

Poverty Reduction and Human Development: Issues and Strategy

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“Growth is vital to reducing all aspects of poverty... But growth unaccompanied by other measures may neither boost the income of the poor much, nor lead to much progress on the non-income aspects of poverty. On both counts, human development progress has a part to play.”(Poverty and Human Development, World Bank, 1980, p. 63)

Abstract

The paper assesses trends in poverty and improvements in the material conditions of life of millions of people living in poverty and human deprivation. It discusses the growth and poverty dimensions and associated structural problems. Determinants of poverty in Pakistan are discussed with a view to identify areas of intervention and public policies. Poverty reduction and human development programmes are discussed to show that pumping financial resources to address the issue of poverty is not a correct strategy for poverty reduction and human resource development. The paper discusses the poverty reduction strategy to assess government commitment to poverty reduction and human resource development in a sustainable manner. It concludes that poverty reduction and human development in Pakistan is dependent on many factors particularly the strengthening of institutional capacity and availability of human and financial resources.

Introduction

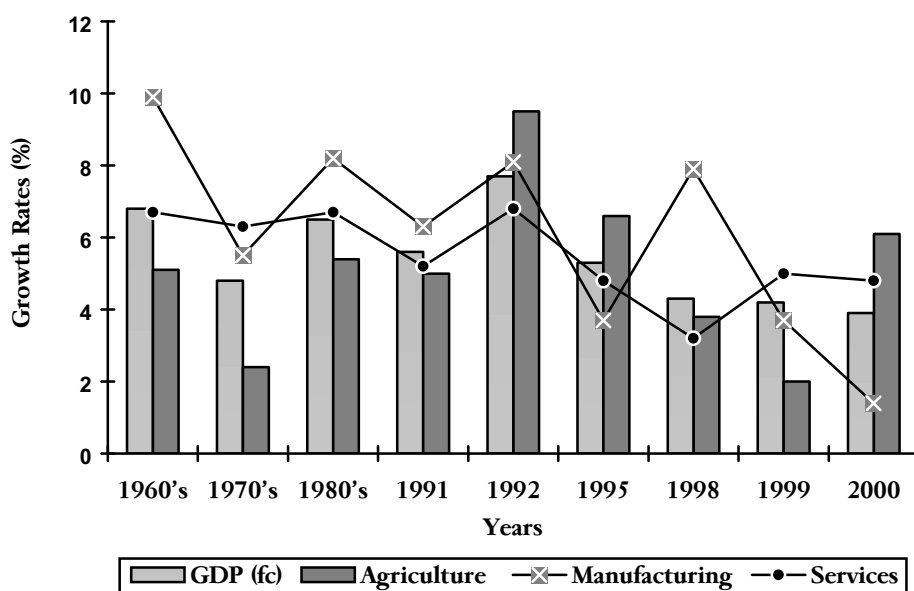
Reducing poverty, in its income and human development manifestations, is the over-arching objective of development. Development has its core transformations in economic activity, living conditions and values (Lewin, 2000a). Food security, basic education, freedom from disease and adequate nutrition are basic human needs that should be met for improvements in the material conditions of life (Lewin, 2000b). Poverty has many faces. Its magnitude, however, varies with its definition. Widespread literature on the issue has provided various explanations of poverty. For

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example, poverty is viewed as deprivation in well-being (World Bank, 2000); lack of resources to obtain the minimum necessities of life (Kakwani, 2001); a person is poor if his/her welfare or utility level falls below a certain level (Barr, 1993; Goedhart, T., Halberstadt, V., and van Praag, 1977); capability deprivation (Sen, 1987); lack of real opportunity of access to food (Sen, 1998), access to adequate source of nutrition (Reutlinger and Selowsky, 1976; Sukhate, 1977; and Srinivasan, 1981). According to the voices of the poor, poverty is much more than a simple explanation (Narayan, 2000). It is vulnerability of a person or a group of people to adverse events outside their control (World Bank, 2001).

Pakistan has achieved remarkable economic progress in terms of both growth in gross domestic product (GDP) and structural changes in the composition of output. Real GDP has grown at an annual average rate of above 5.5 per cent since the 1960s. Performance in the key sectors during this period has generally been satisfactory (Figure 1). Manufacturing value-added has grown at more than 7 per cent per annum. The service sector has achieved an annual average growth rate of 6.1 per cent, while the growth of agricultural value-added averaged 4.2 per cent per annum (Government of Pakistan, 2001). Per capita income has increased from less than US\$100 in 1956 to US\$470 in 1999 (World Bank, 2000).

Figure 1: Growth rates of GDP and key sectors



Source: Government of Pakistan, 2001. *Pakistan Economic Survey 2000-01*, Ministry of Finance, Economic Adviser's Wing, Islamabad: Government of Pakistan.

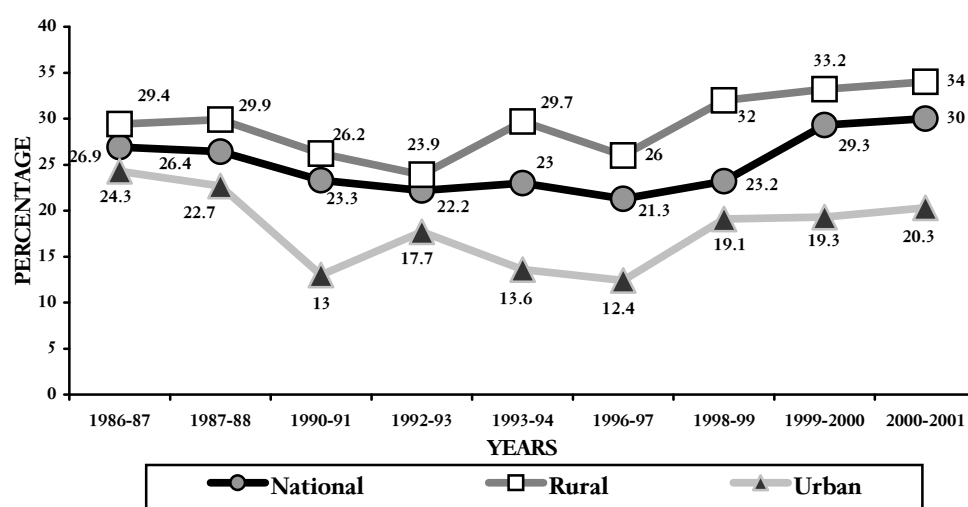
Notwithstanding this generally good performance, the economy has not done as well as it could have. Growth has not been uniform. It failed to 'trickle down' to the poor and as a result social inequalities widened (Haque and Montiel, 1992). Evidence from various sources suggests that poverty in Pakistan since the early 1990s is rising. The prime reason of increase in poverty in the 1990s is attributable to the relatively low rate of economic growth (implying a slow increase in per capita income) coupled with rising unemployment and level of cost of living (Planning Commission, 2001); pressure of population growth on goods and services and social deprivation, which include access to physical and social assets such as certain quantity of food, land, health care, education, drinking water, and sanitary facilities. Low investment in human resource development also intensifies the poverty problem (ADB, 1997).

