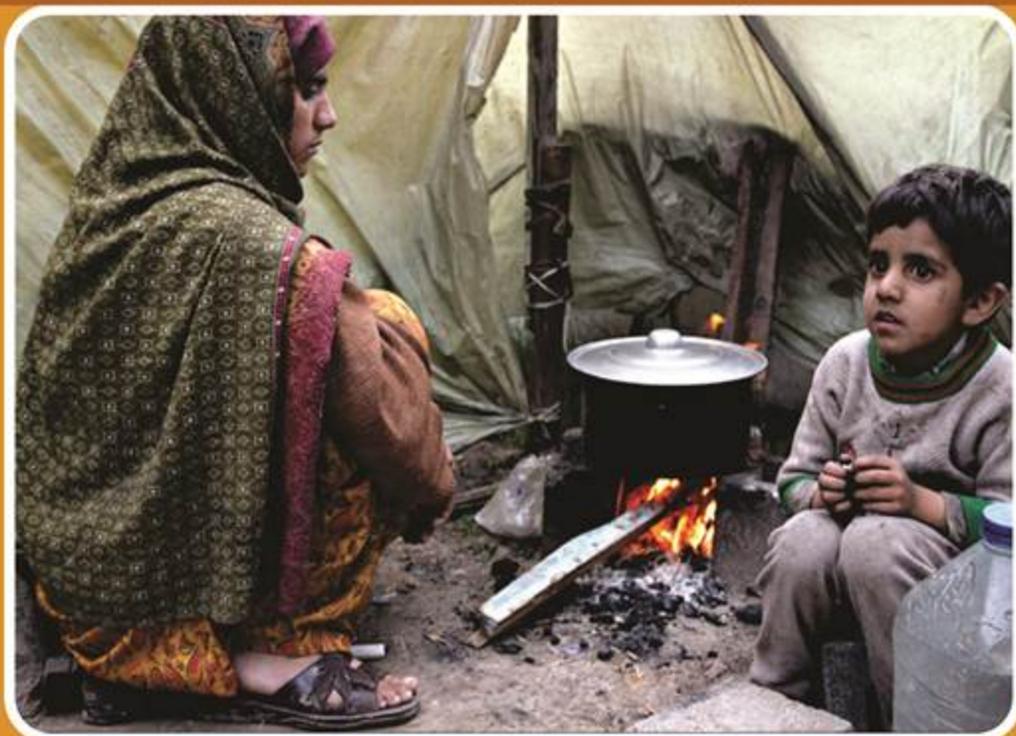




History of PIDE Series-6

A REVIEW OF STUDIES ON POVERTY IN PAKISTAN:
Origin, Evolution, Thematic Content and Future Directions

S. M. Naseem





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**A Review of Studies on
Poverty in Pakistan:
*Origin, Evolution, Thematic
Content and Future Directions***

S. M. Naseem

**PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS,
ISLAMABAD**

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AUTHOR'S PREFACE/PERSONAL NOTE

Almost four decades ago, the late Mr M. L. Qureshi, who took over the reins of the re-incarnated Pakistan Institute of Development Economics in Islamabad, requested the Senior Fellows to help him reinvigorate the research activities of the new Institute, which had been adversely affected by the heavy depletion of its staff since an overwhelming number of those who were working in Karachi had either chosen to opt to go to Dhaka, or had resigned from service or had been taken as POWs after the fall of Dhaka. He asked each Senior Fellow to undertake a research project, either individually or in collaboration of the meager staff available at the Institute. As one of the newly-inducted Senior Fellows, I offered to undertake a study on Mass Poverty in Pakistan, whose preliminary findings were published in *PDR* [Naseem (1973)].

Dr Rashid Amjad, currently the Vice-Chancellor, who has been keen to highlight the work of PIDE done in the past, has been insistent in persuading me to write a review monograph on the work done at PIDE and published in the *PDR* on poverty since that paper. I have been both flattered and humbled by his offer and have accepted it after considerable hesitation and trepidation, which stemmed largely from the fact that I had not myself been very active in poverty research for a considerable period and, to a large extent, was unfamiliar with the voluminous literature that had been produced on the subject, both within and outside the PIDE—some of very high technical and analytical value. The fascination of revisiting the subject and looking at it more closely once again, despite my considerably diminished capacity to do so, tilted the balance in favour of accepting the challenge.

It was indeed fortuitous that my 1973 article was the first in Pakistan to address systematically the issue of poverty and can humbly claim a small credit for having helped put it, largely by default, on the map of Pakistan's development agenda. Someone would certainly have taken it up, sooner or later. The immense interest that poverty generated in the 1970s – both in Pakistan and outside – was much more the result of the address to the Board of Governors of the World Bank Group, Nairobi, Kenya, in September 24, 1973 of its then President, Mr. Robert McNamara, in which he declared, "The basic problem of

poverty and growth in the developing world can be stated very simply. The growth is not equitably reaching the poor. And the poor are not significantly contributing to growth". That landmark statement not only set forth the stage for an unceasing flood of funding across the world to study poverty in all its facets and in all parts of the world. The illustrious US Defence Secretary, who unsuccessfully led the war against Viet Nam, was drafted to lead the much bigger war against world poverty. But despite the billions of dollars poured into it during the last four decades, the successful end of that war is much more elusive than the military victory in a remote part of Southeast Asia that he chased in the 1960s.

The study is divided into four major sections. The first tries to put in a political economy perspective the emergence of interest in poverty studies in Pakistan in the early 1970s in the wake of the unraveling of Ayub Khan's Decade of Development that ultimately resulted in the creation of the independent state of Bangladesh. The event became the starting point of a new discourse on the economy and polity of the remnant state of Pakistan, relating to concerns about poverty and human development, which had been underwhelmed by the overarching regional divide.

The second section deals with the qualitative evolution of poverty studies from number-crunching exercises to determine the number of people lying below the poverty line, derived on some arbitrary basis, to greater sophistication in measurement and analysis. The third section discusses the broadening of the thematic content of poverty studies, such as geographical, income and occupational distribution, measurement issues, food poverty, structural adjustment, trade liberalisation, capital flows and remittances, social safety nets and emerging policy issues. The final section looks at the efforts to translate poverty studies into anti-poverty programmes, as well as the likely future directions in which poverty studies on Pakistan are likely to move.

Although much of the work included for review in this monograph is based on the work initiated, commissioned or conducted at the PIDE and published in *PDR* (especially in the volumes devoted to the Papers and Proceedings of the PSDE—Volume IV—since the early 1980s), a sizeable—and an increasingly important—volume of research and publications have been undertaken by other institutions, especially the Government and international organisations (such as the

World Bank and academic research institutions), which deserved inclusion. The purpose of this monograph is not simply to highlight the internal research of PIDE on poverty or on the papers published in *PDR* or other allied publications, but to present an integrated view of the research published on the subject and the different directions it has undertaken and continues to open for the interconnected discourse on poverty and development since the 1970s.

In order to put some limits on the coverage of the vast amount of literature produced in the area, I have tried to survey only a selection of articles and research material that have touched on the major themes relating to the incidence, causes and alleviative programmes and policies on poverty in Pakistan during the last four decades. Inevitably, it is quite possible that some important issues and researches may have been unwittingly excluded—likewise, some issues and articles may have received undue salience—for which the author expresses his sincere regrets.

S. M. Naseem

I. ORIGIN, EVOLUTION AND FUTURE DIRECTIONS

1. Genesis

In PIDE's earlier phase¹ the focus of the studies conducted at the PIDE (then IDE) as well as the articles published in its journal, *The Pakistan Development Review* (PDR), reflected the prevailing thinking on development economics and the strategy of development adopted during the Second Five Year Plan.² As a result, the predominant development discourse was about growth and poverty did not figure as an issue of great public concern until the 1970s, but became increasingly important in later decades.

Table 1

Growth and Poverty Studies, published by PIDE during 1957–2010

Topics	1960– 1970	1971– 1980	1981– 2010	1960– 2010
1 Growth	6	5	71	82
2 Development	7	5	38	50
3 Development Strategies	0	2	5	07
4 Planning	20	6	20	46
5 Foreign Trade	6	7	18	31
6 Income Distribution	6	10	23	39
7 Poverty	0	11	99	110
8 Other Social Issues	1	2	11	14
All	46	48	285	379
Poverty Studies/All Issues	(0%)	(23%)	(34.7%)	(29%)

Source: PIDE research staff.

¹I borrow the phrase from the subtitle of A. R. Khan's Monograph [Khan (2008)] *PIDE's Contribution to Development Thinking: The Earlier Phase*. History of PIDE Series 2, 2008.

²This thinking was best articulated in Dr Mahbub ul Haq's seminal book [Haq (1963)]. Dr Haq more than redeemed himself in his later professional career by not only renouncing his allegiance to the growth mantra, but also by championing the new concept, index and strategy of human development.

This was the period in which “growthmanship” was the ruling development paradigm and Pakistan was being showcased as the role model of that paradigm. However, towards the end of this initial period, there began to be felt ominous stirrings of discontent with the adopted development strategy. These were manifested initially in the discontent in East Pakistan which whose economic growth was relatively neglected by the development planners. Although there were economic reasons for the slower growth of East Pakistan, its relative backwardness, lower per capita income and vulnerability to national disasters exacerbated the differences between East and West Pakistan. While purely economic factors may have justified the inadequate focus on East Pakistan, human and political factors argued in favour of a more proactive approach towards its development. In fact, however, many political factors, including the relatively low share of East Pakistan in the governing elite, the cultural and spatial distance between the two geographical units of Pakistan, militated against any deliberate action to minimise or reduce the extent of disparities between the two regions.

The question of trade off between equity and growth first arose in the Pakistani context in relation to the uneven development of the two regions. By 1968, this discontent in East Pakistan had assumed a significant political momentum, which along with the dissatisfaction against the Ayub Khan’s military regime and the emergence of a populist movement in West Pakistan led by Mr Zulfikar Ali Bhutto’s Pakistan Peoples Party (PPP), contributed to the end of the Ayub regime and the demise of the development paradigm that placed growth, rather than equity as its central focus.

In the aftermath of the fall of the Ayub regime, attention began to be focused on issues of income distribution, employment and poverty reduction. Much of the earlier interest in the subject was from the point of view of the inter-regional (East-West Pakistan) or inter-sectoral (agricultural-industrial) balance. The focal point of these studies were political or economic groups consisting of a congregation of broadly homogeneous groups, as the purpose was to study differences between such groups, rather than that within them.

Some studies on income distribution had already preceded the debate on the growth vs. equity and disparities in regional and sectoral development. There was a study by the Norwegian statistical economist Asbjorn Bergan in 1967 published in *PDR* and a more limited study on the measurement of inequality in urban personal income distribution by

Khadija Haq in 1964 [Bergan (1967) and Haq (1964)]. Another study by Taufiq Khan and S. R. Bose conducted at PIDE in 1968 focused on sources of income and levels of living of agricultural population along with A. R. Khan's study on Real Wages of industrial workers also highlighted the downside of the growth oriented development strategy in the 1960s [see Khan and Bose (1968) and Khan (1967)].

These studies, as well as the shifting focus of the development debate from growth to poverty, prompted the present author to undertake the first major academic study on poverty in Pakistan. Not surprisingly, the study generated considerable interest, giving rise to a plethora of subsequent studies on poverty in Pakistan, some building up and others vastly improving on the methodology of the modest first effort. These studies are analysed in the following section relating to methodological, thematic and policy issues and their impact on development strategy in Pakistan.

2. Historical Evolution

A basic critique of much of the published work on poverty in Pakistan two decades ago, was that it has become a “number-crunching exercise (or an industry)”, with little regard to the sophistication of the analysis and the richness of their substantive content³. Fortunately, this shortcoming has been remedied in the more recent studies that tend to offer more qualitative and analytical explanations and interpretations⁴. Most of the work on poverty in the earlier years was based on estimating the extent, incidence and configuration of poverty in Pakistan, and only after the late 1980s has the discourse adopted a more holistic—often, a political economy approach.

