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HAS POVERTY RETURNED TO PAKISTAN?

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ABSTRACT

There is a virtual consensus in the literature that poverty in Pakistan has decreased consistently in the 1970s and 1980s. These studies are based on data available uptil 1990-91. This paper seeks to assess whether this trend in poverty reduction has continued beyond 1990-91. Since there is no data available at the micro level for the post 1991 period, we approach the issue indirectly by assessing changes in the determinants of poverty and then check for their performance in the pre and post 1990-91 period. The key determinants include GDP growth, its sectoral distribution, employment, real wages, remittances, safety nets and fiscal policy including public expenditures on social development. The analysis suggests that poverty might have returned to Pakistan in the 90s. We subsequently make policy recommendations for alleviating poverty in a liberalised market environment and a rapidly integrative world economic order.

HAS POVERTY RETURNED TO PAKISTAN?

INTRODUCTION

Interest in the incidence of poverty in Pakistan has been recently revived by the publication of the World Bank's Poverty Assessment Report (henceforth WB. 1995). The Report paints a rosy picture of a consistent decline in consumption based poverty in Pakistan between 1984-85 and 1990-91. Around the same time as the Report was launched in December, a damper was put on these findings by Shahid Javed Burki - himself a senior functionary at the Bank-who speculated that this trend might have been reversed in the last five years or so.

Apart from the Bank Report, a number of other studies also corroborate the findings that decline in the incidence of consumption based2 poverty in Pakistan has been consistent and substantial through the decade of the 1980s.3 Whereas in 1984-85, the head count ratio of the poor was 46%, it declined progressively to 37.4% in 1987-88 and then to 34% in 1990-91 (WB, 1995 p2). While varying in magnitudes, depending on the defined poverty line, other studies corroborate the trend of poverty reduction in the country. Seen in an international perspective also, the trend reduction

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[2]consumption based poverty is defined by taking some minimum consumption bundle as benchmark. In many cases it is a calorific intake based benchmark, while in others it is a more broadly based basic needs bundle (see Gazdar et.al., 1994).

[3]See Havinga (1989), Malik (1993), Ercelawn (1991), Mahmood et.al. (1991) and Lanjouw (1994).

in poverty in Pakistan over the period has been better than that in most other countries. The average annual compound rate of decline in poverty in Pakistan between 1984-85 and 1990-91 has been 4.9%, while in Latin America, the Middle East and North Africa poverty has actually increased (WB, 1995, p4). The only region where poverty has declined more significantly is a sample of six counties in the East Asian region-China, Indonesia, Korea, Malaysia, the Philippines and Thailand - where the average decline was 8% per annum (op.cit).[4]

The key question is whether this trend reduction in poverty in Pakistan has continued in the post 1990-91 period. This cannot be assessed directly at the micro level primarily because no Household Income and Expenditure Survey (HIES) has been published since 1991. However, the interest in this issue and its importance merits an indirect assessment because the policy framework and the international environment has changed substantively in the last five years.

To attain a handle on what might be happening to the incidence of poverty in the post 1991 period, this paper takes a macro perspective. We first outline determinants of poverty reduction that have been prevalent in Pakistan in the previous decade and then compare the movement of these particular macro variables between 1980-91 and the post 1990-91 period. The determinants we identify are: GDP growth and its sectoral distribution, the impact of remittances (both directly and indirectly), the role of safety nets and the impact of fiscal policy. We further check for differentials in the urban and rural incidence of poverty based on available macro indicators.

[4]Note that these comparisons are not strictly valid because of differing methodologies in determining poverty lines. Nevertheless, the magnitudes are large enough to illustrate the trend.

Because of the macro and indirect nature of our analysis to assess trends in poverty and the

criteria used for this purpose, a few clarifications are in order at this stage. First, we are using a consumption based approach to poverty. This definition is contrasted with a human development based index of poverty where educational levels, health status, etc. are incorporated to construct a more encompassing definition of human deprivations and hence poverty. For the sake ofcomplementarily with the rest of literature on Pakistan, we take the consumption based approach in this study. However, we do incorporate social sector development as a determinant of consumption based poverty. Secondly, as mentioned earlier, of the two approaches in determining the poverty line, i.e. the calorific intake or the basic needs approach, we follow Gazdar et.al. (1994a) in taking the basic needs determined poverty line which is more encompassing than the former. The poverty line thus determined is Rs. 297 per capita household (of two adults and four children) in the rural areas and Rs. 334 for urban areas in 1991-92 prices (op.cit). The combined poverty line comes to Rs. 308 per capita household. Third, our analysis is at an aggregated level which does not take into account regional differentials in the incidence of poverty. Determining such differentials requires an updated HIES, which as stated earlier is not available for the post 1991 period.

