

## THE ROLE OF THE WORLD BANK IN THE ECONOMIC DEVELOPMENT OF PAKISTAN: A CRITICAL ANALYSIS

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### ABSTRACT

Pakistan, upon gaining independence, faced significant economic challenges stemming from its fragile economic base. Over the years, the country has encountered a mixed record of economic development. This Study explores the role played by the World Bank in Pakistan's economic development, with a particular focus on industrial development and the challenges encountered post-independence. Purpose of the Study: This study aims to comprehensively examine the impact and contributions of the World Bank towards the economic progress of Pakistan. By delving into the initial challenges faced by the country and analyzing the subsequent shifts in economic policies, it seeks to understand the efficacy of the World Bank's interventions in fostering industrial growth and overall economic stability. A qualitative research design has been used in this study, and adopted for this study involves a thorough review of existing literature, historical data, and policy documents related to Pakistan's economic development and its interactions with the World Bank. Despite periods of promising economic performance, Pakistan has consistently grappled with fiscal and external imbalances, high unemployment, and persistent poverty. While the World Bank's interventions have shown some signs of improvement in macroeconomic indicators, sustained progress remains elusive. Therefore, it is recommended that future collaborations between Pakistan and the World Bank focus on implementing targeted reforms addressing structural issues, promoting inclusive growth, and enhancing institutional capacity to ensure long-term sustainable development.

**Keywords:** Pakistan, Economic development, World Bank, Industrial growth, Policies.

### INTRODUCTION

Pakistan, since its inception in 1947, has navigated through a challenging economic landscape, marked by initial adversity but subsequent improvements. Despite limited financial resources at independence, Pakistan emerged as a beacon of economic policy, influencing nations like Korea in the 1960s. However, the unresolved Kashmir dispute with India has been a constant shadow over Pakistan's economic trajectory, necessitating significant military expenditure and entangling the nation in multiple conflicts. The establishment of Pakistan's first planning board in 1950 underscored the nation's commitment to economic development, with a primary focus on agriculture. However, the execution of these plans faltered due to a lack of defined targets and weak implementation mechanisms, rendering the effort largely ineffective.

Consequently, Pakistan's economic planning during this period can be deemed a failure (Ahmed & Ali (2020).

In subsequent years, Pakistani leaders shifted their focus towards industrialization, achieving notable success in establishing a diverse industrial base capable of producing goods for both domestic and industrial consumption. Despite this progress, industrialization failed to adequately address the burgeoning urban population's employment needs, perpetuating socioeconomic challenges. Facing financial constraints post-independence, Pakistan sought assistance from international institutions, with its accession to the World Bank in 1950 marking a significant milestone. Over the ensuing years, Pakistan has received substantial financial support from the World Bank,

totaling billions of dollars in loans and credits, albeit with a significant portion remaining outstanding. This support has been instrumental in driving various economic and human development initiatives, including reforms in public financial management, tax administration, civil services, and local governance (Anwar et al., (2017).

Furthermore, the World Bank has prioritized initiatives aimed at improving access to and equality of public services, particularly in education, healthcare, and infrastructure, with a particular emphasis on addressing gender disparities. Notably, the World Bank has sought to leverage successful experiences, such as the Pakistan Poverty Alleviation Fund (PPAF), to expand microcredit and community-driven infrastructure projects, thereby empowering marginalized communities. Despite rapid population growth, Pakistan has achieved commendable progress in reducing poverty, with eminent economists like Dr. Ishrat Hussain noting a decline from 46% to 18% by the late 1980s. This robust economic performance persisted despite the challenges posed by multiple wars and successive civilian and military governments from the 1950s to the 1990s, a period marked by relative stability and growth.

However, the specter of mounting public debt looms large over Pakistan's economic landscape, surpassing its GDP and resulting in a per capita income lower than per citizen indebtedness. This debt burden underscores the need for prudent fiscal management and sustainable economic policies to navigate future challenges effectively. In the realm of international politics, Pakistan's economic journey serves as a case study in navigating geopolitical complexities while striving for socioeconomic development. The unresolved Kashmir conflict with India has not only imposed a significant burden on Pakistan's economy through military expenditures but has also influenced its diplomatic engagements and regional dynamics (Arif & Khan 2019).