Poverty studies during the last four decades have gone through at least four evolutionary—and still continuing phases—which and can be classified into succeeding generations. They broadly reflect the political economy concerns of successive periods—though not necessarily motivated by them. The first generation, which include the

³Zaidi (1999) provides a very useful and painstaking thumb-nail sketches of poverty studies undertaken in Pakistan, with brief annotations. This has greatly helped me in covering the first quarter century of poverty studies, spanning from 1973 to 1999.

⁴Although it is impossible to provide an exhaustive list of such studies, it is appropriate to mention some of the institutions, besides the PIDE, which have been active in carrying out high quality quantitative and observational research, since the 1990s. These include the SDPI, SPDC, CRPRID (2001-10), Collective for Social Science Research (CSSR).

first four or five studies conducted in the 1970s by Naseem (1973 and 1977), Alauddin (1975), Mujahid and Hussain (1980), were situated in the period of Ayub Khan's high, but inegalitarian growth period (1960–68) and the populist, statist development of the Bhutto period (1972–79), focused mainly on the poverty and distributive impact of the development strategies followed under the two contrasting regimes. Naseem (1977) himself extended his work, in three directions. Firstly, he extended the poverty estimates by two additional years as did Alauddin (1975) earlier. Secondly, and much more importantly, he derived for the first time, poverty lines based on the extent to which standard calorific requirements of 2100 calories per head per day were met (he used 95 percent, 92 percent and 90 percent as benchmarks). Thirdly, Naseem (1977), used the Census of Agriculture data for various years to link landlessness with poverty and to derive estimates of poverty among various tenurial classes, viz. landless, tenants, tenant-cum-owners and owners.⁵

Naseem's (1973) paper begins with a review of studies on income distribution and employment growth, which were also at that time, relatively few. Given the limitations of data available in the 1960s, most of these studies revealed: (a) that urban income distribution was far more skewed than rural income and (b) while there was a decline in inequality in the rural areas, it remained largely unchanged in the urban areas. As a result, overall income inequality in Pakistan was observed to be declining, a finding which ran counter to the intuitive perceptions regarding the outcome of Ayub Khan's Decade of Development. These findings on income distribution were questioned because of serious under-reporting in incomes of the rich.⁶

Naseem's analysis (1973) about trends in rural and urban income suggest that rural income per capita was lower in the early 1960s compared to 1950-51, after which there was a steady rise on account of the Green Revolution in agriculture. Urban per capita income from 1950 to the end of the sixties shows a more or less steady rise, and urban per capita income was found to be significantly higher than rural per capita income. To measure the incidence of poverty, the author

⁵As is the case with all new studies on any subject, Naseem's study was criticised by several authors, including Mujahid (1978) and Hussain (1988) and several others, for its many deficiencies. These critiques are discussed in the section on methodology.

⁶Income distribution data for the urban areas is usually based on data on income-tax (from which the agricultural sector is exempt), which covers less than 10 percent of the population.

constructs a poverty line based on per capita expenditure that fails to satisfy the minimum needs of an average individual. Estimates based on constructed poverty lines show a varying trend in rural poverty depending on the threshold level of the poverty line. Naseem (1973)'s results for the higher poverty line (Rs 25 per month, per capita) @ 1959-60 prices show a substantial increase in the number of people below the poverty line—rising from 23.46 million in 1963-64 to 26.51 million in 1969-70, with the rural poverty in terms of percentage below the poverty line remaining relatively stable at around 60 percent during the period. Looking at urban poverty, regardless of the use of poverty line—high or low—there is a marked decrease in urban poverty, although the results are sensitive to the choice of poverty line, showing in one case, that although the proportion of poor in urban areas has declined, results show that the concentration of income in urban areas has also worsened, their absolute numbers actually increased. (It is well-known that the estimates for poverty incidence are highly sensitive to variations in the poverty line.) Moreover, results showed that the concentration of income in urban areas had also worsened.

The poverty studies following the formative period of 1970s, conducted largely during the 1980s, took place in a new political setting in which General Zia ul Haq's military regime tried to counter the populist policies of the regime of Mr Z. A. Bhutto, the leader of the PPP whom he had over-thrown. Although Zia justified his own rule by ostensibly pursuing Islamic economic policies, the economy was managed largely with the technical advice and financial support of the United States and international financial institutions. Pakistan's participation in the first Afghan war also brought sizeable inflow of foreign assistance to boost the economy, which was partly offset by the expenses on the massive inflow of Afghan refugees. At the same time the economy also benefited greatly from the remittances from expatriate Pakistanis working in the Gulf region following the construction boom in the wake of the oil boom experienced by that region. As a result the economic growth during the 1980s was significantly higher than that in the 1970s and favourably compared with that in the 1960s.

A significant study in that period was that of Malik (1988). While confirming the earlier results that poverty, particularly in rural areas increased significantly in the 1960s but declined thereafter until 1984-85. The explanations for the observed declining trend in poverty, according to this study, included growth in per capita income,

remittances from the Gulf in 1970s and the contributions from Zakat and Ushr. The increase in poverty reduction during this period was more pronounced in the urban rather than in the rural areas. Changes in the agriculture sector during the 1960s, such as mechanisation and labour displacement and eviction of tenants, continued to be responsible for the increase in rural poverty. The reversal and lack of implementation of land reforms and tenancy legislations introduced during the Bhutto period were also blamed for the increase in rural poverty. Considerable research—some of it politically-inspired by the Government—was undertaken during this period on the prospects of poverty reduction through the zakat and ushr system.

A more significant contribution to the study on poverty during the 1980s was on methodological issues in which Aly Ercelawn, formerly associated with QAU Islamabad and later with the AERC at University of Karachi took a leading part [Ercelawn (1988b)]. Ercelawn's main contributions on the role of adequate nutrition as a means of alleviating poverty and the regional differences in poverty arising out of this factor estimating both food and expenditure norm. He defined the poor households for which available resources are below those necessary to obtain the required calorie intake through prevailing dietary patterns. Ercelawn's focus on nutritional aspects of poverty evoked considerable interest and further research on the subject of food poverty. One of the interesting papers in this area by a group of young researchers at PIDE also experimented with newer measures of poverty, other than the head count ratio [Mahmood, *et al.* (1991)]. It also focused on institutional factors, such as household size, access to education in determining nutritional adequacy. Other contributors in the debate on the methodology of estimating poverty incidence and income distribution during this period were Ehtisham Ahmad, and a number of scholars from the Netherlands.⁷

With the restoration of democracy in 1988, following the demise of Gen. Zia ul Haq in an air crash, the focus of development policy shifted to improving macroeconomic management. Globally, the period also coincided with the demise of the Soviet Union and the paradigm of central planning in developing countries. Trade and financial liberalisation, along with foreign aid inflows and remittances—rather than domestic resource mobilisation—came to be perceived as the driving force of economic development. With the Washington

⁷Their contributions are discussed in some detail in the Methodology section.

Consensus in its prime, poverty alleviation also took a back seat for a while. However, it soon dawned on development policy circles that growth and poverty alleviation could not be divorced. In this changed policy environment, the focus of poverty studies shifted to the examination of the impact of macroeconomic policies and a liberalised trade and capital flows regime on poverty alleviation [Filho (2010)].

One of the seminal papers in this period was that of Rashid Amjad and A. R. Kemal (later became Vice-Chancellor and Director of PIDE) [Amjad and Kemal, (1997)]. In that paper the authors constructed a consistent series of poverty estimates from 1963 to 1993 and also looked at trends in human development indicators. Along with trends in poverty incidence they also used trends in economic growth and key policy interventions. They concluded, with the usual caveat about data availability and conceptual problems, that a growing level of per capita income and flow of remittances were the most important factors which have helped explain the changes in levels of poverty in the country; real wages and agricultural productivity also have had a significant effect on the reduction of poverty until the late 1980s.

The authors also looked at the causes of the palpable “return of poverty in Pakistan in the late 1980s and early 1990s”—a period coincidental with the first post-Zia ul Haq democratic regime in Pakistan. The debate on the return of poverty to Pakistan was reignited in 1995 by Mr. Shahid Javed Burki in an address at a seminar held by the PIDE and published as a monograph [Burki, (1995)]. The address, coincidentally, was made by Mr. Burki while he was serving as a senior executive in the World Bank and Ms. Bhutto was serving her second term as the Prime Minister. Zaidi (1999a) and Sayeed (1996) have examined the political economy aspects of the “return of poverty to Pakistan” syndrome during the post-1995 period. G. M. Arif also examined the impact of the reported rise in poverty in the late 1990s [Arif (2000)].

II. CORE ISSUES OF POVERTY DISCOURSE

1. Evolving Conceptual Paradigms

A major focus of all poverty studies has been to see how the incidence of poverty (in any given metric) has changed over time. This stemmed largely from the dissatisfaction with the most commonly-used indicator of well-being and economic progress of a nation had

heretofore been GDP per capita (in constant prices), on which most countries had developed time series going at least as far back as the end of the second world war. However, while the conceptual base and methodology of measuring GDP per capita became firmly established and institutionalised, it was much more difficult to do so for poverty—whose measurement depended on a number of discretionary choices on which it was not easy to reach agreement among professionals, much less the policy makers. International comparisons, which posed serious challenges even for per capita comparisons, notwithstanding the commendable efforts by reputed academic and international institutions to produce Purchasing Power Parity (PPP) estimates, proved even more formidable in case of similar comparisons of poverty estimates. The \$1-\$2 per capita per day as the measure for an international poverty line used by the World Bank, while arousing public interest in the plight of the poor, may have done more harm than good to the prospects of the poor [Pritchett (2003)].

A basic problem confronting all researchers is how to define poverty and whom to include in the category of the poor. Traditionally, poverty is defined in terms of some measure of monetary income considered adequate for subsistence. However, income in monetary terms may not be an adequate measurement of living conditions of poor populations. Besides the known problems with the measurement of household income, there is often a significant amount of non-monetary transactions, out-of-the-market transfers, access to public services and production for self-consumption which may become more important than straightforward income, as measured in standard household surveys.

Until recently, much of the work on poverty measurement had been centred around the concept of income (or consumption) poverty. Admittedly, this is a rather narrow concept and does not capture the multi-dimensionality of the poverty syndrome. However, once one tries to move towards a more comprehensive treatment of poverty, both the conceptual and measurement problems become more formidable and the tension between satisfactory conceptualisation and accurate measurement tends to increase.⁸

⁸For a comprehensive review of the evolution of conceptual and estimation issues relating to poverty measurement, see Naseem (1999), on which this section is partly based.

Poverty is a contextually conditioned concept. And often has geographical and cultural dimensions. Cultures vary in the way they value specific conditions, like clothing and living standards, access to education for women, exposure to violence, or access to public transportation, public health and public justice. The issue here is whether some of these “cultural variations” should be taken as such, or measured against some “objective” (and often value-loaded) standard. In recent years the poverty concept has evolved considerably further in the direction of a more holistic approach and embracing many non-economic dimensions.

The theoretical work of Amartya Sen, the 1998 Nobel Laureate, who had earlier contributed the notion of food entitlement, or access, emphasised that income was only valuable in so far as it increased the *capabilities* of individuals and thereby permitted *functioning* in society. Sen’s ‘capabilities framework’ argues that poverty is the lack of certain basic capabilities, such as avoiding hunger and illiteracy, rather than lack of adequate incomes [Sen (1981)]. While Sen accepts the value of growth of incomes as an element in measuring development, he says that there is much more at stake. The relevance of income is not in income per se but in the access it can provide to some of the vital needs of life. In this category Sen lists needs like “health, or education, or social equality, or self-respect, or freedom from social harassment “ [Sen (1983)]. This view makes Sen move from the concept of income to the concept of entitlement, i.e. whether a person has entitlement or access to some of the vital things s/he needs in exchange for income or otherwise (e.g. by social right). This includes the question whether the thing in question is physically available at all for the person to buy (school for education or hospital for health service) as well as whether the social system grants one the rights and the quality of life that one needs for a humane existence. In thus conceiving development Sen views entitlement as a complex notion that can scarcely be reflected by “one real number,” such as the GNP per capita.

