

The dynamics of poverty alleviation

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'Poverty Alleviation' is a term that we get to read and hear so very often these days. Every discussion on political economy of our country is replete with references to poverty alleviation. It is the issue with which third world economists, planners and policy formulators as well as implementers are grappling with ceaselessly.

Raanan Weitz, very aptly, said:

"While humanity shares one planet, it is a planet on which there are two worlds, the world of the rich and the world of the poor".

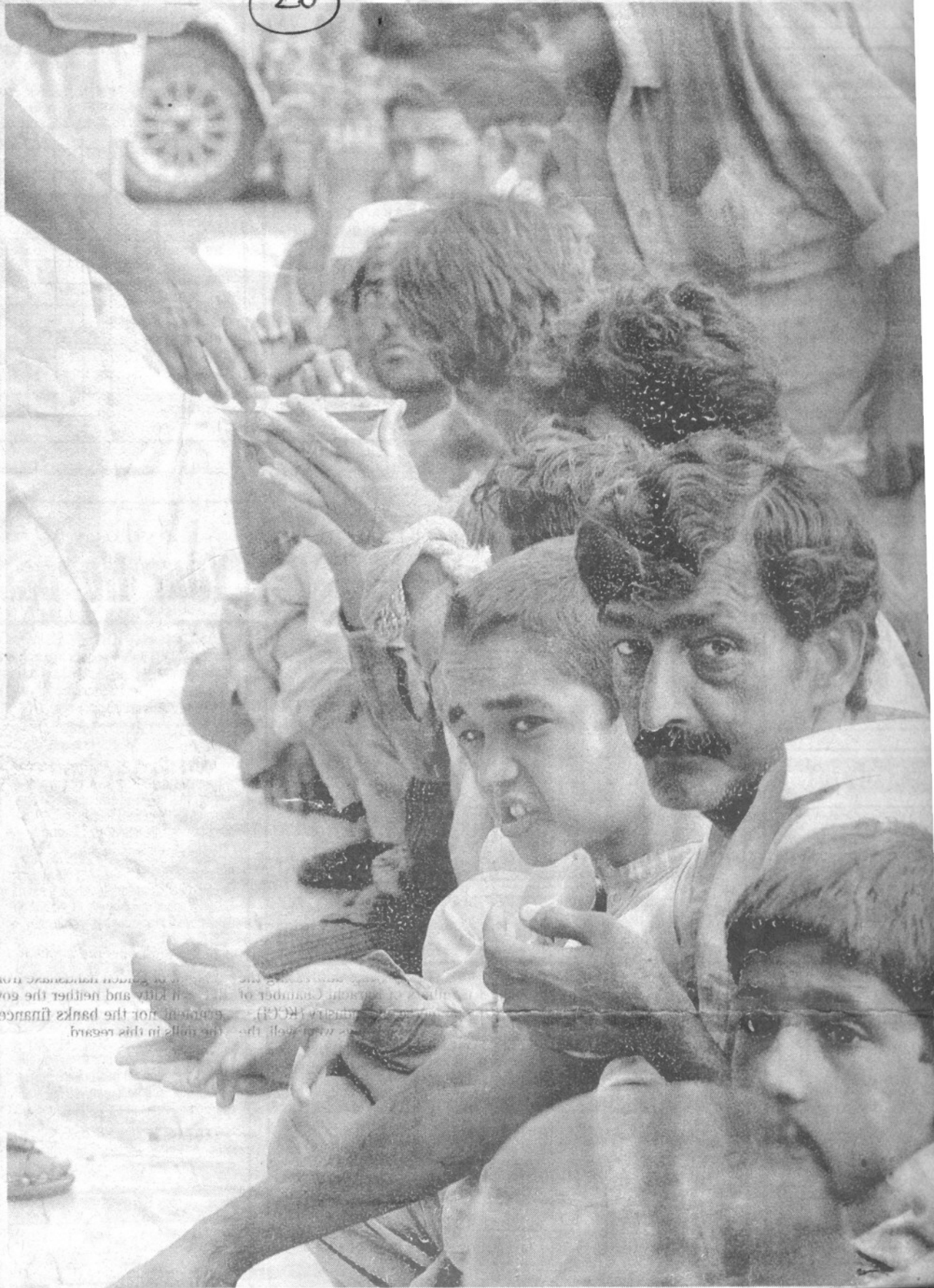
It is believed that the people of the rich countries get 34 times more than the people of the poorest countries. Of the world's 6 billion people, 2.8 billion nearly half-live on less than \$ 2 a day. This just proves one thing conclusively that the world has deep poverty amid plenty. If this definition of poverty line i.e. earning less than \$ 2 a day is taken in the Pakistan context, then about 85% our population lives below the poverty line. This is a very disconcerting figure. But the more commonly used definition is that of estimated value of a food basket which will deliver the recommended daily allowance (RDA) for an adult (equivalent in Pakistan to 2550 calories).

