

Center for Research and Security Studies (CRSS)  
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A CRSS Report on

# Pakistan – Flood Situation and Aftermath

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## **PAKISTAN FLOODS: WHAT LESSONS LEARNT?**

The worst-ever floods in Pakistan's history, that started late July, have left a long trail of death and devastation, claiming over 1600 human lives, damaging infrastructure, and destroying standing crops . The economic losses caused by the calamity have pulled the country back in time. The nightmare started when the easterly monsoon system collided with the developing western system over North-western Khyber-Pakhtunkhwa on July 27. The magnitude of the calamity can be gauged from data compiled by the Federal Flood Commission of Pakistan. According to this data the flow of rivers Swat and Kabul combined touched a new historical high of 400,000 cusecs as against the previous highest figure of 250,000 cusecs recorded in 1929.

### **DAMAGES & DESTRUCTION:**

As the deluge from the north has ravaged a huge mass of lands ahead of falling into the Arabian Sea, large areas still remain inundated and people are looking for shelter, clean drinking water, food, clothing and medicine. Since the scale of disaster outmatches relief activities, miseries of the calamity-hit people are likely to grow and thereby exacerbate the service delivery problems, particularly when many decide to leave camps and head back to their homes or fields.

As the actual data is still being gathered, the estimates so far made available by different organizations like National Disaster Management Authority [NDMA], the United Nations and its affiliated agencies suggest that nearly 20 million people – half of them teenagers or below – have been affected by floods. Among them, over six million have no access to clean drinking water, thereby exposing most of them to waterborne diseases for months to come. A vast area of over 160,000 sq km (20 percent of the total landmass) has been flooded with complete devastation of standing crops, mainly rice, cotton and sugarcane, spread over 3.2 million hectares.

Five million people need shelter and thousands others are crying for medicines to fight flood-related diseases, mainly diarrhea but others as well. Until August 24 in Khyber Pakhtunkhwa, diarrhea accounted for 17 percent (3807) of the total reported number of patients, while 15

percent (3,255) suffered from Acute Respiratory Tract Infection and 19 percent (4,122) developed skin problems.

Giving some estimates of the destruction, the New York Times in its August 28 edition reported that more than 5,000 miles of roads and railways have been washed away, along with some 7,000 schools and more than 400 health facilities. One estimate, in a joint study from Ball State University and the University of Tennessee has put the total cost of the flood damage at over \$7 billion. That is nearly a fifth of Pakistan's budget, almost equal to the 7.5 billion dollars promised in an aid package (Kerry-Lugar-Burman Legislation) passed by US Congress in October 2009.

According to the latest available data, around 1.3 million houses have been destroyed or damaged. Some other key figures available with NDMA and other organizations are shown in the table:

<b>Province/Area</b>	<b>Deaths</b>	<b>Injured</b>	<b>Damaged houses</b>	<b>Cultivation area (million hectares)</b>
<b>Punjab</b>	110	350	500,000	2.50
<b>Khyber-Pakhtunkhwa</b>	1,154	1,193	200,799	0.01
<b>Sindh</b>	186	909	1,058,862	0.65
<b>Balochistan</b>	48	98	75,261	0.04
<b>AJK</b>	71	87	7,108	
<b>Gilgit-Baltistan</b>	183	60	2,820	
<b>Total</b>	1,752	2,697	1,844,850	3.2

## **DONORS' SLOW RESPONSE:**

Despite this horrifying death and destruction saga, both domestic and international donors have been found reluctant to donate funds for the flood-affected people. Many reasons have been cited for this apathy:

1. International Recessionary Trends.
2. Donors' fatigue as a result of natural disasters in recent years like the Tsunami, Haiti, and the October 2005 earthquake in Pakistani as well as the ongoing cooperation with regard to the anti-terror.
3. International community's distrust over Pakistan government.
4. Corruption of ruling elite.