Many of Sen’s ideas were incorporated and operationalised in the UNDP’s Human Development Reports, which were initiated under the direction of the late Dr Mahbubul Haq. Sen and others, who collaborated to produce the Reports developed and refined the idea of a Human Development Index (HDI), which despite its many analytical shortcomings, has continued to serve as an alternative system of ranking of countries in terms of ‘the denial of opportunities and choices’ to lead a long, healthy, creative life and to enjoy a decent

standard of living, freedom, dignity, self-esteem and the respect of others.

Many others have contributed to broadening the concept of poverty to include wider human and social concerns. Among others, Peter Townsend, in particular, helped redefine poverty, not just as a failure to meet minimum nutrition or subsistence levels, but also rather as a failure to keep up with the standards prevalent in a given society, later giving rise to right-based approaches to poverty and development.⁹ Robert Chambers' work on powerlessness and isolation helped to inspire greater attention to participatory development in which Anisur Rahman and Dharam Ghai of ILO made pioneering contributions [Rahman (1984)]. It is now widely recognised that broadly participatory processes (such as "voice", openness, and transparency) promote truly successful long-term development, including poverty alleviation [Stiglitz (1999)].

A new interest in vulnerability, and its counterpart, economic security, associated with better understanding of seasonality and of the increasing incidence of natural disasters, notably drought, floods and earthquakes, as well as to external shocks and structural adjustment policies pointed to the need for social safety nets and the importance of assets as buffers, and also to social relations (the moral economy, social capital). It led to new work on coping strategies.

A broadening of the concept of poverty to a wider construct, livelihood, was adopted by the Brundtland Commission on Sustainability and the Environment, which popularised the term sustainable development. Finally, the last two decades were characterised by a rapid increase in the study of gender. The debate has moved from a focus on women alone (women in development (WID)), to wider gender relations (gender and development (GAD)). Policies followed to empower women and find ways to underpin autonomy, or agency. Here also Sen's work on the "missing women" and intra-household distribution of expenditure has been very influential.

Given the close relationship between growth and poverty, the concept of pro-poor growth, which implies that the poor receive proportionally greater benefits of growth than the nonpoor [Kakwani and Son (2003)], became the next step in the evolution of poverty

⁹In the evolution of these ideas, the UN's Universal Declaration of Human Rights (1948) and the Declaration on the Right to Development (1986), played a strong catalytic role.

studies. In 2003, the United Nations Development Programme (UNDP) and PIDE organised a seminar on pro-poor growth policies, focusing on the magnitude of poverty, the poverty reduction strategy outlined in the PRSP, and pro-poor growth policies [PIDE/UNDP (2003)]. In 2004, Professor Kakwani delivered a lecture at the Annual Conference of the Pakistan Society of Development Economists held in Islamabad on the concept and measurement of pro-poor growth. He presented quantitative evidence on pro-poor growth from Korea Thailand and Vietnam based on [Kakwani, Khandker, and Son (2003)]. The paper argues that the usual argument of trickle-down effects of growth for poverty reduction may be valid, but its impact is generally very slow [Dollar and Kraay (2002)]. To ensure a faster pace of poverty reduction, the reliance on trickle down has to be replaced by the idea of pro-poor growth. Apart from the growth rate, the structure or *quality* of growth is crucial to poverty reduction efforts. Pro-poor growth calls for enhancing growth that goes beyond the idea of trickle-down development. Kakwani, Khandker and Son (2003) measure pro-poor growth in Korea and Thailand, showing that both countries enjoyed high economic growth in the 1990s prior to the East Asian financial crisis. Nevertheless, Korean economic growth generated proportionally greater benefits to the poor than to the nonpoor, while Thai economic growth benefited the nonpoor disproportionately. The real question for Pakistan is how growth can be made pro-poor. Kakwani, Khandker and Son (2003) point out that the lower initial levels of income and the higher the initial degree of inequality, the harder it will be for growth to lift people out of poverty.¹⁰

2. Competing Poverty Narratives

The most commonly used standard for the measurement of income or consumption related poverty, involves calculating a poverty line (based on some minimum acceptable level of consumption) and estimating the proportion of population below that line. Until 2001, when Pakistan's Planning Commission decided to establish an official poverty line(OPL),¹¹ there was no uniform methodology for estimating

¹⁰This lecture was based on a paper written by Kakwani and Son (2003).

¹¹The Planning Commission decided that 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. The poverty line for Pakistan for FY1999 on this basis has been defined at Rs 670 per capita per month.

poverty and individual researchers' estimates varied considerably, both in the methodology and results of estimates of poverty in the country. Although the statistical base of most studies has been the Household Income and Expenditure Survey (HIES) data set—produced continually by the Federal Bureau of Statistics (FBS) since FY1964, and with greater frequency in the 1990s,¹² the variations in the empirical results have stemmed from both differences in the methods of data processing and in the operational definition of poverty. With the adoption of the OPL, it was expected that controversies about poverty estimates, would tend to diminish. Unfortunately, this has not happened and the official estimates have been questioned, both from within the Government and outside.

While there is no consensus on the precise level of poverty in the country at any given time, there is greater agreement with regard to the trends in poverty since the 1960s. The last four decades of the previous century—from 1960s to 1990s—can be grouped into two broad periods with respect to poverty trends. The first period is from FY1964 to FY1988, while the second covers the years from FY1988 to FY1999 (the last year of the period for which data is available). During the first period, poverty declined in the urban areas until FY1970, but increased in the rural areas leading to an increase in overall poverty in the country. Subsequently, between FY1970 and FY1988, poverty declined in both rural and urban areas. A number of factors, including the green revolution, increase in employment due to a boom in the housing and construction sectors, as well as rapid expansion of the public sector, and the inflow of workers' remittances from the Middle East contributed to poverty reduction during this period.

During the second period, FY1988 to FY1999—a period corresponding to the interregnum between two extended periods of military rules—results from various studies indicate that the incidence of poverty increased from 22–26 percent in FY1991 to 32–35 percent in FY1999. As mentioned earlier, most of the increase in poverty in this period seems to have taken place between FY1997 and FY1999, a period of slow growth and macroeconomic instability in Pakistan. After FY1999, growth slowed down even further, the fiscal squeeze

¹²In 1991, FBS started the Pakistan Integrated Household Survey (PIHS) incorporating a broader range of variables including education, health, fertility and family planning, and water supply and sanitation. From FY1999 the PIHS and the HIES surveys have been combined.

intensified, development spending declined, and the country experienced a severe drought. All these factors, contributed to a rise in poverty during the period.

3. Unraveling Poverty Puzzles

Ever since poverty became a major focus of development research and policy orientation, the estimates of poverty incidence have been used by the protagonists of different persuasions in support of their respective view points. Even before 2001, the poverty incidence estimates derived from HIES and different calorie-based poverty lines were used to judge the performance of successive governments in the period of considerable political instability in the 1990s. During Zia-ul-Haq's period (1977–1988), there was relatively little debate on the regime's economic performance, which on the whole was considerably better than in the Bhutto period (1971–1977) with a GDP growth rate of 6.6 percent and 4.9 percent respectively. The higher growth rate in the Zia period was largely due to heavy foreign aid inflows and remittances. "Rapid growth, widespread prosperity and relatively stable prices made the Zia period appear to be an era of political stability in Pakistan" [Hassan (1998)]. However, the positive growth performance in the period was not taken advantage of by the regime to bring about needed structural changes in the economic and social sectors.

Zia's pro-poor policies consisted largely of the introduction of Zakat and Ushr as the core of the social safety nets that were needed to protect the vulnerable group with income below the poverty line. The rapid rise in workers' remittances, whose main beneficiaries during the period were the relatively poor families both in the rural and urban areas. Although both these factors, along with the high GDP growth rate, must have had some positive effect in the reduction of poverty, its reported decline to below 20 percent by the end of 1980 cast some doubt on the poverty figures for that period.

The 1990s, which were marked by considerable political instability, witnessed a slowing down of the rate of economic growth, a sharp acceleration in inflation and evidence of worsening income distribution. Under the influence of the IMF and the World Bank, the governments were forced to introduce major structural reforms such as trade policy liberalisation, financial sector reforms, privatisation, attracting new FDI flows, especially in the energy sector and the introduction of a heavily-foreign-funded Social Action Programme

(SAP), which ended after a decade's inglorious performance. These reforms, which were rather half-heartedly owned and implemented by the Government, were accompanied by rather strict conditionalities under the Structural Adjustment Programmes, whose burden fell largely on the poor. Although the evidence on the impact of these programmes on the incidence of poverty was not conclusive, it did raise considerable concerns to direct attention of public policy towards the measurement and impact of poverty incidence.

The World Bank took a leading role in organising a series of studies on poverty in Pakistan during the early 1990s [World Bank, (1995)]. While the World Bank study arrived at a considerably higher figure of poverty incidence in 1988 which shows that the poverty incidence had fallen by 1995. The World Bank study raised several questions about the methodology of estimation of poverty line and the estimation of poverty incidence from available data.

4. The Post-2000 Scenario

After almost three decades of unofficial efforts to estimate poverty incidence and with considerable prodding and financial help from the international community, the Government awakened to the need of making available reliable estimates of poverty over time, in order to ensure comparability of poverty estimates over time and facilitate global comparability.¹³ The task of measuring poverty and conducting the analysis was assigned to the Centre for Research in Poverty and Income Distribution (CRPRID), an autonomous centre within the Planning Commission, funded by UNDP, which after a number of changes in its acronym, was dissolved in 2010. The Planning Commission, after due deliberation and consultation, notified in 2002 the official poverty line (OPL), which was based on a threshold caloric intake requirement of 2350 calories per adult equivalent per day. This dietary intake requirement of 2350 calories translated through the Engel curve relationship into a poverty line of Rs 673 per capita per month in 1998-99 prices and was to be updated by the CPI for the year in which the HIES/PSLM was conducted. This poverty line in caloric terms was broadly consistent with those used by earlier studies,

¹³Among the motivations for the Pervez Musharraf-Shaukat Aziz Government's resurgent interest in poverty alleviation was the linking of foreign aid to poverty alleviation by the IMF and World Bank.

although considerably higher than Naseem's (1973) and Ercelawn's (1988) in adult equivalent terms.

Recently, in a déjà vu of earlier controversies, there has been a heated debate on the poverty estimates comparing the situation before and after the 2008 elections and the end of the Musharraf regime. The Planning Commission's estimates based on this methodology showed that poverty had increased from 30.6 percent in 1998-99 to 32.1 percent in 2000-01. The CRPRID re-estimated the poverty incidence for 2000-01 on the basis of a revised methodology as 34.6 percent. Its estimates for 2004-05 showed that poverty incidence had declined to 23.9 percent, indicating a ten percentage point reduction in poverty during the first five years of Musharraf regime. In order to confirm the rather sharp decline in the reported poverty figures, the Planning Commission hired the services of Professor Nanak Kakwani of Australia for a third party validation of the Centre's estimates. Professor Kakwani validated the estimates for 2000-01 and 2004-05 as well as the figures for 2005-06 which indicated a marginal decline to 22.3 percent from 23.9 percent in the previous year. The World Bank was also invited by the government to validate the estimates and in its May 2008 report, the Bank endorsed the CRPID/Planning Commission estimates. The CRPRID also estimated poverty incidence for 2007-08 using the HIES of that year and found that the number of people below the poverty line had declined by more than five percentage point to 7.2 percent in 2007-08 compared to figures in 2005-06.

The figure of 17.2 percent for 2007-08, the last year of the Musharraf regime also raised political eyebrows. The new civilian government, elected in February 2008, asked the World Bank to send their expert to validate the estimates of the Centre, as on the previous occasion. The World Bank team again endorsed the CRPRID estimates by replicating the results from raw data of PSLM 2007-08 which, surprisingly gave exactly the same poverty estimates (17.15 percent for national, 10.1 percent for urban and 20.6 percent for rural areas) as the results from HIES.

