

*Final Draft*

**NINTH FIVE YEAR PLAN  
1998-2003:**

**REPORT OF  
THE WORKING GROUP  
ON POVERTY ALLEVIATION  
PLANNING COMMISSION ISLAMABAD**

*MARCH 1998*

**NINTH FIVE YEAR PLAN  
WORKING GROUP ON POVERTY ALLEVIATION**

Dr. Akmal Hussain  
Chairman

Mr. Nadeem Manzoor  
Member,  
Planning & Development Board,  
Government of Punjab

Dr. Farhan Sabhi,  
Program Officer, UNDP,  
Islamabad

Mr. Hafeezur Rehman,  
Member (SA) & Env),  
Planning & Development Board,  
Government of Punjab

Dr. S. M. Younus Jaffery,  
Deputy Director General,  
Federal Bureau of Statistics,  
Government of Pakistan

Mr. Saqib Aleem,  
Chief (SAP,  
Planning & Development Board,  
Government of Punjab

Dr. Moazzam Mehmood,  
Chief Research,  
PIDE,  
Islamabad

Mr. Sirajul Haque Kazi,  
Director General,  
Regional Planning Sind,  
Government of Punjab

Mr. Shoaib Sultan Khan,  
Chairman,  
National Rural Support Program, Islamabad

Mr. Himayat Ullah,  
Additional Secretary,  
Planning & Development Board,  
Government of NWFP

Dr. Shahrukh Rafi Khan,  
Joint Director,  
SDPI,  
Islamabad

Mr. Qaim Shah,  
Director BDO,  
Planning & Development Board,  
Government of NWFP

Dr. Mozaffar Qizilbash,  
Research Fellow,  
SDPI,  
Islamabad

Mr. Ilyas Sulehri,  
Additional Chief Secretary  
(Development),  
Government of Azad Jammu & Kashmir

Ms. Shameen Hilaly,  
Director,  
Aurat Foundation,  
Islamabad

Dr. M. Khairat Chaudhry,  
Chief Economist,  
Government of Azad Jammu & Kashmir

Mr. Taimur Hayyat,  
HDC,  
Islamabad

Mr. M. Siddique Khan,  
Chief Economist,  
Planning & Development Department,  
Government of Azad Jammu & Kashmir

Dr. Muhammad Aslam Khan,  
Deputy Chief (Incharge),  
Poverty Alleviation Section,  
Planning & Development Division,  
Government of Pakistan,  
Islamabad.

Ms. Samina Kamal,  
Program Manager/Senior Program Officer,  
UNDP, Islamabad



## FOREWORD

The poverty issue has now acquired centre stage in national policy thinking. The challenge for the Working Group on Poverty Alleviation for the Ninth Plan, therefore, was to shift the analysis and proposals for poverty alleviation from the traditional, marginal, “add on” status in the plan, into the central architecture of the plan. An attempt has been made to indicate how the process of persistent poverty may be rooted in the structure of the economic growth process pursued in the past. At a strategic level the report proposes a two pronged strategy for poverty alleviation:

1. It shows how imaginative new policies can help restructure the economic growth process so that we can have both a higher and more equitable economic growth.
2. It shows how the poor can be enabled to break out of the poverty nexus through the establishment of a sensitive support system of institutions at the village, district, provincial and national levels. Through such institutions the poor can shift from the position of being victims to become active and creative subjects of participatory development. Through this process they can get organized, acquire new skills, increase their productivity, incomes and thereby acquire greater control over the conditions that determine their economic and social life.

I would like to take this opportunity of expressing my gratitude to members of the Working Group who found the time to attend the meetings and to give their criticism and suggestions. Thanks are also due to Dr. Muhammad Aslam Khan for his invaluable support and persistent prodding to get the report completed on time.

Dr. Akmal Hussain  
Chairman  
Working Group on Poverty Alleviation

**NINTH FIVE YEAR PLAN 1998-2003:  
REPORT OF THE WORKING GROUP ON POVERTY ALLEVIATION  
PLANNING COMMISSION ISLAMABAD**

**March 1998**

Even after 50 years of economic growth in Pakistan at a trend rate of over 5 percent per annum, poverty continues to persist at an unacceptably high level. As much as 25 percent of the population is living below the minimum calorific norm and the majority of the population is still deprived of basic services such as drinking water, sewerage facilities, health and education. However, poverty estimates, which are based on head counts at different points in time, do not indicate the process of social disintegration that occurs if large numbers of people across generations continue to live in dehumanizing conditions. Thus, overcoming poverty is an integral part of social reconstruction and the process of nation building.

The Working Group noted that the structure of economic growth in Pakistan might constrain its capacity to reduce poverty. This Report has six sections. In Section I, the nature of poverty and the problem of intervention are examined. In Section II, the trends and magnitude of poverty are examined. In Section III, the structure of economic growth process is analyzed and certain macroeconomic policies followed in the past are examined to indicate their adverse impact on poverty. In Section IV, policies for inducing a structural change in the macroeconomic growth process are proposed to enhance the capacity of economic growth for poverty reduction. In Section V, the existing efforts at providing basic services to the poor are discussed. In Section VI, a six-pronged program for a direct attack on poverty is suggested. Section VII specifies the policy objectives and summary recommendations.

## SECTION I THE NATURE OF 'POVERTY' AND THE PROBLEM OF INTERVENTION

“Poverty” is not simply a state of deprivation of certain goods and services, just as richness is not simply a surfeit of them. Aristotle saw the richness of life in terms not of commodities (which are merely useful) but in the sense of activity. He thus argued for human functioning as the object of value. It is in this sense that a substantial strata of our society by being denied the minimum of food and basic necessities are made incapable of actualizing through creative activity their full human potential, and are thereby impoverished.

Jean Dreze and A. K. Sen in a recent treatise have attempted to go beyond “standard of living” indices and have proposed the concept of capability. The capability concept proposes that in addition to requiring certain goods and services for oneself one may also value one’s capability to be socially useful. The capability concept also helps to clarify that the issue of public action for combating hunger, for example, is not simply “delivery” of a certain quantity of food, but also access to complementary inputs such as health care, drinking water, sanitary facilities and education.

We may suggest that the capability to perform “socially useful activities” which is essential to human fulfillment, requires the reconstruction of the community and a group identity. In fact, we suggest that even the provision of food and other basic services, if it is to be achieved in a “cost effective” way, requires the mobilization of the local community and the participation of individuals at the village/mohalla level at each stage of the process of overcoming deprivation. Thus performing socially useful activity and community organization are not subsequent to the provision of food and

complementary services (as Dreze and Sen imply) but may be necessary to the very process of providing food and basic services.<sup>1</sup>

## SECTION II

### MAGNITUDE OF POVERTY AT THE NATIONAL AND PROVINCIAL LEVELS

The working Group used a number of different approaches for estimation of poverty (see appendix A) but decided to use the calorific norm as the basis for defining the poverty line. A calorific norm is a rather restricted conception of poverty partly because the minimum calorific requirement varies with weight, state of health, and level of activity of a person, and also because it excludes a number of complementary requirements such as health and education (see Section I). Nevertheless, the calorific norm was chosen to indicate poverty levels partly because it focuses on the most critical symptom of poverty, i.e. persistent hunger, and also due to the reliability and consistency of time series estimates based on this approach.