After 52 years into the life of Pakistan, the country is still faced with the problem of weak social indicators. Even now almost every indicator of well-being such as literacy, education, health, nutrition, safe drinking water and sanitation, access to family planning services compares poorly with countries at the same level of per capita income (Appendix-I). Pakistan has a low level of adult literacy with some 52 per cent of the population over 10 years being literate. Illiteracy is particularly high for the poor and especially women and girls. This comprises 20.6 million males and 29.4 million females (HDC, 1999). The country, in terms of the human development index (HDI) is ranked 138 out of 174 countries (UNDP, 1999). Pakistan also fares worse on all the six dimensions of governance (less government effectiveness, more graft, political instability, more regulatory burden, less rule of law and less accountability) measured by Kaufmann et al. 1999b.

A number of studies have measured and defined poverty in Pakistan. Most of these studies measured poverty in absolute terms based on income or consumption as the assessment basis. The calorie-based approach used widely to determine poverty, however, differ significantly for methodologies and assumptions used (Appendix-II). These studies suggest that poverty in Pakistan increased rapidly in the 1960s, then declined sharply in the 1970s up to mid-1980s and began to increase again from the late 1980s (Naeem, 1973, Irfan and Amjad, 1984; Amjad and Kemal, 1997; Jafri, 2000, Qureshi and Arif, 2000). Using the same approach and consistent time series data and 2150-calorie average per adult equivalence calories requirements, it has

been observed that between 1986-87 and 1999-2000 poverty has increased rapidly from 21.3 per cent in 1996-97 to 30.0 per cent in 2000-01 (Figure 2). The incidence of poverty is higher in rural areas compared to urban areas.

Figure 2: Poverty incidence – headcount (%)



Source: Appendix III.

Determinants of Poverty

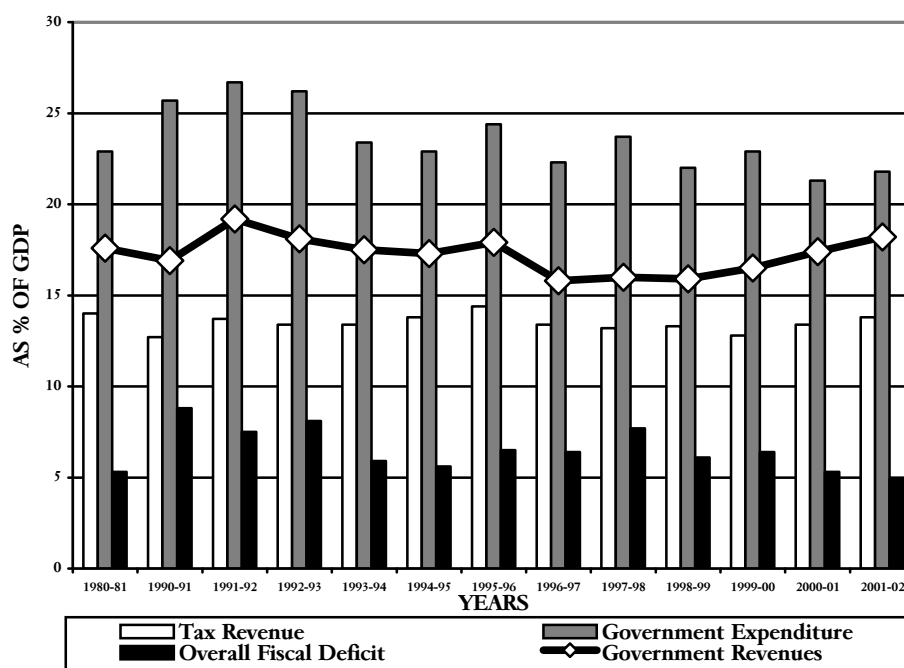
- a) **Economic growth:** The country has experienced a continuous decline in the overall growth rate of GDP of about 6 per cent before the 1990s to 2.6 per cent in 2000-01. This means that the growth in per capita income has been declining sharply reaching around 0.5 per cent in 2000-01.
- b) **Population pressure:** The pressure of high population growth translates into millions without formal employment and large numbers of new entrants into the job market each year. A large population has created numerous difficulties in the fight against poverty, in realising the objectives of improved human welfare, in enhancing the severely depressed levels of national savings and in protecting the already vulnerable environment.
- c) **Rising rate of unemployment:** An associated fundamental issue is the phenomenon of unemployment in the country. The situation in

this respect is simply grim. Overall unemployment is over 10 per cent. Almost 40 per cent of the new entrants to the labour force every year, or about 500,000 persons are being added to the pool of the unemployed every year. The unemployment rate is higher in educated (above matriculation) youth.

- d) **Low level of national savings:** The country has not been generating adequate national savings to finance growing investment levels. National savings lingering around 12-13 per cent of GDP are low for the financing of required investment levels.