Economists assert that the extent and the magnitude of poverty in a country depends on two factors.

- i) average level of income
- ii) degree of inequality in its distribution

Income inequality has worsened. This select few are getting an increasingly better share of national income. While the majority is being driven into penury. In 1997 the top 20% in Pakistan claimed nearly half of the national income. The market-friendly reforms' and globalization are certain to exacerbate the income inequality and reinforce economic and social division of the country. It would also result in the further social marginalization of the poor classes as they:

- will have no access to credit.
- are unable to finance their children's education.
- have many children for a school



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1 billion to support the pro poor economic s programs such as Khushal Pakistan, Khushali Bank, health education, capacity building, skill development and infrastructure. But what is more important is how well it is utilized. We have had a history of aid getting frittered away. The donor driven projects ought to be handled well. SAP's failure had cast deep shadows on our ability to handle things properly.

Debt issue:

The debt issue of the poor countries was the main focus of an international conference in Helsinki last year. It was organized by the World Institute for development Economics Research part of the UN university. The consensus was that there has been an over reliance on debt relief to alleviate poverty in the less developed countries and that debt relief may not alleviate poverty. The conference identified stagnating economies, inadequate access to capitcla work and deteriorating social services skewed in favour of the rich as major causes of poverty in the developing countries. Pakistan Economists and Planners need to take cognizance of this.

The human rights perspective:

Every poverty related issue has a human rights angle to it. Poor people in an under developed country like Pakistan live without fundamental freedoms of action and choice that the better off take for granted. They often lack adequate food and shelter, education and health, deprivations, that keep them from leading the kind of life that everyone values and cherishes. They also face extreme vulnerability to ill health, economic dislocation, and natural disasters. Take for example the drought that severely hit the poverty stricken areas of Balochistan and Sindh in 2000. The poor are often exposed to ill treatment by institutions of the state and society and are powerless to influence key decisions affecting their lives. These hapless people are often the victim of corruption and arbitrariness on the part of the state and the

- will have no access to credit.
- are unable to finance their children's education.
- have many children for a supposed old-age financial security.
- stand to lose more since the re-distributive policies are not carried out properly and to their logical conclusion.

Poverty:

Poverty is multi-dimensional and an intricate phenomenon. Apart from its various reasons, poverty has many aspects and manifestations. There can, however, be so many tangible and intangible factors which have repercussions but the analysis which follows puts things succinctly and largely in the Pakistan context.

1) Poverty breeds vengeful radicalism.

Aristotle said way back in 4th Century B.C;

"Poverty is the parent of revolutions and crime."

According to the New York-based Council on Foreign relations, economic failure and poverty nurture extremism. That is why the west now views poverty as a dangerous phenomenon, especially after 11th September 2001. The UN General Assembly fixed 2015 as the deadline for reducing world poverty by a half. IMF MD, Horst Kohler and the British Chancellor of Exchequer Gordon Brown ate both leading advocates of doubling international aid from \$ 50 billion to \$ 100 billion annually upto 2015. Even if it is doubled, it would only be 0.4% of the GDP of developed countries instead of the target of 0.7%. Pakistan is being provided \$ 1.3 billion at comparatively reduced mark-up through the PRGF though more was expected by a country where a number of global fault lines meet. In the "Monterey consensus" the rich countries had to admit that there is no global trickle down and that it is imperative for them to reach out and provide more resources to the poor and beleaguered countries.