Pakistan's partnership with international institutions like the World Bank reflects its commitment to fostering global cooperation and leveraging external support for economic development. The World Bank's involvement in Pakistan extends beyond financial assistance to encompass technical expertise and capacity-building initiatives aimed at enhancing governance structures and improving service delivery. Furthermore,

Pakistan's economic trajectory underscores the interconnectedness of domestic policies and international engagements, with geopolitical tensions impacting economic stability and development prospects. The country's ability to navigate these challenges hinges on a strategic balance between national priorities, regional dynamics, and global partnerships. Pakistan's economic journey since independence epitomizes the interplay between domestic imperatives, international dynamics, and geopolitical complexities. While the nation has made significant strides in economic development, challenges persist, necessitating continued collaboration with international partners and a steadfast commitment to sustainable growth strategies. Through prudent policymaking and proactive engagement, Pakistan can chart a path towards inclusive and resilient economic development, ensuring a brighter future for its citizens amidst the evolving global landscape (Bacon, 2019).

#### **Literature Review**

**Khan, A. (2018).** *Discusses in his paper "The World Bank's Role in Economic Development: A Case Study of Pakistan"*. Khan provides an overview of the World Bank's involvement in Pakistan's economic development, highlighting various projects and initiatives funded by the World Bank. However, the study lacks an in-depth analysis of the effectiveness and impact of these interventions. **Ahmed, S., & Ali, H. (2020).** *In his Article "Assessing the Impact of World Bank Assistance on Pakistan's Economic Growth"*. Ahmed and Ali evaluate the impact of World Bank assistance on Pakistan's economic growth using econometric methods. They find a positive correlation between World Bank funding and economic growth but suggest further research to identify specific channels through which this impact occurs. **Malik, M. A., & Khan, S. (2019).** *Jay says in his paper "World Bank Projects in Pakistan: A Critical Review of Effectiveness and Sustainability"*. Malik and Khan critically assess the effectiveness and sustainability of World Bank projects in Pakistan. They highlight issues related to project implementation, governance, and long-term sustainability, indicating a gap between project objectives and outcomes. **Hussain, S., & Abbas, A. (2017).** *His paper "The Role of World Bank in Infrastructure Development in Pakistan:*

*Challenges and Opportunities*". Hussain and Abbas analyze the role of the World Bank in infrastructure development in Pakistan, discussing challenges and opportunities. They identify gaps in project planning, execution, and monitoring, emphasizing the need for improved coordination and capacity-building efforts.

**Rafique, M., & Haq, M. (2016). His Article "World Bank Assistance and Poverty Alleviation in Pakistan: A Case Study Approach.** Rafique and Haq examine the impact of World Bank assistance on poverty alleviation in Pakistan using a case study approach. They find mixed results, indicating that while some projects have contributed to poverty reduction, others have failed to address underlying structural issues.

While the literature provides insights into the World Bank's role in Pakistan's economic development, several gaps remain. **Limited Focus:** Most studies focus on assessing the impact of World Bank assistance on economic growth or poverty alleviation, overlooking other aspects such as governance, social development, and environmental sustainability. **Lack of Longitudinal Studies:** Many studies offer cross-sectional analyses, providing limited understanding of the long-term effects of World Bank interventions on Pakistan's economy. **Need for Qualitative Research:** The existing literature primarily relies on quantitative methods, overlooking qualitative aspects such as stakeholder perspectives, institutional dynamics, and local context, which are crucial for understanding project effectiveness and sustainability. **Governance and Institutional Capacity:** While some studies touch upon governance issues, there is a lack of comprehensive analysis of governance challenges and institutional capacity constraints that hinder the successful implementation of World Bank projects in Pakistan. **Policy Recommendations:** While studies identify challenges and gaps, there is a dearth of concrete policy recommendations for policymakers and development practitioners to address the identified issues and improve the effectiveness of World Bank interventions in Pakistan.

### **Research Methodology**

The research methodology for investigating 'The Role of the World Bank in the Economic Development of Pakistan' has adopted a descriptive research design employing a qualitative approach. Primary data will be collected through World Bank officials, Pakistani government representatives, and

economists, while secondary data has been collected from literature reviews and official documents. Thematic and content analysis has been collected to analyze qualitative data and identify key themes and trends. Ethical considerations will include obtaining informed consent, ensuring anonymity and confidentiality, and obtaining necessary ethical approvals. Limitations may include scope constraints, potential bias in official data, and limited generalizability of findings beyond the study context.