- (i) Poverty Line: The calorie-based poverty line is defined in terms of the minimum money value of a basket of food consistent with a minimum recommended level of calorific intake. A daily intake of 2550 calories per adult equivalent has been used to determine the poverty line for rural areas and of 2230 calories for urban areas of the country. The recommended level of calorific intake is converted into a poverty line by using the Calorie Food consumption Function, which involves regressing calorific intake on food expenditure and identifying the expenditure consistent with the required level of calorific intake. The poverty lines thus estimated are:

---

<sup>1</sup> This part of the discussion is based on: Akmal Hussain: Poverty Alleviation in Pakistan, Vanguard Books (Private) Limited, Lahore 1994, Pages 1 and 2.

Pakistan	=	Rs. 214.13
Urban	=	Rs. 221.53
Rural	=	Rs. 217.72
Punjab	=	Rs. 212.19
Sindh	=	Rs. 215.93
NWFP	=	Rs. 215.61
Balochistan	=	Rs. 222.65

(ii) Poverty Indicators: Poverty indicators on the basis of such a calorific norm during 1992-93 are given in Table 1 below:

**Table 1**  
**Income Poverty Indicators for Pakistan, Urban/Rural Areas and Provinces**  
**During 1992-93**

Area	Head-count (%)	Income-gap Ratio
Pakistan	22.32	0.17
Urban	21.70	0.17
Rural	26.24	0.18
Punjab	23.99	0.19
Sindh	21.76	0.16
NWFP	21.93	0.15
Balochistan	20.66	0.16

In terms of the Calorie-based approach about 22 percent of the population was below the poverty line. The incidence of poverty is 21.7 percent in urban areas and 26 percent in rural areas. At the provincial level, it is highest (24 percent) in Punjab and lowest (21 percent) in Balochistan. On average, the income gap is about 17 percent of the calorie-based poverty line.

A consistent time series of poverty, based on an average calorific norm (see Table 2) shows that poverty increased sharply in the 1960s, then declined sharply during the 1970's and mid-1980s and began to increase again from the late 1980's onwards. In Pakistan today there may be upwards of 29 million persons who are unable to meet the minimum nutritional norm. Yet, 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<sup>2</sup>, employment, productive assets, safe drinking water, food, schools, medical facilities, sewerage and housing. In terms of these indicators the magnitude of poverty appears greater than suggested by a simple calorific norm: For example, 60 percent of the population still does not have access over safe drinking water, 62.1 percent adults are illiterate, and 61 percent of the population has no sanitation facility.

**Table 2**  
**Consistent Time Series on Poverty**  
**Percentage of Population below Poverty Line**

Year	Total	Rural	Urban
1963-64	40.24	38.94	44.53
1966-67	44.50	45.92	40.96
1969-70	46.53	49.11	38.76
1979	30.68	32.51	25.94
1984-85	24.47	25.87	21.17
1987-88	17.32	18.32	14.99
1990-91	22.11	23.59	18.64
1992-93	22.40	23.35	15.50

Source: Rashid Amjad and A.R. Kemal (1997)

### SECTION III

#### THE STRUCTURE OF ECONOMIC GROWTH, MACROECONOMIC POLICY AND POVERTY

##### 1. The Structure of Economic Growth and Poverty

Inspite of a high trend rate of GDP growth of about 5 percent during the decades (1960 – 1990) almost a quarter of the population remains poor. This suggests that the structure of the economic growth process in Pakistan constrains its capacity to reduce poverty. This is also suggested by cross-country comparisons. For example, Indonesia with a growth rate close to

<sup>2</sup> For a more detailed discussion on the meaning and nature of poverty see, Akmal Hussain: Poverty Alleviation in Pakistan, Vanguard Books (Private) Limited, 1994, Chapter 1.

Pakistan's, in just one decade (1972-84), was able to reduce the percentage of its population below the poverty line from 58 percent in 1972 to only 17 percent in 1984.<sup>3</sup> By contrast, Pakistan in three decades (1962-92) could reduce its poverty figure to a much lesser extent, from 40 percent in 1962 to 22 percent in 1992.

The major structural characteristics of Pakistan's economy which constrain the ability of GDP growth to reduce poverty are:

- (a) A highly unequal distribution of productive assets in both agriculture and industry.
- (b) The structure of output is concentrated towards low value added products, particularly in the export sector, thereby resulting in low labour productivity and labour income per unit time of labour.
- (c) The sectoral distribution of the labour force is concentrated in low productivity sectors in both agriculture and industry, together with relatively low skill levels of the labour force, in given occupations.

## **2. Macroeconomic Policy and Poverty**

Apart from the structure of the economy, the second set of macroeconomic factors that have an adverse impact on poverty are macroeconomic policies and the resulting incentive structure. Three sets of macroeconomic factors have been identified, which have had an adverse impact on poverty:<sup>4</sup>

- (i) The incentive structure implied by the overall macroeconomic policy environment has had a major adverse impact not only on the efficient utilization of resources but also on employment and wage incomes. The

---

<sup>3</sup> Pakistan: A Strategy of Sustainable Agricultural Growth, November 1994, World Bank Report No. 3902 – PAK.

<sup>4</sup> R. Amjad and A.R. Kemal: Macroeconomic Policies and their Impact on Poverty Alleviation in Pakistan, 1997, ILO, Multidisciplinary Team, Mimeo. See also Report of the Independent South Asian Commission on Poverty Alleviation, November 1992.

policies with respect to the tariff structure, and fiscal and monetary incentives have biased growth in favour of low value added manufacturing, and production for the domestic market at the expense of exports. At the same time, there has been a bias in favour of capital intensive technology as opposed to the use of efficient labour intensive technologies.

- (i) The growing fiscal deficit combined with institutional constraints to output growth of essential commodities, has resulted in accelerated inflation of these commodities resulting in reduced real incomes of wage earners, and self-employed in both rural and urban areas.
- (ii) The third set of factors in the macro-economy adversely impacting poverty is the sharply reduced official inflow of foreign grants and low interest loans, as well as sharply reduced inflow of remittances. The evidence suggests that a high level of remittances during the mid-1970s and early 1980s were a major factor in reducing poverty during that period, through supplementing income and consumption levels of the low-income group. Foreign grants and cheap loans are a factor in increasing the capital stock resulting in higher GDP growth and employment generation.

### **3. The Structural Adjustment Program and Poverty<sup>5</sup>**

In order to focus on the impact of the Structural Adjustment Program on poverty, let us compare the period before the adoption of the program (1984/85 to 1987/88) and the period after its adoption (1987/88 to 1991/92).

The Structural Adjustment Program has three features, which *ceteris paribus* would be expected to accentuate poverty:

---

<sup>5</sup> See: Report of the Task Force on Poverty Eradication, May 1997.