- e) **Fiscal imbalances:** The country has also to grapple with fundamental fiscal imbalances, ranging from 5 per cent of GDP on the low side to 8-9 per cent on the high side, over the last many years. The public sector has been a dis-saver over a long period of time. Analysis of government's finances indicate that in the past two decades government revenue remained around 17 per cent of the GDP and tax to GDP ratio languished around 13-14 per cent. Government expenditure, in the same period initially increased from 22.9 per cent in 1980-81 to 26.7 per cent in 1991-92 and subsequently has been reduced to 23.4 per cent in 1999-2000. All the increase in government expenditure has been in non-development expenditure for increased debt servicing liability payments. The burden of fiscal adjustment, therefore, fell heavily on public sector development expenditure, which as a proportion of GDP reduced from around 8 per cent in 1987-88 to less than 3.0 per cent in 1999-2000. The sharp decline in public sector development expenditure has severely influenced the creation of physical and social infrastructure and its maintenance. Since 1987-88 at no point of time was the government able to meet the fiscal deficit targets agreed with the international development institutions. The fiscal deficit stayed put at around 5-9 per cent in the past 20 years. Figure 3 indicates the trend in government finances.

Figure 3: Trends in government finances



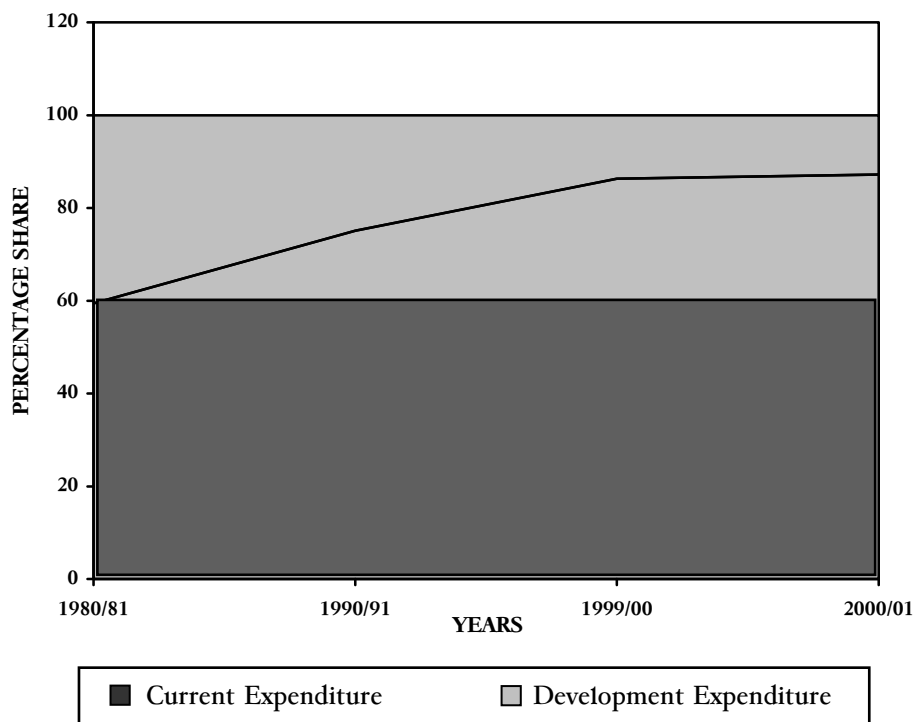
Source: Appendix-IV.

- f) **Debt burden:** Large public sector deficits and low national savings have resulted in the rapid growth of domestic and foreign debt, which has now swelled to about 97 per cent of GDP and 600 per cent of the country's annual revenues—one of the highest in the world. The debt hangover has become one of the most formidable problems in recent years, and has acted as a major constraint on economic growth, social development, and poverty reduction.
- g) **Pro-poor public expenditure:** The extent to which a country's public expenditure is directed towards the goal of poverty alleviation is of central importance. Public expenditure has the potential to reduce poverty in at least three major ways: i) primary education, basic health care, safe water and sanitation; ii) the basic infrastructure needed by poor farmers, micro entrepreneurs, and labour-intensive manufacturers to provide livelihoods, and iii) cash and food transfers to reduce the vulnerability of the marginalised segments of society.

Nevertheless, continuously declining share of development expenditure in total government expenditure from about 41 per cent in 1980-81

to about 13 per cent in 2000-01 (Figure-4) has badly influenced the provision of public goods and services and maintenance of social and community services – education, health, safe water and sanitation and civic participation of the bulk of the population of the country. The public expenditure (development and recurring) on the provision of social services which increased from 5.9 per cent of the GDP in 1977-78 to 6.7 per cent in 1992-93, due to fiscal consolidation under the structural adjustment programme declined to 5.1 per cent of the GDP in 2000-01. Development expenditure on basic infrastructure of transport (roads, bridges and farm to market roads), communication (telecommunication and postal services) and rural electricity declined sharply from 1.2 per cent of the GDP in 1977-78 to less than one per cent by 2000-01.

Figure 4: Trend in government expenditure (% share)



Source: Appendix-V

- h) **Trade and balance of payments policies:** A general failure of the trade and balance of payments policies has resulted in high trade and current account deficits, giving rise to repeated balance of payments

crises in recent years. Pakistan exports have been rising very slowly, workers remittances have shrunk to less than \$ one billion, the debt repayments burden is increasing and import is somewhat uncompressible. These have impacted on the growth and economic prospects of the country as well as on its capacity to substantially reduce poverty, especially in the short run.

- i) **Agriculture sector's growth potential not fully exploited:** The real sectors such as agriculture were neglected. In fact ineffective, misdirected and misplaced agricultural policies, including water use, resulted in enormous imports of wheat, edible oil, tea and other food items. While urban poverty is quite high, poverty in rural areas is worsening even more and cannot be seriously tackled without a renewed and re-invigorated agricultural sector. Also, the prices of food items have a direct impact on the poverty conditions in Pakistan.
- j) **Manufacturing sector policies:** The past policies of developing the capital-intensive industrial sector under heavy protection gave rise to a manufacturing sector, which is saddled with many negative value-adding activities. It is not diversified and is generally not able to compete either at home, without heavy protection, or in the competitive international market place. New investment in the sector is minimal, skill developments are negligible and induction of modern technology rather infrequent and weak. The development of Small and Medium Enterprises was not encouraged and as a result small industries that employ about 70 per cent of the labour force never got the attention and support they deserved. Consequently both the large and small-scale segments of the industrial sector remain vulnerable especially under the new, globalising environment.
- k) **Lack of technical know-how:** Skill and knowledge levels which require integrating in modern sectors is often beyond the reach of the poor. This makes it difficult for them to participate in economic growth and globalisation.
- l) **Indigent infrastructure:** The economic infrastructure related to the transportation network of roads, railways, ports, irrigation, energy etc. is either missing or weak.
- m) **Poor human resource development (HRD):** HRD has also suffered enormously because the quality of the educational system from the primary to the highest level, the sufficient availability of skills development and training arrangements; the health sector's

efficiency and effectiveness, the adequacy of safe water supply and even a minimum level of sanitary facilities have been badly lacking for want of (a) priority attention and (b) allocation of finances.