## **ECONOMIC IMPLICATIONS:**

The devastating floods have clearly upset all calculations the government had made for fiscal year 2010-11. The GDP growth target, for instance, had been projected at 4.5 percent but most economists are now talking of (almost) zero percent growth. It had hoped to bring down inflation from the current 12.3% to 9.5%. All this will now be impossible because of the emergence of an unusual situation in the country. The Economic Advisory Wing of the Ministry of Finance has prepared a document based on the initial loss assessments. This report says that the overall GDP growth could be zero percent in real terms while the inflation may touch as high as 25%. Translated in simple terms, the country's economy is likely to suffer Rs.752 billion loss during fiscal 2010-11.

Even if the level of negative impact does not exceed these projections, the coming months and years are likely to bring more hardships for the common man and the economy as a whole. With the GDP growth rate coming to a naught and inflation touching 25%, it is easy to visualize the

bleak economic and social scenario during the days ahead. The common man will be hit hard as the existing situation will not allow raise in his income and the cost of living will be constantly increasing. There will be less money available for development sector, which will directly impact health, education and social infrastructure development projects.

In addition to the devastation of 3.2 million hectares of standing crops, the UN Food and Agriculture Organization [FAO] estimates put losses to livestock at more than 200,000,(need to check this figure) while millions of surviving animals are faced with severe food shortage. The UN has sought \$5.7 million for this sector alone. However, the FAO has so far been able to mobilize \$1.4 million for the livestock feedstuff and vaccine. Around 725,000 cattle in Khyber-Pakhtunkhwa alone need emergency fodder and veterinary care. There have been reported 100 percent losses in poultry sector in some of the districts of the flood affected areas. Put together, these facts and figures not only show the damages but also help understand the looming economic hardships that affected people will face in the coming months and years.

Food inflation and food insecurity are two threats emanating from the devastation to the agricultural sector. Especially rural populations in the affected regions, will be far more exposed to these threats in the near to medium term because most of them not only lost crops but also physical savings such stocks of grain and seed. Implications of the situation are manifold for the country. The floods have mostly devastated those areas of Khyber-Pakhtunkhwa, FATA, Punjab and Balochistan which were already faced with high and low food insecurity problem or which were on the borderline.

Standing crops in 80 out 131 districts, faced with food insecurity problem have been washed away. Describing the level of food insecurity in these areas, Dr Abid Suleri says that during the past six years the percentage of food insecure population has reached 48.8 percent from 37 percent in the year 2003. To complicate the situation further, the deluge has destroyed those crops which either provides food to the people or foreign exchange to the country's economy (sugar, rice and cotton). Most of the agricultural experts believe that the farmers and the land will not be able produce much during the coming Kharif season as well, depriving Pakistan of most of its export earnings in the current fiscal year.

This will put the government in a real tight situation and compel it to take hard fiscal decisions. The budgetary allocations have already started changing. The government has cut the annual Public Sector Development Program (PSDP) by 50 percent (over 3 billion dollars) which is likely to entail negative consequences for the non-affected but under-developed districts across the country.

Losses to the infrastructure countrywide are colossal. Thousands of kilometers of roads, hundreds of bridges, health facilities, educational institutions, public-sector buildings and private properties have either been totally washed out or partially damaged. According to the official data of the provincial government, 245 large and small bridges have been destroyed in Khyber Pakhtunkhwa alone. Restoration of these facilities countrywide will require billions and trillions in over the next few years. With the country's already scarce resources plus flood-caused economic slowdown, it is easy to imagine what is going to be unfolded on the country's economic landscape. Just to build about 500 miles of road in war-ravaged Afghanistan, the United States spent \$500 million and several years, according to the website of the United States Agency for International Development. And the agency has spent \$200 million to rebuild just 56 schools, 19 health facilities and other services since the momentous earthquake in 2005.

#### **REASONS FOR GOVERNMENT FAILURE:**

Some of the reasons for the government's failure in coping with the emergency situation can be enumerated as:

1. Ineffectiveness of the National Disaster Management Authority;
  - a. No preventive measures after receiving warnings from Met office.
  - b. No coordination among rescue and relief agencies.
  