- (i) It involves a constriction of money supply, which is inherently recessionary. In Pakistan the growth of money supply fell from 46.5 percent during the period 1984-87 to 40.6 percent during 1988-91. The *raison d'être* of the reduction in the growth of money supply was to reduce inflation. Yet, the inflation rate, far from falling actually increased from 4.7 percent in the pre "Adjustment Period" to 9.5 percent in the post "Adjustment Period". The GDP growth however, declined.
- (ii) It involves a reduction/withdrawal of subsidy, particularly on fertilisers and wheat. Consequently, small subsistence farmers who have no marketable surplus find that their production costs increase and yet they do not enjoy a compensatory gain from the increased wheat purchase price. Thus their real incomes decline.
- (iii) Import liberalization resulted in the acceleration of imports from 2.7 percent to 6 percent while export growth slowed down from 21.4 percent to 11.2 percent, thus significantly affecting the demand for domestically produced goods. This slowed down the growth of GDP and at the same time increased the balance of payments deficit.

The adverse impact on the poor essentially occurred because of the institutional context within which the Structural Adjustment Program was applied. Three institutional weaknesses lay behind the fact that in spite of a sharp reduction in development expenditure, and in the growth of the money supply, the fiscal deficit and the inflation rate could not be substantially reduced:

- (a) Failure to recover bad loans of banks in the public sector.
- (b) Failure to stem the fiscal haemorrhage that resulted from continuing large losses of public sector corporations.
- (c) Failure to drastically reduce non-development expenditure of the government.

These three failures rooted in the weakness of corporate and administrative institutions of governance together had three consequences, which served to accentuate poverty:

- (i) High interest rates, which adversely affected the utilization of both existing productive capacity and new productive capacity, and hence slowed down growth of GDP, particularly, the large scale manufacturing sector. Thus, for example, GDP growth fell from 6.2 percent during 1985-88 to 5 percent during 1988-91. Growth of the large scale-manufacturing sector declined from 8.3 percent to 5.3 percent over the two periods. (This year, 1996-97, the GDP growth rate has plunged below 3 percent and the large scale-manufacturing sector has shown a negative growth).
  
- (ii) Slow growth of the commodity producing sector combined with a continuing high fiscal deficit, resulted in accelerating inflation, falling real wage rates, and growing unemployment. The result was increasing income inequality and poverty. The evidence shows that, for example, the growth rate of employment was halved from 2.5 percent in the earlier period to 1 percent in the later period. Similarly, real wages in the large-scale manufacturing sector which had been growing at 5.6 percent per annum in the earlier period, actually declined in the later period. The inflation rate, of course, increased sharply from 4.7 percent in the earlier period to 9.5 percent in the later period. It is not surprising, therefore, that with rising inflation, unemployment and declining real wage rates, there was an increase in both income inequality and poverty: The gini coefficient increased from 0.348 in 1985-87 to 0.407 in 1988-91. During the same period, the percentage of population below the poverty line increased from 17 percent to 22 percent.

- (iii) The institutional failure to drastically reduce non-development expenditure, and to broaden the base of direct taxes, meant, that the government was under pressure to generate more revenue from indirect taxes, such as regulatory duty, and withholding tax. The impact of even such taxes as sales tax and turnover tax is also essentially indirect, since these taxes are passed on to consumers. Evidence on the increase in incidence of the tax burden by income group over the period 1987/88 to 1990/91, shows that the percentage increase in the tax burden as a percentage of income was highest at 6.8 percent for the lowest income group (less than Rs. 700/month) and lowest at -4.3 percent for the highest income group (over Rs. 4,500 per month). Thus over time the tax burden on the poor increased and over the rich declined.

#### **SECTION IV**

##### **STRUCTURAL CHANGE IN THE MACRO ECONOMIC GROWTH PROCESS FOR REDUCING POVERTY**

At the macroeconomic level four strategic changes need to be brought about, in order to substantially reduce poverty through economic growth:

1. Pull the economy out of its current recession, and accelerate GDP growth from the current less than 3 percent to over 6 percent in the next few years.
2. Poverty reduction through the macro growth process requires increasing the share of labour in national income. To achieve this it is necessary to enable the work force to shift from low value added sub-sectors to high value added sub-sectors, in both industry and agriculture. This requires improving the skill level of the work force

and trade specific training of technicians. A mass training program in this regard is necessary, and is discussed in Section VI of this Report.

3. The employment generation capability of the economy for given growth rates of GDP, needs to be increased in order to make GDP growth a more potent instrument of poverty reduction. In order to achieve this it is necessary to (i) increase the weight of the labour intensive sectors of the economy in total GDP (e.g. construction, infrastructure and small-scale industries). The weight of small scale industry in total GDP can be increased by providing access to credit to small scale industries through the micro enterprise credit facility proposed in this Report, and also providing technical training to technicians of small scale industries, as proposed in this Report in the Mass Training Program, (ii) provide policy environment in which entrepreneurs would be encouraged to adopt more labour intensive technology choices. This requires withdrawing subsidies to capital (such as an overvalued exchange rate and subsidized credit for farm machinery) particularly in the large farm sector where labour-displacing mechanization is being introduced. In the large-scale manufacturing sector implicit subsidies to capital through an over-valued exchange rate needs to be removed.
4. Accelerate the growth of small-scale industries, which have higher employment generation and output growth capability per unit of investment than the large scale-manufacturing sector. As the composition of total investment shifts in favour of small-scale industries the overall growth both of GDP and employment will be accelerated.

It is proposed that in order to stimulate the rapid growth of small scale industries, the existing Small Industrial Corporations at the provincial level needs to be restricted to perform the following functions in collaboration with the private sector in an integrated and focused way:

Facilitating sub-contracting by the large scale manufacturing sector to clusters of small scale industries to enable them to produce high value added products, skill training, credit, quality control and specialized fabrication facilities such as heat treatment and forging. For micro enterprises in rural areas and small towns, the existing support organizations such as NRSP, SRSC and the recently formed Punjab Rural Support Program (PRSP) may be used to direct credit training, marketing and quality control services to such enterprises.

## **SECTION V**

### **ON-GOING POVERTY ALLEVIATION PROGRAMS**

The government effort in the post 1987-88 period consisted of a variety of programs designed to alleviate poverty. The Working Group reviewed some of the programs, such as the Social Action Program in the context of alternative approaches undertaken by the NGO sector in Pakistan.

#### **1. Social Action Program (SAP)**

The Working Group noted that the Social Action Program was operated within a top-down approach, whereby provincial governments identified the projects for rural water supply, basic health, primary education and family planning. Subsequently, various line departments did the implementation, mostly through contractors. While the allocated funds were disbursed relatively quickly and brick and mortar constructions often completed on time, yet two issues failed to be addressed:

- (i) Did the particular service (primary education, basic health, and water supply) actually reach the people?

- (ii) What was the cost of providing such services through the line departments and contractors, compared to the cost incurred by community based services already on the ground?

The Working Group was of the view that a careful evaluation of SAP I may be undertaken to ascertain:

- (i) the extent to which the services actually reached the concerned communities,
- (ii) the quality of the services, and
- (iii) the cost of SAP projects and their sustainability in terms of (a) the drop out rates of SAP schools in the first six months of operation, (b) the maintenance standard of rural water supply, (c) the availability of doctors, medicines and frequency of patients at basic health units.