By using the Pakistan Social and Living Standards Measurement Survey (PSLM) for the year 2007-08, CPRSPD estimated poverty for 2007-08. They found that the number of people living below the poverty line declined from 22.3 percent in 2005-06 to 17.2 percent in 2007-08. Both rural and urban poverty also registered declines from 27 percent to 20.6 percent and 13.1 percent to 10.1 percent, respectively

during the period. These results were presented to the planning commission in March 2009—one year after the new government took charge of state of affairs, causing it some public relations unease in accepting that poverty had declined so rapidly during the Musharraf years.

The Planning Commission demurred at these results and asked for their validation by the World Bank. The World Bank assigned two experts, Nobu Yoshida and Tomayuki Sho, to undertake the validation exercise, who presented their findings to the Planning Commission on May 29, 2009, endorsing the CPRSPD estimates and recommending their official release by the Government.

While the Government balked, World Bank released these poverty numbers through its report titled “Country Partnership Strategy” [World Bank (2010)], dated July 30, 2010. The Report stated that “Pakistan saw an impressive decline in poverty during 2001-02 to 2007-08; the share of the population living in poverty halved, down from 34.5 percent in 2001-02 to 17.2 percent in 2007-08. Both urban and rural areas saw significant reductions.” The Report attributed the decline in poverty to the “growth in real per adult consumption expenditures and declining inequality during 2005-06–2007-08. Key human development indicators of educational attainment, health outcomes and unemployment rates corroborate these trends through 2007-08”.

In contrast, the Panel of Economists headed by Dr Hafiz A. Pasha, had found in April 2008 that 35 to 40 percent of the population was living below the poverty line in 2007-08—up from 22.3 percent in 2005-06. The estimates were based on preliminary data for 2007-08.

As a result of all this controversy, the Parliament called the Deputy Chairman, Planning Commission, Dr Nadeem Ul Haque, to explain his position over a reported statement by him in which he had seriously questioned the official poverty figures of 2007-08.¹⁴ Eminent economists like Dr Akmal Hussain of Beaconhouse National University, Dr Ali Cheema of LUMS, and former Governor State Bank,

¹⁴It is interesting to observe that a similar controversy on poverty estimates recently surfaced in India, where the Supreme Court summoned the Deputy Chairman of the Indian Planning Commission, Dr Mantek Ahluwalia, also formerly of the World Bank, to explain the extremely low figures of poverty line used by the Indian Planning Commission to estimate the incidence of poverty in India.

Mr Shahid Kardar had also questioned the credibility of the poverty figures for 2007-08.

The absence of any firm survey data on consumption expenditures since 2008-09 has been a serious handicap for analysts of poverty in Pakistan, as well as for international organisations. To overcome this difficulty the HIES for the year 2010-11 was completed in 2011 and its results were finalised last year. The Government had not released the survey results till mid May 2012.

Pakistan's poverty puzzle has been investigated like Sir Arthur Conan Doyle's mystery novel by several investigators. Our talented Dr Watsons have had a challenging task in view of the rather conflicting pieces of evidence provided by primary witnesses on the ground.¹⁵ The stylised results of poverty in Pakistan, based on a number of official and unofficial studies, from early 1960s till 1986-87 reflect a trend of increasing poverty in 1960s and falling trend in 1970s and 1980s. However, there is disagreement among different researchers on poverty trends in 1980s. Part of the reasons for the differences in results is the choice of the year used and the choice of poverty line on which the results are based.

The main suspect of the Pakistan Poverty Puzzle is the elusive task of choosing an appropriate poverty line. Numerous attempts have been made to arrive at reasonable poverty lines for Pakistan. The two approaches used are the calorific approach and the basic needs approach. The former gives primacy to the need for providing a diet fulfilling a specified calorific value considered necessary to survive while the latter explicitly recognises the importance of a variety of other non-food needs such as housing, health, education, transportation, clothing and other needs. Although both the definitions have their advantages and downsides, the former is easier to calculate while the latter has the advantage of being more easily comprehensible. While it is possible to have a little less of housing, clothing, or transportation services, it is much more difficult to survive without food intake below the specified calorific requirements, even though the body could adapt reduced calorific intake in the short run—as marathon fasts-unto-death have shown. The two poverty lines generally do not differ a great deal in terms of monetary value at constant prices. For instance, a poverty line of 2100 calories per capita was valued at Rs 31.4 per month in 1959-60 prices when inflated to reflect 1991-92 prices was valued at Rs

¹⁵For a succinct summary of the conundrum [see Amjad (2003)].

340 per month which compared to Rs 288 arrived at by Gazdar (1994) using a basic needs poverty line at 1991-92 prices. The differences also arise because of the use of two different series of household surveys, namely, the HIES and the PIHS.

Another source of discrepancy in the various poverty estimates is the arbitrary exclusion of data on certain households whose income or expenditure is considered as abnormally high or low. The exclusion of such “outliers” in the “cleaning process” of the same basic data set has created wide variations in the poverty estimates and has often let them open to the charge of “manipulation” and “fudging” in the recriminatory exchanges among protagonists (who may not necessarily be the same as estimators or analysts) of such numbers. It is, therefore, incumbent on analysts to state the assumptions and procedures of estimation in a transparent and verifiable manner and to point out the likely biases in them. The temptation to use one’s pre-conceived notions about the reasons for changes in poverty in a given direction and to use them as the sole criterion for judging the veracity of a given poverty estimate should be avoided.

III. MEASUREMENT AND METHODOLOGICAL ISSUES

1. Data Constraints

The earliest studies on poverty in Pakistan in the 1970s were based on data derived from four Household Expenditure Surveys that were available to him, viz., 1963-64; 1966-67; 1968-1969 and 1969-70. The Household Expenditure Surveys carried out in the 1960s were based on the quarterly surveys of current economic condition conducted by the Central Statistical Organisation (CSO) which itself was in continuation on the National Sample Survey (NSS) first, second and third rounds of which contained data on personal income and expenditure. The size of the sample was rather small representing only .09 percent of total households. Another weakness in the earlier sample was that the difference between the size of the frame and the actual sample was relatively large, on the average amounting to 24 percent. The samples also suffered from possible under-enumeration of high income households. These weaknesses were, however, more important for estimating income distribution rather than the distribution of expenditure which is generally less skewed than income distribution.

Until 1990-91, the Household Income and Expenditure Surveys were conducted at irregular intervals by the CSO. In 1990-91, the Federal Bureau of Statistics (as the renamed CSO) conducted a different kind of household survey with assistance from the World Bank and the UNDP, the Pakistan Integrated Household Survey (PIHS). The 1991 PIHS was based on a smaller sample than the HIESs although it was designed to have a broader national representation. The range of topics covered in the PIHS was also widened as in addition to income and consumption data, it collected data on other socio-economic indicators, including, education, health, migration, community, etc. The HIES—that designed major household income and expenditure only—were conducted independent of PIHS until 1988-89 when the two were combined into a single integrated PIHS. While the two surveys PIHS 1988-99 and HIES for previous year are roughly comparable because of similar consumption questionnaires, sample sizes and sample methodologies, there are some caveats which need to be borne in mind when making comparison of the results based on the two sets of surveys.¹⁶

The data for poverty measurement in 2004 has been provided by the Pakistan Social and Living Standard Measurement (PSLM) Survey which is designed to provide social and economic indicators in alternate years at provincial and district level. The data generated

¹⁶See Box 2.1 Household Data Sources and Caveats in Pakistan Poverty Assessment report of the World Bank, October 28, 2002, Page 19. The Federal Bureau of Statistics (FBS) started conducting the Household Integrated Economic Survey (HIES) in 1963 and it has been repeated periodically since then. The scope of the HIES was expanded in 1998 by integrating it with the Pakistan Integrated Household Survey (PIHS) that collects information on social indicators. The HIES 2004-2005 (the most recent data available) that was conducted as a part of the first round of the Pakistan Social and Living Standards Measurement (PSLM) project.

HIES 2004-2005 involves a subsample of 14,708 households taken from the sample of 77,000 households used in the PSLM survey. The main objective of the current HIES is to derive poverty indicators. A two-stage stratified random sample design was adopted to select the households. In the first stage, 1,045 primary sampling units (enumeration blocks) were selected in the urban and rural areas of all four Pakistan provinces. In the second stage, the sample of 14,708 households was randomly selected from these primary sampling units. Using a random systematic sampling scheme with a random start, either 16 or 12 households were selected from each primary sampling unit [FBS, GoP (2006)]. The HIES collects data on household characteristics, consumption patterns, household income by source, and social indicators. With these data, it is possible to estimate income distribution, as well as income, and non-income measures of poverty across various sections of the society.

through these surveys is used primarily to assist the government in formulating the poverty reduction strategy in the overall context of Millennium Development Goals (MDGs). The PSLM are conducted both at the district and provincial level in alternate years. PSLM district level survey collects information on key social indicators whereas the provincial level survey (social and HIES surveys). The sample size of PSLM survey at the district level is approximately 80,000 households and of about 17,000 households at the provincial level. So far, the HIES has been published for 2005-06 and 2007-08. The PSLM portion of HIES for 2009-10 could not be conducted due to lack of funds. The 2010-11 HIES portion of PSLM was released in September 2011 after a considerable delay.

Pakistan, unlike India, does not have a regular national census organisation exclusively devoted to conducting socio-economic surveys on a periodic basis asking questions on different aspects of household behaviour. The first Household Income and Expenditure Survey (HIES) was carried out in 1963 and information was gathered for 1963-64, 1966-67, 1968-69 and 1969-70. No surveys could be organised in the 1970s apart from one in 1979. After this, HIES was not resumed till 1984-85. It then continued for three consecutive years. In the 1990s, the HIES was conducted in late 1990-91, 1992-93, 1993-94, 1995-96 and 1996-97. The last two HIES were carried out in 1998-99 and 2001-02 and were combined with PIHS.

The PIHS was started independently in 1991 as a separate monitoring mechanism for donor aided programmes. DFID-UK funded four rounds of PIHS which was initiated by the FBS in the mid 1990s. These survey rounds were carried out in 1995-96, 1996-97, 1998-99; 1999-2000 and 2000-01. The last two rounds were combined with HIES. It needs to be emphasised that the HIES and PIHS are designed for primarily different uses. The HIES focused on household income and expenditure while the PIHS was intended to monitor the impact of the Government of Pakistan's Social Action Programme (SAP) focusing on education, health, etc.¹⁷ Although limited information on income was collected in 1995-96 and 1996-97 rounds of the PIHS, this was not as detailed as the HIES even during 1990-91 PIHS. The data

¹⁷The multi-donor programme, launched in 1993-4, operated in two phases in the 1990s, was disbanded in 2000 after the discovery of a series of financial irregularities by the donors who funded 20 percent of its operations in a wide range of social and human development activities.

produced during the first two rounds of PIHS could not be used to estimate poverty.

Pakistan's principal data collecting and processing agency, the Federal Bureau of Statistics (FBS) has been frequently criticised for its lack of independence in adopting consistent methodologies and in frequent changes in methods of collection and analysis affecting the reliability and comparability of the results of its survey data. Similarly, different data sources that are not necessarily comparable in terms of sample design, seasonality, or methodology, are often used to examine poverty trends, adversely affecting data reliability. The Household Integrated Economic Survey (HIES) is the main source of data for poverty estimates in Pakistan, and should be strengthened, at least to the extent of producing regular, credible data, even at intervals of 2 or 3 years. This would serve the purpose of poverty monitoring effectively. Academics and professional organisations have frequently pressed for the need of establishing an independent and autonomous statistical agency to produce and analyse data on social and economic conditions to inspire confidence in their reliability.

2. Choice of Poverty Line

A crucial step in poverty measurement is the choice of a poverty line. A basic problem confronting all researchers is how to define poverty and whom to include in the category of poor. Traditionally, poverty defined in terms of some monetary measure of income considered adequate for persistence. In recent years, The World Bank has popularised the definition of poverty in terms of \$1 per capita per day or in case of a more inclusive definition of poverty of \$2 per capita per day. Inevitably this is a rather simplistic definition of poverty which ignores differences in nutritional requirements, housing standards, educational aspirations and other basic needs and rights of individuals. In Pakistan, Naseem's definition of the rural poverty line at a per capita expenditure of Rs 250 per year (58.5 paise per day) at 1959-60 prices and for the urban poverty line at per capita expenditure of Rs 300 per year or 82 paise per day at 1959-60 prices for rural areas and Rs 375 per year at 1959-60 prices was generally accepted by later researchers.¹⁸ The rural poverty line was based on the Report on Agriculture Workers in Pakistan which considered Rs 300 per capita per month to be not much above the subsistence level. In India, the

¹⁸For a comparison of poverty line chosen by different authors, see Malik (1992).

figure used by Dandekar and Rath was Rs 200.00 per month [Dandekar and Rath (1971)].

