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Chapter 4

Poverty and Its Alleviation: The Case of Pakistan

Muhammad Azeem Ashraf

Abstract

This chapter aims to look at the current status of poverty and existing social policies in Pakistan. Poverty is one of the concerns for the governments of almost all countries including Pakistan. There is a continuous research on the policy measurements by national and international organizations in Pakistan, which demonstrated the decline in poverty. The government has launched many social policies in the past three decades to help the nation in reducing the poverty. Apart from government, many national and international organizations have also contributed a lot in the effort of reducing the poverty. However, there is very little research available on the effectiveness of these social policies, and on the need of social policy areas in particular. Disparity among the urban and rural population is another important factor, which has been discussed in almost every research on poverty. Still, very few social policies in Pakistan are focusing on rural population. Therefore, the issue of social policy needs fresh exploration in the country, which is necessary to make new social policies that can benefit all citizens.

Keywords: poverty alleviation, pakistan, economic development, gender inequality, inclusive social policy, poverty trap

1. Introduction

It is a concern of every government to respond to the necessities of equality legislation. Approaches, obstacles, and practices of judgment are some simple values that respond universally, rather than individually. Cultural and systemic change at policy and practice levels is very important to develop an inclusive culture [1]. Accordingly, developing a social policy does not provide the desired outcomes until it has been offered with the best environment and ground support, for these policies to be implemented. The notion of poverty is not new in Pakistan as many studies have been conducted at both national (Government of Pakistan; Pakistan Institute of Development Economics) and international institutions (World Bank;
United Nations). Most of these studies used household surveys based on consumption model to calculate the severity of poverty at national and provincial levels.

In contexts of Pakistan, poverty has always been higher in rural than urban areas. Pakistan has shown a decline in the poverty during 1970s and 1980s, but the trend reversed in the 1990s. Poverty rose more sharply in the rural areas in the 1990s, and the incidence of rural poverty was significantly higher than urban poverty [2]. Inequality in both urban and rural areas also increased in Pakistan during the 1990s, which enhanced the negative impact on poverty. Although agriculture is the main activity in rural society, a significant percentage of the rural labor force, estimated at more than 40%, depends completely on nonfarm activities. The development of nonfarm activities appears to have been severely affected by low economic growth, weakening in public sector development expenditure, and lower worker remittances during the 1990s.

Social policies of some kind have been applied in Pakistan. It is their significance to additional social and human development, which tends to differ. However, social policies are often not conceptualized as social policies in the development context, but rather dealt with, in a broader concept of social development or in the context of poverty reduction strategies. The aim of this chapter is to examine what kind of social policies represent social benefits and what is their relation to social development. In the area of social policies, it is further concerned about social services, such as education and health services. Thus, this chapter examines the case of poverty in Pakistan, the government’s efforts for reducing poverty, and the need to improve the social policy structure in the country.

In this regard, institutions that certainly affect individual preferences are considered. Regions with low poverty are the essential determinants of social policies as well as political struggles. Looking at the diagram of Pakistan, institutional structures are constructing individual preferences. Institutions are trying to work together in order to provide future protection to their employees, but it divided the social structure. Therefore, the state employees or employees belonging to social schemes may have future protection. However, workers in rural or agricultural fields who do not meet the criteria to join social schemes do not have future protection.

2. Poverty in Pakistan: statistics and facts

2.1. Calculating poverty

Calculating a poverty line grounded on some lowest standard level of consumption and assessing the proportion of population below that line, are the most frequently used standard for the measurement of income or consumption-related poverty. However, Planning Commission of Pakistan has recommended an official poverty line in 2000, after 53 years of its independence. According to the definition of Planning Commission, the official poverty line for Pakistan will be estimated on 2350 calories per adult equivalent per day. This is based on an adult equivalent intake of 2150 calories in the urban areas and 2450 calories in the rural areas. Recent trends of poverty in Pakistan are being presented in Table 1.
The above data illustrate that the incidence of poverty is not constant. There is a persistent decline in poverty based on official poverty evaluation since 2000–2001. There was an elevation in poverty during 1987–1988 to 1998–1999. It was still nearby in 2001–2002 (34.5%). But, it was followed by sudden decline of more than 10% in 2004–2005. Following years from 2004 to 2011 indicates further decline in poverty. Nevertheless, this trend of fast decreasing in poverty has not only created a huge disturbance in the media, but also among development authorities and civil society [11]. But, these trends obtained a support from independent evaluation by the World Bank, which revised the trends in poverty and accepted the decline in poverty [10].

