan, 2020				

Here, too, there is evidence of Balochistan falling behind. One part of the HDI relates to education. According to the Pakistan Social and Living Standards Measurement Survey of the Pakistan Bureau of Statistics of 2020-21, the latest

estimates of literacy rate at the provincial level are presented in Table 4.

Table 4		Literacy Rate by Province	
			%
Punjab			64
Sind			57
Khyber-Pakhtunkhwa			57
Balochistan			40
PBS: Pakistan's Social & Living Standards Measurement Survey (2019-20)			

Here, too, the literacy gap in Balochistan is very large. It is one-third of the national average. The bottom line is that in the presence of low and declining real per capita income in Balochistan, the incidence of poverty is likely to be much higher. According to the UNDP and the Oxford Poverty Institute, the share of the population that was poor in 2014-15 (Table 5), over 71% of the population of Balochistan was poor, way above the level in other provinces.

Table 5		Incidence of Poverty	
			% of Population
Punjab			31.4
Sind			43.1
Khyber-Pakhtunkhwa			49.2
Balochistan			71.2
UNDP and Oxford Poverty Institute			

Also, the UNDP report highlights the relatively high level of income inequality, the poor economic state of the youth, and greater gender inequality in the province.

There is a need to understand the factors which have contributed to the relative underdevelopment of Balochistan. First, the province is characterized by a severe shortage of water for agriculture. In fact, the underground water resources are being depleted.

Second, with the extremely low population density to the land area of one-sevenths of the national average, there is a widespread presence of very small settlements.

The rate of urbanization, according to the latest Population Census, is 31%, as compared to 39% in the country as a whole. In the rural areas, 70% of the rural settlements are very small, with a population of less than 1000, as compared to 36% in the rest of the country. Consequently, the unit cost of provision of services like education, health, transport, and electricity is relatively much higher compared to the other provinces. Further, there are problems of inadequate governance capacity and accountability.

Third, the mineral resources of the province of Balochistan remain relatively under-exploited. The Sui gas deposits are getting depleted. A major flow of revenues to the Government of Balochistan from the Reko Dik deposits is yet to take place. There is a need to increase the royalty and development surcharge on mineral exploitation in the province to the Provincial Government.

Fourth, the private sector is relatively underdeveloped in the province. A very worrying statistic is that the share of national bank advances to the private sector and personal loans of Balochistan is extremely low at 0.11%. This is in comparison to the share in bank deposits of 1.87%. Clearly, not only is the demand for loans very low, but also some of the bank deposits of Balochistan are being used for making loans in other provinces.

The fundamental question is, what should be the development strategy for the province of Balochistan? The answer depends on the economic sectors in which the province has a comparative advantage. These are sectors in which the province's share in the sectoral value-added is significantly higher than its overall share in the national GDP.

The sectoral shares, which are relatively high in Balochistan, are shown in Table 6.

Table 6		Sectors in which Balochistan has a Comparative Advantage	
		% Share of Balochistan in National Value-Added	
Agriculture			
Minor Crops		22.6	
Fishing		7.3	
Forestry		11.9	
Industry			
Mining and Quarrying		21.0	
Electricity and Gas		9.0	
Overall Share of National GDP		4.6	
Source: BCPR Calculations (Growth of Provincial Economics, Institute of Policy Reforms)			

Therefore, there are five sectors, namely, minor crops (fruits, vegetables, etc.), fishing, forestry, mining and quarrying, electricity generation and distribution, and gas distribution, where Balochistan has a comparative advantage. The development strategy for the province should focus on these sectors for higher public and private investment.

There is need also to identify the financial resources currently available to the Government of Balochistan. This Government has access to 8% of the total funds available with the four Provincial Governments combined as of 2021-22. The population share at 6.2% implies that the per capita availability of public funds is only 29% above the national average. This difference is not large enough given the relatively high unit costs of provision in a province with an extremely low population density, as highlighted above.

The time has come for a new NFC Award, which will assign greater weights in the horizontal sharing formula to the incidence of poverty and to the inverse of population density, thereby benefiting Balochistan. Also, special fiscal incentives need to be enhanced for private investment in the relatively backward areas of Pakistan.

There is a strong case for CPEC and the Special Investment Facilitation Council to focus especially on Balochistan, given its mineral endowments and location with a large coastline, including Gwadar.

The honorable caretaker Prime Minister may wish to use this opportunity to assess the state of development activities in the province of Balochistan. Efforts ought to be made for the preparation of an appropriate growth strategy so that the province can start the process of catching up with the rest of Pakistan.

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