### **Pakistan and World Bank**

The World Bank has played a pivotal role in shaping Pakistan's economic development trajectory through its multifaceted interventions. Since its inception, the World Bank has been a significant contributor to Pakistan's development efforts, providing financial assistance, technical expertise, and policy advice across various sectors. As Pakistan transitioned through the 1950s to the 1970s, the partnership evolved, with the World Bank extending financial support primarily towards infrastructure projects, notably in energy and transportation sectors. This trend continued into the 1980s and 1990s, marked by economic upheavals, where the World Bank played a pivotal role in implementing structural adjustment programs to address macroeconomic imbalances (Baig et al., 2009). The 2000s saw a shift towards social development initiatives, emphasizing education, health, and poverty alleviation, reflecting a broader recognition of human capital as a key driver of economic growth. In recent years, the partnership has deepened further, with the World Bank intensifying its support to address pressing challenges such as energy shortages and socioeconomic disparities. Throughout this journey, the World Bank's financial assistance has been substantial, reflecting its commitment to Pakistan's development. According to World Bank data, Pakistan has received substantial financial support over the years. For instance, in fiscal year 2020, the World Bank approved \$1.72 billion in financing for Pakistan, aimed at bolstering key sectors such as infrastructure, education, and health (World Bank, 2020). This financial assistance has been instrumental in addressing critical development challenges and fostering sustainable growth.

Moreover, the World Bank has been actively involved in implementing crucial development projects that have had a tangible impact on Pakistan's economy. For example, the World Bank-funded

Dasu Hydropower Project is expected to add approximately 4,320 megawatts of clean energy to Pakistan's national grid upon completion, addressing the country's energy shortages and promoting industrial growth (World Bank, 2021). Such initiatives not only contribute to economic development but also enhance Pakistan's resilience to external shocks (Brecher & Abbas, 2005).

Furthermore, the World Bank's policy advice and technical assistance have been instrumental in promoting institutional reforms and strengthening governance mechanisms in Pakistan. Through initiatives like the Punjab Land Records Management and Information Systems Project, the World Bank has supported efforts to modernize land administration systems, enhance transparency, and reduce corruption (World Bank, 2018). These reforms have created an enabling environment for private sector development and foreign investment, thereby fostering economic growth and job creation. In essence, the World Bank continues to be a crucial partner in Pakistan's journey towards achieving sustainable development and prosperity.

Pakistan is grappling with a profound energy crisis marked by several systemic challenges, including insufficient generation capacity, escalating consumption of gas and oil, systemic losses, poorly targeted subsidies, and a lack of cohesive energy policies. Despite the government's efforts to introduce new energy projects, challenges persist in the transmission and distribution network. Inefficient infrastructure results in substantial losses, with around one-fourth of the generated power wasted during transmission and distribution processes, which includes instances of theft. This systemic inefficiency undermines the effectiveness of initiatives aimed at augmenting the power supply (Khan and Bruce, 2024). A forecast by the National Transmission and Dispatch Company (NTDC) in 2008 highlighted the looming challenge of escalating electricity demand, projected to reach 35,000 MW by 2017-2018. Despite the government's endeavors to add 5,095 MW in capacity through new projects, the anticipated shortfall remains severe, amounting to approximately 7,748 MW. This persistent gap underscores the urgency of addressing not only capacity issues but also systemic inefficiencies in the energy sector (Brollo et al. 2021). Pakistan's energy crisis presents a multifaceted challenge that demands comprehensive and sustained efforts to address. While initiatives have been undertaken to bolster

generation capacity, systemic inefficiencies in transmission and distribution networks continue to impede progress. Addressing these challenges will require not only increased investment but also strategic reforms aimed at enhancing the efficiency and reliability of the entire energy ecosystem. Pakistan's energy crisis presents a multifaceted challenge that demands comprehensive and sustained efforts to address. The World Bank, through its financial support, technical expertise, and policy guidance, can play a crucial role in helping Pakistan overcome its energy challenges and foster economic development (Clemens & Kremer, 2016).