Education:

Literacy rate is around 40% although the economic survey of Pakistan claims that it is 49%. An illiterate or even a semi-literate person and his family are more vulnerable to the hardships of poverty. What is more worrisome is the fact that the net primary

school enrolment rate has declined from 73% in 1990-91 to 71% in 1998-99 and this has a lot to do with rising poverty. There has been 18-fold increase in education facilities since 1947 but despite the increase in quantity, quality of public sector education has made a noticeable downward shift. More years of schooling have been perceived as the only avenue of hope for poor children to escape from poverty. Emphasis on primary education is good and advisable but what is equally important is the need to ensure that secondary level schooling is not neglected. That is the stage where a modicum of vocational training can be introduced thus helping the cause of poverty alleviation. It also needs to be emphasized that the school infrastructure must be utilized to the optimum as still innumerable schools exist only on papers. Also the education of women is of greater and critical importance in the context of poverty alleviation.

Health:

The poverty-stricken people of Pakistan receive little benefits of public investment in the health sector. The expenditure in the health sector was last year a meagre 0.7% of the GNP. We have to be mindful here that it was the massive investments by the government in health and education that laid the basis for China's spectacular growth in the last quarter century.

According to the latest statistics available, there is one doctor for 1529 people and one nurse per 3732 people and 1495 persons per hospital bed in Pakistan. About 50% of deaths are due to parasitic and infectious diseases and only about 3 to 5% because of cardiovascular diseases.

In 1998, life expectancy in least developed countries was 48 years, 63 in third world countries and 75 in developed nations. It has been established now that malnutrition and poor health in developing world are more of a matter of poverty than food production. Infant mortality rates in 1998 was 96/1000 in least developed countries, 64/1000 in LDCs (Less developed countries), 8/1000 in developed countries. Spending of \$27

billion a year (0.1% of GDP) by rich countries can save 8 million lives a year from untimely death. This has been estimated by the commission on Macroeconomics and health working under WHO Jeffrey Sachs is its head and an economist of Harvard University. He points out that although the idea that poverty leads to ill health has long been accepted, economists have only recently begun to show that disease leads to poverty. There are obvious costs to ill health, as sick people spend less time at work and more money on medical treatment.

Agriculture:

It is always trend as the backbone of Pakistan's economy. But the plight of the agriculturist manifests in many ways. The ultimate impoverishment of the peasantry was the inevitable consequence of the process of fragmentation of land because of population growth, economic vulnerability, loss of land to rich and powerful landlords plus inconsistent policies of the government.

Relationship between poverty and environmental degradation:

As a result of ignorance or economic necessity, communities inadvertently destroy or exhaust the resources on which they depend for survival. Environmental degradation tends to detract from the pace of economic development by imposing high costs on developing countries through health-related expenses and the rendered productivity of resources thus aggravating the poverty profile. The inaccessibility of sanitation and clean water mainly affects the poor and is believed to be responsible for 80% disease globally. Damage to soil, water supplies and forests resulting from un-sustainable methods of production can greatly reduce long-term national productivity. Depletion of resources coupled with population growth badly affects sustainability ("meeting the needs of the present generation w/o compromising the needs of future generations"). From this has envisaged the concept of "Environmental Accounting" which development planners

ought to incorporate in their policy decision.

Population:

It is clear that increasing population density has contributed to severe and accelerating degradation of resources that these growing populations depend on for survival.

An economist has put up it appropriately that there are essentially 3 core values of development:

i) Sustenance: The ability to meet basic needs.

ii) Self Esteem: of not being used as a tool by others for their own need.

iii) Freedom from servitude; as W. Arthur Lewis said: "The advantage of economic growth is not that wealth increases happiness but that it increases the range of human choice".