1. PER CAPITA GROWTH IN INCOME AND POVERTY Growth in per capita income has a poverty reducing affect because for any given distribution of income, consumption of the lower deciles of the population also increases. With little change in the distribution of income over the years and indeed very little effort to alleviate poverty by the state, one crucial determinant of reduction in the profile of poverty in Pakistan has been a respectable rate of growth in incomes.

What remains to be determined however is the transmission mechanism of per capita incomes

for the reduction of poverty. Since this study is confined to analysis of macro data, by computing employment elasticities in different sectors and then comparing them with growth in value added in these sectors will provide a proxy for such analysis. The comparison provides a clue about the general direction of relative sectoral performance with respect to employment and value added. If, for instance, growth in value added in sectors with high employment elasticity is the case, then one can deduce the poverty reducing affect of such growth. Also it can be qualitatively conjectured that sectors where employment elasticity is not high, but they generate substantial externalities, also contribute indirectly to the reduction of poverty by enhancing employment in other sectors. This is particularly true for large scale manufacturing where expansion in production creates numerous backward and forward linkages for other upstream and downstream sectors.

Analytically, growth in value added can reduce poverty through two mechanisms; the employment affect and the wage affect. The former broadens the employment base and shifts labour from subsistence activities towards sectors where the marginal product of labour and thereby their real wages are above the subsistence level. The latter transmits the high growth in output more directly to those employed by increasing real wages in the economy.

In Table 1, we give elasticities for different sectors while Table 2 presents figures for growth in value added in the 80s and the 90s alongwith the relative share of each sector in Gross Domestic Product (GDP). We see that in aggregate growth has decline in the post-1991 period. Almost all labour intensive sectors- construction, transport and communication, agriculture, wholesale and retail trade- show a slower growth in the 90s. Thus the employment affect has clearly waned in the post-1991 period. The most alarming in this regard is growth deceleration in manufacturing because of the large number of externalities emanating from this sector.

TABLE 1 EMPLOYMENT ELASTICITIES IN DIFFERENT SECTORS (1980-95)

Sector	Elasticity
Agriculture	0.74
Manufacturing	0.40
Construction	1.04
Transport and Communication	0.72
Wholesale and Retail Trade	0.69

SOURCES: • Pakistan Statistical Yearbook, various issues. Pakistan Economic Survey, various issues.

TABLE 2 GROWTH PATTERN IN SECTOR-WISE VALUE ADDED *Constant Factor Cost*

Sector	ACGR % 1980-81 to 1990-91	ACGR % 1991-92 to 199S-96	Share in Value
Agriculture	4.1	3.0	24.8
Mining and Quarrying	9.0	2.8	0.5
Manufacturing	7.7	4.6	18.0
Construction	4.8	3.2	3.9
Transport and	6.0	4.3	9.8
Wholesale and Retail	7.0	4.5	16.5
Services	6.5	6.5	8.2
Others	6.8	5,1	18.3
Total GDP (fc)	6.1	4.3	100.0

ACGR % = Annual Compound Growth Rate (Percentage).
SOURCE: Economic Survey.

In the case of the labour intensive small scale sector also, factors which contributed to its buoyancy in the 80's show signs of tapering-off in the 90s. These include first, the demand boom

TABLE 3

ANNUAL GROWTH RATE OF EXPORTS

(Million of US $)

Years	Total Exports	Cotton Cloth	Surgical Instruments	Carpets and Rugs	Sports Goods	Others
1980-81 to 1990-91	**16.8**	**20.3**	**21.8**	**8.3**	**258**	**16.7**
1991-92 to 1994-95	**13.5**	**17.9**	**16.0**	**2.3**	**32.4**	**12.6**

SOURCE: Pakistan Economic Survey, various issues.