### 2.2. Human development index

According to a recent global survey [12], Pakistan is ranked at 147 out of 188 countries in 2014, which is very low in term of human development, and also lower than neighboring countries like India (130), Bangladesh (142), Iran (69), and Sri Lanka (73). Pakistan scored 0.538 points on human development index (HDI) of 2014, which showed improvement of 0.002 points from previous year, but did not change the overall ranking. Recent trends of HDI in Pakistan are presented in Table 2.

The trends in HDI show a continuous increase in points from 1980 to 2014. However, the ranking of Pakistan remains in very low human development index countries.

### Table 1. Trends in poverty, based on different studies.

<table>
<thead>
<tr>
<th>Year</th>
<th>Poverty</th>
<th>Study</th>
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<tr>
<td>1998–1999</td>
<td>35.2</td>
<td>[8, 9]</td>
</tr>
<tr>
<td>2001–2002</td>
<td>34.5</td>
<td>[10]</td>
</tr>
<tr>
<td>2004–2005</td>
<td>23.9</td>
<td>[10]</td>
</tr>
<tr>
<td>2007–2008</td>
<td>17.2</td>
<td>[10]</td>
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### Table 2. Trends in human development index.

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<tbody>
<tr>
<td>HDI points</td>
<td>0.35</td>
<td>0.38</td>
<td>0.39</td>
<td>0.42</td>
<td>0.44</td>
<td>0.49</td>
<td>0.52</td>
<td>0.52</td>
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Access to education is still a major challenge to Pakistan. Even though enrollment rates for primary school have increased in the past, these are still very low compared to universal values, and also lower than other low-income countries. Similar to poverty, there are major regional, rural-urban and gender disparities. A recent research has shown a relationship between literacy rate and poverty by calculating four indicators (literacy of household heads, their educational attainment, the presence of a literate woman in a household, and highest qualification in a household) [14]. This study showed that families with higher education levels are less exposed to poverty. For example, in Punjab province, poverty was three and half times higher in families headed by an illiterate person than families headed by literate persons. In Sindh province, 55% of poor families were headed by illiterate persons compared to 27% of poor families headed by literate persons.

Health situation and access to health services are other major challenges to Pakistan. All indicators stay at low levels except immunization rate, which points out reduced development. It could be due to very low public spending on health (0.3% of GDP), comparing with regional (0.9% in South Asia) and low-income countries (1.6%). Similarly, infant mortality rate and life expectancy are very low [10].

Gender inequality is another issue which poses a major challenge to Pakistan. Female literacy rates remain low at 42%. Health status of women is also worse than men, and it is affected by the lack of information, mobility, and social norms. The idea of gender includes our hope about the characteristics, approaches, and behavior of women and men, and is vital in facilitating gender analysis. Majority of the females are earning less monthly income as compared to males in both urban and rural areas of Pakistan. Majority of the female in rural and urban areas of Pakistan belongs to low-income groups [15]. So, there is a clear indication that feminization of poverty or gender inequality exists in both urban and rural areas of Pakistan.

2.3. Regional disparity

Regional disparity among rural and urban areas is well seen in Pakistan. The higher rate of increase in poverty in the rural areas has prompted debate on growth and productivity trends in the agriculture sector. Recent trends of poverty in rural and urban regions are being presented in Table 3.

It is very clear from the above table that there is a huge disparity between urban and rural poverty. Even though both rural and urban poverty decline with every passing year, the decline in urban poverty is greater than rural poverty. Similarly, a research had established an outline that concentration of chronic poverty is found in rural areas of the country [20]. However, different poverty lines have been debated in recent research that has put the urban poverty figure on the higher side.