Impact of Poverty Reduction Programmes

The government, since the mid-eighties has shown a strong commitment to poverty reduction and human resource development. Additional investment of Rs. 450 billion has been made by the government for specialised programmes for poverty reduction and physical and social infrastructure development (Table 1). The emphasis of these programmes was on the creation of physical infrastructure (farm to market roads, village electrification, etc.) and delivery of basic social services – primary education, primary health care, safe drinking water and sanitation, rural development, rural electrification and family welfare services.

Table-1: Special programmes for poverty reduction (Billion Rupees)

Programmes	Period	Expenditure
Prime Minister’s Five Point Programme	1985-88	3.3
People’s Programme	1988-91 and 1994-97	16.2
<i>Tameer-e-Watan</i> Programme	1991-93 and 1998-2000	9.7
Social Action Programme	1993-2002	419.6
Total:	1985-2002	448.8

Source: Planning Commission, Public Sector Development Programme (various issues)

Realising that long-term economic growth and poverty alleviation could not be achieved without raising the level of human development, the Social Action Programme (Phase-I) was launched by the government in 1993-94 for three years with an investment of Rs. 127 billion. SAP addressed four important sectors, namely primary education, basic health care, family planning and rural water supply and sanitation. It strived specifically to reach out to rural women, children and people at large at the grass root levels. At the conclusion of Phase- I of SAP the government has launched Phase-II of SAP for a period over 5 years from January 1, 1997 to June 30, 2002 at a cost of about Rs. 500 billion. The scope of SAP-II was expanded to cover middle schools and non-formal education in the education sector, Tehsil level referral

hospitals, tuberculosis and nutrition in the health sector and water supply and sanitation in urban slums. The government commitment to the programme was highest. Despite a severe resource problem, SAP expenditures were protected as core expenditure. As shown in Table-1 by end June 2001 about Rs. 420 billion have been spent on the programme.

In the absence of proper evaluation and impact analysis of these programmes, it is difficult to assess the impact on improvements in the material condition of life, a sustainable livelihood and equitable access to public services for the poor. It, however, transpires from the available data from various sources that in the past 15 years very little improvement has been witnessed in social indicators. Particularly, SAP failed to achieve desired improvements in social indicators. The Pakistan Integrated Household Survey (PIHS) data indicate that in recent years despite special attention to the development of social indicators primary school gross enrolment and net enrolment has dropped from 73 per cent and 46 per cent in 1990-91 to 71 per cent and 42 per cent in 1998-99 respectively. Similarly, indicators on sources of drinking water and sanitation have shown declining trends. The population welfare and health indicators have shown slight improvement over the same period (Appendix-VI).

Pre-Conditions for Poverty Reduction and Human Development

It has been recognised that without sustainable growth, the country would be embarking upon a road that leads to the redistribution of poverty. The poverty reduction strategy, therefore, aims to broaden and deepen the development process in ways that enlarge the basis of achieving a high rate of economic growth with a combination of mutually reinforcing factors. These include a high rate of economic growth, which have translated directly or indirectly into increase in disposable incomes and strong commitment to investments for human resource development, particularly education and health.

Research shows that the rate of growth of an economy depends on the increase in the quantity and quality of the capital stock and on the quality of the labour force. Education increases the quality of the labour force. The rate of return for education is higher than for any other kind of investment (Action Aid Pakistan, 1999). It is considered as a social instrument for developing human resources and forming human capital and increasing national productivity (UNESCO, 1997). Development of human capital, especially education, is one of the keys to reduce poverty (World Bank, 1990). No country has experienced a substantial degree of economic

development without first achieving a level of basic literacy in a substantial proportion of the population (Barr, 1993).

Many countries, which have combined pro-growth development policies with investments in health and education, have witnessed rapid economic growth, improvement in living standards and speedy reduction of poverty. For example, Japan, the East Asian Industrialising Countries (the Republic of Korea, former Hong Kong, Singapore, Taiwan, Malaysia, and Thailand); and China have achieved rapid socio-economic progress through heavy investment in basic education and technical skills (HDC, 1998; Annan, 2000). Research also supports the fact that investment in girls' education translate directly and quickly into better nutrition for the whole family, better health care, declining fertility, poverty reduction and better overall economic performance. An equitable access to education is a powerful tool to reduce poverty (Hossain, 1993).

The poverty reduction strategy recognises that in the absence of a healthy and literate population it would be difficult for Pakistan to bring about a real increase in productivity and desired changes in society. The strategy recommends priority actions to create an enabling environment for human resource development. Education and health are the key target sectors through which human development of the poor can be achieved. In practical terms for education, this means more well trained teachers, reformed curricula in schools, colleges and universities, emphasis on science, engineering and information technology. For health, it means more doctors, nurses, paramedical staff and more primary and secondary health care centers distributed all over the country to ensure affordable access to the poor.

Strategy for Poverty Reduction and Human Resource Development

Pakistan's poverty reduction strategy subscribes strongly to the belief that economic development to be really meaningful and sustained must take into account the economic, social, and governance dimensions (Planning Commission, 2001a). It emphasises that the benefit of development must accrue proportionately to all citizens, including the poor, unemployed, marginalised groups and disadvantaged. It should ensure equitable distribution of wealth from expanding and new sources of wealth, while promoting human resource development. Economic development should create a productive and disciplined labour force and develop necessary skills to meet the challenges in agricultural and industrial development. It recommends the empowerment of communities through greater involvement of the poor in the formulation of policies for economic and social development and in the management of their affairs. The focus of the poverty reduction strategy is on:

- Directing public policy debate on the needs of the poor.
- Bringing about an effective transformation of society, by forging partnerships and alliances with civil society and the private sector.
- Understanding the nature of poverty, and using that as a guide for all public actions.
- Empowering the people, especially the most deprived, by increasing access to factors of production, particularly land and credit.