While a firm conclusion about SAP I would have to await such an evaluation study, yet, members of the Working Group based on their own field observation were of the view that:

- (a) There were many SAP schools, which had buildings but no students and a number of SAP BHU's without doctors or medicines.
- (b) In cases where schools and BHU's were functioning initially, there was a sharp decline in the provision of services within six months: high drop out rates in schools due to absence of teachers; decline in patient frequency at BHU's due to non-availability of medicines and/or doctors; and deterioration in water supply due to poor maintenance.

- (c) The cost per SAP based primary school or BHU was a multiple of the cost incurred on similar community based facilities.

The following Table 3 gives a comparative picture of the cost of various categories of SAP projects and other infrastructure projects when constructed by NRSP and the Public Sector respectively. It shows that NRSP is incurring a fraction of the cost for each type of project compared to the cost incurred by the public sector, e.g., SAP drinking water schemes per household, cost Rs. 1,971 when constructed by NRSP, compared to Rs. 5,288 by the public sector. Similarly, primary education per student costs Rs. 440 under NRSP, and Rs. 1,350/- under the public sector.

**Table 3**  
**Comparison between NRSP and Public Sector Schemes**

<b>Type of Scheme</b>	<b>NRSP</b>	<b>Public Sector</b>
SAP: DWSS*	Rs. 1,971 per Hhd	Rs. 5,288 per Hhd
SAP: Drainage**	Rs. 736	Rs. 1,200
SAP: Primary Education**	Rs. 440 per Student	Rs. 1,350 per Student
Other Infrastructure***	Cost of NRSP is 50% less than public sector schemes along with surety of all operation and maintenance.	

**Notes:**

\* For Sindh, average per beneficiary cost is 15 times less than the PHED Schemes. Study Report of SDPI 1997.

\*\* Government of the Punjab, P&D Department.

\*\*\* Study Reports by NRSP.

The problems of failure of SAP based services in many areas, to reach the people, their poor quality and high cost, are rooted in the failure of SAP to involve the local community in project identification, project design implementation and monitoring. It is only when there is community participation at each stage of a project (whether a school, a BHU, water supply project, or a family planning facility) that the community gets a sense of “ownership” of the finished projects. Such a sense of “ownership” makes it possible for the service to be actually used by the people, to attain an acceptable standard of quality, and to achieve sustainability.

The Working Group suggests that at stage II of SAP, the whole program should be re-designed, to make community participation the centerpiece of the program. The involvement of the local community at each stage of the development of a particular project should be ensured. Project identification, design, implementation, management and monitoring. The participation of Non-governmental Development Organizations (NGOs), Community based Organizations (CBOs) and Rural Support Programs (RSPs), may be integrated into the design of SAP II, so as to make the program more effective in terms of impact, more efficient in terms of resource cost, and more sustainable in terms of maintenance of SAP service over time. It is also advisable that SAP fund releases may be tied to performance in terms of output indicators such as the number of people benefiting from a particular service and its quality. Such performance evaluation should involve community participation.

## **2. Income Transfers (Social Safety Nets)**

In Pakistan, besides a voluntary network of transferring incomes to the poorer sections of the society, Zakat, Ushr and Bait-ul-Maal provide social security support to various categories of the disadvantaged and vulnerable

population. The Zakat and Usher are distinct from other government funds. These funds are utilized only for purposes for which Zakat and Ushr money can be spent, while the Bait-ul-Maal targets the poor not eligible for Zakat. The Zakat system is presently catering for the needs of more than one million mustaheqeen spread all over the country.

The prime objective of the system is to assist the needy, the indigent and the poor. Sixty percent of the total Zakat funds are meant for subsistence allowance provided to widows, orphans, old/disabled persons who cannot be rehabilitated through education, vocational training or small businesses. The remaining 40 per cent of Zakat funds are distributed to educational institutions, Deeni Madaris, Health and Social Welfare Institutions and more recently for vocational training. Out of Zakat fund each individual is provided with a monthly stipend of Rs. 225 and there is a rehabilitation grant of Rs. 3,000 as a one-time transfer. However, the impact of these measures has been rather modest, due to the fact that the size of the Zakat Fund and hence the beneficiaries as a percentage of the poor population is very small. The Working Group noted that the system of government transfers through Zakat and Baitul Mal needs a thorough restructuring to minimize the level of complaints of misappropriation of funds, and to ensure that the size of the funds is adequate for the number of people eligible for such funds.

### **3. Pakistan Poverty Alleviation Fund (PPAF)**

The Pakistan Poverty Alleviation Fund is meant to enable the poor, the landless and the assetless to gain access over resources for their productive self-employment, to encourage them to undertake activities for income generation, savings, natural resource management and developing new skills.

The Poverty Alleviation Fund can play a major role in overcoming poverty in Pakistan by coordinating the provision of three key elements in the process of

poverty alleviation: Micro Credit, Training and Institution Building. However, there are a number of necessary conditions for its success, which need to be built into the design of PPAFC. (These are discussed in Section VI.2).

## **SECTION VI POVERTY ALLEVIATION PROGRAMS**

The Working Group considered the following five programs for poverty alleviation:

1. A program for Participatory Development at the village and mohalla levels, together with an institutional mechanism.
2. A program for micro-credit to the poor in both rural and urban areas.
3. Accelerating growth of micro-enterprises and small-scale industries.
4. A mass training program in basic skills.
5. A food security safety net for ensuring availability of food for the indigent and the handicapped.

### **1. Overcoming Poverty through Participatory Development**

#### **1 (a) The Nature of Participatory Development<sup>6</sup>**

Participatory development in its broadest sense 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 and local resource generation.

---

<sup>6</sup> Section 1 is taken from Akmal Hussain: Poverty Alleviation in Pakistan, Pages 26-28. Vanguard Books (Private) Limited Lahore 1994.

The process of participatory development proceeds through a dynamic interaction between the achievement of specific objectives for improving the resource position of the local community and the inculcation of a sense of community identity. Collective actions for specific objectives such as a small irrigation project, fertilizer manufacture through organic waste, clean drinking water provision, or production activities such as fruit processing, can be an entry point for a localized capital accumulation process, leading to group savings schemes, reinvestment and asset creation. The dynamics of participatory development are based on the possibility that with the achievement of such specific objectives for an improved resource position, the community would acquire greater self-confidence and strengthen its group identity.

The Working Group proposed that the government might launch a major national effort in facilitating the emergence of support institutions at the district or divisional level for poverty alleviation.

### **1 (b) Institutional Mechanism for the Participatory Development Program**

Experiences on the ground, point to a number of common and specific lessons on what has been achieved through social mobilization and participation of the communities in the development process. These achievements and lessons are:

- (i) Building organizations of communities is an essential prerequisite.
- (ii) These broad based community organizations can serve as an outreach mechanism for delivery of services of all government line departments and other agencies.

- (iii) Through these organizations, the community members can save and invest efficiently.