However, the comparison of poverty levels among agroclimatic zones is very important in poverty studies [21, 22]. Another research exposed the difference of poverty among agricultural and other zones of the country [14]. In this research, it is confirmed that the barani zone

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1 The nine zones are barani Punjab, mixed Punjab, low intensity Punjab, cotton-wheat Punjab, rice-wheat Punjab, cotton-wheat Sindh, rice-wheat Sindh, KP (except D. I. Khan) and Balochistan (except Nasirabad) [13, 23].
Rawalpindi division has less poverty because of job opportunities in Islamabad capital, armed forces, overseas migration, and strong rural-urban linkages. However, poverty is relatively higher in Southern Punjab (cotton-wheat zone) and Sindh than other zones of these provinces. There is a very important factor that can be drawn from the regional difference among agricultural and nonagricultural regions in the Punjab province. Northern Punjab, which has the lowest level of poverty in the country, is agriculturally poor region with the lowest cultivated area per capita, and no irrigation. On the other hand, Southern Punjab, despite its highest cultivated area per capita and 100% irrigation, is one of the poorest regions in the country.

3. Government efforts to reduce poverty

Pakistan does not have any general or universal social protection system that covers all of its population. It does not even have an umbrella institution that would extend social protection and social safety nets to the poor. However, a number of programs targeted at improving governance and responsibility of public institutions to be able to better respond to the needs of the poor, assisting them economically by creating income and employment opportunities, and improving their access to basic services are being implemented by the government, NGOs, and the private sector. Each of these sectors operates in a distinct manner as discussed in this section.

3.1. Governmental reforms

The Decentralization Plan revealed in March 2000, is an essential governance reform that targets to replace the existing highly centralized and control oriented government with a three-tier local government system that institutes “people-centered, rights and responsibility-based, and service oriented” government structures. The important poverty determined facilities, such as health and education, have been transferred to district and lower local governments under this strategy. Provinces, once mainly responsible for the provision of services, assumed new responsibilities to support and supervise the performance of local governments, not as
Numerous civil service reforms have been implemented by the government to improve public sector and make it more accountable and approachable to the citizens. The issue of improving the financial management system in the country has received particular attention. Microfinance is another step that government took to provide basic support to the poor. Khushhali Bank was established in 2000 with the support of Asian Development Bank. The main aim of this bank was to benefit the poor through income generating activities, to establish small-scale enterprises and small infrastructure ventures. Within first 2 years of its establishment, the bank had distributed an amount of Rs. 100 million to 15,000 beneficiaries, while 30% of the bank’s borrowers were women. This bank also supported social mobilization activities within poor communities and development of infrastructures such as water channels and link roads in the neglected rural areas.

Pakistan Poverty Alleviation Fund (PPAF) was founded in 1997 by the government to help poor through loans. Now, it works with the World Bank, to increase the access of poor and microenterprises to credit facilities. Policy guidelines for PPAF are provided by the board of directors, which contains three members from the government and nine members from the civil society. PPAF works as a supplier that distributes its credit through fellow organizations mainly nonprofit organizations. However, the effectiveness of PPAF in this regard has not been officially measured since 1997. So, the policymakers and researchers could not evaluate its benefits to poor.

The Zakat and Ushr Department was established in 1980, which was based on Islamic traditions in which rich people should pay a specific amount at the rate of 2.5% on their wealth to the poor. Zakat is imposed on different assets such as saving bank accounts, fixed deposits saving certificates, mutual funds, government securities on which return is paid and life insurance policies. Banks, companies, and financial institutions that operate these assets deduct Zakat. This deducted amount of Zakat transfers into Central Zakat Fund at State Bank of Pakistan. Central Zakat Fund transfers funds to Provincial Zakat Fund, which further transfers it to District Zakat Committee, based on population basis. Each District Zakat Committee further transfers funds to Local Zakat Committee at village, Mohalla (street or small towns), and other organizations such as Deeni Madaris (religious schools), government educational institutions, and vocational training institutes.