Naseem in his later study for ILO [Naseem (1977)] estimated the poverty line by using a calorie base approach to infer the consumption expenditure from a specified level of calorie intake. This was done by regressing the amount of calories per day on the amount of total expenditure per person. Other authors have preferred a more direct estimation of the poverty line based on the satisfaction of basic needs rather than on nutritional requirements alone. However, while it is true that nutritional needs are not the only one that are important in determining the household poverty status, it is difficult to refute that they are the most important human needs at least in a poor country like Pakistan. Even in the calories based approach, there is an implicit arbitrariness in increasing the level of calorie intake considered for survival. However, the long period of reduced calorie intake can cause incapability or functioning [Sen (1982)].

Recent controversies about the varying estimates of poverty based on different poverty lines have raised serious questions about the sanctimony, uniqueness or infallibility of the concept [Krishnaji (2012)]. The poverty line corresponding to an attainable minimal bundle of goods and services for a normative subsistence level is at best a loose concept and non-operational except in a very limited sense. Since the question, “who (an expert group, a public statutory body or an international organisation) is to set the norms and how it has to be done” (in terms of the disaggregation of commodities, regions and social groups) cannot be answered to the satisfaction of all, any poverty line referring to a minimal bundle has to be subjective and arbitrary. It is arbitrary, moreover, because in practice the normative minima are never clearly specified; indeed it is difficult to do so even if we restrict ourselves to, say, food, clothing, shelter and access to education and healthcare. Consequently, all procedures to derive a poverty line—however well-intentioned and assiduous—are inevitably arbitrary, based on questionable assumptions.

If the total household expenditure level at which a specified calorie intake norm is satisfied in per capita terms is chosen as a basis for setting the poverty line, it is assumed that at that level other minima are also attained so that households with expenditures below that level may be regarded as poor [Haq and Bhatti (2001)]. Other procedures relying wholly on expenditure data are equally artificial, bearing little relation to the different dimensions of poverty. Another element of

arbitrariness arises when a base level poverty line is adjusted upwards to allow for increases in prices from year to year [Anwar (2006)]. It is not easy to construct price indices for different classes of consumers. Given the near impossibility of making operational the concept of a minimum subsistence level, it is no wonder that the constructed poverty lines are subject to much criticism.

In order to reduce the level of arbitrariness in defining the poverty line in terms of either a specified income or a normative nutritional level, some authors have attempted to measure poverty in terms of relative rather than an absolute income level. For example, Zaidi (1992) used an indirect method where the monetary poverty at which all basic needs are satisfied is constructed. Relative measure of poverty is then obtained by defining it to be 75 percent of the national average poverty line [Zaidi (1992)]. The poverty line is assumed to be identical across the four provinces. His results show that the 39 percent of all households in Pakistan are poor. 65 percent of the poor households are found in the agriculture sector.

Table 2

Comparison of Poverty Lines

Prices Specification	Year	Original Yearly Per Capita (Rs)		1959-60 Prices Yearly Per Capita		1991-92 Prices Yearly Per Capita		1994-95 Prices Per Household Per Month		
		Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	
Author										
Naseem (1973)	1959-60	Rur	250	300	250	300	2665	3198	1812	2175
		Urb	300	375	300	375	3198	3998	2175	2719
Naseem (1977)	1959-60		330		330		3518		2392	
			304		304		3241		2204	
Irfan and Amjad (1984)	1979		1308		332		3548		2412	
			1140		290		3092		2103	
Kruijk (1985)	1979		1400		356		3797		2582	
Malik (1988)	1984-85		1908	2220	291	339	3108	3616	2113	2459
			2064	2484	315	379	3362	4046	2286	2751
Ercelawn (1989)	1989		1584	1524	193	186	2065	1987	1404	1351
			2748	2436	336	298	3582	3176	2436	2159
Ahmad and Allison (1990)	1979		1200	1320	305	335	3255	3582	2213	2436
Ercelawn (1990)	1990		1800	1800	207	207	2213	2213	1505	1505
World Bank (1991-92)	1991-92		3552	4008			3552	4008	2415	2725

Source: Above authors. Conversion computations based on official statistics.

IV. SALIENT THEMATIC ISSUES

1. Geographical Disparities

Most studies on poverty in Pakistan make a distinction between rural and urban poverty, although the former has generally received greater attention. Some studies, including Naseem (1973), have made adjustments for differences in rural and urban costs of living while using the same poverty line. Adjustment for costs of living generally have yielded higher head-count ratios for urban rather than rural areas. The comparison over time between rural and urban poverty do not generally provide robust results because of the changes in the definition of the rural-urban divide. Comparisons over time are more valid for rural and urban areas taken separately. Rural and urban areas are not, however, isolated from each other. There are multiple channels of economic interaction between them. Labour—which accounts for a major proportion of the poor—responds to wage and earning differences causing significant rural-urban (as well as overseas) migration. Migration, however, is not costless neither is the labour market free of imperfection. As a result, migration by itself does not necessarily lead to any significant reduction in rural-urban disparities and poverty incidence. Internal migration, driven by vanishing employment opportunities in the terrorism-affected rural areas of Khyber Pakhtunkhwa and Punjab and destined for Pakistan's urban magnet, Karachi, has led to increased ethnic strife and consequent insecurity for migrating families.

International migration, however, does have a significant impact on poverty incidence although thematic studies on its role have been sporadic and inconclusive. *PIDE* and *PDR* have contributed significantly on this issue.¹⁹

Besides urban-rural location, the regional dimension is also a contributing factor to the differences in the incidence of poverty. A major handicap in analysing the regional variations of poverty incidence is the sample size of the available household surveys, especially for the period before 1991 which is not large enough to justify a high degree of regional disaggregation. Sohail Malik has used agro-climatic zones based on cropping and irrigation patterns which are broadly within provincial boundaries [Malik (1991)]. He selects five

¹⁹For a more detailed discussion, please see, Chapter IV, Section 3, on International Migration and Remittances.

zones in Punjab, two in Sindh and one in Khyber Pakhtunkhwa and Balochistan. While this classification is feasible for a sub-sample from larger HIES data set, this would not hold much for smaller HIES 1991 sample. His estimates are detailed in the Table below.

Table 3

Headcount Ratios in Rural Areas—1984-85 to 1991

Region	HIES 1984-85	HIES 1987-88	PIHS 1991
Punjab	48.3	39.9	37.0
North	42.4	32.6	27.4
South	58.0	51.9	49.6
Sindh	40.4	29.4	31.3
Khyber Pakhtunkhwa	39.1	36.3	24.9
Balochistan	51.5	36.0	47.2
Overall	45.6	37.3	34.5

Source: Gazdar, *et al.* (1994).

However, the rationale for using provinces is obvious enough from the policy perspective. In the federal setting of Pakistan, many subjects are the responsibility of provincial governments, and implementation of most central government programmes is also carried out through the provincial administrative systems. While the provinces are not homogeneous in terms of resource endowments or socioeconomic institutions, there are nevertheless sufficient broad similarities to capture some of the effects of the local resource-base and institutions.

Regional rankings of the headcount ratio yield varied results for the three sample years. The sample for Balochistan is based on relatively few observations, so few in the PIHS that representativeness cannot be guaranteed. There is widespread consensus that the province faces serious problems of poverty and underdevelopment [Pasha and Hasan (1982)]. For this reason, and in order to simplify the discussion, attention is restricted to the other four regions.²⁰ There are important inter-survey differences in the regional poverty profile, but three broad patterns are discernible from the above Table. Firstly, South Punjab comes out with the highest HC in all three years. Secondly, except for

²⁰Results for Balochistan are presented in the tables that follow. These show high HCs compared to all regions except south Punjab in 1984 and 1991. The low 1987 HC is almost entirely due to sampling error.

1987, Khyber Pakhtunkhwa has the lowest HC. Thirdly, Sindh had a lower HC than Punjab as a whole in all three years, as well as a lower HC than north Punjab in 1984 and 1987, but a higher one in 1991. In summary, Gazdar's results show great diversity within Punjab and contradict the generally held view that poverty in Sindh and Khyber Pakhtunkhwa is more acute than in Punjab.

The view that Balochistan faces extreme problems of backwardness and underdevelopment, and therefore can be dropped from further discussion of regional patterns, is supported by the extremely low literacy rates and low levels of nutritional achievements in the province. Punjab had a high HC compared to Sindh and Khyber Pakhtunkhwa in all three survey years. However, this finding conflicts with the standing of the three provinces in terms of other development indicators.

The regional poverty profile we obtain can also be compared with regional development rankings which have been constructed on the basis of different sources of data. Pasha and Hasan (1982) ranked districts using a composite index of crop value per capita, industrial output per capita, other aspects of agricultural production, the availability of financial services, and access to public services such as schools and health facilities. The barani districts of north Punjab and most of the south Punjab districts ranked low, along side most of the districts of Sindh and Khyber Pakhtunkhwa. Non-barani north Punjab did much better, and Balochistan was the least developed area. Another study which ranked rural areas of provinces according to the availability of services such as irrigation, electrification, supply of drinking water, health and education facilities, found Punjab to be ahead of Sindh and Khyber Pakhtunkhwa in most cases [Khan and Iqbal (1986)].

The regional variations in the poverty incidence are a result of what differences in natural endowment (land and water) but also of institutional practice (tenancy and concentration of holdings). Lower Punjab in particular stands out as a region of high poverty. This observation has implications for poverty alleviation itself. Lower Punjab has benefited from the Green Revolution in terms of higher agricultural productivity. However, its agrarian structure in terms of land ownership and operational holdings does not favour the lower income sections of the population. As a result it remains one of the poorest regions in the country besides Balochistan. At the other extreme upper Punjab, which is an area of low agriculture potential, has consistently low poverty indices. The reason for this paradox is the

high degree of diversification away from agriculture, involvement in the labour market and migration of workers to other parts of the country and abroad. Remittances from non-resident workers were an important source of upward mobility in the region. Workers remittances were also important in middle Punjab but not in lower Punjab and Sindh. Since in macroeconomic terms one of the main actors contributing to changes in poverty incidence over time has been the flow of remittances, it is important to explore the mechanism through which lower Punjab and Sindh have not been able to benefit from migration.

Another paradox that emerges from the study of inter regional variation in poverty level is that Sindh a region with high inequality in land ownership has relatively lower levels of extreme poverty with higher poverty line, its poverty ranking worsened. Gazdar (1999) notes “that relatively protected consumption in the region of extreme land inequality is due possibly to the protective role of otherwise exploitative pattern-client relation.”

Geographical dispersion of poverty is also useful in targeting economically deprived regions and allocating resources for poverty alleviation in their favour. Allocative efficiency can be increased, and leakages to the non-poor reduced substantially, by targeting needy areas. A national and regional database of substantial poverty maps or deprivation indices based on satellite imaging have not been accessible in Pakistan until recently. As a result, existing activities of poverty alleviation are carried out on ad hoc basis in the absence of identified pockets of poverty. In a paper based on the 1998 Population and Housing Census data, Jamal, *et al.* (2003) have presented indices of multiple deprivations for different regions, which bring out their differences .

The possible applications of this exercise include identifying areas of need, making decisions on regional and sectoral priorities, facilitating targeted public interventions through special poverty alleviation programmes, understanding the relationship between poverty and its causes, and helping federal and provincial governments in determining financial awards. The paper provides to the planners district-wise poverty or deprivation indices, based on the Population and Housing Census data of 1998. A possible application of this exercise includes identifying areas of need, making decisions on regional priorities, targeting interventions and resources, and understanding the relationships between infrastructure, resource availability, and poverty.

