

Poverty Alleviation in Pakistan

POVERTY ALLEVIATION IN PAKISTAN

By
Dr. Akmal Hussain

VANGUARD

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The responsibility for any errors of concept or fact that remain, are mine alone.

Dr. Akmal Hussain

PREFACE

Prime Minister Muhammad Nawaz Sharif instituted the Task Force on Poverty Alleviation and Self-Reliance on 22nd February 1993 with the following members:

- | | |
|---------------------------------------|----------|
| 1. Dr. Akmal Hussain | Chairman |
| 2. Professor Dr. M.A. Hussein Mullick | Member |
| 3. Dr. A.R. Kemal | Member |
| 4. Dr. Hafeez Pasha | Member |

The Task Force had only one meeting (on 18th March 1993) and before they could meet again the National Assembly (alongwith the Task Force on Poverty Alleviation) was dissolved on 18th April 1993, and the Government of the Prime Minister Muhammad Nawaz Sharif removed from power, However, I continued to work alone on the project without the benefit of inputs from members of the Task Force. This report therefore may be impoverished by the fact that it was deprived of the rich contributions which members of the Task Force would no doubt have provided had that institution continued to exist. However, given the urgency of the poverty issue and the need to adopt a new innovative approach to poverty alleviation this report is submitted for consideration as perhaps a starting point for action.

SUMMARY

I. THE STRATEGIC CONTEXT OF THE POVERTY ALLEVIATION STRATEGY

1.1 Policy Perspective

The development strategies followed since the late fifties whether of the import substitution within protective barriers variety in the Ayub period, or the open economy variety in the period after 1977, had one important characteristic in common: success in both was measured entirely in terms of growth rate of GNP. In these periods of “economic success” although a high growth rate was in fact achieved, yet this was accompanied by increasing inequality, growing numbers of poor, and a fragile and dependent economic structure.

In spite of sustained high growth rates of GNP in the past, continued impoverishment of a large section of the population suggests that a direct attack on poverty is now necessary. This is particularly necessary now, when increased reliance is being placed on the market mechanism, and as a consequence economic inequality is expected to intensify.

Past development strategies not only reproduced poverty, but induced a rapid increase in loan dependence, budget deficit and an erosion of the natural resource base. These trends were accompanied by growing regional disparities and urbanization, which induced a horizontal and vertical polarization of society. As historical reviews indicate, past government initiatives in rural development have at best benefited the rural rich. This happened even in cases where the program was ostensibly designed to help the small farmer and the poor. As a consequence not only did tensions increase between rich and poor, but also explosive conflicts began to occur in the urban areas along ethnic and regional lines. Thus development strategies of the past not only failed alleviate poverty but contributed to a multi-faceted crisis that today threatens the very

fabric of state and civil society. The fundamental premises of a new poverty alleviation strategy are:

1. Poverty is not just a statistical phenomenon, but can be understood as the incapability of actualizing a person's human potential due to lack of access over certain physical amenities: employment, productive assets, clean drinking water, food, schools, dispensaries / hospitals, sewerage, housing, etc. Therefore, the task
2. The attempt to provide these necessities to the poor cannot be a top-down process in which the people are seen as passive recipients of goods and services. Rather, the local community must participate in the process of providing these necessities for itself at the village/ mohalla level.
3. The function of finance in this context is not to hand out money as charity, but to stimulate a process of grassroots development in which the local community can become self-reliant over time. This would be achieved by initiating local savings, income generating activities and asset creation on the basis of resource base of the local community. Such an approach to poverty alleviation may be termed Participatory People Centered Development (PPCD). It provides basic necessities (drinking water, health, education) for the consolidation of human capital, and physical infrastructure (roads, gas, electricity, irrigation, etc.), and part of the savings for creating the basis for an income generating process. Through this process the community could not only enhance its consumption, but also create a savings pool which would constitute the financial dimension of an autonomous invertible capacity for the community.

In short the fundamental premises of a Poverty Alleviation Strategy must be provision of basic needs, community

participation, and community self-reliance through income generation activities and human resources development.