Pakistan Bait-ul-Mal (PBM) was set up as an autonomous corporate body in 1992. PBM was established to work for poverty alleviation through its focus on widows, orphans, disabled, needy, and poor people irrespective of sex, caste, creed, or religion. It provides educational assistance, residential accommodation and necessary facilities, free medical treatment, and promote self-employment schemes. Federal government is the main financing source of PBM but it also receives small grants from the Zakat funds as well as from provincial and local governments.

3.2. Social security schemes

The Social Security Scheme for Employees was first introduced in March 1967. It was the first formal initiative to provide social security to the state employees. Originally, this scheme...
particularly covered workers in the textile industry with the objective of providing protection against possibilities of illness, maternity, work-related injury, invalidity, and death. The coverage of the scheme was expanded in 1969, which also included workers from commercial and other industrial establishments having ten or more employees.

The Workers Welfare Fund Scheme and the Worker’s Children Education Ordinance were initiated during the early 1970s. These schemes provide education, matrimonial and housing related benefits to workers in the formal sector. The Employees Old Age Benefits Institution (EOBI) was established in the year of 1976 as a federal scheme to provide old age benefits, invalidity and survivor’s pensions as well as old age grants to those eligible. It covers formal sector establishments, employing ten or more workers.

Nevertheless, none of these schemes cover workers from the agriculture region, the informal economy and those in the formal sector who are either employed temporarily or through contractors or are employed in companies with less than ten workers.

3.3. Role of NGOs and civil society

There is a close connection between NGOs, civil society, and democracy in any country. In this connection, NGOs are part of civil society that strengthens the society through activities. This process, in turn, supports the democratic development. Civil society and nonprofit sector have appeared as a significant performer on the development aspect in Pakistan, particularly in the last two to three decades. The development of NGOs and civil society as an active development entity is widely seen as a response to the failure of the state in providing successful and well-organized basic social services, and in its overall suppression. Most of the NGOs are working with partner organization at grassroots level for poor and marginalized groups.

However, the exact extents of the nonprofit sector in Pakistan are not known because of multiple laws under which NGOs and civil society organizations can be registered with no centralized system of recordkeeping in government agencies, and also because many organizations are not registered with any agency. For example, in order to be registered, NGOs in Pakistan can opt between five different legal frameworks.

Civil society has considerably progressed in past few decades. It is flourishing in Pakistan with the recent development of technology, geopolitics, and markets. This development stimulates the construction of many civil society organizations, giving rise to exciting representation of citizens at both online and offline platforms.

There are different types of NGOs, which are associated with different types of social services. Welfare-oriented NGOs are primarily philanthropic institutions working with vulnerable groups. Edhi Welfare Trust is the best example for this type of category. It operates a countrywide network of relief services such as ambulance, old houses, orphanage houses, women shelter houses, poor feeding houses, and its work has been recognized internationally.

Social sector, NGOs, and other civil society organizations are mainly focusing on social development limited to health or education. Agha Khan University health program is one best
example, providing health and education services to poor. Numerous NGOs are employing cohesive rural and urban development programs in different parts of the country and provide a range of development services. Most of these have adopted a participatory approach and work closely with local communities.

3.4. Benazir income support program (BISP)

Benazir Income Support Program is considered an important public scheme to support poor families in all parts of the country. It was launched in 2008 as a social safety net platform aiming to increase the living standards of the poor and controlling the negative effects of slow economic growth, food crisis and inflation of the poor (predominantly women). It was started with the goal of providing money to poor families, which would help them to buy basic needs of life such as food and house expenditures. This program is very significant support of government’s development program on poverty eradication and women empowerment. Government of Pakistan has continuously increased the allocation of funds for BISP since its formation.

To allocate the poor people, BISP developed a better research design and data collection method. In the opening year, members of National Assembly (MNAs) were given the task to supervise the allocation of poor in their respective areas. However, later on, it was substituted by a Poverty Scorecard (PSC) constructed on a Proxy Means Test (PMT) applied on household census data. PMT consists of 23 variables and uses poverty characteristics such as number of assets, education level of household head and the number of dependents, to identify the poor [24]. It has identified 7.5 million families that are eligible for support fund. However, 4.6 million eligible families are already receiving support funds, which comprise of 17% of the total population. Eligible families were receiving a cash amount of 1000 Pakistan rupees per month in 2012, and the amount is expected to increase in the next years.