Table 4

Shares in Multiple Deprivation

(% of Provincial Population Residing in)	Deprivation Level		
	High	Medium	Low
All Areas			
Punjab	25	38	37
Sindh	31	27	42
Khyber Pakhtunkhwa	51	38	11
Balochistan	88	1	11
Rural Areas			
Punjab	26	27	47
Sindh	49	48	3
Khyber Pakhtunkhwa	25	48	27
Balochistan	89	7	4
Urban Areas			
Punjab	30	47	23
Sindh	23	14	63
Khyber Pakhtunkhwa	60	40	0
Balochistan	100	0	0

Source: Jamal, et al. (2003).

Not surprisingly, Balochistan emerges as the most deprived province rural population residing in high deprivation districts. The proportion of its rural population residing in low deprivation districts is a mere 4 percent. In the urban areas, the province has a dismal state of development. The entire urban population is resident in high deprivation districts and the province share in low as well as medium deprivation districts is zero. Quetta, the provincial capital, does not even qualify for medium deprivation status.

Similarly, in Sindh, only 3 percent of the rural provincial population resides in low deprivation districts. The extent of the rural-urban inequality in Sindh is stark. While 49 percent of the rural population resides in high deprivation areas, 63 percent of the urban population resides in low deprivation areas. In fact, urban Sindh stands with over 89 percent of 97 out as the least deprived in the country. Incidentally, this population is largely concentrated in Karachi. It needs to be noted as well that over one-fourth of Sindh's urban population resides in high deprivation districts. This reflects the development gap between Karachi and other urban centres in the province.

The Khyber Pakhtunkhwa appears to be at an intermediate stage of development. Over a quarter of rural population of the province is resident in low deprivation districts, and almost half (48 percent) is resident in medium deprivation districts. The urban development situation is not as positive. Sixty percent of its urban population resides in high deprivation districts, and no part of its urban population resides in low deprivation areas.

Punjab is the only province where nearly half (47 percent) of its rural population resides in low deprivation districts. Punjab's position, however, is not as enviable with respect to urban areas, where 23 percent of its urban population resides in low deprivation districts.

A major source of geographical disparities is the lack of diversification of economies of poorer regions. The role of the rural non-agriculture sector is important in terms of employment and source of income. About a quarter of the employed members of agricultural households, and more than 40 percent of the members of livestock-owner households are employed in the non-agriculture sector. The highest incidence of poverty is in zones that rely most heavily on crop incomes, but is low in zones where the percentage of income from wages/salaries and transfer incomes is high. Land inequality is relatively higher in poor districts located in the cotton/wheat belts of southern Punjab and Sindh. The ownership of farm assets (other than land) among cultivating households is also unevenly distributed. These factors, along with the prevailing tenancy arrangements, particularly sharecropping, have a strong correlation with rural poverty [Arif (2006a)].

Some Regional Policy Issues

With the adoption of the 18th Amendment in the Constitution, making explicit provisions for provincial autonomy, the importance of the regional dimensions of poverty incidence has been further enhanced. The regional dimension has significance for both policy as well as wider political discourse. The targeting of anti-poverty interventions certainly requires information about the regional distribution of poverty. It is also important in the allocation of other public resources, such as, investment in infrastructure, both physical and human. Regional disparities in income and the incidence of poverty have also been recognised in the latest report of the National Finance Commission, which in past years was based only on the population of each province.

Regions represent important variations not only in their resource endowment and infrastructure but also in their distribution of resources, patterns of land tenure, class structure, and local power considerations. The recent debate on the importance of the middle class and the need for creating more provinces such as the Saraiki and Hazara Provinces, also illustrate the importance of studying poverty incidence at a more disaggregated regional level. Poverty alleviation efforts also need to be acclaimed to these emerging concerns.

An emerging feature of Pakistan's political development in the post-1970 period has been the assertion of the rights of smaller provinces and their rivalry with Punjab province accounting for more than 2/3rd of the population. However, Punjab is not a homogenous province and has at least three distinct sub-divisions, based on resource endowment and economic development. The most prosperous sub-region is the middle Punjab consisting of Lahore, Gujranwala, and Sargodha Division while the lower Punjab (comprising Multan, Bahawalpur, and D. G. Division) is considered as the most backward. Northern Punjab comprising the Rawalpindi Division plus the district of Mianwali stands somewhere in the middle. Lower Punjab some features of the regional economy of Sindh, where rural, economic and political life is dominated by large landlords. One of the bones of contention among the different regions of Pakistan is the access to water availability for irrigation purposes. The question of building large versus small dams also has impact on the consideration of development and poverty in different regions. The issue has further been complicated by the floods in 2010 and 2011 which have more adversely affected the lower riparian regions of southern Punjab and Sindh. The solution of these problems will have significant impact on poverty alleviation efforts in the country.

2. Impact of Structural Adjustment Programmes on Poverty

One of the salient themes of poverty research in Pakistan since the 1980s has been the impact of Structural Adjustment Programmes (SAPs) undertaken by the government, under the auspices of IMF and the World Bank. After a period of steady planned economic development, with substantial foreign aid from developed countries, Pakistan was able to build a sizeable industrial base, largely through import substitution. Pakistan's overall economic performance was arguably among the best in the developing world until the mid-1960s.

However, the economy experienced considerable turbulence in the second half of 1960s: firstly as a result of the 1965 war with India, forcing the United States to impose sanctions on both countries, resulting in a loss of economic momentum and diversion of resources towards defence expenditures. The perception of growing income inequality, epitomised by the “20 families” slogan of his chief economic planner, Mahbubul Haq, played an important part in politically destabilising the Ayub regime [Gazdar (1999)].

The oil price shock of 1970s and the separation of Bangladesh later further strained the economy severely and caused enormous economic pressures. Bhutto’s populist policies also caused considerable turmoil in the economy and a substantial flight of capital (along with labour migration) to Gulf countries. However, although the large-scale nationalisation of industries during the 1970s under the Bhutto regime enlarged the State’s domain of power and patronage and caused severe losses to the exchequer, they also contributed to the establishment of new heavy industries, such as the steel mill, heavy mechanical and electrical industries. As pointed out by Gazdar (1999), the large-scale takeover of private enterprises by the state implied a huge increase in the number of workers with secure employment and access to union membership. The allotment of residential plots to landless families during the 1970s also helped the poor. The reversal of many of Bhutto’s policies, led to serious macroeconomic imbalances, which necessitated resort to external assistance, notwithstanding the increased inflow of remittances and military assistance for Pakistan’s role in the first Afghan war 1979-88.

Pakistan along with other countries found itself in deep economic crisis with imbalances in their internal and external accounts. This opened the way for involvement of the IMF, World Bank and other financial institutions in the economic management of various countries in a very different way. Since late 1970s, the paradigm of Structural Adjustment as stipulated by the IMF and the World Bank came to dominate policy discourse and policy action. The quintessential result of these policies was a shift in focus from growth and distribution issues to efficiency and macroeconomic stabilisation.

In Pakistan, the structural adjustment and stabilisation programmes called for a reduction in fiscal deficit, a sever restriction on the role of government, rationalisation of tax structure, removal of subsidies from consumption and production. These programmes

however, had significantly adverse implications for employment, poverty and the government. A pioneering paper on this issue was that of A. R. Kemal. Kemal (1994) analysed the effects of Structural Adjustment Programme on the reduction of development expenditures and the trends in income distribution and poverty. Kemal concluded that although tariff rationalisation, import liberalisation and certain other measures to promote efficiency were effective. However, the stabilisation effort did not achieve much success. He found no positive correlation between fiscal deficit and inflation rate. Despite containing the government costs by wage restrictions and contraction of employment, non-development expenditure and fiscal deficit continued to increase. The employment situation further worsened due to privatisation.

On the other hand, the Structural Adjustment Programme was accompanied by rising inequality and poverty. "The Gini coefficient increased from 0.34 to 0.41 and the incidence of poverty increased from 13 percent in 1987-88 to 14 percent in 1990-91" according to Kemal's findings. Among the reasons was the rising income inequality, decline in employment, the rise in the tax incidence of the poor relative to the rich and the adverse effect of the withdrawal of input subsidies on the poor while the increase in support prices of agricultural goods benefitted mainly to rich surplus farmers while hurting the small farmer and the alike. In conclusion, Kemal argued that structural adjustment programmes must be accompanied with targeted welfare programmes.

Another significant article on Structural Adjustment is that of Talat Anwar. Anwar (1996) analyses Pakistan's growth performance in the late 1980s in the context of a medium term structural adjustment programme within the framework of the IMF and the World Bank signed in 1988. After examining the contractionary characteristics of the IMF and the World Bank structural adjustment model, the author examines the macroeconomic performance of the adjustment programme in Pakistan. Drawing upon the research of Faiz Bilquees (1992) (also quoted by Kemal in the preceding article) the author showed that poverty declined from 32 percent in 1987-88 to 30 percent in 1990-91. The contraction of employment in public sector had adverse effect on the labour market, pushing the real wages in agriculture and manufacturing sector in the first year of adjustment leading to a deterioration in the living conditions of the poor. A combined effect of the public expenditure reduction and trade liberalisation resulted in almost doubling the urban unemployment rate

from 4.58 percent in 1987-88 to 8.19 percent in 1990-91. In terms of poverty, the author's calculation on the incidence of poverty between 1987-88 and 1990-91 increased from 13.81 percent to 17.26 percent. Anwar, like Kemal, emphasises the need for targeted subsidies to help the poor to overcome the adverse effects of structural adjustment programme.

Another significant paper analysing the structural adjustment programme during the period 1987-99 is that of Jamal (2003). The years chosen by the author for comparing the effects of structural adjustment programme are 1987-88 to 1998-99. The former year being the beginning of the structural adjustment Programme and the latter being the year for which HIES results are available. The paper shows that in terms of the macroeconomic stabilisation indicators, the structural adjustment programme fails to achieve the major objectives. With the exception of the share of domestic saving and of private investment in the GDP, and the growth of total debt services, other macroeconomic performance indicators did not show a significant improvement. On average, GDP growth fell by approximately two percentage point primarily due to fall in manufacturing growth from 9 percent in the 1980s to 5 percent in the 1990s.

In terms of distributional measures, the Gini-coefficient for Pakistan rose from 0.34 in 1987-88 to 0.42 in 1988-89 while the urban Gini-coefficient rose from 0.39 to 0.42 during the same period. A more glaring comparison between the share of the lowest quintile which was about 9 percent in fiscal 1998 compared to 44 percent for the highest quintile. However, by 1988, the share of the lowest quintile has declined to 8 and that of the highest quintile rose to 47 percent. The situation in the urban areas was more pronounced than that in the rural areas.

The poverty numbers presented in the paper show that the head count ratio rose from about 24 percent in 1987-88 to 30 percent in the year 1998-99. Two other indicators of poverty also show that the "adjustment decade" (also termed as the "lost decade") was much harsher on the poor. The first indicator is the rise of the proportion of food in total consumption in the lowest quintile of population which rose from 41 percent in 1987 to 45 percent in 1999 or by about 4 percent. However, the rise in shares of expenditure on health and education were 63 percent and 186 percent respectively—reflecting the increase in the component of private expenditures on these services. The components of consumption expenditure whose proportion has

suffered heavy decline are durables, transportation, items for household and personal care and clothing.

3. Food Poverty and Agricultural Issues

A major theme in the research on poverty undertaken at PIDE relates to agricultural and rural development issues, along with the question of food poverty which accounts for the major reason for poverty incidence. There are at least three major concerns of research in this regard. Firstly, the calorific requirement, largely based on the agricultural and livestock products, are important in determining the extent of poverty incidence. This issue is pertinent in determining the poverty line used by the researchers and has already been discussed in an earlier section of this review.

The second concern relevant under this head is the role of rural development and agricultural productivity in affecting poverty incidence in rural and urban areas [which could conceivably be in opposite directions]. This issue was the central focus of a number of studies undertaken at the PIDE and published in the *PDR* in the 1990s [see Mahmood, *et al.* (1991), Mellor (1991) and Mustafa, *et al.* (2001)]. The question of the impact of inequality in the distribution of land (an important asset affecting rural poverty) was raised by earlier studies based on the Census of Agriculture, especially Naseem (1977), Khan (1981) and Hussain (1988), who pointed out the crucial role of land reforms in reducing poverty. However, matching the data derived from Agricultural Census (held every ten years) and the more frequently-conducted HIES data on household expenditures was methodologically challenging and often led to inconsistent results.