The strategy is based on five major elements.

- I. **Economic Reforms:** Promotion of economic growth and creation of employment opportunities.
- II. **Physical Asset Creation:** Education will create human capital. In addition, programmes of land allocation, credit, *Zakat* and *Ushr* for capital formulation will also be used to create physical assets for the poor. Both human and physical capital will enhance the income-earning capacities of the poor.
- III. **Social Asset Creation:** Creation of social assets by ensuring cost-effective provisions (public or private) of basic needs of the poor i.e. access to education, health; nutrition; water supply and sanitation. This is for human and social capital formation for the poor through a participative process involving the poor and civil society.
- IV. **Social Safety Net:** For the chronic or transitionally vulnerable groups this will provide adequate supplementary transfers to ensure the satisfaction of basic needs i.e. food, shelter, etc.
- V. **Governance:** Improved efficiency in the Public and Corporate sectors to provide Rule of Law and, *inter alia*, improve the efficiency of service delivery.

The main elements of poverty reduction relating to human resource development and improvements in civic service are discussed briefly below:

a. Education

The education sector strategy and goals, targets and policy matrix (Table-2) have been finalised after exhaustive consultations with key stakeholders. A holistic approach for the planning of human resource

development has been adopted. The strategy is based on Education Sector Reforms (ERS) Action Plan. The ESR is based on a long-term framework 2001-2011 with a three-year action programme 2001-2004. The main features of the reform agenda include macro level reforms in planning, procedures, resource mobilisation and utilisation; sector wide approaches for reinforcement of linkages between sub-sectors (i.e. primary/elementary/non-formal literacy, secondary/technical, higher education and quality assurance structures); strategies and milestones for implementation; integration with the Social Action Programme (SAP); Education For All (EFA); institutional reforms at all tiers of government; delivery of quality education; and a technical and vocational education bias at the secondary education levels.

To meet the human resource needs of the country a shift to Science and Technology is being made at the Secondary and Higher Education levels (Planning Commission, 2001) thereby creating employment options for educated youth.

An innovative element of ESRs is the emphasis on the inculcation of employable skills alongside education. This will be achieved through the introduction of a technical education stream at the secondary school level. This plan aims at introducing a skill development group in the ninth and tenth grade, parallel to the existing science and arts group, in 1200 existing secondary schools with adequate workshop space and in 60 model technical high schools that will be established under this programme. Training will be imparted in trades that are selected with the consultation of local industry, thereby creating employment linkages with industry. The programme will be supplemented through the provision of micro-credit to encourage self-employment.

b. Health

The health sector strategy places greater focus on a continuous shift from curative services to the promotive and preventive health services through improving the primary health care system, especially in the area of communicable and infectious diseases, reproductive health, child health, and nutrient deficiencies. The strategy is based on "Health Care for All" which is accessible, acceptable and affordable. The implementation of the strategy is expected to reduce the prevailing burden of diseases, especially preventable disease. The emphasis will be on improving the service delivery mechanism, which will be efficient, equitable and effective. During the course of the implementation of the strategy preventive and promotive aspects will get top priority (Planning Commission, 2001b).

c. *Population Programmes*

The population welfare strategy proposes the implementation of a Comprehensive Reproductive Health Package with an improved coordination of reproductive health programmes. A National Reproductive Health Policy has been formulated to improve the reproductive health status of women. The service delivery infrastructure of the population programme operates through 1,658 Family Welfare Centers, 131 Mobile Service Units, and 106 Reproductive Health Centers and 12,000 Village Based Family Planning Workers (VBFPWs) providing reproductive health and family planning services to both the urban and rural population in the country. The FWCs are proposed to be upgraded as MCH Centers after the provision of necessary inputs of training and equipment. These Centers will deliver a whole range of PHC services (including reproductive health) with a clear focus on contraceptive services. The 12,000 VBFPWs of Ministry of Population Welfare (MoPW) and 43,000 Lady Health Workers (LHWs) of the Ministry of Health have been unified as one cadre of 55,000 Family Health Workers (FHWs) and will be brought together technically at par with each other for the provision of PHC/ RH service at the grassroots level. These workers will be trained further in a phased manner to provide midwifery services at the community level. The entire Programme will be backed by an independent media and advocacy campaign, for high social marketing and NGOs involvement.

Restructuring of the PHC programme at the federal, provincial, and the district levels will transform the system into a people-centered and output-oriented initiative. Also, good governance reforms underway in the population and health sectors are based in the ICPD holistic approach that prescribes integration of family planning and reproductive health with the primary health care framework. These will be decentralised at the provinces, which will involve transfer of fiscal and administrative control over finances, planning, and decision-making, to local levels. Similarly, transfer of power to districts under the new devolution structure would improve efficiency at the grassroots outreach services.

d. *Water Supply and Sanitation*

At present 63 per cent of the country's population has access to safe drinking water (83 per cent in urban areas while 53 per cent in rural areas), whereas planned sanitation facilities are available to about 39 per cent of the total population (59 per cent in urban areas while 27 per cent in rural areas). Water supply facilities will be increased from 63 per cent (in 2000-01) to 66 per cent in 2003-2004- 86 per cent in urban areas and 56 per cent in rural areas. The planned sanitation facilities will be increased from 39 per cent in 2000-01 to 43 per cent in 2003-04.

Poverty Reduction and Human Development – Targets

The poverty reduction strategy will result in not only containing poverty; it will bring definite changes required to systematically empower the poor to move towards self-sustenance. Table 2 below give details of medium to long-term goals, targets and instrument matrix for poverty reduction and human resource development.