Women:

The earning potential of women is considerably below that of their male counterparts. Women are more likely to be among the poor. They are often paid less for performing similar tasks, are essentially barred from higher paying occupation, are typically ineligible for institutionally provided resources such as credit and training.

Population Growth is a natural outcome of women's lack of economic opportunity. The availability of outside sources of income offers women genuine alternatives to early marriage and frequent child-bearing. An additional benefit of employment outside the home is that it reduces women's isolation, which is often an impediment to the provision of family planning services.

An astonishing statistic reveals that girls are four times more likely to suffer from malnutrition and are 40 times less likely to be taken to a hospital when ill.

We know that women contribute as:

i) managers of fuel & water supplies.

ii) agricultural producers.

iii) guardians of household health that's why further investments in the educational attainment of women are required.

Urbanization:

World Bank president James Wolfensohn predicted in 1998 that within 25 years, the number of urban poor will increase from an estimated 400 million to 1 billion. (World population could reach 9.4 billion by 2050)

Urbanization brings with it:

a) squalor

b) poor and unhygienic living conditions for the large majority of people who live in cities, not always out of choice.

c) Inequitable growth; for these people lower growth with more personal securities and freedom is probably a preferred alternative.

What makes shocking reading is the fact that 44% of Karachi's population lives in slums; 60% in Calcutta.

Because of urbanization, workers in informal sector find sporadic temporary employment as day labourers and hawkers (selling eveningers for example) but their incomes are insufficient to provide even the most rudimentary shelter.

Unemployment:

In Pakistan, 1.5 million people have been added to the ranks of the unemployed just in the last 3 fiscal years though the official figure stands at just 5.9%. The contribution of slow growth, shrinking public sector development spending, low levels of investment and increasing unemployment have led to widespread poverty. As long as Pakistan, per force, continues to have low budgetary deficits in the face of falling revenue generation, there is hardly any hope of achieving the 5% growth rate as recommended for poverty alleviation in Pakistan by the World Bank President James Wolfensohn.

Rural Urban Disparities:

These also have far reaching implications on the poverty alleviation strategy. According to official figures, poverty rate in 1998-99 was 38.3% for rural areas and 22.4% for urban areas. But what is more disconnecting is the fact that the rural poor spend 80% of their budgets on the four essentials i.e food, rent, energy and apparel. And then we are well aware of the consequences of Urban Bias as defined by Michael Lipton. The ADB has committed over \$

unfortunate ways. Civil conflict is devastating for poor people. In addition to the direct loss of life, it wreaks social and economic havoc and creates a terrible legacy of psychological and social trauma.

Trade and investment:

Pakistan, the 7th most populous country is the world has not been able to attract even one half of one tenth of 1% of the worldwide flow of FDI. The gains from trade that accrue to any country benefit the national of that country. But LDCs have to be very selective in their economic relations with the developed countries because a more equitable distribution of the benefits of trade will be more than likely to continue to be subverted by the wealthy nations to further their own private or national interests. But still it is impossible for LDCs to go it alone in a world of unequal trade, technological dominance and widespread market imperfections. They may form regional blocks. Poor countries often lose out because rules of the games are biased against them particularly those relating to international trade. The Uruguay Round (which became effective in 1995) hardly changed the picture although promised so much.

Military expenditures:

Developing countries are now importing 75% of world's arms. 80% of all arms exports are still supplied by the industrialized world. Empirical work now conclusively proves that military spending has a negative effect on economic growth. The most credible and definitive empirical study of 83 developing countries by Alfred Maizels and Machikoc Niskanen clearly demonstrated that the impact of military spending on economic growth in developing countries has been unambiguously negative.

Poverty, which diminished during the 1970s and 1980s has now returned to Pakistan in the 1990s and in a big way at that. This may be the most serious issue for us in more ways than one. The voices of the poor need to be heard and acknowledged. That task of poverty alleviation is gigantic and it requires vision and determination so that it does not remain an elusive goal.