### **1. Infrastructure Development**

The World Bank has played a pivotal role in the infrastructure development of Pakistan, facilitating the construction of critical projects that have significantly contributed to the country's economic growth and development. One notable example of the World Bank's involvement in infrastructure development is the Dasu Hydropower Project (Duan et al. 2022).

The Dasu Hydropower Project, located in the Khyber Pakhtunkhwa province, is aimed at harnessing Pakistan's hydropower potential to address the country's chronic energy shortages. According to the World Bank, upon completion, the project is expected to add approximately 4,320 megawatts of clean energy to Pakistan's national grid (World Bank, 2021). This significant increase in power generation capacity will not only alleviate the ongoing energy crisis but also support industrial growth, stimulate economic activity, and improve the overall quality of life for millions of Pakistanis.

Furthermore, the Dasu Hydropower Project is designed to be environmentally sustainable, with measures in place to minimize adverse impacts on local ecosystems and communities. The World Bank's involvement ensures that international best practices in environmental and social safeguards are adhered to throughout the project's lifecycle, thereby mitigating potential risks and ensuring sustainable development outcomes (World Bank, 2021).

In addition to the Dasu Hydropower Project, the World Bank has supported numerous other infrastructure development initiatives in Pakistan, spanning sectors such as transportation, water resource management, and urban development. These projects aim to enhance connectivity, improve access to essential services, and foster economic growth across the country.

The World Bank's role in infrastructure development in Pakistan is crucial for addressing key developmental challenges, such as energy shortages, and promoting sustainable economic growth. Through financial assistance, technical expertise, and adherence to international standards, the World Bank continues to support Pakistan in realizing its infrastructure development goals and fostering inclusive and resilient development (Bacon, 2019).

## **2. Education and Human Capital Development**

The World Bank's role in education and human capital development in Pakistan has been instrumental in addressing key challenges and promoting sustainable economic growth through investment in human resources and education infrastructure.

One significant initiative supported by the World Bank is the Secondary Education Development Project (SEDP). The SEDP aims to enhance access to quality secondary education in Pakistan, particularly for girls and marginalized populations. According to the World Bank, the project has achieved notable milestones, including the construction of over 23,000 new classrooms and the training of around 40,000 teachers (World Bank, 2020). These investments have not only expanded educational opportunities but also improved the quality of education delivery, leading to better learning outcomes for students across the country (Redaelli, 2019).

Furthermore, the World Bank has supported efforts to strengthen technical and vocational education and training (TVET) in Pakistan, aligning education with market demand and promoting skills development for the

workforce. Through initiatives such as the Punjab Skills Development Project, the World Bank has helped establish vocational training centers and upgrade existing facilities to equip youth with relevant skills for employment (World Bank, 2019). This focus on TVET is essential for enhancing productivity, promoting entrepreneurship, and reducing youth unemployment in Pakistan.

Moreover, the World Bank has prioritized investments in early childhood development (ECD) to ensure that children receive quality education and holistic development opportunities from an early age. Projects such as the Sindh Early Learning Enhancement through Classroom Transformation Program (SELECT), supported by the World Bank, aim to improve school readiness and learning outcomes among young children through innovative teaching methods and parental engagement (World Bank, 2022).

The World Bank's investments in education and human capital development in Pakistan are crucial for building a skilled and productive workforce, reducing poverty, and fostering sustainable economic growth. By supporting initiatives such as the Secondary Education Development Project, technical and vocational education and training, and early childhood development programs, the World Bank is contributing to the empowerment of individuals and the advancement of society as a whole in Pakistan (Abbasi et al. 2021).

## **3. Healthcare and Social Protection**

The World Bank's involvement in healthcare and social protection initiatives in Pakistan has been pivotal in improving health outcomes, reducing poverty, and promoting social inclusion across the country. Through various projects and programs, the World Bank has supported Pakistan in strengthening its healthcare systems and expanding access to essential health services for all citizens.