Table 2: Poverty Reduction & Human Development - Goals, Targets and Instrument Matrix

Goal 2025	Instruments to Accomplish Goal, (Policy, Sectoral Focus, Reform)	Targets			Variable
		2001	2004	2011	
d) Rapid Income Growth	Investment rate of 22% of GDP, open economy; Human Development through Education; Health; Nutrition; higher Science & Technology Capacity (S&T); deeper Information Technology (IT) capacity and infrastructure (connectivity); Implement Energy Policy primarily based on natural gas and clean coal technology.	24	30	54	<ul style="list-style-type: none"> Per capita income in thousand Rs. Population growth rate per annum.
e) Eliminate Food Poverty	Agriculture; water; salt/water drainage, shared growth to reduce income inequality; Education; Research (i.e. S&T: and IT); Energy adequacy.	30	25	15	Per cent of population unable to meet basic food requirement 2150 calories/day
f) Significantly Reduce Human Poverty (Basic Needs; opportunity Capability)	Education; Health; nutrition; S&T: IT: Rural infrastructure: shared growth to reduce income inequality; social safety net: old age pensions.	44	35	25	<ul style="list-style-type: none"> Human Poverty Index (%) Life expectancy at birth (years) Population without access to health services (%).
g) 100% Adult	Education: IT (Distance	52	61	78	<ul style="list-style-type: none"> Adult literacy rate

Literacy Universal Pre-College Education	Education): Expansion of teachers, schools, and teacher training.	39 83 55 38	47 94 64 49	67 104 80 70	<ul style="list-style-type: none"> • Female literacy rate • Primary • Elementary • Secondary
h) Eliminating Malnourishment for under 5 Children	Targeted food distribution programme with deep involvement of communities: NGOs Using teacher – parent links to expand awareness.	39 111 400	35 77	20 46 250	<ul style="list-style-type: none"> • Malnutrition of children under 5 (%) • Child Mortality Rate (per 1000 live births) • Maternal Mortality Rate (per 100,000 live births). • Incidence of Low Birth weight babies (%)
i) Clean water for all Citizens	Investments in Water Supply System: strict enforcement of emission control laws: Enhancing institutional capacity to monitor compliance and enforce.	63	68	84	<ul style="list-style-type: none"> • Population with Access to Safe Water (%)
j) Clean Air for all Citizens	Ten Year Crash Programme of Legislation and enforcement to control emissions of SO ₂ , NO _x , PM ₁₀ , in hot spots. Natural gas and clean coal energy policy.	50	40	20	<ul style="list-style-type: none"> • Population without Access to clean air (%)
k) Rule of Law	Civil service Reform, Judicial Reform: Police Reform: Implementing Local Government devolution: Education.	20%	75%	100%	<ul style="list-style-type: none"> • Significantly mainstream the Reforms i.e. implement current programme.
l) Enhance Pakistan's Scientific Capability	Crash Programme to develop S&T Concurrently, increased allocation to R&D	116 0.2	295 0.5	1200 1.2	<ul style="list-style-type: none"> • Number of scientists and engineers per million population • Proportion of GDP allocated to Research & Development.
m) Human Development Index	All of the above implemented effectively and as a package.	135	120	90	<ul style="list-style-type: none"> • Rank on Human Development in the United Nations

Source: Planning Commission, 2001b.

Resources for Poverty Reduction Strategy

Availability of adequate resources is necessary to achieve the target set for poverty reduction and human development. The poverty reduction strategy envisages a reasonable increase in financial resources so that the main targets of the plan are accomplished. The resources required to implement the proposed poverty reduction strategy are given in Table 3 with details:

Table 3: Public and Private Sector Expenditure for Poverty Reduction (2001-2011)

	2000-01		2003-04		2010-11	
	(Bill. Rs)	% GDP	(Bill. Rs)	% GDP	(Bill. Rs)	% GDP
I. PUBLIC SECTOR						
A. Budgetary Expenditure						
a) Development Expenditure	37.5	1.1	62.3	1.4	128.1	1.5
b) Current Expenditure	79.5	2.3	136.4	2.5	267.4	3.0
• Social Services	75.0	2.2	129.9	2.3	247.1	2.7
• Community Services	3.4	0.1	4.7	0.1	18.3	0.2
• Others	1.0	0.0	1.8	0.1	2.0	0.1
Total A:	117.0	3.4	198.7	3.9	395.5	4.5
B. Targeted Transfers						
a) Zakat	6.8	0.2	14.4	0.3	45.8	0.4
b) Food Support Programme	2.3	0.1	2.3	0.0	0.0	0.0
c) Social Security (EOBI)	1.5	0.0	2.2	0.0	9.2	0.1
d) Health Insurance, and Workers Welfare Fund	2.5	0.1	4.0	0.1	18.3	0.2
e) Housing Finance	0.3	0.0	0.6	0.0	9.2	0.1
Total B:	13.4	0.4	23.5	0.4	82.5	0.8
Total Public Sector (A+B)	130.4	3.8	222.2	4.3	478.0	5.3
II. PRIVATE SECTOR						
(Indicative)						
I. Zakat	13.6	0.4	18.6	0.5	54.9	0.6
II Non-Zakat Money (Gifts, Assistance etc)	17.1	0.5	23.9	0.5	54.9	0.6
a) Volunteering	30.7	0.9	41.1	0.9	109.8	1.2

b) Workers Remittances from abroad	30.7	0.9	41.1	0.9	109.8	1.2
Total II:	92.1	2.7	124.7	2.8	329.4	3.6
TOTAL I+II	225.5	6.5	346.9	7.1	807.43	8.9

Bill=Billion

Source: Planning Commission, 2001b.

Conclusions

At present, the magnitude and complexity of the problem of poverty is staggering. Sound macroeconomic policies, growth enhancing structural reforms, and good social policies are the conditions for sustainable growth that generate higher levels of employment and real income. Growth with unequal benefits inhibit widespread social improvement and is, therefore, not satisfactory. The empirical evidence suggests that economic growth reduces poverty and increased expenditure in human development. Pakistan, with a high rate of economic growth above 5 per cent in the past 30 years and increased expenditure on social sector development failed to achieve the desired improvements in the life of the poor.

The approach of the poverty reduction strategy to address all the issues causing poverty and human deprivation holistically is a welcome development, but this is not enough. To reduce poverty and human deprivation substantial collective efforts are needed.