TABLE 4

TREND IN REAL WAGES OF URBAN UNSKILLED WORKERS

(Million of US$)

Years	WAGE RATE		Real Wage Rate (at 1980-81 prices)
	Labor (Unskilled) Wages*	Consumer Prices Index (1980-81 = 100)	
1980-81	648	100.0	648
1981-82	695	107.9	644
1982-83	732	116.1	630
1983-84	761	125.0	609
1984-85	790	132.2	597
1985-86	963	138.6	694
1986-87	973	143.6	677
1987-88	1125	152.5	738
1988-89	1227	167.7	732
1989-90	1323	178.0	743
1990-91	1391	201.0	692
1991-92	1552	220.5	704
1992-93	1645	240.7	684
1993-94	1897	267.5	709
1994-95	1994	300.9	663
ACGR %			
1980-81 TO 1990-91	7.9	7.2	0.7
1991-92 TO 1994-95	8.7	10.9	-2.0

ACGR % = Annual Compound Growth Rate (Percentage)

* W ages \n different cities have been combined through population weights.

SOURCES:

• Pakistan Economic Survey

• Statistical Year Book

which resulted because of the flow of remittances which motivated the launch of the informal sector in consumer non-durables, the construction industry and sub-contracting for the large scale sector in

automobile and other engineering sectors and, second, the export boom particularly of cotton cloth, carpets and rugs and surgical goods. Table 3 shows exports in general and in the labour intensive sectors have increased at a slower rate in the 90's.

In other countries, notably Korea, poverty reduction through growth occurred primarily the wage affect. In Table 4 we see a decline in the growth rate of real wages in the 90s even though it has been negligible in the 80's - high growth period. Furthermore, the rate of inflation, particularly of food, item, has increased faster

TABLE 5 TREND IN REMITTANCES				
Years	Remittances ($ Million)	SHARE OF REMITTANCES (%)		
		GDP	Trade Deficit	National Saving
1980-81	2116	7.S	86.3	563
1981-S2	2225	6.9	70.5	69.9
1982-83	2886	8.2	1084	65.1
1983-84	2737	7.3	93.8	64.7
1984-85	2446	7.7	71.6	67.2
1985-86	2595	9.3	101.2	59.9
1986-87	2279	6.8	134.5	43.0
1987-88	2013	4.1	104.0	38.5
1988-89	1897	4.3	79.9	33.6
1989-90	1942	5.1	98.0	34.3
1990-9)	1848	4.1	124.2	29.1
1991-92	1467	2.7	62.5	17.6
1992-93	1562	4.3	49.9	22.3
1993-94	1446	3.4	82.1	17.7
1994-95	1866	3.7	82.7	20.7
AVERAGE				
1980-81 TO 1990-91	2271.3	6.5	97.5	51.1
1991-92 TO 1994-95	1585.3	3.5	69.3	19.6
SOURCE: • Pakistan Economic Survey • State Bank Annual Report				

than inflation, in general, during the 90s.[5] This has further eroded the purchasing power of the low income population.

2. REMITTANCES AND POVERTY

Remittances from the Middle East have been one of the main sustaining features of the Pakistani economy in the 1980s. Through the 1980s, remittances contributed 6.5% of the GDP as compared to 3.5% in the 1991-95 period (Table 5). The contribution of remittance incomes in reducing poverty has been both direct and indirect. Indirectly, it enlarged the investible surplus in the economy and cushioned the foreign exchange constraint, which went a long way in sustaining growth experienced through the 1980s. Directly, the occupational and regional profile of migration suggests that poor regions and individuals were beneficiaries from this phenomenon.

The indirect impact of remittances on poverty alleviation was primarily through its contribution to growth in the economy. Through the 1980s, remittances formed a significant proportion of

[5]Whereas the CPI has increased at a rate of 12.6% in the 1990s, the price index for food and related items has increased at 14% (FBS, Statistical Yearbook).