Social mobilization is generally not a spontaneous process. It needs to be catalyzed by an external facilitator. A support mechanism/organization is a key to social mobilization for the purposes of offering the poor a partnership in development. Typically, such an organization performs the following functions:

- (i) Social mobilization and establishment of community organizations.
- (ii) Identification and training of local activist from amongst the community.
- (iii) Umbrella organization for capacity building.
- (iv) Assist communities in identification of their opportunities and needs.
- (v) Carry out feasibility of identified opportunities and needs in terms of local experiences, community's capacity, willingness, equity, sustainability, and availability of resources.
- (vi) Facilitate linkages of line departments and community organization including donor-funded projects/programs.
- (vii) Coordination for integrated delivery mechanism of goods and services of line departments, NGOs and donor funded projects/programs.

The Support mechanism/organization does not undertake activities either on behalf of the communities or government. It provides an enabling environment in which each partner (communities, departments, private sector, etc.) can work for themselves. The support mechanism can take a variety of forms like government, banks for the poor, Rural Support Programs (RSPs) and coalition of government and RSPs. A few examples for the various forms of the support mechanism are:

AKRSP (RSP)

PRSP (RSP)

NRSP (RSP)

BARSP(RSP)

Grameen Bank of Bangladesh (bank)

Chitral Area Development Project and Mansehra Village Support Project  
(government and RSP)

The provincial governments could initiate establishment of support mechanism/organization (Divisional Rural Support Organizations) and/or strengthen such existing institutions with proven capabilities at each administrative division level.

The purpose of such support organizations is to provide a network of broad based grassroots institutions in the form of Community Organizations (COs) that could undertake developmental activities in partnership with development agencies for improving the quality of life of the poor. One of the major functions of support organizations would be capacity building of the COs for development of social infrastructure (health, education, family planning, sanitation, clean drinking water, etc.) and its operation and maintenance, income generation (through improved agriculture, natural resource management, enterprise development, etc.), and skills enhancement (technical and managerial). The Divisional Rural Support organizations shall provide social guidance and technical assistance either directly or through government line departments and other private service providers, to the COs so that they are able to plan, implement and operate and maintain various social sector and income generation activities. More specifically, the DRSOs will assist the COs, government line departments, NGOs, donor-funded projects/program, banks and any other private sector organizations to implement all development initiatives in an integrated and participatory manner through:

- (i) Mobilizing communities and establishing village level Community Organizations (COs) to manage rural development. Wherever possible existing COs, CBOs, welfare societies, local based small NGOs, etc., would be incorporated into this effort provided that they are willing to operate in accordance with the principles and terms of partnership of participatory development.
- (ii) Identification and training of local activists from amongst the community.
- (iii) Assist communities in identification of their opportunities and needs.
- (iv) Facilitate/carry out feasibility of identified opportunities and needs in terms of local experiences, community's capacity, willingness, equity, sustainability, and identify availability of internal and external resources (e.g., technical assistance, training and financial resources) to enable local people to make full use of these opportunities.
- (v) Develop, through training programs, a wide range of local skills in managerial and practical subjects to increase the capacity of local people to manage more effectively the internal and external resources for sustainable and productive development.
- (vi) Capacity building of program staff as well as key and front line government functionaries.
- (vii) Provide technical assistance to the community organizations to implement, operate, maintain and sustain the activities.
- (viii) Act as facilitator in arranging resources from outside for undertaking identified development activities, if required.
- (ix) Facilitate linkages of line departments and community organizations including donor-funded projects/programs.
- (x) Coordination for integrated delivery mechanism of goods and services of line departments, NGOs and donor funded projects/programs.
- (xi) Emphasize involvement of women as equal partners in development.

### **1(c) Existing Initiatives and Actions for the Future**

Since 1992 the National Rural Support Program (NRSP) has been fulfilling the above-mentioned functions in 16 districts in all the four provinces and has already reached over 1.1 million poor peasants. More recently (January 1998), the Punjab Rural Support Program (PRSP) has been instituted and aims to set up regional support organizations in six divisions of the Punjab with the purpose of catalyzing participatory development through the establishment of village level community organizations, training, provision of technical support for income generation/local infrastructure projects and provision of micro-credit. The performance of these organizations may be carefully monitored and evaluated, and if they prove to be a low cost method of enabling the poor to break out their vicious circle of poverty, then this institutional framework could be enlarged gradually to cover to all the districts of Pakistan in all the four provinces. The NRSP has already been working for six years. A preliminary evaluation by a UNDP team shows that it has had an impressive impact on the poor in areas where it is operating. It is recommended that NRSP's endowment fund may be enhanced to enable it to extend and deepen its work.

The provincial rural support programs would be expected to help strengthen a wide range of existing NGOs which are engaged in community based poverty alleviation efforts. Such institutions would expect to become a framework for building coalitions between government, donors, NGOs, and autonomous organizations such as banks, training, and research institutions.

Any Divisional Rural Support Organization will be registered with the Corporate Law Authority (CLA) as a Company limited by guarantee. DRSO will be governed by a Board of Directors comprising nominees of the provincial government and development professionals to oversee the

functions of DRSO. District level representatives of beneficiaries nominated by COs could be added at a point in time when majority of villages in the division is covered.

BOD will be responsible for:

- establishing implementation policy
- selecting and appointing CEO and other core staff
- approving annual work plan and budgets
- overseeing annual work plan and budgets
- act as facilitator in arranging resources from outside for undertaking identified development activities, if required.
- Coordinate with provincial government, donors, banks and other agencies for integrated delivery mechanism of development activities.

## **2. Micro-Credit for the Poor and the Necessary Conditions for the Success of the Poverty Alleviation Fund (PPAFC)**

Micro credit to the poor to enable them to improve their asset base has proven to be a highly effective means of poverty alleviation. The experience of AKRSP, NRSP, OPP and PIEDAR in Pakistan has shown that when credit is given in the context of organizing the poor, it is both used effectively and the default rates are less than three percent. This is also borne out by the experience of the Janasaviya Trust Fund in Sri Lanka, and the Grameen Bank and BRAC in Bangladesh. Thus the poor in practice have proven to be bankable and are far more reliable in pay back of loans than the rich. However, clearly the PPAFC cannot conceivably have the outreach capability to identify beneficiaries at the village/mohalla level across the country, nor the ability to administer the performance and ensure loan pay back by millions of loanees. Vital to the success of the Poverty Alleviation Fund is the emergence of village/mohalla organizations of the poor, backed up by district/divisional level support institutions. These support organizations can

access training and technical services, to facilitate village/mohalla level projects for income generation, natural resource management and village banking. The Poverty Alleviation Fund may give micro credit directly to the poor, but such district level support institutions and village/mohalla level organizations are necessary to provide the Fund with information about beneficiaries, and ensuring that the loans once given, (a) actually result in increased incomes of the poor, and (b) are paid back within the stipulated period.

The micro credit experience in Pakistan and other South Asian countries has shown that the following conditions are necessary for success:

- (i) Organization of the poor whether through village level institutions or small groups in urban areas.
- (ii) Skill training to enable effective use of the micro credit.
- (iii) Provision of technical service to the borrowing communities such as animal husbandry, natural resource management, sustainable agriculture, marketing and village banking.