1.2 The Strategic Objectives

The strategic objectives of the PPCD on the basis of these premises can be specified as follows:

1. Through participatory development at the grassroots level, the PPCD would decentralize economic decision making and thereby take democracy to the people. Participation as subjects in the development process at the grassroots is the other side of the coin of political democracy.
2. It would introduce a process of participatory people centered development which would be part of a national development strategy of “moving on two fronts”, i.e., while attempts would be made on the one hand to create a modern industrial base in Pakistan at the same time the PPCD would directly tackle poverty. Initially, it will introduce a process both in the rural and urban areas for provision of basic needs, employment, income generation, infrastructure development and capacity building. The latter would include establishment of industrial support centres for stimulating rapid rural industrialization.
3. This process while being supported by, though not contained within a government initiative alone, could be initiated through a number of other actors as well (e.g., Donor agencies, NGO and autonomous banking institutions), who can assist in the mobilization of human and natural resources at the local level and releasing the creativity of the people.
4. The PPCD in so far as it helps in consolidating the local community, and in involving them in a process of achieving prosperity through participation, would also be an instrument of national reconciliation and unity. This reconciliation would not only alleviate the rich-poor

conflict, but also help ameliorate ethnic tension, gender conflicts, youth alienation and Federal/Province divides.

II. THE NATURE AND MAGNITUDE OF POVERTY IN PAKISTAN

1. The latest evidence suggests that there may be 29.86 million people in Pakistan living below the poverty line out of which 20 million reside in rural areas and 9.86 million are in urban areas. (Poverty line is the ability to afford expenditure for a minimum calorific intake of 2550 calories per person per day.).
2. An analysis of the process of poverty creation in the urban and rural areas of Pakistan shows that poverty reproduction is rooted in the structure of the specific growth process in Pakistan. Consequently, poverty alleviation cannot be expected to occur simply as a trickle down effect of economic growth.

The employment generation capability of the economy per unit of investment has been declining due to growing capital intensity of the imported technologies, introduced in both industry and agriculture.

3. In the rural areas the adoption of the “Green Revolution” technology in a situation of highly unequal distribution of landownership induced land resumption by landlords for owner cultivation on large mechanized farms. Consequently, agricultural growth during the 1970s was accompanied by polarization in the size distribution of cultivated area, landlessness and pauperization of a significant section of the peasantry.
4. A rural-urban migration of 1.3 percent combined with a population growth of 3.2 percent induced explosive growth of large urban centers, while budgetary constraints of successive governments have led to inadequate social infrastructure facilities. Consequently, the percentage of

population living in Katchi Abadis is not only very high at over 35 percent, but is likely to rise to over 60 percent during the first decade of the 21st century.

5. Recent estimates of temporal trends in poverty incidence based on HES data and using a poverty line derived from a caloric expenditure function, suggest that there has been a reduction in poverty incidence during the period 1970-88, in both rural and urban areas of Pakistan. According to these estimates the percentage of the rural population below the poverty line declined from 46 percent in 1969/70 to 23 percent in 1987/88. However, there is a possibility that the percentage of urban population below the poverty line may have increased at the end of the decade due to declining employment coefficients in industry and a slow down in GDP growth. In any case, such estimates showing declining incidence of poverty using HIES data need to be interpreted with caution, especially in view of the fact that this data set does not cover that section of the population which is without permanent residence.
6. Economic growth in Pakistan was accompanied by growing regional inequality with the provincial per capita income of Sind and Punjab increasing comparatively faster than that of NWFP and Baluchistan. However, an interesting pattern emerges when we examine the intra provincial disparity in income, i.e., the disparity in district per capita income between rich and poor districts within each province. We find that intra provincial disparity is greater in Sind and Punjab, (which have a relatively faster overall provincial growth of income) compared to NWFP and Baluchistan.

The major factors behind the regionally uneven growth of income in Pakistan are two fold: (a) the cumulative tendency of concentration of industrial investment and infrastructure in the relatively developed regions, (b) the differential regional impact of the “Green Revolution” technology, which required a seasonally flexible supply of irrigation. It is these structural factors which underlie the

phenomenon of relatively greater intra provincial disparity occurring in precisely the faster growing provinces.

7. The fact that the process of poverty reproduction is located in the structure of the growth process in Pakistan is further illustrated by the fact that the intensity of both urban and rural poverty is greater in the Punjab which has a relatively higher per capita income, compared to Baluchistan which has a relatively much lower per capita income.

Recent studies on the intensity of poverty by region indicate that the percentage of households unable to reach even 75 percent of the minimum calorific norm are quite substantial in every province, with the figure for rural areas being 19 percent in Baluchistan, 10 percent in Punjab, 12 percent in NWFP and 6 percent in Sind. The intensity of *Urban* poverty is highest in Punjab (13 percent) and lowest in Sindh (4 percent).