TABLE 6

TYPOLOGY OF DISTRICT PARTICIPATION IN MIGRATION TO THE MIDDLE EAST, 1971-88

(Propensity to Migrate)

Province	Low Migration Districts	Medium Migration District	High Migration Districts
NWFP	Mansehra* Kohistan* Chitral*	Malakand*	Kohat* Bannu* Dir* Mardan* D.I, Khan* Peshawar* Swat* Abbottabad*
PUNJAB	Vihari Kasur	Gujranwala Faisalabad Mianwali* Sargodha* D.G. Khan Jhang Multan Bahawalpur Sheikhupura Sahiwal Muzattargarh Rahim Yar Khan Bahawalnagar	Rawalpindi* Jhelum* Gujrat* Attock* Lahore Sialkot*
S1NDH	l.arkana Dadu Siikkur	Hyderabad	Karachi

National Savings. As column 5 in Table 5 shows, between 1980 and 1985-86 remittances contributed roughly half of Gross National Savings, peaking at 67% in 1984-85. The contribution of this windfall to growth is not only clear from its role in providing the investment surplus for the economy but also relieving pressure from consumption for investment needs. In the 1990s, however, the contribution of remittances to National Savings has declined to a mere 20% of National Savings. In the 1990s, the GDP-investment ratio has been maintained by substituting remittances for domestic savings. This has contributed in reducing consumption in the domestic economy, which is bound to have affected the demand side impulse for growth in the 1990s.

Another mechanism through which remittances contributed to growth was by relieving the foreign exchange constraint. In the 1980s, remittances financed virtually the entire trade deficit, and in fact were responsible for the country registering a current account surplus for a couple of years in spite of running a large trade deficit. This cushioning of the Balance of Payments

position was also important in maintaining the exchange rate, especially after 1981 when a managed float was introduced. Again in the 1990s, the share of remittances in cushioning the trade deficit has declined to an average of 69%. Thus today we see large current account deficits which have adversely impacted on the exchange rate, resulting in imported inflation.

From the above comparison of the two periods it is clear that growth and its financing has been affected by the slow down in remittances. And as we have argued that growth is an important determinant of poverty alleviation, the cushion that remittances provided has been reduced considerably.

Remittances also directly increased total consumption in the economy. So far as the direct impact of migration on improving income distribution and poverty alleviation is concerned, it will depend on the profile of the migrant population and its regional composition. According to Addleton (1992:82-83), the total number of Pakistani migrants working in the Middle East in the mid 1980s was somewhere in the vicinity of 2 million. Of these, about 800/o were working in the occupational category of services and production/construction, typically sectors where the proportion of the poor and unskilled would be high. Addleton (op.cit) further reports that the split between skilled and unskilled workers was fifty-fifty. If we assume that only unskilled workers were poor, then roughly 750,000 poor people and 4.5 million poor households6 were directly pulled out of poverty through Gulf migration.

[6]Assuming a household of two adults and four children. This is a conservative estimate as average family size in Pakistan is larger and remittance contributions have benefitted extended families.

The impact of migration also benefitted backward regions, where poverty is most concentrated.

In terms of propensity to migrate the *barani* areas of the Punjab and the NWFP dominate the profile as seen in Table 6. Since the development ranking of these districts was in the lower rung, it appears the Gulf phenomenon also had an important aspect in reducing poverty in some regions of the country where it was concentrated. The backward regions which did not benefit directly from the Gulf boom appear to be the rural areas of Sindh and the province of Balochistan.

It is apparent that the 1990s have brought a tapering-off of the Gulf boom. Although the actual growth (or decline in this case) of migrants and their composition is not available for this period, going by dynamics in the Gulf economies as well as the flow of remittances, it can be conjectured that the positive distributional impact as well as the direct poverty alleviating affect of remittances might have diminished considerably. In the profile of new migrants from Pakistan, the proportion of unskilled workers is expected to diminish since the developmental phase (particularly in the area of construction) in the Gulf states has been completed. The new category of migrants is expected to be dominated by skilled workers and professionals. Thus as far as the direct impact of migration on poor people and regions was concerned it seems to have exhausted itself in the 1990s.

3. SOCIAL SAFETY NETS

There are two forms of social safety nets that exist in Pakistan. The Zakat/Ushr and Baitui Maal schemes are direct measures while food subsidies through administered prices is the other. Given the context of this paper, it is imperative to see what the contribution of these measures have been and to what extent are they expected to provide a safety net against poverty in the future.