2. Inefficiency of the Federal Flood Commission;

- a. No proper maintenance of river embankments despite reportedly using huge funds of nearly Rs 80 billion since its formation in 1976.
  - b. No planning to make breaches in dykes or manage floodwaters despite having sufficient time.
3. Inefficient water management system;
- a. Both in abundance and scarcity water is a problem for the country.
4. Political wrangling over new dams;
- a. Mistrust among provinces over locations of new dams.
  - b. Perceptions that rulers more interested in receiving foreign aid than providing relief.
  - c. Leaders could not rise beyond their political benefits.
5. Poor domestic economic conditions.
6. Country's poor image abroad;
- a. International community's suspicions about transparency in aid distribution.
  - b. Rulers' questionable commitment to transparency and accountability
7. No formal system to distribute aid in situations like this.

In the previous flood situations, losses as total percentage of the GDP value were significant during the years that followed those floods. This percentage loss of GDP value was; 3.04 in 1973, 5.09 in 1976 and 2.60 in 1992 (GDP values constant at 1985 prices). It is worth nothing that floods cause losses not only to the GDP but also to the capital stock, which severely curtail the growth potential of the country and impacts its mass macro-economy.

As Irfan Mufti puts it, ‘the long-term impact will be two-fold; capital damages [will] induce a lower GDP in subsequent years (to the extent of investment losses); and output losses (caused during flood-affected year) lower incomes and ...reduced savings for... investments. In addition, there will be enormous social losses due to this flood, the impact of which on the macro- economy [will be] much more than micro-economic losses’.

## **WHAT CAN BE DONE?**

To cope with this unusual situation, the government initiated negotiations with the IMF and World Bank. These negotiations ended with IMF and WB agreeing jointly on September 2 that they provide more help to flood hit Pakistan during the current fiscal year. The Managing Director of IMF said on Thursday after completing his talks with Pakistani Finance Minister, “In response to this (flood), I will ask the IMF Board to approve \$ 450 million in emergency assistance to be made available this month.” While the World Bank President said that WB was committed to help the people of Pakistan in this time of need and has made available \$ 1 billion (previously \$ 900 million) for immediate recovery efforts and long-term reconstruction. The additional \$ 100 million will be available during the current fiscal year. In addition to this, Asian Development Bank has also showed its willingness to lend a helping hand to Pakistan and has started damage and need assessment (DNA).

But the question that is asked by many economists is whether if Pakistan can’t do without such huge foreign debt? And should it go for more loans at this stage? Most of the independent economic experts answer both these questions in negative. With a phenomenal debt burden of Rs 8913 billion today (Rs 4814 in 2007) including over 55 billion dollars foreign liabilities most of the economic experts are of the opinion that Pakistan should not increase its foreign debt liabilities any more. Otherwise, they believe, it could prove to be proverbial ‘last straw’ for the country’s economy.

Renowned economist Dr Zafar Moeen Nasir says, “Pakistan needs long-term planning for rehabilitation [of the affected people], which can be done through re-direction of domestic resources... Pakistan should avoid [taking more] loans because we have already taken more than

\$55 billion debts. The total size of [the country's] GDP is \$176 billion. If we go for 1 or 2 billion dollars loan each from ADB, WB or IMF we would cross the \$60 billion mark, which means the external loan liabilities of the country will reach almost 1/3<sup>rd</sup> of the GDP. This will be unsustainable for the country's economy and will hamper its growth in future. The external debts should not cross 33% threshold of the GDP. It will be prudent on the part of government to mobilize domestic resources for the purpose at hand so the country's future development is not compromised".