It is, therefore, important that the Poverty Alleviation Fund should have a network of support organizations to enable the poor communities to do institution building at the local level, acquire skill training and technical services.

### **3. Accelerating Growth of Micro Enterprises and Small Scale Industries.**

The Working Group noted that small scale enterprises in both the rural and urban sectors have the potential for making a significant contribution to overall employment and output growth of the economy, because of its higher employment elasticity with respect to output and lower ICORs, (Incremental Capital Output Ratio). Growth of the small-scale sector however is

constrained by lack of access over credit, marketing and technical support services such as skill training, specialized fabrication and quality control.

The Working Group proposed that a major national effort needs to be undertaken to accelerate the growth of small scale industries in geographic locations which are growth nodes of small scale industries. New community based or private sector institutions are needed to provide support to small-scale industry in overcoming each of the constraints to its growth: Credit, marketing, skill training, specialized fabrication and quality control procedures.

The Working Group proposed that the PPAFC, which is in the process of being established, may undertake the task of providing micro-credit to the poor and also to catalyze the development of micro-enterprises through directed credit and skill training.

#### **4. A Mass Training and Employment Program**

The growing shortage of skilled technicians and trained manpower capable of handling modern machines is adversely affecting investment and productivity. Similarly, there is a shortage of social organizers trained in participatory development to advise village communities to provide skills necessary to facilitate diversified growth of the village economy. In order to impart mass training, the Working Group proposes the establishment of a National Training Network that can access facilities already available with government/NGOs/private sector in the following:

- (i) Training social organizers in the methodology of Participatory Development based on field work as well as a course familiarizing them with the lessons learnt from both their own field work

- experience, as well as the experience of successful Participatory Development initiatives in Pakistan and other South Asian countries.
- (ii) Training middle level professionals in fields, such as forestry, soil conservation, agriculture, horticulture, civil engineering, and health, with an orientation in Participatory Development and extensive field training within ongoing participatory development projects.
  - (iii) Training village specialists, drawn from village organizations in relatively simple skills such as disease prevention in livestock, preparation of animal feed, practical horticulture, fruit farming, seed preparation, health, hygiene and family planning.
  - (iv) Training industrial technicians in industry specific skills.

## **5. A Food Security Safety Net for the Indigent**

The number of persons who are indigent, i.e., without any source of livelihood or family support, or unable to work due to some physical handicap need to be supported through a food stamp scheme. It is necessary that a national survey may be conducted to estimate the number of the indigent persons, their location and current forms of survival. In cases where they are begging on the streets, the networks that control and exploit them may be examined.

The efficiency of the FSS would depend on the accurate identification of beneficiaries. This could be done by: (a) Appointing NGOs working at the Mohalla/neighbourhood level to identify the beneficiaries, and specify their precise living address, (b) The list provided by the NGOs could be cross checked by the concerned Deputy Commissioners, (c) The social organizers in the proposed District/Divisional Support Organizations should be required to hold meetings in the neighbourhoods where the indigent are located and perform the third level of checking to ensure that only the genuinely indigent are placed on the list of beneficiaries.

## SECTION VII POLICY OBJECTIVES AND RECOMMENDATIONS

### 1. Policy Objectives

A major national effort for a direct attack on poverty must be initiated. The national objective should be to reduce the incidence of poverty from the present level of about 35 percent in terms of minimum basic needs to 10 percent by the end of Ninth Five-year Plan. In terms of the calorific norm, the percentage of poverty should fall from the present about 25 percent down to 10 percent in the next five years and 5 percent in the next 10 years.

- (i) If these objectives are to be achieved, it is necessary that a countrywide effort be undertaken to help build institutions of the poor, and provide them with a wide range of support services.
- (ii) If the market based macroeconomic growth process is combined with institution building for poverty alleviation then in time both the level and structure of the economic growth process can be improved. Thus, poverty alleviation through participatory development can engender both a higher and a more equitable economic growth.

### 2. Recommendations

The Working Group recommends the following:

- (i) A major national effort should be made to create widespread opportunities for employment and income generation amongst the poorer sections of society, particularly women. This can be done by facilitating institution building amongst the poor, providing training, credit and technical services. In order to achieve this objective it is proposed that support organizations be established at the district or

- divisional level. Such support organizations would play a crucial role in catalyzing the building of community organizations of women and men respectively at the village/mohalla level. They would specifically provide: (i) an outreach mechanism for delivery of technical services of government line departments and other agencies in the private and non-governmental sector, (ii) access to training facilities for village level specialists, (iii) access to credit.
- (ii) Amongst the poor, women and children are the most vulnerable. A special effort must be made to enable women at the village/mohalla level to get empowered through forming organizations of women, imparting training, providing technical support and credit. The management structure of support organizations should include women social mobilizers, technical training specialists, and monitoring and evaluation professionals at the village, district, and provincial tiers.
  - (iii) A national effort needs to be undertaken to withdraw child workers from hazardous industries. A safety net to poor children needs to be initiated for providing free lunch during school hours in poor, community run schools.
  - (iv) The Structure of the economic growth process should be changed so as to enhance both the levels of GDP growth as well as its capacity to reduce poverty overtime. In order to achieve this, it is necessary, (a) to increase the weight of the labour intensive sector of the economy in total GDP (example, construction of infrastructure and small-scale industry), (b) to enable the work force to shift from low value-added sub-sectors to high value-added sub-sectors, both in industry and agriculture. This requires improving the skill level of the work force and trade specific training of technicians,(c) accelerate the growth of small scale industries to achieve a higher employment generation and output growth capability per unit of investment in the economy. As

the composition of total investment shifts in favour of small-scale industries, the overall growth both of GDP and employment will be accelerated. This is because small-scale industries have lower ICORS, as well as, higher employment elasticities with respect to output, compared to the LSM sector.

- (v) It is recommended that major infrastructure projects currently envisaged by the government be undertaken rapidly. The projects include National and Provincial Highways, rehabilitation of the irrigation system, drainage, construction of dams, and the construction of ports. As these projects get implemented, it will be necessary to mobilize both skilled and unskilled labour on a large scale and deploy them on the work sites in order to make maximum use of the employment opportunities created by such infrastructure projects. It is proposed that a National Reconstruction Corps be established. The functions of the National Reconstruction Corps would be:

- (a) Mobilize employable labour and direct it to the work sites of infrastructure project. Facilitate appointments of labour with the employers and necessary services for supervision of such labour at work may be provided. At the same time, arrangements with the employers may be made to make available to working people, reasonable boarding, lodging and medical facilities near the work sites.

- (b) Enable the unemployed work force to acquire jobs in the rural off-farm sector and self-employment in cottage industries by accessing technical training, provision of credit and providing marketing support.