Building on his earlier research, the nexus between rural poverty, agrarian structure, land reforms and agricultural growth was further elaborated by Naseem (1981) In an extensive chapter of the book, he examines the nature of agrarian change in Pakistan, with debates on the impact of technological transformation during the Green Revolution focusing on the nature of change in tenurial relations and size of landholding. The discussion is followed by an analytical account of the increasing trend in the concentration of land ownership and of cultivation. The book also examines the impact of the Ayub and Bhutto land reforms. The author then interprets the key trends in light of regional imbalances of growth and development, looking at provincial and agro-climatic patterns as well.

In an early sequel to Naseem's work, Irfan and Amjad (1984) elaborated the reasons and causes of rural poverty in the 1960s and 1970s. The paper focuses on the trends of rural poverty in the early years, but re-examines much of the earlier evidence. Their results show that there was a significant increase in rural poverty between 1963-70, while there was a significant decline in poverty between 1969-70 and 1979. Their explanation of the trends in poverty in rural areas is in terms of agricultural performance between 1959 and 1982, giving basic indicators and indices regarding agricultural output and incomes for most of these years. Because of specific policy interventions in terms of land and tenancy reforms in the period 1972-77, the paper devotes some attention to their likely impact on poverty. The main argument raised by the authors, is that the reason for high levels for poverty in the sixties well into the 1970s are to be found in the significant changes in the agrarian structure, especially the size distribution of holdings which are said to have had important repercussions for the rural occupational distribution of households. New technology was a key factor, which allowed large landowners to resume land previously rented-out for self cultivation. Tenant farmers were hence evicted, and had either to operate smaller landholdings, or join the ranks of the landless labourers.

The paper notes that higher agricultural growth on account of technological innovation, was not shared equitably and the conditions of those evicted probably deteriorated. Increased mechanisation led to a decrease in demand for labour which may have been one of the key reasons for the increase in poverty despite high growth in output. The ownership of land is highly unequal in Pakistan and considered one of the major causes of rural poverty. Less than half of all rural households own any agricultural land, while the top 2.5 percent account for over 40 percent of all land owned. The incidence of sharecropping has declined over time, although a large number of rural households still cultivate others' land as share-tenants. Studies find the highest level of poverty among these sharecroppers [Arif (2006a)].

A similar conclusion is reached by Anwar, Qureshi, and Ali (2004), who derived poverty incidence measures by size of landholdings, by making use of the data of HIES for the year 2001-02. In conformity with earlier results, poverty incidence was found to be highest among landless at 54.89 percent followed by non-agriculture households at 47.76 percent. However, as expected, poverty incidence

declines with increases in the land holding size. The major cause of rural poverty in Pakistan is increasing landlessness. About 67 percent households owned no land in 2001-02, while about 18.25 percent households owned under 5 acres of land and 9.66 percent household own 5 to 12.5 acres of land. A very small proportion of households hold large farm sizes in the country, with barely 1 percent households owning greater than 35 acres of land. This highly skewed landownership pattern is reflected in the abnormally high Gini coefficient of land holding in 2001-02. Thus, highly unequal land distribution is the main manifestations of poverty in rural Pakistan, which is not reflected in the distribution of consumption and income distribution, which is far less unequal. If the tenurial status of the farming households is taken into account, the picture of poverty incidence becomes even bleaker, since the incomes of tenant households is considerably lower than that of landowning households. The authors conclude: "It appears that landlessness and access to agricultural land is one of the most important contributors to rural poverty in Pakistan. A high concentration of landownership and unfair tenancy contracts are major obstacles to agricultural growth and alleviation of poverty. Thus both agricultural growth and poverty alleviation can be achieved, if land inequality is reduced and the tenants are protected by well-enforced tenancy contacts."

The third and rather recent concern stems from the rising commodity prices in the wake of trade liberalisation in the early 1990s and more recently by the turmoil caused by the 2007-08 global financial crisis. In February 2008 commodity prices posted their biggest monthly gains since the oil crisis of the 1970s and have enjoyed their strongest start to any year for half a century. The rapid and simultaneous rise in world prices for all basic food crops—corn (maize), wheat, soybeans, and rice—along with other foods like cooking oils had a devastating effect on poor people all over the world. The strong gains in commodity prices in 2008 were fuelled by an explosion in speculative investment in commodities to counter the turmoil affecting equity and credit markets, and supported by strong demand from emerging markets, widespread supply disruptions, as well as the use of commodities as a hedge against rising inflation and the weakness of the US dollar.

According to a recent study by Haq, Nazli, and Meike (2008), the 2008 food price shock has increased poverty by 32.5 percent in rural areas as compared to 44.6 percent in urban areas. The unexpected

food price changes have increased the number of poor by another 10.3 million. The study estimated the impacts of rising world food prices on poverty in rural and urban areas of Pakistan. As compared to 2004-2005 the unexpected food price changes resulting from the food crisis increased poverty by 8.2 percentage points (34.8 percent), severely affecting the urban areas where poverty doubled. The estimates show that 2.3 million people are unable to meet one-half of the expenditure of the poverty line while another 13.7 million are just below and 23.9 million are just above the poverty line. The Asian Development Bank study [ADB (2008)] suggests that a 10 percent increase in food prices would increase the number of poor people in Pakistan by 7.1 million people—broadly consistent with the aforesaid finding.

4. Overseas Migration and Remittances

Overseas migration and remittances have been one of the major drivers of decline in poverty in Pakistan. In the two episodes when poverty incidence reportedly fell well below 20 percent, i.e. in the late 1980s and in the early 2000—even though the exact decline in poverty in both periods is somewhat controversial—a major contributory factor was the rise in overseas remittances. Three out of Pakistan’s four major provinces, Khyber Pakhtunkhwa (KP, formerly NWFP), Punjab and Sindh saw a decline in poverty during this period. The largest fall in poverty was in Khyber Pakhtunkhwa where both foreign and domestic remittances played an important role. The remittances have been an important and growing source of foreign exchange in Pakistan since 1970s in the wake of Middle East oil boom rising from less than a billion dollars in 1976 to 12 billion dollars in 2012. However, the level of remittances stagnated and declined between 1982-83 to 2000, because of the political instability and economic recession in the Middle East, the main source of absorption of Pakistani labour.

From 2001 to 2012, the level of remittances has once again increased over ten-fold from US\$ 1 billion to US\$ 12 billion. Even so, as a percentage of GDP, the remittances are well below the percentage achieved in 1980s (9 percent) or the remittance GDP ratio of some of the labour exporting countries such as Lebanon (24 percent), Jordan (22 percent), Philippines (11 percent). Some studies suggest that with appropriate incentives, the level of remittances could be doubled.

The post-2001 upsurge in remittances was due to a number of structural changes in the mode and pattern of remittances and in the

kind of skills exported, as well as in the composition of the countries of origin of remittances. After the restrictions imposed on the informal payments of remittances (aka the *Havala* and *Hundi* system) in the wake of 9/11, there was shift towards formal banking channels which accounted for part of the rise in the remittances. The recent phenomenon rise in remittances appears to have been due to three factors: First, the stock of overseas Pakistanis has increased during the last decade to about 5.5 million, with a net annual outflow of workers of about 4.43 million. On the other hand, the labour migration destinations have remained unchanged and concentrated in Saudi Arabia, UK, USA, and UAE. Another reason for the rise in remittance is attributed to the greater skill orientation of migrating labour force and their preference for migration to developed countries such as UK and USA. Thirdly, the State Bank of Pakistan has taken steps such as the Pakistan Remittance Initiative (PRI)²¹ to boost and facilitate the flow of remittances sent home by non-resident Pakistanis. Pakistan, according to recently World Bank report entitled “Migration and Remittances Fact Book 2011” [World Bank (2011)] has emerged as one of the leading countries involved in global flow of capital and labour [World Bank (2011)].

The Pakistani Diaspora, notwithstanding the current political and economic uncertainties, remains not only knowledgeable about but also deeply connected with social, political and economic events in Pakistan and regularly remits a significant portion of its earnings as remittances. Rising remittances have also been stimulated by the spontaneous support by Pakistani Diaspora for the victims of national disasters, such as the 2005 earthquake and the 2010 and 2011 floods in the country [Suleri and Savage (2006)].

Pakistan has gained enormously from remittances both in the past and recent years. In 2007–2008 remittances were 56 percent of net current transfers. After the current global crisis, 2008–2009, many migrant workers returned home, bringing along their accumulated savings. This pushed the share of remittances in the net current transfers to around 70 percent, compared to the previous 5-year average of 52 percent.

²¹PRI is a joint venture of the State Bank of Pakistan, Ministry of Overseas Pakistanis and Ministry of Finance and was launched in April 2009. Its major objective was to enhance the flow of remittance through the official channel.

The considerable fluctuations in the level of remittances in Pakistan during the last four decades have had both positive and negative effects on poverty during the period. Siddiqui and Kemal (2006) have shown how a decline in remittances can have adverse impacts on poverty. Furthermore the decline in remittances can also reduce the economic gains from trade liberalisation. See also Nishat and Bilgrami (1991), Kazi (1989), Arif (1999), Burki (1991), Nadeem (1988), Amjad (1986), Iqbal and Sattar (2005), Gilani, *et al.* (1981), Alderman (1996), Ahmed (1986), Sohail and Sarwar (1993), Sofranko and Idris (1999).

Remittances have played a significant role in reducing poverty. An ADB study on the impact of remittances on poverty and inequality, shows that poverty declines by 7.8 percent if the households receive remittances from abroad [Ahmed, Sugiyarto, and Jha (2010)]. Similarly the poverty gap and poverty severity also decline even by higher rates, i.e., 11.5 percent and 14.9 percent, respectively. This implies that some of the remittance recipients are actually the poor households so that remittances reduce the poverty gap and poverty severity. Moreover, the income distribution of migrant households is less skewed than non-migrant households'. The Gini coefficient for migrant household is 4.8 percent lower than non-migrant households. The study also shows that foreign remittances constituted 9.4 percent of household income in Khyber Pakhtunkhwa, compared to 5.1 percent for Punjab, 1.5 percent for Balochistan, and 0.7 percent for Sindh. This also reinforces the role of remittances in the inter-regional differences in poverty discussed in an earlier section.

Pakistan saw migrant remittances reach a record \$12 billion in fiscal year 2012, an increase of 14 percent compared to the 2009 fiscal year despite the global economic crisis (Pakistan's fiscal year runs from July to June). The World Bank report says "Continued strong growth in workers' remittances in the past few years has also contributed to improvements in the external current account balance" and "have facilitated improvement in the country's external position".

A paper by Siddiqui and Kemal (2006) explores the interaction of two shocks, trade liberalisation policies and decline in remittances, on welfare and poverty in Pakistan [Siddiqui and Kemal (2006)]. During the 1990s although import tariffs were reduced by 55 percent, poverty remained higher in this period than in the 1980s. The effect of trade liberalisation was overshadowed by a slow down in the inflow of

remittances, which reduces the incomes of poor households. Thus, in the absence of the effects of decline in remittances, the analysis of the impact of trade liberalisation policies may render biased results. This study overcomes this constriction and analyses the impact of trade liberalisation policies in the absence and presence of decline in remittances in a CGE framework with all the features necessary for trade policy analysis with poverty and remittances linkages. The simulation results show that a decline in remittances reduces the gains from trade liberalisation. The negative impact of remittances' decline dominates the positive impact of trade liberalisation in urban areas. But, the positive impact of trade liberalisation dominates the negative impact of a decline in remittances in the case of rural areas. Poverty rises in Pakistan as a whole. It shows that the decline in remittance inflows is a major contributory factor in explaining the increase in poverty in Pakistan during the 1990s.