4. The need for improved social policy structure

The literature on poverty and poverty alleviation in Pakistan used comprehensive approaches to measure the level of poverty and poverty alleviation. Key initiatives, including government reforms mentioned earlier, reflect this comprehensive approach. The recent findings of international institutions such as the World Bank or the UN have confirmed a relative success in the Pakistan’s recent efforts to reduce poverty [10, 12, 13]. However, this comprehensive approach needs appreciation, but it also needs evaluation because there are gaps that still exist in the poverty literature in the country. Schemes that can be found in literature on poverty are mostly related to income-based poverty or to economic wellbeing. Therefore, there is a gap among the overall objectives of these policies and their interventions. A comprehensive approach of poverty and poverty alleviation agendas should take into consideration some other dimensions such as gender equality, women’s empowerment, human rights and inclusive social policy.

The role that the state plays in poverty alleviation is determinantal for two main reasons. First, it is widely recognized that decentralization of power favors an increase of effectiveness of antipoverty efforts. Second, one-size-fits-all (or a national) approach in eradicating poverty
tends to increase regional inequalities because poverty is not evenly distributed across the country. Therefore, in order to have better outcomes in poverty alleviation, the government should consider a more contextual approach in designing antipoverty policies for different regions in Pakistan.

In the scenario, poverty is not evenly distributed across the country of Pakistan. At the county level of accumulation, poverty is overwhelmingly a rural problem, with the most remote rural places at the greatest disadvantage. Thus, the country should focus more on the reasons for poverty instead of personal choices of favoritism.

On the other hand, the government has also tried to implement economic policy to reduce the poverty. Nevertheless, economic policy is different from social policy in some patterns. First, social policy identifies that social and political structure in which people live. It also determines the physical and economic environment for wellbeing of people. It recognizes the significance of the organization and institutional context within which people exist. Second, it identifies the significance of the poor’s own awareness of poverty and the context of their specific identification of priorities. It is an ambiguous concept of poverty in which policy makers and rich assume that they know what poor people want and need. Other characteristics are often neglected except measuring underlining income and consumption. Whereas being poor has various criteria and it is often a mystery that divides them into categories and identifies what do poor need, instead of realizing the real need for poor.

As poverty is more prevalent in rural than urban areas, it calls for special attention from the state toward rural areas. Social policy also appears to face additional barriers to effectiveness in rural areas. A study on the effects of the changes in social policy on employment and poverty among rural and urban female-headed households determined that rural and urban areas differ in personal characteristics of the population, local labor market environments, work barriers, or availability of services that make it more difficult for the social policy changes to move single mothers in rural areas into employment and out of poverty [25].

5. Conclusion and future strategies

Even if some progress has been made in terms of poverty alleviation, the government’s policies have had a marginal success, especially in rural areas. Rural areas are suffering from more poverty than urban areas; therefore, the government should give priority to rural areas to reduce poverty. The government must follow a long-term economic plan by considering the fast-changing demographic and economic trends. At this level, Pakistan should pay more attention to the quality of poverty instead of quantity. There are four comprehensive plans and supplementary policies that states might follow in reducing poverty, particularly in rural areas. In addition to these strategies, further research is required on the features of poverty.

5.1. Provision of local economic development

Different studies (for example, see Ref. [26]) had mentioned that income subsidies, tax credits, and low-income loans to employers are incentives that policymakers might think
for disadvantaged rural areas. Such tools can act as incentives for employers to expand their business, create new jobs, hire low and semiskilled workers, and offer services like onsite childcare and van shuttles. Another research argues for regional cooperation and for including poverty and underdevelopment among the explicit criteria to retarget economic development funds to places most in need [27].