- (c) Keep track of the employment opportunities as they emerge in the large scale manufacturing sector, organize training of technicians in the required fields and facilitate the employment of such skilled labour force in various industrial units.
- (vi) One of the key factors in poverty is the low skill level of the work force and the fact that the employed work force is concentrated in low value-added sectors. An important step in overcoming poverty is to substantially raise the skill level of Pakistan's actual and potential work force and to provide opportunities for shifting workers from low wage/low value-added sectors to high wage/high value-added sectors. In order to achieve this objective, it is necessary to launch a mass vocational training program for the provision of industry specific technical skills. This program can be operated by the provincial governments in collaboration with the association of different industries and donors. The courses and standards of competence of graduating trainees would be established by the industries concerned who would be the potential employers.
- (vii) As the poor get organized in both rural and urban areas and as the district/divisional support organizations mature, a need will emerge for providing micro credit across the country. Experience has shown that when the poor are organized in groups and support institutions are available for providing training and technical services for income generation projects, then under these circumstances micro credit plays an important role in substantially increasing incomes of the poor within a short period of time. It is proposed that the National Poverty Fund that is in the process of being established may be structured in

such a way that it can play this role at the national level. If the National Poverty Fund is to be able to disburse credit efficiently, it is necessary that the village level organizations as well as the organizations of the poor in the urban areas be rapidly developed through support institutions and NGOs at the district/divisional level. Such institutions can effectively identify the recipients and administer the credit.

## REFERENCES

1. JEAN DREZE & A.K. SEN: Hunger and Public Action, Clarendon Paperbacks, Oxford, 1989.
2. HUSSAIN, AKMAL: Poverty Alleviation in Pakistan, Vanguard Books (Private) Limited, Lahore, 1994.
3. PAKISTAN: A Strategy of Sustainable Agricultural Growth, November 1994, World Bank Report No. 3902 – PAK.
4. AMJAD, R. & A.R. KEMAL: Macroeconomic Policies and their Impact on Poverty Alleviation in Pakistan, 1997, ILO, Multidisciplinary Team, Mimeo.
5. REPORT of the Independent Commission on Poverty Alleviation, SAARC, November 1992.
6. REPORT of the Task Force on Poverty Eradication, May 1997.

## *Annexure A*

### **ESTIMATION OF POVERTY**

The Working Group considered the calorie based as well as the basic needs approaches for estimation of the incidence of poverty.

#### **1. Calorie Based Approach**

##### 1(a) Types of Poverty Estimates

- (i) Income Poverty: As income reflects the purchasing power, a poor person is defined as one whose income is below the level which can afford him/her the specified minimum calorific intake.
- (ii) Consumption Poverty: Since income data are likely to be less reliable than consumption data, and as welfare levels of individuals can be more directly represented by household consumption, incidence of poverty is estimated by considering the consumption expenditure of individuals in relation to the poverty line.
- (iii) Real Poverty: Estimates of poverty based on the distribution of income are likely to be overestimated. When poverty is defined in terms of per capita income, it is likely that a low-income person might have satisfied his consumption needs through sources like dissaving or borrowing. “Real Poverty” estimates therefore take both income and expenditure into account. A poor person is defined as one whose income and expenditure levels are below the poverty line.
- (iv) Food Poverty: The estimate of food poverty is based on comparing the food expenditure of individuals with the calorie-based poverty line. Moreover, the shares of the lowest and highest deciles of the Consumption Distribution are also considered to get an idea of poverty without using any specific poverty line.

##### 1 (b) Estimation Results

- (i) Poverty Line: A daily intake of 2550 calories per adult equivalent has been used to determine the poverty line for rural areas and of 2230 calories for urban areas of the country. The recommended level of calorific intake is converted into food poverty line by using the Calorie Food consumption

Function which involves regressing calorific intake on food expenditure and identifying the expenditure consistent with the required level of calorific intake. The poverty lines thus estimated are:

Pakistan	=	Rs. 214.13
Urban	=	Rs. 221.53
Rural	=	Rs. 217.72
Punjab	=	Rs. 212.19
Sindh	=	Rs. 215.93
NWFP	=	Rs. 215.61
Balochistan	=	Rs. 222.65

- (ii) Poverty Indicators: Poverty indicators on the basis of a food poverty line during 1992-93 are given in Table 1 below:

**Table 1**  
**Income Poverty Indicators for Pakistan, Urban/Rural Areas and Provinces**  
**During 1992-93**

Area	Head-count (%)	Income-gap Ratio	FGT Index (%)
Pakistan	22.32	0.17	1.05
Urban	21.70	0.17	1.01
Rural	26.24	0.18	1.30
Punjab	23.99	0.19	1.32
Sindh	21.76	0.16	0.89
NWFP	21.93	0.15	0.83
Balochistan	20.66	0.16	0.82

In terms of the Calorie-based approach about 22 percent of the population met the minimum calorific requirements. The incidence of food poverty is about 22 percent in urban areas and 26 percent in rural areas. The proportion of population suffering from food poverty is highest (24 percent) in Punjab and lowest (21 percent) in Balochistan. On average, the income gap is about 17 percent of calorie-based poverty lines.

The poverty lines and the incidence of poverty in Pakistan (with provincial and urban/rural breakdown) have been determined on the basis of micro data of Household Integrated Economic Survey 1992-93, conducted by the Federal Bureau of Statistics. The calorie-based poverty line is defined in terms of the minimum

money value of a basket of food consistent with a minimum recommended level of calorific intake. The incidence of poverty is then estimated in four different ways:

## 2. Basic-needs Approach

Each of the three poverty indicators (Head count, income gap ratio, and FGT Index) are estimated on the basis of basic needs:

- (i) Poverty Line: The poverty line is defined in terms of the minimum expenditure required to achieve the basket of basic needs which consists of food, clothing, housing, health, education, transport, socialization and recreation facilities. The cost of food in the basket of basic needs is estimated as the average expected food expenditure required for assuring the recommended level of calorific intake (2550 calories per adult equivalent in rural areas and 2230 calories per adult equivalent in urban areas). The different levels of calorific requirements for rural and urban areas have been used by taking into account the biological needs and the nature of activities being performed. Moreover, it is assumed that the income group, which consumes more than the cost of minimum required level of calorific intake, will first seek to satisfy its other basic needs. Therefore, the expenditure of the corresponding income group on other basic needs is taken as the estimated cost of the components in the proposed basket of basic needs. The estimated per capita, per month basic needs poverty lines for 1992-93 thus estimated by the Working Group are:

Pakistan	=	Rs. 399.14
Urban	=	Rs. 462.56
Rural	=	Rs. 367.89
Punjab	=	Rs. 401.15
Sindh	=	Rs. 413.70
NWFP	=	Rs. 371.01
Balochistan	=	Rs. 376.90

- (b) Poverty Indicators: Three types of poverty indicators have been used to measure the incidence of poverty under the basic needs approach. These are (i) Head Count Ratio, which measures the extent of poverty, (ii) Income-gap ratio, which measures the depth of poverty, and (iii) FGT index, which is a

measure of the severity of poverty. These indicators estimated separately for income, consumption and 'real' poverty in the context of the basic needs approach is presented in Tables 2, 3 and 4 respectively.

