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Corruption, political instability major constraints in South Asia

Mehtab Haider

Saturday, September 24, 2011

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ISLAMABAD: Corruption and political instability is on top among the five major constraints being faced by the private sector expanding firms in Pakistan, according to the World Bank report titled "More and better jobs in South Asia", released on Friday.

The expanding firms in Pakistan ranked corruption and political instability as number one constraints and they ranked uncertain government policies as third major problem.

The fourth constraint is tax administration and fifth major difficulty is macroeconomic instability.

The frequency of bribes for electricity connections stood at 71 percent, water connections 62 percent and meetings with tax officials at 59 percent in Pakistan, it said.

Corruption is among the top five constraints in five South Asian countries and firms face high levels of corruption in a range of interactions with public officials, particularly for utilities and tax inspections.

The government interactions that have the highest frequency of bribes vary from country-to-country.

But the non-expanding firms, according to the World Bank report, have ranked tax administration as top most problems for them in Pakistan and second problem is electricity, third political instability, fourth uncertain government policies and fifth lengthy process of courts.

South Asia has seen an accelerated job growth and a substantial decrease in poverty over the last three decades, second only to East Asia.

The region will be the largest contributor to the global workforce over the next two decades. More and better jobs are needed to sustain growth and reduce poverty, it said.



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According to the report, more and better jobs in South Asia, the region defined by the World Bank as Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka, will need to add between one and 1.2 million additional jobs every month for the next 20 years, equivalent to around 40 percent of the increase in the global labour force.

Reforms will have to be accelerated if the region is going to meet the challenge of providing better jobs for them, it said.

"The key asset to South Asia is its people. South Asia has a young population and the second lowest female participation rate in the labour force. The demographic transition will result in more than 350 million people to enter the working age population over the next two decades," said Isabel Guerrero, World Bank South Asia Vice President. "Creating jobs for them will contribute to growth, equity and peace in the region."

South Asia created nearly 800,000 jobs per month between 2000 and 2010. However, despite growth, the region is still home to the largest number of the world's poor, a half billion people. Since labour is the primary asset of the poor, having more and better jobs is the key employment challenge being faced by the region.

Education is key to labour mobility. Education attainment remains low and well over 25 percent of the labour force in all countries except Sri Lanka lacks any education at all. More education facilitates labour mobility to more productive employment, from rural agriculture to rural-based industry and service jobs and from urban casual work to urban-based regular wage and salaried industry and service jobs.

Additionally, South Asia has some of the highest rates of malnutrition in the world, as well as high levels of anemia and iodine deficiency.

Malnutrition rates are higher even than Sub-Saharan Africa. Poor nutrition results in lower productivity of the labour force.

Since the demand for labour is derived from businesses, it is important to address constraints of electricity shortages, corruption and political instability in some parts of the region. A lack of electricity was ranked highest and the report outlines the electricity reform agenda to tackle the issue.

The reform agenda is not only about investment. Improvements in the regulatory framework and governance of the sector are equally critical.

Growth has varied within the region. The demographic transition when the number of workers grows faster than their dependents can provide a tailwind for the next three decades in much of South Asia, it said.

This is because the resources saved from having a fewer dependents to support, provided it used for high priority investment, can support rapid growth of labour productivity.

Among the five large countries in the region, employment growth since 2000 was highest in Pakistan followed by Nepal, Bangladesh, India, and Sri Lanka.

Total employment in South Asia (excluding Afghanistan and Bhutan) rose from 473 million in 2000 to 568 million in 2010, creating an average of just under 800,000 new jobs a month.

The sources of growth varied across countries. In Bangladesh, education accounted for a fifth of the growth in aggregate labour productivity.

Growth of total factor productivity (TFP) was more important in India. Capital deepening played a significant role in India and Pakistan. But its contribution rose in India after 1980, it fell sharply in Pakistan, accounting for the relative importance of TFP growth there.

Two scenarios reveal the job creation implications of these demographic changes. In the first, there is no increase in the rate of female labour force participation from the current levels.

In this scenario, South Asia adds one million entrants a month to the labour force between 2010 and 2030. The proportionate increases are largest in countries with the youngest population (Afghanistan, Nepal, Pakistan) and smallest in the single aging country in the region (Sri Lanka).

Under the second scenario, female labour participation rates increase 10 percentage points by 2030 in Bangladesh, India and Pakistan, which together account for 95 percent of the region's working age population and have the lowest rates of female participation (31 percent in Bangladesh, 30 percent in India and 22 percent in Pakistan).

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The World Bank report also says that Pakistan's employment growth has been the highest in South Asia region since 2000, followed by Nepal, Bangladesh, India, and Sri Lanka in that order.

Riaz Haq
USA

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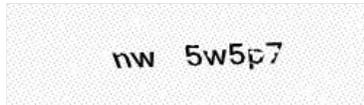
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