8. Poverty has not only had a differential regional impact but has also affected children and women relatively more than adult males. Available evidence suggests that there is whispered exploitation of child labourers particularly in urban areas where they work longer hours, at lower wages and in more hazardous work conditions than adult workers. Evidence suggests that women may be working longer hours but may be receiving a lower amount of cash income and food consumption compared to the men of the same households.
9. Poverty and environmental degradation have an interactive relationship. Poverty pressure on rural households obliges them to cut trees and overgraze on fragile soils. The consequent erosion of top soil and destabilization of the hydrologic system depletes the capacity of land to generate adequate yields and income. The unsustainable forms of resource use by the more affluent sections of society is also leading to environmental degradation, and adverse effects

on the productive capacity and health of the poor. The NCS Report (1992) points out the grave danger to public health and soil fertility resulting from the deposit of untreated industrial effluents into Pakistan's river, system. Perhaps an equal cause of concern is the contamination of groundwater near urban industries that discharge wastes directly into the ground. It may take thousands of years to flush out toxic metals from contaminated aquifers.

III. A FRAMEWORK FROM POVERTY ALLEVIATION IN PAKISTAN

The question of how poverty is to be alleviated requires an examination of the paradigm within which the operational strategy is to be located. Broadly speaking, there are two paradigms in this context: (1) the Top-Down "delivery" Paradigm and (2) the Participatory Development Paradigm. Paradigm (1) sees poverty alleviation as a set of Projects which deliver a basket of goods or services "efficiently" to the poor. This approach suffers from 3 weaknesses:

- i) The projects are fragmented and narrow in scope. Consequently, they are unable to come to grips with the process through which poverty is reproduced.
- ii) They are peripheral to the main thrust of development and planning initiatives at the national level.
- iii) Since they are at best concerned with delivering goods and services to the poor, they are not designed to create institutions at the village/mohalla level, through which group formation of the poor could be facilitated, and through which the group/ community at the local level could simultaneously address the whole range of factors which reproduce poverty.

Paradigm (2), i.e., Participatory Development is a process which involves the participation of the poor at the village/ mohalla level to build their human, natural and economic

resource base for breaking out of the poverty nexus. It specifically aims at achieving a localized capital accumulation process based on the progressive development of group identity, skill development in most cases cannot begin spontaneously, given the deep rooted dependency relations of the poor on both local elites and the national bureaucracy. Two preconditions are necessary (but not sufficient): (a) a catalyst is needed to initiate the process, who helps the community through a series of dialogues to articulate their felt needs and to persuade them to constitute themselves into an organization. The catalyst at a later stage helps in pinpointing bottlenecks and calling in expertise from outside an also helps forge links with formal credit institutions. (b) A support system at the macro level is necessary for training the cadres of “catalysts” for providing the initial financial support to help being income generation / infrastructure projects of the community and to provide technical expertise for overcoming bottlenecks to project implementation.

IV. IMMEDIATE FOLLOW-UP ACTIONS FOR IMPLEMENTING THE STRATEGY

It is clear that the Participatory People Centered Developed (PPCD) is a corrective to the development strategies of the past forty years as well as a complementary element in the modernization and industrialization strategy being followed in Pakistan. It cannot be implemented by the bureaucratic machinery as it is, nor simply through local bodies, or any one set of actors.

Past experience points to the need for: (a) a more sophisticated implementation strategy, with a variety of actors playing various roles, (b) new capacity building, (c) several “entry points” to the process of alleviation of mass poverty, both rural and urban. The actors who have to play a role are not just one government agency at one level in the administrative system. The banking system, NGO’s trade unions, peoples organizations and village level organizations and informal groups of the poor all have a role to play. Existing institutions would have to accept the new strategy and adopt new procedures. *The process of implementation*

has to start with the people and building of new organizations of the poor.

The Government Agencies, Banks and NGO's have to provide a sensitive support system. Donor agencies have another level of support to give. The Government Agencies and Banks have to adopt new norms and methodologies, and not merely tinker with their existing procedures.

In order to initiate the implementation strategy seven critical actions are recommended for immediate implementation.

They are:

- a) A High-Level Inter-Ministerial Steering Committee, with a monitoring and research unit.
- b) A recognized and strengthened Ministry of Rural Development.
- c) Establishment of a National Poverty Alleviation Trust Fund.
- d) Establishment of a participatory Development Training facility at the Centre for Rural Development, or some other existing establishment.
- e) Establishment of a "Special Window" in the newly established women's bank for poor women and reorienting other existing banks towards providing poor women with banking services. In addition, the issues of further capacity building for poverty alleviation, rural industries, the special problem area of urban poverty, rural industrialization and small farmer development would need to be studied as a matter of urgency.
- f) Establishment of Industrial Support Centers for rural industrialization.
- g) Establishment of Child Protection Centre in each major city.

It is also proposed, that as the process evolves, there would be a media strategy and implementation plan to support the process as it progresses. It must also include the early initiation of some new experimental programs, on the lines of the AKRSP, ORANGI Pilot Project and the other South Asian experiments.