One significant initiative supported by the World Bank is the Punjab Health Sector Reform Project. Launched in collaboration

with the Government of Punjab, this project aims to enhance the quality and accessibility of healthcare services in the province. According to the World Bank, the project has helped improve healthcare infrastructure, strengthen health management systems, and expand the coverage of essential health interventions (World Bank, 2019). As a result, millions of people in Punjab have benefited from improved access to healthcare services, leading to better health outcomes and increased well-being.

Furthermore, the World Bank has supported Pakistan in implementing social protection programs to mitigate the impact of poverty and vulnerability on vulnerable populations. The Benazir Income Support Program (BISP), funded in part by the World Bank, is one of the largest social safety nets in Pakistan, providing cash transfers to millions of poor households across the country (World Bank, 2020). These cash transfers enable beneficiaries to meet their basic needs, including food, healthcare, and education, thereby reducing poverty and improving household welfare (Roussel et al. 2021).

Moreover, the World Bank has played a crucial role in supporting Pakistan's response to public health emergencies, such as the COVID-19 pandemic. Through the COVID-19 Emergency Response and Health Systems Preparedness Project, the World Bank provided financial assistance to strengthen Pakistan's healthcare infrastructure, procure medical supplies, and expand testing and vaccination capacity (World Bank, 2021). This support has been essential in mitigating the impact of the pandemic on public health and socioeconomic well-being. The World Bank's investments in healthcare and social protection in Pakistan have been instrumental in improving health outcomes, reducing poverty, and promoting social inclusion. By supporting initiatives such as the Punjab Health Sector Reform Project, the Benazir Income Support Program, and COVID-19 response efforts, the World Bank is contributing to building resilient health

systems and ensuring that all citizens have access to essential services and support (Latief & Lefen, 2019).

#### **4. Governance and Institutional Reforms**

The World Bank's involvement in governance and institutional reforms in Pakistan has been crucial for promoting transparency, accountability, and efficiency in public administration, as well as fostering an enabling environment for sustainable economic development. Through various projects and initiatives, the World Bank has supported Pakistan in strengthening its governance structures, enhancing public sector capacity, and improving service delivery to citizens (Mahbub & Jongwanich, 2019).

One significant initiative supported by the World Bank is the Punjab Land Records Management and Information Systems Project. Launched in collaboration with the Government of Punjab, this project aims to modernize land administration systems, streamline land records management, and enhance transparency and efficiency in land transactions (World Bank, 2018). By digitizing land records and introducing innovative technologies, the project has reduced bureaucratic hurdles, minimized opportunities for corruption, and facilitated land-related transactions for millions of citizens and businesses in Punjab.

Furthermore, the World Bank has supported Pakistan in improving public financial management systems and enhancing fiscal transparency and accountability. Through initiatives such as the Pakistan Raises Revenue Project, the World Bank has provided technical assistance and capacity-building support to strengthen revenue administration, tax policy, and fiscal management in Pakistan (World Bank, 2019). These efforts have helped increase government revenues, improve budgetary processes, and enhance the effectiveness of public expenditure management, contributing to overall fiscal sustainability and economic stability (Nazli et al. 2012).

Moreover, the World Bank has supported Pakistan in promoting judicial reforms and strengthening the rule of law. Projects such as the Punjab Judicial Sector Reform Project aim to improve access to justice, enhance judicial efficiency, and promote judicial independence and accountability (World Bank, 2020). By supporting the modernization of court infrastructure, the automation of case management systems, and the capacity-building of judicial personnel, the project seeks to ensure that all citizens have equal access to justice and legal recourse (Naqvi, 2018).

The World Bank's investments in governance and institutional reforms in Pakistan have been instrumental in building more transparent, accountable, and effective public institutions. By supporting initiatives such as the Punjab Land Records Management and Information Systems Project, public financial management reforms, and judicial sector reforms, the World Bank is contributing to strengthening governance, promoting the rule of law, and creating an enabling environment for sustainable development and inclusive growth in Pakistan (Sulehri & Naeem, 2018).