TABLE 7 TREND IN COLLECTION OF ZAKAT */Rs in Millionf*		
Years	Nominal Collection	Real Collection
1980-81	844	844
1981-82	904	814
1982-83	1028	884
1983-84	1491	1195
1984-85	1337	1014
1985-86	1523	1107
1986-87	1660	1165
1987-88	2072	1368
1988-89	2285	1366
1989-90	2558	1442
1990-91	2799	1401
1991-92	2779	1269
1992-93	2668	1115
1993-94	4656	1750

Zakat and Ushr The collection of Zakat has grown over time as shown in Table 7. However, because of its specific religious sanction it is only confined to a subset of the poor - defined as the *Mustahiqeen* - which includes in its fold muslim widows, orphans and disabled individuals. According to the 1991 PIHS, this subset of the poor comprised of only 6.9% and 4.7% of the lowest and the second lowest expenditure deciles respectively (World Bank, 1995, Table 6 statistical Annexe). Zakat funds are also used for natural catastrophes and for the support of "national level and other institutions" which are directed towards the poor.

The Baitui Maal - established in 1992- runs essentially two programmes. One is the Individual Finance Assistance (IFA) scheme and the other is the Food Subsidy Scheme (FSS). The target group for the IFA is similar to those who are eligible for Zakat (i.e. widows, orphans and the disabled) with the added proviso that their income is less than Rs. 1,500 per month and they do not qualify for Zakat (for instance non-muslims). Similarly the target groups for FSS are also those who income is less than Rs. 1,500 and they are not Zakat recipients. Since it includes those who are not among the widow-orphan-disabled- subset of the poor, the canvas of the FSS is broader than that of Zakat. However the quantum of assistance from the Baitui Maal as a whole came to a meager Rs.421 million in 1995-96 (Economic Survey, p. 134).

From the functions of these welfare measures, it is clear that the contribution of Zakat and Baitui Maal for poverty alleviation either targets a very small proportion of the poor (in the case of Zakat) or the total quantum spent is a woefully inadequate measure to cushion poverty (as in the case with the Baitui Maal). Moreover the impression is widespread that the targeting is poor because of the increasing politicisation of district and local level Zakat Committees and the functioning of the Baitui Maal mechanism.

On the other hand, the contribution of intra-household private voluntary transfers has been substantial. According to the 1991 PIHS, the net recipients of intra-household transfers were substantial. This mechanism benefitted 48% in the lowest quartile of the population and contributed to 49% of the consumption of the poor recipients. It has been suggested in some studies (World Bank, 1995, SPDC, 1996) that by reducing public transfers the contribution of private transfers might increase. Even if this is assumed as an optimistic forecast, it is certainly the case that targeting through the private sector is more effective for two reasons. Firstly it cuts through the red tape which affects targeting. And secondly it covers a larger spectrum of the poor whom the above mentioned government schemes by-pass.

TABLE 8 GOVERNMENT SUBSIDY ON FOOD ITEMS

[Rs in Million]

Years	Nominal	Real
1980-81	1718	1718
1981-82	1304	1172
1982-83	1160	992
1983-84	2767	2210
1984-85	5138	3794
1985-86	3822	2727
1986-87	2785	1899
1987-88	3917	2446
1988-89	10134	5765
1989-90	4526	2413
1990-91	6534	3195
1991-92	6100	2696
1992-93	3831	1537
1993-94	4016	1412
1994-95	4239	1256

Food Subsidies The Government's food subsidies have in the past contributed in cushioning the real consumption levels of the poor. The largest chunk of these subsidies have been traditionally earmarked for wheat - which has a high weight in the consumption bundle of poor households. Under fiscal pressure and that of donors, this subsidy is being phased out. As Table 8 shows that compared to the 1980s, this subsidy has decreased substantially in the 90s. In real terms from an average ofRs.2575.5 million in the 80s its quantum has declined to Rs.1725.2 million in the 90s. Only in the last fiscal year(1995-96) , the government took a volte-face and increased the wheat subsidy from an estimated Rs. 10 million in the budget to Rs. 7014 million. However this appears as a temporary blip in the more general trend which is clearly in the direction of phasing out food subsidies. The World Bank (1995) also suggests that the subsidy is regressive because the poor are not its only beneficiaries. It goes on to suggest that the amount spent on the subsidy can be better used for a targetted programme for the poor.