**Table 2**  
**Income Poverty Indicators for Pakistan, Urban/Rural Areas and Provinces**  
**During 1992-93**

Area	Head-count (%)	Income-gap Ratio	FGT Index (%)
Pakistan	45.41	0.31	6.48
Urban	41.82	0.29	5.32
Rural	49.07	0.31	6.85
Punjab	43.61	0.31	5.79
Sindh	46.96	0.33	7.41
NWFP	49.84	0.31	7.05
Balochistan	35.65	0.29	4.71

The poverty indicators given in the above table show how sensitive the assessment of poverty is to the criterion used in defining it. When poverty is defined in terms of the percentage of the population below a particular income level, table 2 shows that about 45 percent of the population is poor while income gap ratio is equal to 0.31 during 1992-93. Income poverty is higher at 49 percent in rural areas as compared to urban areas where about 42 percent of the population are below the poverty line. The extent of income poverty is highest (about 50 percent) in NWFP and lowest (36 percent) in Balochistan, with Punjab and Sind at 44 percent and 47 percent respectively. In terms of the income-gap ratio poverty is most severe in Sind at 0.33, Punjab and NWFP are both at 0.31, with Balochistan having the income-gap ratio at 0.29.

When consumption is used as a criterion for measuring poverty, about 40 percent of the population in the country falls below the poverty line. Both the extent and severity of consumption poverty are higher in urban areas as compared to the rural areas of the country. An examination of poverty at the provincial level shows that Sindh has the highest incidence of poverty (42 percent) and Balochistan the lowest where 35 percent of the population is poor. Details are given in Table 3 below:

**Table 3**  
**Consumption Poverty Indicators for Pakistan, Urban/Rural Areas and Provinces**  
**during 1992-93**

Area	Head-count (%)	Income-gap Ratio	FGT Index (%)
Pakistan	39.50	0.22	2.73
Urban	40.98	0.24	3.40
Rural	37.50	0.21	2.31
Punjab	37.94	0.23	2.83
Sindh	41.67	0.23	3.17
NWFP	36.67	0.18	1.85
Balochistan	34.77	0.20	2.01

When both income and expenditure are taken into account, Table 4 below reveals that 33 percent of the population in the country is in real poverty during 1992-93. Neither income nor expenditure of the real poor was sufficient to fulfill their basic needs. The incidence of real poverty is higher (34 percent) in urban areas as compared to rural areas, and is highest (about 37 percent) in Sindh compared to other provinces of the country.

**Table 4**  
**Real Poverty Indicators for Pakistan, Urban/Rural Areas and Provinces**  
**During 1992-93**

Area	Head-count (%)	Income-gap Ratio	FGT Index (%)
Pakistan	33.12	0.21	12.16
Urban	34.44	0.23	2.63
Rural	31.97	0.20	1.82
Punjab	31.27	0.22	2.22
Sindh	36.66	0.23	2.72
NWFP	31.57	0.18	1.51
Balochistan	25.87	0.17	1.17

**1. Relative Poverty: Distribution of consumption Expenditure by Deciles**

The Working Group also assessed the distribution of poverty by ordering households from lowest to highest according to their level of per capita consumption expenditure, by dividing the distribution into deciles (10 groups of an equal number

of households). The study of the average consumption of deciles and shares of the lowest and highest decile gives an idea of poverty and inequality in consumption distribution. The distribution of consumption expenditure by deciles for Pakistan during 1992-93 is given in Table 5 below:

**Table 5**

**Distribution of Consumption Expenditure for Pakistan, 1992-93**

Decile	Average Household Size	Percentage Of Consumption		Monthly Average Consumption	
		Per Capita	Per H.H	Per Capita	Per H.H
1	8.52	3.7	5.6	244.8	2077.2
2	7.97	4.8	6.8	316.2	2520.0
3	7.38	5.5	7.2	364.4	2689.1
4	7.11	6.3	7.9	411.0	2922.0
Lowest 40%	7.75	20.3	27.5	344.1	2552.1
5	6.85	7.1	8.5	464.4	3176.7
6	6.60	8.0	9.3	525.1	3466.2
7	5.99	9.1	9.7	600.7	3598.0
8	5.49	10.8	10.5	712.7	3909.8
Middle 80%	6.23	35.0	38.0	575.7	3537.7
9	5.01	14.0	12.3	917.6	4584.0
10	4.32	30.7	22.3	2017.2	8313.6
Highest 20%	4.67	44.7	34.6	1467.2	6448.1
Total	6.53	100	100	657.4	3725.57

The total shows that the lowest 40 percent of the population have 20.3 percent of total consumption on a head count basis and 27.5 percent of total consumption on the basis of number of households. The middle 80 percent of the population is associated with 35 percent of total consumption on a head count basis and 38 percent on the basis of number of households. This data shows a highly skewed distribution of consumption expenditure, with the skewness being greater for head count of the population than for the number of households.



## **Akmal Hussain**

M. A. (CANTAB), D. PHIL. (SUSSEX)

1, Ahmad Block  
Garden Town, Lahore, Pakistan  
Phone: 5867484-6, Res: 6666039  
Fax: 0092 42 5865915 or 5865847

March 12, 1998

My dear Fazalullah Qureshi Sahib,

I am pleased to send you the final draft of the Report of the Working Group on Poverty Alleviation for the Ninth Five-year Plan. I have endeavoured to address the suggestions agreed upon during the final meeting of the Working Group.

Writing this report has been a real labour of love. May I take this opportunity to thank Dr. Muhammad Aslam Khan for his excellent support and wise counsel. Please also communicate my appreciation and gratitude to the members of the Working Group who made a valuable contribution through their criticisms, insights, and suggestions.

With best wishes and warm regards,

Yours sincerely,

Dr. Akmal Hussain

Mr. Fazalullah Qureshi,  
Planning Commission,  
Government of Pakistan,  
P-Block, Federal Secretariat,  
Islamabad.

## **Akmal Hussain**

M. A. (CANTAB), D. PHIL. (SUSSEX)

1, Ahmad Block  
Garden Town, Lahore, Pakistan  
Phone: 5867484-6, Res: 6666039  
Fax: 0092 42 5865915 or 5865847

March 12, 1998

Mr. Fazalullah Qureshi,  
Planning Commission,  
Government of Pakistan,  
P-Block, Federal Secretariat,  
Islamabad.

My dear Fazalullah Qureshi Sahib,

I am pleased to send you the final draft of the Report of the Working Group on Poverty Alleviation for the Ninth Five-year Plan. I have endeavoured to address the suggestions agreed upon during the final meeting of the Working Group.

Writing this report has been a real labour of love. May I take this opportunity to thank Dr. Muhammad Aslam Khan for his excellent support and wise counsel. Please also communicate my appreciation and gratitude to the members of the Working Group who made a valuable contribution through their criticisms, insights, and suggestions.

With best wishes and warm regards,

Yours sincerely,

Dr. Akmal Hussain

cc: Dr. Muhammad Aslam Khan  
Deputy Chief, Member/Secretary,  
Planning & Development Commission,  
(Poverty Alleviation Wing),  
Government of Pakistan,  
Federal Secretariat,  
P – Block,  
Islamabad.