

## Economic Cost of Flood in Pakistan

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With monsoonal rains continuing, the worst flooding in Pakistan in 80 years is still spreading. Pakistani relief organizations and government agencies are stretched to the limit. Yet despite urgent appeals from the UN and other aid organisations, the level of international aid is pitiful, even measured against the limited assistance donated in other recent disasters. The flash floods in several parts have already damaged country's economy and will leave marks on the country's agriculture and economic growth. According to the early estimates more than 20 million people (almost 13% of the country's total population); including 9 million children are directly suffering. This figure does not include those that are now indirectly bearing the burden. This is in all counts is the largest ever water splash in the 64 years history of Pakistan. The major floods of 1973 (less than 5 million people) 1976 (5.7 million people), 1992 (10 million), 2005 (8 million) and 2010 (20 million affected people as of Aug 15) prove the point. The enormity of the damage can be judged from the fact that 10.51 people displaced more than 3000 dead (the actual count will be known later once the water will recede) many deaths are likely to be unrecorded. In the last 64 years among ten biggest natural disasters in Pakistan that includes floods, droughts, earthquakes and storms this water tragedy by far is the largest ever disaster happened to this country.

The Swat Valley in the worst affected province—Khyber-Pakhtunkhwa (formerly the North West Frontier Province)—is cut off, trapping an estimated 500,000 people. Most have received no relief supplies, except small quantities being transported into the areas by foot or donkey. In other parts of the country, flooding is threatening major cities and towns.

At the moment more than 10.5 million people are on the move on the roads of this country looking for refuge and shelter. A very small fraction of this population has so far found shelters in government facilities or temporary camps set-up by NGOs and philanthropists. Majority of this displaced population is still living in open fields and without proper shelter, food, medicines or protection. Most of the makeshift camps are without essential services and poorly managed. Government schools are used to camp displaced population and most of these buildings are already in dilapidated conditions and cannot house victims for a long time. The government and humanitarian agencies have not been able to set-up tent facilities thus increasing risks of shocks and vulnerabilities. The food, medicines, water, non-food items and temporary shelters provided by government, NGOs, philanthropists and international groups are far less than the demand. It is predicted that the trauma is still not over as more monsoon is predicted and will add more volume of water in the river system.

It is said that the total volume of water in the Indus river water system is not exceptionally high for the river system to absorb. The disaster happened because of lack of attention to maintenance of river embankments, silting of river beds, weak water protection infrastructures, massive deforestation and unplanned settlements in riverine areas. All these factors contributed a great deal in the on-going ordeal of the people. Level of preparedness to cope with the impending disaster was very low. Though there are several disaster mitigation and management systems and authorities set-up in last few years but

their performance is far below than expected standards. Ironically most of the people that were either forced to leave houses unalarmed or with prior notice did not know where to go for shelter, food, medicines and other basic facilities. No government information facilities were set-up or prior arrangements were ensured. Mass exodus from flooded cities further choked national highways and nearby cities and towns.

Tragically the flood hit the most fertile food growing areas. Gilgit, Swat, Charsada, Swabi, Nowshera to Larkana, Dadu and Matiari are food growing pockets and contribute a reasonable share in country's food and grain economy. Major losses of crops, orchards, cattle, fodder, cotton and other major cash crops will have a serious setback on the economy. This will create food scarcity and insecurity for many in coming months. Some of these crops are export oriented and country will face decline in export earnings.

Flood also caused destruction to railway networks, roads, barrages, canals, village infrastructure and other essential facilities in the catchment areas. Transportation of goods and people is already effected. It has also destroyed buildings, factories, warehouses etc and closed down work in these places due to which not only the workers will suffer but also the industries will suffer. In coming months the government has to invest huge amount of funds and manpower in rehabilitation of people and industries, which will cause the economy to suffer at the national level.

The mass displacement of population will irk cities scarce resource and load nearby towns. Though most of the people that are displaced are skilled agriculture labor and can be adjusted as unskilled laborer in other sectors but it the labor in agriculture sector will be scarce.

In previous years the floods damages/loss as a percentage of the total GDP value was significant during following years. Loss as percentage of GDP value was 3.04 in 1973, 5.09 in 1976 and 2.60 in 1992. If damage due to cyclones and storm surges were taken into account, the overall loss as a percentage of GDP would be much higher. It may be noted that the GDP values are at constant 1985 prices. Estimates of the effect of flood loss on the GDP are based on static absolute figures of flood loss. The structures of the flood damage losses and their relative weightage to total GDP have not been taken into account. However, the estimates provide a notional indication of the impact of flood damage/loss on the economy.

It may be mentioned that floods cause losses both to the GDP and to the capital stock and thus hamper the growth potential of the country. Moreover, these losses also have long-term impacts on the macro-economy. The long-term impacts will be twofold: capital damages induce a lower GDP in subsequent years (to the extent of investment losses); and output losses (caused during the flood-affected year) lower incomes and possibly, reduce savings available for financing investments.

In addition, there will be enormous social losses due to this flood, the impact of which on the macro-economy is much more than micro-economic losses in terms of accelerating the growth potential of the economy. However, as yet there is no comprehensive source that provides information/analysis of possible macro-economic impact of current flood losses.

The government was already facing widespread hostility over its proxy war on behalf of the US against Islamist militants, and the country's economic and social crisis. Now the floods have wiped out large areas of crops, destroying the livelihoods of many farmers and leading to higher food prices. As the flooding worsens, anger and protests will inevitably spread, compounding the crisis of a fragile regime

Despite the immense scale of the disaster, international aid is only trickling in. As of early this week, according to the UN's financial tracking system, the funds committed by governments totaled less than \$US45 million, with an additional \$91 million pledged.

The government has so far failed to mobilize external and domestic resources to manage the effects. This delay will limit government ability to restore human settlements, rehabilitate agriculture and rural economy, rebuild infrastructure, provide safe and timely return and recovery of these people and reduce strain from urban centres. All these will be contributing factors in multiplying shocks of the disaster. Government credibility deficit and lack of trust of funders is worrisome factor. The sheer size and scale of devastation requires much higher level of support failing to which will weaken the government's capacity to deal with the domestic issues mainly terrorism, recession, inflation and high scale of unemployment. It is much needed that all stakeholders including donors, investors, humanitarian assistance organizations, aid consortiums and other economic powers must invest in this time of crisis to avoid any undue spill over of this situation. It is needed that government invites all key stakeholders to a platform and develop disaster management plan with greater participation of civil society and effectees. All emergency, relief, early recovery, rehabilitation and resettlement efforts must be done outside the ambit of usual government structures. Only an independent commission lead by credible personalities can ensure greater participation, trust and optimum results of these efforts.

In the meantime the government must demonstrate its political will to support. It has to put these people as its first priority and shift other government agendas in the second list. So far the government has failed to show its resolve and leadership in tackling the problem. The present disaster will also be a test for the present political government as most effectees are also the voters of the ruling party and rightly expecting urgent and substantive support. Government has to cut down on its expenses, mainly non-development expenditures and divert these resources to the much needed relief and rehabilitation of these 20 million people. Failing to which will have serious repercussions for the country as well as present government.