The above analysis shows that safety net through the system of Zakat/Ushr and Baitul Mall have not been an important source of poverty alleviation. Even though they do not specifically target the poor, food subsidies have cushioned the impact of rising food prices, which is bound to have

played an imporant role in alleviating poverty. The phasing out of these subsidies will affect the status of poverty. The exact impact will depend on the speed through which this subsidy is removed and also the extent to which prices of these commodities increase in an era of market pricing of agricultural produce. As for private transfers, their impact on poverty alleviation is substantial given the number of poor who are its beneficiaries. Further, expansion of intra-household transfers will depend on growth in incomes and government induced involuntary transfers. Both are policy related issues and as such are dependent on the economic and political climate which shapes polic formulation.

TABLE 9

SHARE OF DIRECT AND INDIRECT TAXES IN

FEDERAL CONSOLIDATED TAX REVENUE

Years	Direct Tax	Indirect Tan
1972-73	17.8	82.2
1973-74	14.9	85.1
1974-75	12.8	87.2
1975-76	14.9	85.1
1976-77	16.7	83.3
1977-78	14.6	85.4
1978-79	15.3	84.7
1979-80	17.4	82.6
1980-81	19.2	80.8
1981-82	21.6	78.4
1982-83	19.3	80.7
1983-84	17.3	82.7
1984-85	16.1	83.9
1985-86	15.9	84.1
1986-87	14.2	85.8
1987-88	13.9	86.1
1988-89	13.3	86.7
1989-90	14.2	85.8
1990-91	15.0	85.0
1991-92	16.8	82.3
1992-93	20.3	79.7
1993-94	22.3	77.7
1994-95	23.3	76.7
1995-96	23.9	76.1

4. FISCAL POLICY AND POVERTY ALLEVIATION

Fiscal policy can be an effective tool for improving the distribution of income in the country and thereby alleviating poverty. The mechanism through which this can be achieved is twofold: first, higher taxation of the richer segments of the population and, second, enhanced expenditure on services, in particular, social services which largely benefit the poorer section of the populations.

In Pakistan, the taxation structure is regressive with a heavy domination of indirect taxes which may be shifted forward to the consumer, including the poorer sections of the population (RMTRC, 1991). However, during the 90's there is some decrease in the share of indirect taxes. To that extent, the 90's has witnessed a deceleration in the taxation policy contribution to inequality in the country.

Since the access of the poor to social services is generally confined to public sector facilities, we will use public expenditure data to analyse the dynamics of social sector development. In Table 10 we see that in the 1990s government expenditure on social sectors as a percentage of total government expenditure and GDP has increased marginally. Although it is a relief that the social sectors are not the direct casualty of the current fiscal crunch, the meager increase in the share allocated to the social sectors does not match all the hype regarding the government's new found commitment towards the social sectors. In fact if seen in terms of real growth of expenditure on these sectors (Table 11), we find that social sector expenditure has declined considerably since the end of the Junejo Government's 5-point

TABI-E 10

TREND IN GOVERNMENT EXPENDITURE ON SOC IAI. SERVICES

Years	% Share of Total Government Expenditure on Social Services in Total Government Expenditure	% Share of Total Government Expenditure on Social Services in Gross Domestic Product
1980-81	10.7	2.7
1981-82	11.4	2.8
1982-83	11.1	2.9
1983-84	11.3	3.1
1984-85	11.3	3.1
1985-86	12.2	3.7
1986-87	12.6	4.2
1987-88	12.3	4.3
1988-89	12.4	3.7
1989-90	11.7	3.6
1990-91	12.8	3.7
1991-92	11.9	3.5
1992-93	12.0	3.5
1993-94	11.8	3.4
1994-95	13.5	3.6
Average		
1980-81 TO 1990-91	11.9	3.4
1991-92 TO 1994-95	12.3	3.5

Source: Federal and Provincial Annual Budget Statements.

programme. Other studies have noted that while the deceleration in development expenditure

is somewhat warranted (see CHC, 1992), decline in recurring expenditure will have a negative impact on education and health indicators in the country.