### **Projected Supply and Demand (2010-2030)**

To meet the growing energy demand, Pakistan will need to rely on a combination of domestic and imported resources. This includes utilizing domestic resources such as wind, biomass, hydropower, and coal, as well as developing nuclear power capabilities (Haider et al. 2019). According to the medium-term development framework outlined by the Planning Commission from 2005 to 2010, the total energy requirement for a GDP growth rate of 6.5% per year is projected to be 198 million tons of oil equivalent (MTOE) by the year 2025. This represents a fourfold increase compared to 2005 levels. However, there is an estimated deficit of 122 MTOE, or approximately 62% of the total energy requirement, by 2025 (Sheikh, 2012). Another forecast suggests that with a lower GDP growth rate of 5.5% per year, the total energy requirement would be 176 MTOE. Despite the slower growth rate, the deficit in energy remains high at 71% due to sluggish growth in domestic energy production. The high

proportion of energy imports poses challenges, particularly in terms of financing. The bill for energy imports is anticipated to reach \$25 billion in 2015 and \$94 billion in 2030 (Nazli et al. 2012). However, long-term financial projections are inherently uncertain and subject to various factors. Therefore, it's essential to consider pertinent questions that can guide future directions in energy planning and policy formulation.

### **Industrial development in Pakistan**

In the fiscal year of 2012, Pakistan's industrial sector experienced a modest growth rate of 3.4%, marking an improvement from the earlier rate of 0.7%. However, despite this recovery, the sector's performance remained unsatisfactory. The growth in value addition by the manufacturing sector, particularly small-scale industries, contributed significantly to the overall industrial activity, accounting for approximately 45% of the increase. However, this growth appeared inflated due to a substantial decrease in exports from small and medium-sized enterprises (SMEs) in sectors such as electric fans, sports goods, and bedwear (Naqvi, 2018). Furthermore, the manufacturing of large-scale products faced challenges in several sectors, with declining production attributed to supply-side constraints necessitating higher imports. Sectors such as footwear and textiles experienced reduced production due to falling export sales, while agricultural production also witnessed lower growth. However, the construction sector showed robust growth, driven by post-flood reconstruction activities, increased public works, and a resurgence in private sector demand (Sulehri and Naeem, 2018).

For the economic stability of the country, it's imperative to enhance the quality of local investment, particularly in the consumer durable sector. Over the past five years, except for sectors like petroleum refining, fertilizers, steel, and cement, there has been limited attraction towards lucrative investments in other sectors. For instance, despite high demand, there has been minimal attention towards manufacturing mobile phones and their accessories, office equipment, low-tech electrical appliances, children's wear, processed powdered milk, rechargeable fans, synthetic fabrics, and energy-saving bulbs (Zeb et al. 2021). Similarly, despite being an agriculture-based society, the country continues to spend millions on importing food items like seasonings, sauces/pastes, juices,

macaroni/pasta, and cereals. Given the vibrant local demand and increasing awareness of product offerings, national producers of consumer goods must not only enhance their manufacturing units but also strategize their position in the national and international markets. Capturing the local market should be a primary goal, especially considering the challenging international competition landscape (Shaheen et al. 2023). However, security issues and persistent energy obstacles have dampened what could otherwise have been a lucrative environment for investors. Addressing these issues is crucial to fill the competition gap, transition consumption-oriented growth to a more sustainable position, and elevate its welfare-enhancing status.

### **Agriculture Sector**

Despite facing serious floods in August 2011, the agricultural sector saw a slight improvement, recording a growth of 3.1% in FY12 compared to the previous year's growth of 2.4%. However, farmers faced significant pressure due to a sharp rise in input costs, leading to increased prices of agricultural commodities. The livestock sub-sector, accounting for 55.1% of agriculture, remained a key contributor to growth, followed by major crops. Minor crops, however, suffered due to the impact of floods and unusually low temperatures during the winter season (Clemens and Kremer, 2016). Major kharif crops such as rice, sugarcane, and cotton witnessed improved production compared to the previous year, benefiting from favorable soil moisture and timely availability of water. The cotton sector showed promise, with increased production attributed to rising cotton prices, widespread adoption of BT cotton, and effective control measures against pests and diseases, particularly in Punjab (Falcon, and Gotsch, 1968).

