

### ***Book Review***

Gera, Nina, *Structural Adjustment Programs in Pakistan: A Boon or a Bane?* Lahore School of Economics Press, Lahore, 2007, pp 169, Price PKR 300.

Underdeveloped countries such as Pakistan have been suffering from problems like deficits in the balance of payments, budget deficits, inflation, etc. These countries have been receiving foreign grants and concessional loans, yet the problems were not solved. This continued for about thirty years. Starting from 1980, International Financial Institutions such as the International Monetary Fund (IMF) and World Bank started to consider interventions in these economies and tied their foreign aid to certain structural reforms.

The Government of Pakistan began implementing structural adjustment programs as part of the conditions for obtaining loans from the World Bank and the IMF. This led to reductions in the fiscal deficit and balance of payments deficit to a certain extent, but also resulted in increasing poverty. The book by Gera gives a detailed analysis of poverty trends in the country and its underlying causes.

The book presents a historical overview based on data collected by Pakistani agencies and institutes supplemented with World Bank data. The study finds that macro stability is correlated with economic growth but poverty reduction and social sector development have not shown favorable trends. The author therefore highlights the need for a pattern of growth that is also poverty reducing.

The author has made an important contribution by bringing together in one place a diverse literature on poverty, food insecurity and social outcomes from investment in health and education. The analysis of the determinants of poverty in Pakistan has added substantially to the meager empirical literature on Pakistan.

The book is divided into nine chapters. Chapter one gives an introduction to the topic and explains the two hypotheses to be tested. Chapter two reviews the international literature as well as Pakistan-specific literature. Chapter three gives an historical overview of structural adjustment programs in Pakistan. Table-1 shows that the deficit as a percentage of GDP has fallen from 7.1 in 1982-83 to 4.6 in 2002-03. Table 2 shows that tax revenue as a per cent of GDP has remained the same from

14.3 in 1988-89 to 13.8 in 2002-03. Chapter four analyzes the impact of structural adjustment programs on overall social welfare in Pakistan. Table 4.2 shows the performance of structural indicators comparing the pre- and post-1988 averages. There was a fall in the GDP growth rate from 6.4% to 4.5%, growth in the agricultural sector fell from 4.0% to 3.6%, growth in manufacturing fell from 8.9% to 5.0% and total debt servicing as a per cent of GDP increased from 4.1% to 7.1%. Table 4.3 shows inequality measures. The Gini coefficient in Pakistan increased from 0.34 to 0.38 showing an increase in inequality. Table 4.4 shows poverty estimates in Pakistan in terms of headcount. The poverty incidence increased from 23.5 in 1988 to 29.7 in 1999 showing an increase of 26%.

Chapter five deals with food security under structural adjustment. Pakistan imported wheat throughout the 1990s depending on the harvest from year to year. Loans received under the structural adjustment program did not contribute to an increase in wheat production. In fact, wheat imports increased during this period.

The next chapter deals with social sector expenditures in Punjab- the largest province in Pakistan. Despite persisting pockets of poverty, the Punjab province is the most developed of Pakistan's four provinces. And given its considerable size in the overall economy, it is small wonder that trends in this province determine the direction and pace in the country. Table 6.2 compares poverty levels in the four provinces. In FY 93, the highest poverty level was in the NWFP (35.5), then Balochistan (28.6), and the lowest was in Sindh (24.1). In Punjab, it was 25.2 comparing with Pakistan overall at 26.6.

Then follows an analysis of the causes of poverty in Pakistan. The list includes political, economic and social determinants. Political causes include poor governance, political instability, and inadequate access to justice. The economic factors include investment, fiscal policy, lack of subsidies, unemployment, inflation, and falling remittances. The social determinants include the land tenure system, and the low level human development.

Chapter eight tests the hypotheses by regression analysis. The author has used both time series and cross sectional data. The results of time series are not satisfactory. Hence the author used the *Pakistan Integrated Household Survey* (PIHS) 2001-02. As the dependent variable is binary, the author has applied the Logit model. The results show that the probability that a household is poor declines with the education of the head of household, skill levels and a host of infrastructure related household characteristics. It can be concluded from the analysis that government

investment in education, skill enhancement, and health have a direct effect in extricating households from poverty.

Pakistan is poised at an extremely critical moment in time when the right choices, priorities and appropriate strategies in education and health can enable it to progress on a sustainable, pro-poor and just development path. Gera states that the government should also focus on providing safety nets for the poor in the form of welfare programs that supplement the assets of the poor and increase direct income and consumption.

The concluding chapter of the book presents some interesting and useful recommendations. The author suggests that the country needs to follow a set of fiscal, technological, credit and trade policies that are aimed at stimulating the investment climate in favor of employment intensive activities and sectors. Such policies will help to improve the private incomes of the poor. These need to be supplemented by greater emphasis on social sector expenditures and improving social sector service delivery. This will improve the human capital of the country with desirable consequences for poverty reduction. In the short run, there must be a proper system of safety nets for the poor.

All told, we need to learn from our past mistakes and the new government could benefit vastly from a reading of an analysis such as this. It is also a must read for scholars and those in academia in the sphere of development.

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