Part of this reduction in government allocation for the social sectors has been met by donors, especially through the Social Action Programme (SAP), launched in 1992. With the launching of SAP, there is hope and optimism that a new leaf has been turned as the

Programme envisages policy reform and synergy among four crucial components of the social sector - primary education, primary health, rural water supply and sanitation and population planning - to improve the targeting and quality of services provided. If SAP is able to meet all its targets (which is early to determine at this time), then Pakistan's social indicators are expected to improve more markedly than they have in the past. Even though the affect of social indicators on poverty reduction is realised after a lag, this remains the only silver lining on an otherwise dismal cloud that pervades vis-

TABLE 11

GROWTH IN RECURRING EXPENDITURE

Years	Education (%)	Health (%)	Public Health *(%)*	Total Social Sectors (%)
1980-si	-9.6	-8.7	-19.5	-9.8
1981-82	23.2	46.2	94.2	29.4
1982-83	29.1	24.5	-8.8	26.4
1983-84	11.6	16.6	13.8	12.6
1984-85	6.9	2.7	35.1	7.1
1985-86	27.6	33.3	-13.2	26.8
1986-87	13.6	21.7	31.8	15.7
1987-88	9.2	7.6	18.6	9.2
1988-89	-4.2	-5.4	-26.4	-5.2
1989-90	-17.2	-12.3	-17.9	-16.3
1990-91	25.6	17.6	5.2	23.3
1991-92	-1.5	1.3	16.3	-0.5
1992-93	23.0	23.7	60.8	24.2
1993-94	4.3	-2.0	14.1	3.4
1994-95	2.0	-10.1	-30.1	-1.7

Source: Federal and Provincial Annual Budget Statement

a-vis poverty in Pakistan.

TABLE 12

GROWTH IN DEVELOPMENT EXPENDITURE

Years	Education (%)	Health (%)	Public Health (%)	Total Social Sectors (%)
1980-SI	31.8	6.0	0.9	8.6
1981-82	16.1	7.5	14.3	13.1
1982-83	25.9	12.4	13.9	16.7
1983-84	5.7	7.5	9.0	7.8
1984-85	9.3	12.4	-13.0	-13
1985-86	101.7	13.1	15.0	41.1
1986-87	-3.0	55.2	38.2	23.6
1987-88	-6.7	2.7	14.2	4.1
1988-89	-19.1	-15.1	-29.8	-22.9
1989-90	-0.7	-2.4	-0.9	-1.2
1990-91	-15.3	-16.5	48.2	10.2
1991 -92	2S.8	-89	-14.7	-2.7
1992-93	-14.7	4.9	-0.4	-4.1
1993-94	18.4	-13.0	-31.8	-13.2
1994-95	26.7	16.3	9.9	18.0

Source: Federal and Provincial Annual Budget Statements.

It needs to be underscored, however, that social sector development is only one component in the process of reducing consumption based poverty. If Pakistan attains its social development targets, it does not necessarily result in alleviating poverty because even a literate and healthy population also needs opportunities for income generation to move out of the poverty threshold. With a meager asset base at their disposal (by definition) the poor need to enhance their income status either through gainful employment or by initiating small businesses. Both these routes to higher income require healthy growth in the commodity producing sectors of the economy. Thus, unless policies are not adopted for regenerating growth in the economy or exogenous windfalls do not bail us out - as they have through much of Pakistan's history - we can end up like the ex-communist block with a literate, healthy yet poor population.

4. RURAL-URBAN DIFFERENTIALS IN THE INCIDENCE OF POVERTY It has been suggested that whereas the 1990s might have witnessed adverse conditions for poverty in urban areas, price liberalisation in agriculture might have had a positive impact on poverty reduction in the rural areas. In the framework of this paper, we have already seen that remittances and the employment effect of agricultural growth appear to have waned in the 1990s.

