

Poverty alleviation and agriculture growth

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Poverty has emerged as a subject matter of great academic interest as well as serious policy concern in recent times. It is a matter of grave concern for all developing countries and Pakistan is not an exception. In fact, the increasing incidence of poverty in Pakistan during the 1990s has severely damaged the growth potential of the economy through various channels. The greatest manifestation of poverty was lawlessness, sectarianism, extremism and export of jihad in the neighbouring countries. These and many other correlated factors jaundiced investment climate, which in turn impacted growth adversely.

The present leadership has given top priority to the issue of poverty. World Bank in its review of Interim Poverty Reduction Strategy (I-PRSP) while acknowledging Pakistan's success on "starting from a position of extreme vulnerability at the end of the 1990s—a financial crisis, domestic tensions, and external isolation"—has praised the remarkable turnaround on the issue. It hailed I-PRSP for becoming a comprehensive reform programme for poverty reduction, helping in accelerating growth, human development, and governance improvement. Besides it appreciated the government's reform programme for fundamental political, institutional, economic, social and gender transformation, which enabled Pakistan's transition to a modern Islamic state. But road to recovery is still bumpy.

Pakistan still faces formidable challenges (political, attitudinal, and policy) to fully develop human capital, improve the investment climate, and increase productivity growth to bring the economy to the 5-6 per cent annual growth rate achieved in earlier decades, or even higher, to significantly reduce poverty. The most formidable challenge is to steer the economy to a

higher growth path on sustained basis, without which any effort to alleviate poverty incidence would be meaningless. Pakistan economy needs more than the borrowed and deceptive growth of 5.1 per cent achieved during last year (2001-02). Poverty in Pakistan has historically been higher in rural than urban areas. Poverty rose more sharply in the rural areas in the 1990s. The incidence of poverty in rural areas, where dependency on agriculture is well established, has consistently remained higher than that in urban areas. The volatil-

ity of agriculture thus has immense bearings on the incidence of poverty in Pakistan and any effort to deal with the menace of poverty should start from stability of income in rural areas. As we have seen throughout our economic history, crop failures in one year translates into higher incidence of poverty with a lag; while higher agriculture growth contributes towards poverty reduction, also with a lag. If we study for the sake of academic analysis of agricultural growth and incidence of poverty, we find an inverse relationship between two variables. Crop failures in one

year translates into higher poverty incidence in the coming year; while higher agriculture growth contributes towards the cause of poverty reduction in the following year. During the period 1985-1999 the correlation between agriculture growth and poverty headcount ratio remained negative, and the coefficient of correlation is estimated at negative 0.32. For example a negative growth of 4.8 per cent of agriculture in 1983-84 led to an in-

crease in the incidence of poverty during 1984-85 as the incidence of rural poverty increased. During 1986-87 the agriculture sector grew by 3.25 per cent and consequently the incidence of poverty came down to 17.32 in 1987-88. Similarly, poor harvest of 1992-93 resulted in negative agricultural growth of 5.3 per cent and thus a higher poverty incidence in 1993-94. The severe drought in 1997-98, which has affected the agriculture sector, has also impacted poverty incidence in 1998-99. From this analysis one can easily conclude that higher agricul-

ture growth may lead to a reduction in poverty in the following year. The dilemma of Pakistan's poverty reduction strategy is that it aimed at poverty reduction without boosting agriculture; rather we are embarking upon adding cost of production in agriculture through irrational taxation and withdrawal of subsidies. The weather is still a major factor in Pakistan's economic growth in general and agriculture in particular. The spread of irrigation network and modern farming techniques are still missing in the policy packages. Pakistan needs better water management and efficient utilisation of water resources for greater welfare of the entire society in general and agriculture in particular. The volatility of income is because of the fact that productive sectors are weak and inflexible.

The buzz word corporate farming was excessively used by the present government while declaring agriculture sector as one of the four drivers of the economy, but unfortunately necessary ingredients of corporate farming like the skill, infrastructure, and the backing of commercial and financial institutions are still not available to the agriculture sector. Pakistan's economy is as much hostage to cotton as it was in the past and it has to rely for more than two-third of its export earning on cotton textile. This is partly due to the lack of research in the field of adaptation of the state of the art farming methods for Pakistan's varied soil and climate, and partly due to shortage of trained personnel to implement what has been done by mushrooming of agricultural institutions.

Another discriminatory factor behind poor record of diversification in the agriculture sector is the government's conscious policy of keeping agricultural prices low, to tap agricultural surpluses to finance the provision of cheap food and other benefits for urban population. The situation has further exacerbated by inefficient arrangements for the delivery of inputs to and marketing of the produce from the fields. A strong agricultural performance based on the introduction of high yielding seed varieties combined with timely availability of fertiliser and efficient irrigation are instrumental in rural and economic development of any country.

There is general consensus among poverty experts and all poverty assessment studies also suggests that sustained economic

growth is critical for poverty reduction, and there are strong linkages between pro-poor growth on the one hand, and human development, good governance, and cross-cutting concerns such as private sector development and regional co-operation on the other. People are pushed into poverty because of the volatility of income. There is a dire need to support higher growth and greater stability of income and employment in rural areas by focusing on:

(i) getting the policy and institutional framework right; (ii) increasing agriculture productivity and diversification by moving to market-based agricultural prices; (iii) strengthening research and extension services, and expanding the role of the private sector in storage and agriculture support services; (iv) increasing non-farm employment opportunities by developing agribusiness for exports and rural SMEs; (v) promoting rural-urban linkages by improving communications, particularly rural roads; (vi) expanding rural economic infrastructure, especially for irrigation, drainage, and water resource conservation and management; (vii) promoting financial intermediation, mobilising savings, and enhancing access to credit in the rural areas; and (viii) investing in infrastructure in areas where incidence of poverty is high, and where the lack of infrastructure is a critical barrier to development.

Pakistan's economic managers have always focused on direct measures like provision of zakat, assistance to the needy from bait-ul-ma'al etc. These measures are politically fruitful but their contribution in poverty reduction is hardly well established. Pakistan has great potential in agriculture and should keep on working on that. Agriculture development is crucial for poverty reduction. All our poverty reduction strategies should focus on development of agriculture sector for the sake of the poor.



ity of agriculture thus has immense bearings on the incidence of poverty in Pakistan. The four years of acute drought like situation in the country demonstrates the helplessness of the policy instrument. The strong correlation between agricultural growth and poverty incidence is so glaring that it made virtually impossible to think of poverty alleviation without adequate growth in crop sector.

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