

## **General Elections 2008**

### **Policy Commitments of Political Parties**

#### **Economy, Trade and Social Welfare**

Pakistan's economy has recorded notable growth in terms of average Gross Domestic Product (GDP), per capita income, foreign exchange reserves and sectoral growth over the last few years. An illustrative example is the real GDP, which has grown at an average rate of 7.0 percent per annum during the last five years (2003-07) and over 7.5 percent in the last four years (2004-07) in running, as the official statistics put it. Comparably, Pakistan has become one of the fastest growing economies in the region along with China, India, and Vietnam.

While some macroeconomic indicators give us something to cherish, we can hardly afford to ignore the persistent problems of poverty, inflation, unemployment, income inequality, trade deficit, and the like. About one-fourth of the total population is still living below poverty line, according to the government's own statistics. Similarly, inflation continues to eat up major chunk of income of the poor households. Food inflation has remained all time high; it averaged 10.2 percent over the first ten months of the fiscal year 2006-07, whereas it was 7 percent last year. Likewise, there is no significant decrease in the overall rate of unemployment, as 3.10 million people were unemployed in Pakistan in 2005-06. Serious policy commitments are, therefore, needed to address these and similar other problems in the economy and trade.

The table provided below identifies some of the major challenges in economy and trade from the viewpoint of the poor; policy actions needed to address these challenge, and commitment of political parties whether they will implement the policy actions, if they are voted to power after forthcoming general elections.

	Challenge	Policy Actions Needed	Political Party's Response
1	Pakistan is rapidly moving from progressive to regressive taxation system with the result that inequality between rich and poor is increasing. For example, the burden of GST on the lowest deciles is 58 per cent higher than the highest deciles. The Central Excise Duty (CED) is the most regressive tax, with the burden on the lowest deciles being 100 per cent higher than on the highest deciles. Thus, the poor are adversely affected by the way taxes are levied in Pakistan.	Will your political party move the taxation system from “regressive” to “progressive” for reducing its deleterious impacts on the poor?	Yes <input type="checkbox"/> No <input type="checkbox"/>  Other response: _____ _____ _____
2	Comprehensive social protection for the poor is missing from the economic welfare framework. The existing initiatives for welfare and redistribution of wealth have very limited coverage. As a result, their benefits are not reaching those who deserve them the most. Zakat system, agriculture subsidies, and subsidy on kitchen items through Utility Stores, are a few examples.	Will your political party implement a Comprehensive Targeted Social Protection Program for the poor, providing <i>at least</i> the following: <ol style="list-style-type: none"> <li>1. Unemployment allowance</li> <li>2. Targeted subsidy (that reaches the poor only) on wheat flour, electricity and public transport</li> <li>3. Reduction in GST on essential food items and agricultural inputs</li> <li>4. Medical insurance of widows</li> </ol>	Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Other response: _____ _____ _____
3	The purchasing power of the salaried class is decreasing,	Will your political party index the salaries of	Yes <input type="checkbox"/> No <input type="checkbox"/>

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	as any increase in their salaries is offset by a much higher rate of inflation.	government employees to inflation?	Other response: _____ _____ _____
4	Pakistan is liberalizing trade in commodities and services as a member of World Trade Organization (WTO). This process is taking place in a haste in absence of domestic preparedness, and background research. For instance, Pakistan has opened up many service sectors without performing any Economic Needs Test (ENT). Negotiations and commitments are being made while keeping the Parliament in the dark. Experts are cautioning that this approach might have serious impacts in the future on our competitiveness and overall economy.	Will your political party take the following steps to address this challenge:  1. Enact and implement a law requiring Parliamentary debate on any bilateral or multilateral commitment, which Pakistan makes as a member of the WTO  2. Strengthen the competition law and Monopoly Control Authority	Yes <input type="checkbox"/> No <input type="checkbox"/>  Yes <input type="checkbox"/> No <input type="checkbox"/>  Other response: _____ _____ _____
5.	Low pro-poor expenditure has been a major reason for ineffectiveness of poverty reduction measures. Over the last few years, pro-poor expenditure has increased from 3.9 percent of GDP in 2002 to 5.6 percent in 2006 only. Pakistan needs to increase this expenditure to much higher level in order to meet government's MDG commitment of halving poverty by 2015.	Will your political party increase the pro-poor spending from 5.6 percent of GDP to 10 percent or _____ percent of GDP?	Yes <input type="checkbox"/> No <input type="checkbox"/>  Other response: _____ _____ _____