TABLE 13			
Years	Index of Agricultural Prices	Wholesale Price Index of Manufactures	Terms of Trade
1980-81	100.0	100.0	1.00
1981-82	104.1	103.4	1.01
1982-83	109.5	110.2	0.99
1983-84	118.1	124.5	0.95
1984-85	1'1'8.9	1'2"7'8'	8.^ 1
1985-86	120.7	132.1	0.91
1986-87	130.6	141.2	0.92
1987-88	139.1	151.8	0.92
1988-89	146.3	168.9	0.87
1989-90	161.8	184.0	0.88
1990-91	186.4	216.6	0.86
1991-92	197.5	237.2	0.83
1992-93	214.2	245.7	0.87
1993-94	267.2	272.1	0.98
1994-95	301.1	311.5	0.97

Sources: Agricultural Statistics of Pakistan. 1994

Pakistan Statistical Yearbook

A more direct indicator of rural poverty can be trends in real wages for unskilled and landless agricultural workers - the group among whom poverty will be most prevalent. Data limitations, however, constrain us in undertaking such an analysis. Other than the landless, poverty might also be prevalent among small landholders. It is this group which must have benefitted from price liberalisation in the agricultural sector in the 1990s and hence their poverty incidence might have reduced. One method for determining the net impact of price increases is the Terms of Trade (TOT) for agriculture vis-avis manufacturing in the period of enquiry. An improvement in the TOT for agriculture will show that relative price changes have been more favourable to the countryside and vice versa.

Table 13 shows that the TOT has remained unfavourable for agriculture throughout our period of enquiry and in fact has worsened slightly in the 1990s. This suggests that whatever benefits the agricultural sector might have secured in terms of increased procurement prices for its produce have been cancelled out by a faster increase in prices of manufactured goods that it would purchase from the predominantly urban manufacturing sector. Although constrained by data limitations, the above macro indicators do not reveal any difference in rural and urban poverty. In both sectors, it appears, the macro economy has taken a turn for the worse so far as poverty is concerned.

CONCLUSION

While the picture is mixed in the sense that the growth and remittances determinants of poverty have certainly waned in the 1990s, emphasis on social sectors is expected to improve as reflected by renewed governmental and donor commitment towards these sectors. However, the greater and more immediate impact of the former on poverty alleviation than the latter, suggests that poverty might have returned to Pakistan in the 1990s. Furthermore, with a trend towards increasing inequality in incomes and a distribution of assets which is biased against the poor, if the size of the pie grows at a slow rate or indeed starts shrinking, it is most likely that the economically and politically powerful lobbies will leave an increasingly smaller portion for the poor and dispossessed. In an environment of tight monetary and fiscal policies along with the emphasis on market determined outcomes, the prospects for poverty alleviation in Pakistan appear grim.

As we have shown in this paper, Pakistan's impressive record in reducing poverty in the two previous decades was not policy induced, but was a fortuitous spillover of growth and exogenous developments. It is now time to devise policies which tackle the issue of poverty explicitly. One imperative in this regard is that growth in the commodity producing sectors, particularly manufacturing, transport and construction, is revived. This requires strategic planning backed up by intervention which facilitates sectors and sub-sectors where employment and technological externalities are high and growing. The contemporary policy climate unfortunately does not appear to incorporate such concerns.

Also, as highlighted earlier the existing safety nets do not provide effective cushioning against poverty. Public sector intervention needs to be strengthened with better targetting. The launching of targetted programmes for the poor like food stamps needs to be considered. Furthermore, fiscal policy may be used more effectively for improving the distribution of income in the country. Emphasis should be on expanding the direct tax net with higher priority to social sector development.

Another suggested route to poverty alleviation is through decentralisation and devolution of powers. According to Husain (1994) this requires a two pronged strategy of developing a modem industrial base on the one hand and promoting collective action for income generation in rural areas and other backward regions of the country. The latter can draw its inspiration from a number of such schemes that have been initiated in Pakistan and other South Asian countries. Whether the powers that be provide the political space for such community based initiatives to take root and flourish at a time when local government is being throttled is not highly probable. Also, in order to avoid the disappointment of another strategy being reduced to a pipe dream, it is necessary that the replaceability of the existing community based schemes and new initiatives is thoroughly understood and analysed. Because even at the local level, agents with political and economic power can hijack such initiatives with few benefits trickling down to the poor.

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