This condition requires the development of local economic structure that not only benefits local communities but also helps national economic development. The biggest criticism to this model is that local governments does not have satisfactory human, financial, and logistic resources. In addition to this, administrative staff at local government lacks basic technical and managerial skills. This criticism does not provide enough strength to national or provincial government in order to transfer power to local governments. However, training and support should be provided to local governments and their staff instead of forbidding them. Because central governments at national and provincial levels are unlikely to have the capacity to assess the diversity of local conditions or local requirements and capabilities, their staff is possibly more trained and skilled, but also more remote and far away from local conditions.

Therefore, Pakistan needs a local economic development that offers opportunities for local governments, private sector, NGOs, and civil society to work together to improve the local economy. This development centers on improving effectiveness, increasing sustainable growth, and confirming the inclusive growth. The practice of local economic development ought to be assumed at different geographic measures. This development model provides better opportunities to local communities for economic development compared to national economic model.

5.2. Construct community capability and institutions

Policies to reduce poverty would have to focus on establishing the right circumstances for new industry masses to develop. The key conditions are the institutions that advocate knowledge formation, a business culture that supports entrepreneurship, institutions of higher education such as rural community colleges. As some studies (for example, see Ref. [28]) proposed in the American context, the evidence from workforce development evaluations suggests that institutional collaborations, for example, the participation of business and community colleges in workforce investment initiatives can improve employment outcomes for low-income workers. Therefore, institutions in domestic region not only provide new facilities and jobs but also engage the local community to improve local situations.

Furthermore, if we consider the policies that inspire new concepts of economic development, then we cannot ignore the necessity of local institutions and their role in the local development. This objective can be achieved only by cheering the communicative and dialogic exchange among different stakeholders at both, national and local levels. Therefore, the relationship among local authorities, economic divisions, and citizens could redefine the reasons and effects of poverty, as well as strategies to reduce poverty. Consequently, institutions would not only provide opportunities for work, but they will start the movement to stimulate the local communities.
Social and institutional contribution may look complex because of the different levels of contributions among local actors. However, it will change the behavior and feelings of citizens to be part of local development. Their active participation definitely helps their communities to escape the poverty trap.

5.3. Improve workers’ productivity

Development of education and workforce has been seen to have important beneficial effects on earning capacity. A review of policy evaluation for workforce development in low-income workers concluded that education and job training are the most successful ways to help local communities to improve social conditions [29].

Occupational health and safety is a major factor for improving workers’ productivity, especially in developing countries like Pakistan that are lagging far behind in health conditions. Common features that may decrease the health safety and workers’ productivity are inappropriate workplace design, weak structured jobs, mismatch between worker abilities and job demands, and poor capital-labor ratio. Most of these factors are not directly connected to poverty; however, these are connected indirectly by means of workers’ productivity. Therefore, it has direct or indirect effects on the overall performance of country’s profile for poverty alleviation. Thus, the government should make an effort to improve worker productivity through education and training.

A recent study (for example, see Ref. [30]) develops some policy recommendations through production jobs to reduce poverty. This research reviews the literature on poverty and growth, and suggested to set up capable institutions for productive jobs that will ultimate help to reduce poverty. Market, organizations, and government are three main institutions that are essential for development. Market is spontaneous where firms provide best practices and productive jobs to the poor areas and the government’s role is to establish a correct governing agenda for business development.

5.4. Social security for workers in rural area

As in Pakistan, social security is only serving the workers of public sector and only in urban areas. Thus, government must construct a social security policy for workers in rural areas that provides safety at their retirement age, like governments employees. Provision of social security not only reduces the dependability of old people on their children but also helps to reduce poverty by providing enough funds to old people to look after themselves. BISPK is a first step toward social security for low-income families across the country. However, it does not cover the elderly population who claims to be in retirement age. Poverty in rural areas is different from poverty in urban areas and vice versa. Similarly, causes of poverty are also different in both areas. The biggest cause of rural poverty is lack of social security for workers, because most workers depend on their daily or monthly wages which contribute to their current life that does not provide security for the future. Therefore, initiatives should have been taken to provide social security to every citizen including private and rural workers.
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