The success of poverty reduction efforts is dependent on the development of human capacities through education and training and the empowerment of communities. The communities should be encouraged to come forward with their demands. This will make a significant contribution to poverty reduction and efficient use of resources. This will create a sense of ownership among the poor over goods and services provided by the public sector.

Appendix-I

Comparison of selected social indicators (Countries in the region)

INDICATORS	PAKISTAN	CHINA	MALAYSIA	BANGLA DESH	SRI- LANKA	INDIA	NEPAL
Human Development Index (HDI) ¹	138	98	56	150	90	132	144
Gender-related Development Index (GDI) ¹	111	79	52	123	76	112	121
Gender Empowerment measure ¹	101	40	52	83	80	95	..
Human Poverty Index) ¹	71	30	18	73	33	59	85
GNP per Capita (US\$) 1997	500	860	4530	360	800	370	220
Real GDP per capita (PPP) ² (1997 US\$)	1560	3130	8140	1050	2490	1670	1090
Female	701	2485	5115	767	1452	902	763
Male	2363	3738	11081	1320	3545	2389	1409
Population below income poverty line (% living \$ 1 a day- 1989-94)	11.6	29.4	7.4	28.5	4.0	52.5	53.1
Life expectancy at birth (years) (1997)							
Female	63.7	72.0	74.3	58.2	75.4	62.9	57.1
Male	63.8	67.9	69.9	58.1	70.9	62.3	57.6
Infant Mortality rate (per 1000 live births)	90	38	10	81	17	71	75
Adult Literacy (%) (1997)	45.0	82.9	85.7	38.9	90.7	53.5	38.1

Female	32.6	74.5	81.0	27.4	87.6	39.4	20.7
Male	56.5	90.8	90.2	49.9	94.0	66.7	55.7
Public expenditure (% of GNP) +							
Education 1993-96	3.0	2.3	5.2	2.9	3.4	3.4	3.1
Health 1995	0.8	..	1.3	1.2	1.4	0.7	1.2
Population without access to (%)							
- Health services (1981-92)	45	..	12	26	10	25	90
- Safe water (1990-97)	52	33	22	5	43	19	29
- Sanitation (1990-97)	75	76	6		37	71	84

¹ Ranks of 174 countries.

..Information not available.

- Source:**
1. UNDP 1999, **Human Development Report 1999**, Oxford University Press, New York.
 2. Finance Division, *Economic Survey 1998-99*, Government of Pakistan, Islamabad.

Appendix-II
Consumption/Income Poverty Measurement in Pakistan: A Survey of Recent Literature

Author	Data	Defn of HH	Def of Consp	HH or IND	ES	Regional Decom-position	Calories	Method	Adjustments
Ludovico Carrier and Simon Hunt alongwith FBS Team - PIHS: Poverty in 1990s (Draft)	HIES data 1992-93, 1993-94, 1996-97 and PIHS data 1998-99	Definition of HH is same as in HIES and PIHS. However, due to different filed methodology between HIES/PIHS, there is difference between HH size for the two Surveys	Actual and imputed expenditure on: i) Food items ii) Fuel and utilities iii) Housing iv) Cleaning, personal care, product & services v) Non food expenses; clothes, footwear, education and health	Poverty indices on individual basis and data about characteristics of the poor on HH basis	0.8 for Younger then 18 years and 1 for all other HH members	Rural/Urban and Provincial basis	Study uses 2550 calories for estimating poverty line. However, poverty indices have also been reported on 2150 calories basis in Appendix - D of the report.	Poverty line is estimated from regression of per equivalent consumption expenditure against estimated daily per capita calorie intake	Price and HH size adjustments made. But expenses on marriage and funerals have been excluded. Since expenses on these occasions are generally very high therefore some allowance must be given for non food expenses in estimating Poverty Line
Jafri (1999)	HIES 1986/87, 1987/88, 1990/91, 1992/93, 1993/94	HIES defn	HIES defn	IND	FBS scales	Rural/Urban 4 Provinces	Rural: 2250; Urban: 2150	1. Recommended calorie intake is converted into the food adjustment for poverty line by regressing a Calorie Consumption Function (CCF) 2. Per capita non-food expenditure of HH on food poverty line is added on	Separate nominal PLS, no regional/Provincial price & cost of living differences

Author	Data	Def'n of HH	Def of HH or Consp IND	ES	Regional Decom-position	Calories	Method	Adjustments
Jafrī (1999)	HIES 1986/87 1987/88 1990/91 1992/93 1993/94	HIES def'n	HIES def'n IND	FBS scales	Rural/ Urban 4 Provinces	Rural: 2250; Urban:2150	1. Recommended calorie intake is converted into the food poverty line by regressing a Calorie Consumption Function (CCF) 2. Per capita nonfood expenditure of HH on food poverty line is added on	Separate nominal PLs, no adjustment for regional/Provincial price & cost of living differences
Qureshi & Arif (1999)	HIES 1993/94 PSES 1998/99	HIES def'n	HIES def'n IND	GOP scales	Rural/ Urban 4 Provinces 9 agro-climatic zones	Rural: 2550; Urban:2295	1. CCF regressions for the food PL 2. Three methods to determine the basic needs bundle: a. Add average non-food exp. of HH on food PL b. +/-5% average non-food exp. of HH on food PL c. +/- 10% average non-food exp. of HH on food PL	Separate nominal PLs, no adjustment for regional/Provincial , agro-climatic zone price & cost of living differences
Ahmad (1998)	HIES 1992/93 1993/94 PHS 1995/96	Un-defined	HH	Un-defined	Pakistan and Provinces	Rural: 2550 Urban:2230	Not clearly defined	Probably none
Jafrī (1997) GOP Working Group	HIES 1992/93	HIES	HH	Unclear, most likely FBS scales	Pakistan, Rural/ Urban and Provinces	Rural: 2550, Urban:2230	5. Recommended calorie intake is converted into food PL by regressing a CCF. 6.Exp of corresponding income group satisfying minimum caloric requirements is added on	Not explicit
Amjad & Kemal (1997)	HIES 1984/85	Not explicit	Unclear	Unclear	Rural/ Urban	2250	Based on Malik's (1988) calorie-based PL for the period 1963/64 to 1984/85	1984/85 estimates are adjusted upward using the CPI

