

Brief Note on Poverty Reduction and Future Challenges in Pakistan**Dr. Ayesha Afzal****Assistant Professor of Economics****Lahore School of Economics****Email: ayeshaa@lahoreschool.edu.pk**

Reduction in poverty is widely associated with rising GDP growth rates and access to equal opportunities regardless of gender, income, religion or ethnicity (Haq, 2002). Economic literature has advanced away from economic growth as the ultimate objective of all human endeavors and towards the realization of this growth in the form of human development (Ranis et al 2000). This poverty reduction phenomenon emerges from a deliberate policy effort to create a link between economic growth and human development indicators. An appreciable change in the human development indicators critically hinge on the focus of public policy on education, health, nutrition, and redistribution of assets through fiscal policy instruments. Such public policies have been absent in Pakistan whereby periodic spikes in the economic growth rates have presented no direct linkages to improvements in the social sector (Younis et al 2015). Pakistan's economy has been bereft with an unstable democracy, bad governance, worsening global competitiveness and weak institutional structures, leading to almost no effort towards investment in people. However, despite all ills that have plagued the economic and social systems of the country, Pakistan has witnessed a steep decline in poverty since 2002. This reduction in poverty comes associated with welfare gains including the ownership of assets, quality of housing and an increase in school enrollment especially for girls (World Bank 2016). The effectiveness of public services has been found vital to poverty reduction (Joshi 2008) and that seems to be happening in the case for Pakistan.

The explanation of the fall in poverty can be found in the presence of a relatively stable democratic regime, which led to enhanced social service delivery albeit for political gains. Targeted programs driven by self-interest of electoral candidates, resulted in a steady rise in livelihood of the very poor and a decline in their absolute numbers.

The free flow of information through independence and growth of media since 2002 has re defined the performance measures of democratic representatives. The expanding media has made the masses more aware of their rights, and provided a platform to demand these rights for themselves. Access to information has reduced the gap between different strata's of the society leading to greater equality in distribution of services.

LAHORE SCHOOL OF ECONOMICS - POLICY NOTE No. 8/18

Moreover, the role of multi lateral agencies in providing financial and project aid to Pakistan in the last decade has been corner stone in efforts of poverty reduction. World Bank, ADB, USAID have funded and implemented projects that have made significant impact on the lives of the poor. However in the looming slowdown of the economy evident by the current currency crisis where PAK rupee fell by about 5% on June 11th 2018, increased current account deficit, trade deficit, rising interest rate and impending debt accumulation all put the poverty numbers in jeopardy. The poor may face an increased cost of living, and, thus, reduced quality of life. Poor may be worse off if necessary action is not taken.

The funding of targeted programs like BISP, growth of microfinance, aid in the agriculture sector to help the rural poor, and assistance in social sector with special focus on education and health have to remain the focus areas. There is a dire for concentration of programs on skills development and mobility of labour. Appropriate social policy would enable harnessing of potential benefits arising from opportunities such as CPEC. Policy needs to address issues of provision of facilities such as sanitation, sustainable electricity, rural sector development with focus on mechanization and technology to help improve revenues for small farmers.

The role of donor agencies remains crucial to the survival and expansion of effective programs like BISP and PPAF. It is recommended that borrowing for balance of payments support should in part fund the debt servicing, while part of it should contribute towards development expenditure, hence bringing social policy to the forefront.