Some of the economists stress for reallocation of domestic resources to fulfill long- and short-term relief and rehabilitation requirements. An amount of Rs. 300 billion can be generated by reallocating funds from the 2010-2011 budget under the following heads:

<b>1. Benazir Income Support Program (BISP)</b>	<b>Rs 50 billion</b>
<b>2. Internally Displaced Persons Fund (IDPF)</b>	<b>Rs 45 billion</b>
<b>3. Special Program</b>	<b>Rs 30 billion</b>
<b>4. Provincial Public Sector Development Program</b>	<b>Rs 173 billion</b>

However, many developmental experts don't buy this idea. They are of the view that total diversion of funds from the above-mentioned heads/sectors is neither desirable nor feasible. Dr Abid Suleri, for example, says that this solution is one-sided as it ignores three important factors: one, that these allocations were made because they are really needed there; two, that they are meant for poverty alleviation and social sector development both in the affected and non-affected areas; three, that doing so will have serious negative economic and developmental implications for the non-affected population and areas.

Instead, they suggest that following measures can prove useful for generating some extra funds needed for relief and rehabilitation:

1. Freeze on federal and provincial annual expenditures at the last year level can save up to Rs. 28 billion;
2. 10% addition on standard Income Tax regime for one year can yield another Rs. 50 billion;
3. The long-awaited GST reforms may add between Rs 30 to 40 billion to the national exchequer.

After an initial slow response from the international community, the pace of aid commitments by donors improved after UN Secretary General, Ban Ki-moon's visit to Pakistan in mid August. However, the UN announced on September 2, that the aid flow had "almost stalled" since the beginning of the last week, with the final figure of \$ 291 million – two-third of \$ 460 funding needed and appealed by UN for relief activities. So far, the United States is leading the foreign community in this respect, with almost 150 million dollars in kind and cash, backed up with 31 Chinook and Black Hawk helicopters. This is a grim situation which apparently is putting the government with no other option but resort to obtaining foreign debts. In that case, as already pointed out, the country will go deep into an economic crisis and suffer slow growth rate in the years to come hampering its development.

## **CONCLUSION:**

Experts at a seminar organized by the CRSS last week expressed concern about country's economic potential to handle the post-floods situation. However, they questioned government's decision to halt Public Sector Development Programs and divert its Rs 259 billion to the flood hit areas, saying it will entail serious negative consequences on the development of those parts of the country which are not affected by the floods. Most of them, including government's principal advisor on economy, agreed that the impact of these unprecedented floods will continue to be felt for several years. Keeping in view the country's economic situation and the poor response of the international community, the need for improvement in the governance structure cannot be over-exaggerated.

The calamity Pakistan is going through is unprecedented. But response to it, both domestically and internationally, is dismal. Pakistan was already going through a difficult economic situation because of its war against terrorism. Foreign investment coming to the country has almost stopped and the industrial sector showing a negative growth rate for years now. According to official financial records, the only driving force behind the economy during the past two years had been the farmers' income coming from the agriculture sector. Now with this sector hit by floods, the economy already in bad shape and the international help not forthcoming together has put Pakistan in a really serious situation. International and domestic political and economic observers say that this can lead to catastrophic implications not only for this country but also the region and the whole world.

On the other hand, political leadership is bereft of any credibility, whatsoever and the masses have no trust in the present system or any of its institutions. In the backdrop of extremists' war on state, the apathy of the international community, the alienation of common man and the failure of the government to deliver in this crisis situation, independent political observers are talking about the possibility of the growing influence of extremist elements. They expressed apprehensions that the political ramifications may become visible sooner than later – way ahead of the economic consequences. As a result of the failures of past six decades, there has been a potent resentment against the government, the political class as a whole and the system which has failed in fulfilling its obligation since independence.

The floods and resultant failure of the government has raised the dissatisfaction level manifold overnight. The alarming level of resentment among the affected population can be gauged from a statement issued by ICRC in Geneva. It says, "What we are detecting is a very worrying trend of areas where...people are so in need, so resentful of not getting enough aid, that they turn understandably aggressive and this is bad because it doesn't help to reach more of them."

If it is a pointer to the ground realities, then the possible consequences may not be difficult to imagine. It's a known phenomenon in politics that in most of the cases the government of the day

pays the price after such crisis situation. But Pakistan's current turmoil appears to result in more than that.

Because it's not confined to the "immediate" alone.