

Poverty alleviation: cha

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One of the Pakistan's biggest socio-economic challenge is poverty alleviation which after the estimates revealed by WB around two years earlier was 34 per cent of the population. It is on the increase according to Asian Development Bank estimates. The problem of poverty alleviation has remained the focus of present government not primarily because governments and budget planners in Pakistan have ever been serious to alleviate poverty but because IMF/WB are emphatic about it due to rising poverty level across the world and their new remedy PRGF (Poverty Reduction and Growth Facility) for it. Government's concern to alleviate poverty could be genuine also, but that would be as a consequence of second thought. Her priorities are different. Government has taken a few measures such as establishment of Khushali Bank and exclusive allocation of funds in last year's fiscal budget to alleviate poverty. But, the question is: Can poverty be really alleviated through such a budgetary measures?

Causes
Poverty in Pakistan has doubled during the decade of 90s because of reduced economic growth, remittances and employment opportunities. In case one goes by the statistics of these three economic indicators during the decade of 90s, the reason for expansion of poverty becomes crystal-clear. For example, growth rate has nearly halved after mid-90s compared to an average growth rate of 5 per cent of GDP during the 1980s. Similarly, the official remittances have less than halved during the 1980s compared to their peak value of around \$3 billion in mid-80s. They have even reduced further during post-nuclear explosion period and have shown slight increase during the current year. Also, the employment rate during the decade of the 1990s has doubled from 3.13 per cent to 6.12 per cent. In addition to this increasing cost of

Society
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utilities and depreciating value of rupee are adding to the increase in poverty level in the country.

There is a strong feeling among the financial experts that factors such as poor economic governance, ethnic, sectarian and political divide and the political uncertainty are some of the major reasons that have contributed towards the growth of poverty. But, the most conspicuous reason that contributed towards increase in poverty is apathy of successive governments in the past to address the issue of poverty. Never ever, government has made serious effort to contain growth poverty except the government of PPP in the 1970s that was at least vocal to address the issue. But her efforts too, were more cosmetic in nature than concrete and economic in real sense. In the 1980s because of increase in remittances by semi-skilled and unskilled expatriates, the issue of poverty got addressed because of the additional income that reached their families.

ESAF (Extended Structural Adjustment Facility) programme of IMF focused at restructuring economics of developing countries according to the 'Washington Consensus' after the end of Cold War because they had no model of economic development and growth to emulate. Pakistan also pursued the same route and joined ESAF programme in 1988.

Implementation of ESAF programme demanded privatising state productive commercial assets, free floating rupee, ending subsidies, lowering import tariff, downsizing public organisations and raising the cost of utilities. All these factors put together could lead to development of competitive corporate cul-

ture within the Pakistani society and industry which had previously looked towards the state to provide them relief whenever they were in trouble. The free market regime wanted to liberate the state from the clutches of society and industry that were highly dependent on it and were over burdening it. It amounted to reversing a historical trend despite the fact that Pakistan was doing well.

As the development in the 1960s and the 1980s showed although there were conspicuous external factors such as liberal economic and military support of the west, money sent by the expatriates that contributed more to keep economy in good health than the economy did for itself.

ESAF packages contracted by Pakistan with IMF during the 1990s on their face value had one central objective of enabling the economy to stay at its feet. Also, it should generate enough revenue to meet requirements of debt servicing, public expenditure including the defence budget and development expenditure. This could not be possible unless the economy was given impetus to gain momentum for higher economic growth. But, somehow IMF conditionalities like reducing fiscal deficit and import tariff, increasing cost of utilities and downsizing public organisations scuffled economic growth. That is where one finds inherent contradiction in IMF approach to kick-start economic growth in ailing economies and the results achieved through implementation of her policies. The world-wide condemnation of ESAF packages that ultimately expanded poverty in the developing countries like Pakistan forced IMF/WB to change

Challenge persists

such as establishment of funds in last year's session is: Can poverty alleviation measures?

ESAF to PRGF with a shift towards taking economic activity to the grassroots level in participatory environment for the public. These measures are to be executed through fiscal measures as envisioned under PRGF.

The measures executed at grassroots level are to be integrated at the national level through various tiers of economic activities to achieve higher economic growth. IMF/WB envision that poverty can be alleviated through implementing the conditionalities set under PRGF. The question is can poverty be really alleviated through half backed fiscal measures which governments of developing countries would be called upon to implement? The answer can at best be wrapped in skepticism because there is a marked difference in envisioning an economic programme at the IMF headquarters in Washington and implementing the same through a government of developing country that is not certain of herself and its functionaries carry the weight of IMF conditionalities with disdain and an additional burden on their mind.

Pakistan's dependence on IMF/WB/ADB particularly of the present government hardly needs to be highlighted. The government is looking up to switching to PRGF after the conclusion of ongoing SBA in September this year. There is wide spread speculation that SBA might be extended by three months to gain time to negotiate PRGF. PRGF is a medium term facility that could bring around \$3 billion IMF package spread over three years. The government, it is understood, has already submitted interim PRSP (Poverty Reduction Strategy Paper) to the Fund which

would be discussed with IMF authorities.

① The government has now come up with a innovative devolution plan and envisions alleviating poverty through a mix of measures that will devaluate economic and decision making power at the grassroots level. It will create environment for economic activities in which people at the district level will be the direct participants. They will also plan and execute schemes relating to social services sector such as construction of health care centres, schools, roads and manage them. Such measures, envisions poverty reduction strategy, would create income for unskilled and skilled population that is in search of job. The government has vowed to create around 2 million jobs during the next fiscal year. Most of the jobs would be created through the Social Action Plan (SAP) to be executed at the district level. Similarly, it is being said that Khushhali Bank would enable people with low investment create self-employment as has been experienced in Bangladesh through Greeman Bank. PRGF package would, however, not absolve the government to deliver on conditionalities relating to macro-economic indicators like achieving higher growth rate, forex reserves and reducing fiscal deficit.

② The measures being envisioned and executed to address the issue of poverty alleviation are at best adhoc. Unless a comprehensive policy based on the experience of Southeast Asian countries seeking expenditure on human resource development, kick-starting higher economic growth, creating exportable surplus with sufficient element of value-added items and enforcing a system of equitable wealth and income distribution is implemented it is doubtful if the issue of poverty alleviation can be addressed in real sense, notwithstanding IMF's PRGF to which the government is willing to commit to get financial assistance worth \$3 billion.