Author	Data	Def'n of HH	Def of HH or IND	ES	Regional Decom-position	Calories	Method	Adjustments
Jafri and Khattak (1995)	HIES 1979 1984/85 1985/86 1986/87 1987/88 1990/91	HIES	HIES	Unclear	Rural/ Urban	2550	1. Food PL based on estimated cost of minimum required calorie intake. 2. Exp of corresponding income group satisfying minimum caloric requirements is added on	None
Matik, S.J. (1984)	HIES 1984/85 1987/88 1990/91	Ercelawn	Ercelawn	GOP	Rural/ Urban Provinces	2550	CCF regressed	None
GHZ (1994)	HIES 1984/85 1987/88 PIHS 1991	Ercelawn	Modified Ercelawn	Ahmad (1993)	Rural/ Urban Provinces	N/A	1. Modified BN PL suggested by Ahmad (1993) for a family of 2 adults and 4 children	Rural 1991/92 line is adjusted for cost of living differences in urban areas/ provinces and over time

Notes: HIES = Household Integrated/Income Expenditure Survey, PHIS = Pakistan Integrated Household Survey, PSES = Pakistan Social and Economic Survey carried out for the MIMAP study. **Def'n of Household:** HIES definition of household includes a person or a group who normally live and eat together. This includes family members, boarders, lodgers and servants. Ercelawn's and PHIS's definitions exclude lodgers and servants. **Def'n of Consumption:** HIES definition of consumption includes taxes, expenditure on durables purchased with a year (textile and personal effects, crockery/cutlery and kitchen equipment, furniture and fixture, household electronic goods and transport and traveling equipment). Ercelawn's definition excludes taxes and expenditure on all durable goods. **ES** = Equivalent scales: The GOP scales are a menu of adult equivalent scales differentiated by age and gender (for children above 10 years). The adult equivalent scales of 2550 for males and 2160 for females correspond to the age group 20 -39. FBS scales are based only on age groups: the weight is 1 for persons above 16 years, 0.85 for children between 10-15 years, 0.75 for children between 6-9 years and 0.45 for children below 6 years. **HH/IND** implies households (HH) or individuals (IND) below the poverty line. **BN** = Basic Needs, **PL** = Poverty Line, **Exp** = Expenditure.

Appendix III

Poverty Under Calorie Based Approach: Head Count Ratio

Years	National	Rural	Urban	Poverty Line (Rs)
1986-87	26.9	29.4	24.3	
1987-88	26.4	29.9	22.7	
1990-91	23.3	26.2	13.0	
1992-93	22.2	23.9	17.7	359
1993-94	23.0	29.7	13.6	399
1996-97	21.3	26.0	12.4	559
1998-99	23.2	32.0	19.1	650
1999-2000 ²	29.3	33.2	19.3	672
2000-2001 ²	30.0	34.0	20.3	684

¹ Estimated on the basis of average 2150-calorie intake/day basis by using HIES/PIHS data.

² Estimated on the basis of consumption plan.

Source: Federal Bureau of Statistics, 2001. Poverty in 1990s, (Draft).

Appendix-IV

Consolidated Budgetary Position (As % of GDP)

	Government Revenues	Tax Revenue	Government Expenditure	Overall Fiscal Deficit
1980-81	17.6	14.0	22.9	5.3
1990-91	16.9	12.7	25.7	8.8
1991-92	19.2	13.7	26.7	7.5
1992-93	18.1	13.4	26.2	8.1
1993-94	17.5	13.4	23.4	5.9
1994-95	17.3	13.8	22.9	5.6
1995-96	17.9	14.4	24.4	6.5
1996-97	15.8	13.4	22.3	6.4
1997-98	16.0	13.2	23.7	7.7
1998-99	15.9	13.3	22.0	6.1
1999-00	16.5	12.8	22.9	6.4
2000-01	17.4	13.4	21.3	5.3
2001-02	18.2	13.8	21.8	4.9

Appendix-V

Consolidated Budgetary Position (Billion Rupees)

	Government Revenue	Government Expenditure	Overall Fiscal Deficit
1980-81	49.0	63.6	14.6
1990-91	171.8	261.0	89.2
1991-92	231.5	321.5	90.0
1992-93	241.1	348.7	107.5
1993-94	272.7	364.9	92.2
1994-95	322.9	428.3	105.4
1995-96	380.3	518.1	137.8
1996-97	384.3	540.9	156.6
1997-98	429.4	634.0	205.0
1998-99	468.6	647.8	179.2
1999-00	524.4	728.7	204.3
2000-01	557.9	741.2	183.2
2001-02	643.3	829.8	186.5

Appendix- VI
Trend in Key Social Indicators

	1990-91			1995-96			1996-97			1998-99		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Primary GER (1-5) (%)												
Overall	86	59	73	85	64	75	80	64	72	80	61	71
Urban	97	87	92	95	90	92	95	91	93	95	92	94
Rural	82	48	66	81	54	68	74	53	64	75	50	63
Primary NER (1-5)												
Overall	53	39	46	49	38	44	46	37	42	47	37	42
Urban	61	57	59	56	55	55	56	55	55	58	56	57
Rural	50	31	41	47	31	39	43	30	37	43	30	37
Literacy Rates (10 >)												
Overall	48	21	35	52	26	39	51	28	39	59	31	45
Urban	61	49	51	66	49	57	65	50	58	73	56	65
Rural	43	12	28	45	16	31	44	17	31	52	20	36
Full Immunization												
Overall	29	22	25	46	45	45	49	49	49	52	47	49
Urban	43	37	40	48	52	50	56	51	53	64	63	64
Rural	24	17	20	45	42	44	46	49	47	47	42	45
Infant Mortality (1991-93)												
Overall	105	97	101				101	108	105	93	85	89
Urban	77	85	81				82	85	83	77	68	73
Rural	115	101	108				108	117	112	99	91	95
TFR (15-49 years) (91-93)												
Overall			6.13						5.38			4.46

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