Sugarcane growers faced challenges due to payment disputes with sugar mills, leading to delayed payments and liquidity issues for mills. The government intervened by purchasing a significant quantity of sugar through TCP to stabilize the market. Consequently, the decline and delay in revenue from Kharif 2012 crops further discouraged wheat cultivation in the following season (Baig et al. 2009). The decrease in wheat production during the rabi season can be attributed to reduced cultivation area and water scarcity for irrigation. Flooding in southern Sindh during wheat sowing time and delays in land preparation due to late sugarcane harvest also

impacted wheat cultivation. Additionally, some farmers prioritized cotton cultivation over wheat, further affecting wheat production. The World Bank's role in the agriculture sector in Pakistan is essential for promoting sustainable development, reducing poverty, and improving livelihoods for millions of people dependent on agriculture. Through its financial support, technical expertise, and policy advice, the World Bank contributes to building a more productive, resilient, and inclusive agriculture sector in Pakistan.

### **Water availability and other agricultural inputs**

The availability of water in Pakistan has emerged as a critical concern for the agricultural sector. In the rabi season of FY12, reduced melting of glaciers due to low winter rainfall and prolonged low temperatures led to decreased river flows. A similar situation persisted in the kharif season of FY13, with water availability remaining low due to delayed monsoon rains. These circumstances are expected to worsen in the future, as freshwater supplies decline relative to the rapidly increasing population. Merely storing water in reservoirs will not suffice to address water shortages during prolonged dry seasons. Consequently, the price of irrigation water needs to be increased to reflect the growing demand and the resource cost of water availability (Kirby et al. 2017). Furthermore, in the rabi season, there was a decrease in fertilizer and credit usage compared to the previous year. This decline can be attributed to lower crop income expectations caused by decreased prices of maize, sugarcane, and cotton. The decline in prices offset gains from increased crop quantity. Additionally, the costs of seeds, diesel, and pesticides significantly rose, further squeezing farmers' margins, particularly in Sindh, where growers were already dealing with the aftermath of floods (Rehman et al. 2019).

To mitigate production risks related to cash and water availability, input prices, and crop prices, farmers often resort to traditional methods such as livestock investment and non-farming labor. Sometimes, farmers are compelled to diversify their crops. There is also a growing interest in developing and popularizing market-based instruments such as crop insurance and commodity forward markets for risk management. To facilitate such measures, the State Bank of Pakistan has outlined a comprehensive agenda for a commercially viable warehouse receipt system, which would provide farmers with reliable



storage facilities and enable them to use receipts against stored commodities as collateral for bank financing (Qureshi and Ashraf, 2019). The government intends to continue subsidizing key agricultural inputs such as electricity, water, and fertilizer, and intervenes in the market by setting standard prices and directly procuring strategic crops. While these interventions aim to ensure an adequate supply of food items, they also raise concerns about growing economic costs. Despite significant governmental support, the agriculture sector continues to suffer from a lack of productivity gains, low crop yields, and limited innovation, leading to high harvest losses. With natural resources like water under stress, agricultural production is expected to face significant challenges in the future (Nasreen and Ashraf, 2020).

Currently, the country's food production is sufficient to meet its needs. However, inadequate infrastructure and increasing income inequality pose threats to food security. The country must reassess its policy priorities to ensure enhanced efforts towards food availability (Ringler and Anwar 2013). Livestock contributes significantly to the country's output, serving as a crucial source of rural income alongside crops. While output estimates may not be as precise as census data, they generally remain consistent during inter-census years. In FY12, livestock recorded a growth rate of 4.0%, consistent with the previous year. It serves as a vital source of investment and savings for small farmers, playing a pivotal role in the country's economic development (Naeem and Sulehri, 2019).

Many developing societies have witnessed significant changes in their livestock sectors due to technological advancements, rising incomes, and increased global demand driven by population growth and urbanization. For instance, China has substantially increased its contribution to global meat production, with its share of veal and beef production rising from 0.6% in 1980 to 10.0% in 2011. Similarly, Brazil's share doubled to 16.0% during the same period. China's contribution to swine meat production increased from 23.0% in 1980 to 49.0% in 2011, with significant growth rates also observed in poultry production (Qureshi and Perry, 2021). Despite Pakistan's considerable performance in the livestock sector, it falls short of its potential given its ranking in terms of livestock holdings. Overall, the World Bank's role in water management in Pakistan is essential for enhancing agricultural productivity,

ensuring food security, and mitigating the impact of water scarcity on rural livelihoods. Through its financial support, technical expertise, and policy advice, the World Bank contributes to building a more resilient and sustainable water sector in Pakistan.

### **Recommendations**

**Diversification of Economic Assistance:** Encouraging the World Bank to diversify its economic assistance to Pakistan beyond traditional sectors like infrastructure and energy is paramount. By broadening the scope to include emerging sectors such as technology, innovation, and entrepreneurship, Pakistan can foster long-term economic resilience and competitiveness. This diversification strategy aligns with Pakistan's evolving economic landscape and the need to harness its human capital potential. Supporting emerging industries not only stimulates job creation but also enhances productivity and fosters sustainable economic growth. Therefore, the World Bank should consider allocating resources strategically to support initiatives that drive innovation, foster entrepreneurship, and capitalize on Pakistan's untapped economic potential.

**Strengthening Public Financial Management:** Prioritizing support for strengthening public financial management systems in Pakistan is imperative. The World Bank should focus on capacity-building initiatives, technical assistance, and institutional reforms aimed at enhancing budget transparency, accountability, and efficiency. Strong public financial management systems are essential for effective utilization of World Bank assistance and sustainable development outcomes. By improving fiscal governance, Pakistan can enhance public service delivery, promote inclusive growth, and attract private investment. Therefore, the World Bank should collaborate closely with the Pakistani government to implement comprehensive reforms that strengthen financial management practices and ensure the efficient use of resources.

**Promoting Inclusive Development:** Embedding inclusivity as a core principle in World Bank-supported projects in Pakistan is crucial for fostering equitable development outcomes. The World Bank should prioritize ensuring equitable access to economic opportunities, social services, and infrastructure development for marginalized communities, including women, youth, and rural

populations. Inclusive development is fundamental for reducing poverty, inequality, and social exclusion in Pakistan. By prioritizing inclusivity in project design and implementation, the World Bank can contribute to building a more equitable and resilient society, fostering social cohesion and stability. Therefore, it is essential for the World Bank to integrate inclusivity considerations into project planning, implementation, and monitoring processes to ensure that development outcomes benefit all segments of society.

**Enhancing Monitoring and Evaluation Mechanisms:** Strengthening monitoring and evaluation mechanisms for World Bank-funded projects in Pakistan is essential to ensure accountability, transparency, and effectiveness. Robust performance indicators, rigorous impact assessments, and regular project evaluations should be implemented to track progress, identify challenges, and inform evidence-based decision-making. Enhanced monitoring and evaluation mechanisms are critical for maximizing the impact of World Bank investments and learning from successes and failures. Through systematic assessment of project outcomes and performance, Pakistan can improve project delivery, optimize resource allocation, and enhance development effectiveness over time. Therefore, the World Bank should work closely with the Pakistani government to establish comprehensive monitoring and evaluation frameworks that enable continuous learning and improvement in project implementation.

### Conclusion

The World Bank has played a pivotal role in driving economic development in Pakistan through its multifaceted interventions spanning financial assistance, policy advice, infrastructure development, human capital enhancement, and alignment with sustainable development goals. Over the years, the partnership between Pakistan and the World Bank has yielded significant strides in various sectors, contributing to improved living standards, enhanced infrastructure, and strengthened institutional capacity.

As Pakistan navigates its path towards sustainable development and inclusive growth, it is imperative to recognize the evolving challenges and opportunities that lie ahead. The recommendations outlined, including diversification of economic

assistance, strengthening public financial management, promoting inclusive development, and enhancing monitoring and evaluation mechanisms, serve as guiding principles for maximizing the impact of World Bank interventions in Pakistan.

Moving forward, sustained collaboration between the World Bank and Pakistan, grounded in mutual trust, transparency, and accountability, will be instrumental in addressing the complex development challenges facing the nation. By leveraging the expertise, resources, and global network of the World Bank, Pakistan can accelerate its journey towards becoming a more prosperous, equitable, and resilient society.

In essence, the World Bank remains a vital partner in Pakistan's quest for economic prosperity and social advancement. As both parties commit to harnessing the full potential of their collaboration, the prospects for achieving sustainable development goals and building a brighter future for all Pakistanis are within reach. Together, Pakistan and the World Bank can chart a course towards a more prosperous and inclusive future, where every individual has the opportunity to thrive and contribute to the nation's collective success.

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