5. The Employment-Poverty Nexus

The linkage between poverty and the labour market has received inadequate attention until recently [Pasha and Palanivel (2003)]. In Pakistan, where formal sector social security provision is almost non-existent, unemployment is one of the leading factors which contribute to poverty incidence [Amjad (2005) and Nasir (2011)]. Since the poor lack access to medical facilities, are poorly educated, low-skilled, and tend to be employed in the low-paying informal sector, their wages are also the lowest [Haq (2005)]. Moreover, as formal sector small-scale firms and large industries are restructured to make them competitive, job losses are bound to ensue. Distortions in the economy also mean that entrepreneurs in the formal sector are unwilling to expand employment and prefer to adopt capital-intensive technologies [Kemal (2004)], again, with an adverse impact on unemployment.

The main source of Pakistan's employment situation are the Labour Force Surveys (LFS). LFS for 2003-04 is worth reviewing for its picture of the employment situation. According to the LFS, the employment rate declined from 8.3 percent in 2001-02 to 7.7 percent in 2003-04 [GoP (2004)]. The extent of change in unemployment rates varies between rural and urban areas. Female unemployment has declined in rural and urban areas; male unemployment has seen a modest decline in rural areas but increased in urban areas from 7.9 percent in 2001-02 to 8.4 percent in 2003-04. Recent interventions such as women's

microfinance programmes implemented by the Pakistan Poverty Alleviation Fund (PPAF) and Khushali Bank may have contributed in reducing female unemployment. Despite such improvements in the last 2 years, the overall employment and labour market situation remains an area of serious concern. The unemployment rate is still high, around 8 percent, and although the unemployed labour force has declined slightly between 2001-02 and 2003-04, it is still more than double what it was in 1990. In 2003-04, there were approximately 3.5 million unemployed persons. This has been a major contributory factor in the rise in poverty during the 1990s [Amjad (2005)].

More than half of Pakistan's labour force is illiterate, most of its skills acquired through on-the-job training in the informal economy [GoP (2004) and Jafri (2004)]. New jobs are created primarily in the informal sector, which accounts for 70 percent of employment. The proportion of employed person involved in the rural informal sector (73 percent) is higher than in urban areas (67 percent). As expected, formal sector activities are more concentrated in urban areas (33 percent) than rural areas (27 percent). Since informal activities are predominantly non-agrarian, male workers are relatively more concentrated in the informal rural and urban sector. This increase in informal sector employment reflects the general slackening of the labour market [Amjad (2005)].

The employment and poverty nexus has been examined in a number of different ways. For example, some studies show that the unemployment rate is higher among the poor labour force than among the nonpoor [Amjad (2005); Haq (2005) and Nasir (2001)]. Based on panel data, Haq (2005) shows that poor households had a smaller percentage of employed, and a higher percentage of inactive and unemployed heads of households.

Generating productive and remunerative employment is the most effective means of reducing poverty [Pasha and Palanivel (2003)]. However, in view of the concentration of workers in the low-paid informal sector as discussed above, employment alone may not provide a guaranteed means of escaping poverty. Gazdar (2004) shows that the working poor (28.5 percent) were around 16 times as numerous as the unemployed poor (1.8 percent) and over five times as numerous as the total unemployed. He maintains that policies directed at reducing unemployment only address part of the problem of poverty. Providing better terms of employment for the poor who are already employed, including the introduction of a minimum wage, is as crucial to reducing poverty [Amjad (2005)].

Table 5

Employment and Poverty as a Percentage of Workforce

Employment Status	Poverty Percentage		
	Poor	Non-Poor	All
Employed	28.5	66.0	94.5
Unemployed	1.8	3.6	5.5
All	30.43	69.7	100.00

Source: Gazdar (2004).

Wages are the most important component of the terms of employment. Malik (2005) shows that real wages have declined for regular/agricultural workers and increased marginally for casual workers. Moreover, Amjad (2005) argues that, in the 1990s, workers were not protected against falling real wages and deteriorating employment conditions as more and more jobs were made precarious in the form of part-time, daily, or contractual jobs. The weakened bargaining position of workers was dealt a serious blow. However, the use of casual labour has declined [Malik (2005)]. With the promulgation of the Industrial Relations Ordinance 2002, which both curbed workers' rights to collective bargaining and provided enormous leeway for converting permanent workers into contract workers, a practice which is now common among large-scale industrial units in Pakistan.

Low labour productivity also appears to contribute to rising poverty trends. Kemal (2004) shows that capital formation at constant prices grew at a rate of just 2.0 percent, while the employment grew at a rate of 2.7 percent between 1991 and 2002, resulting in the low growth of labour productivity. Productivity declined between 1995 and 2002 in all sectors except agriculture. The slowdown of labour productivity in the commodities sector and its decline in the latter half of the 1990s in almost all sectors of the economy underlines the gravity of the problem. It also explains why, although the employment rate was as high as 2.6 percent in 1990s compared to 2.0 percent in the 1980s, the incidence of poverty also increased during the 1990s.

Bonded labour represents one of the most acute forms of poverty. The International Labour Organisation (ILO) recently commissioned several studies to analyse the nature of bonded labour in different sectors of the economy, including mining, agriculture, carpet weaving, brick kiln work, construction, domestic work, and beggary.

The studies revealed that bonded labour is practiced in most of these sectors in different forms and with varying degrees of intensity. In the mining sector, for example, bonded labour exists as an instituted system of recruitment, apparently conforming to the classic stereotype of debt bondage. Miners tend to be located in extremely remote areas where there is little other work available. Indebted miners are pressured into continuing to work for low wages for the same employer without avenue for complaint regarding their working or living conditions [Salim (2004)]. Bonded workers in the agriculture sector resent the low returns they receive on their labour from landlords; the inaccurate record-keeping designed to keep them in bondage; the gradual apportionment of their share by their employers; and the constant threat of physical violence against their women from employers (landlords) [see Arif (2004) and Hussein, *et al.* (2004)]. Analysts single out debt bondage compounded by perceived false accounting and hereditary bondage as extreme forms of exclusion and dependency [GoP (2003)]. Carpet weavers tend to belong to very poor families in low-income areas, with carpet weaving their only way of making a living [Nasir (2004)]. Beggary is a sign of growing poverty or indigence and an occupation of last resort, but is potentially linked to crime and illicit activities [Collective for Social Science Research (2004a, 2004b)]. Brick kilns are another major sector where debt bondage is common: for many workers, earnings are so low that they cannot return their loans or advance payments even over a couple of years [Pakistan Institute of Labour Education and Research (2004)]. During the period of structural adjustment and economic reforms, the unemployment problem gets further aggravated as a result of privatisation and restrictions on collective bargaining in order to attract increased foreign direct investment (FDI) [see Ghayur (2001)]. Rising trends in poverty can only be arrested if enough productive and remunerative jobs are created, and this is possible only if investment levels increase [Jafri (2004) and Kemal (2004)].

V. ANTI-POVERTY PROGRAMMES AND POLICIES

1. From Analysis to Action

The fundamental purpose of conducting poverty studies is to help policy makers in developing programmes and policies which would reduce poverty incidence to a level that is considered socially

tolerable and acceptable by a significant proportion of both domestic and world public opinion. The pressure for reducing poverty levels within the country arises from the existing political structure and facilitates in controlling public discontent with the living conditions of a large majority of the people who are unable to meet the basic expenditures for a reasonable existence.

The international concern for high levels of poverty in other countries stems from the adverse consequences that the world economy faces in the form of mass cross-border migration, civil strife and since 9/11 threat of international terrorism in a period of global interdependence and rapid technological changes. The international community has become increasingly sensitised to these threats in recent decades. Its awareness of the problem of poverty across the world reached a crescendo at the beginning of the 21st century culminating in the declaration of Millennium Development Goals (MDGs), which call for halving the incidence of poverty by 2015. Although this goal seems to be unattainable well beyond the stipulated period for most countries, especially Pakistan, both the domestic and international pressures for reducing poverty at a much faster pace have continued to gain momentum.

Pakistan has from time to time launched anti-poverty or pro-poor programmes and policies (under varying nomenclatures) to reduce substantially the incidence and severity of poverty. Some of these programmes have been in existence even before independence. Most such initiatives started as state sponsored and funded programmes, often with substantial support from foreign donors. The primary reason for state intervention in reducing poverty was the perception that the market mechanism by itself was insufficient to lift the poor from the abject level of poverty experienced by a high proportion of population. While the market was seen as a useful source for promoting productive activities, its ability to alleviate poverty was suspect because of its very nature. The driving force of the markets is the demand from affluent sections of the society who enable it keep the profit rate high, while catering to the needs of the poor in the absence of government subsidies often results in financial losses. Investment in infrastructure in the rural areas or in locations of high concentration of low income households or in public goods like education and health hardly attracts private investment. These considerations led to the preponderance of public sector projects directed towards the alleviation of poverty as a primary goal in the early period of development.

However, with the deteriorating capacity of public sector delivery systems and the absence of credible accountability structures to oversee public expenditure, especially those intended for reducing poverty, the state's reputation in implementing such programmes was severely damaged, especially among the donors. Thus, while until the 1970s, most poverty alleviation and social protection programmes were carried out by central or provincial governments, in the 1980s and beyond, increasing proportion of poverty alleviation programmes are either being implemented by the NGOs often with a high input of donor funding or by the private sector, as in the case of Microcredit finance and school education.

The rise in the incidence of poverty along with an increase in awareness of the extent of poverty has pushed individual countries as well as the international community to develop targeted programmes for the alleviation of poverty. In Pakistan, given the institutional and financial constraints, the social protection strategy to reduction of poverty has included programmes like public works, targeted financial assistance, and programme that involved the use of informal community based social security, such as the rural support programme and microcredit schemes.

2. Rural Works Programmes

The political and economic environment for undertaking poverty alleviation measures in the early 1990s called for increased reliance on market forces and the building and strengthening of social safety nets largely with the involvement of NGOs. Both the donors and the government found it expedient to undertake poverty alleviation programmes through the involvement of local communities, rather than through bureaucratic mechanisms, as in the past, even though some of the state-funded programmes such as the Village-AID Programme of the 1950s and 1960s, had made considerable impact in involving local community in development.

Although not conceived purely as poverty alleviation programme the Village-Aid programme which lasted for over a decade was aimed at gaining grass root support for comprehensive rural development and reducing the political power of land owning classes. The programme was centered largely around building rural infrastructure such as roads, bridges, canals as a means of spreading modernisation in the rural areas. It was funded largely by the United

States and was an integral part of the First Five Year Plan. With a checkered history, rural works programmes were continued by both Ayub Khan and Bhutto regimes as Rural Works Programme (1962–1972) and as Peoples Works Programme (1972–1983). Although both programmes had political motivations, they continued to be run by bureaucrats although they were also used by to award to contact of local level person. It is significant that both Ayub Khan and Z. A. Bhutto carried out significant land reforms, at least on paper, neither the rural development programme nor the land reforms helped much to alleviate poverty.

In an interesting debate in the PSDE on the relationship between rural development and rural poverty, John Mellor and William Thiesenhusen, contrasted the role of state and NGO programmes of rural development [see Mellor (1991); Mellor and Ranade (2006); Thiesenhusen (1991) and Naseem (2001)]. However, while a large number of poverty alleviation projects were launched by the government since the 1990s, such as the Rural Support Programme, Microcredit programme, Women Empowerment programme, aimed at alleviation of poverty, there is no comprehensive study evaluating the overall impact on the reduction in the incidence of poverty. Much of the explanations on the activities of these programmes are hidden in the Annual Reports of the NGOs involved in them but academics and researchers have not paid adequate attention to them.

In the 1990s, with the steady withdrawal of the state from social sectors, poverty alleviation strategies were directed towards building and strengthening social safety nets, largely with the involvement of the NGOs. For a detailed review, see Zaidi (1999), Naseem (2001), and Khan, *et al.* (2003).

The political and economic environment for undertaking poverty alleviation measures changed once again after the end of a decade long democratic civilian rule in the wake of military take over by Gen. Musharraf in 1999. In his first two years of Gen. Musharraf's regime, the NGO sector received a big boost with the induction of three prominent NGO activists in his Cabinet including the late Omar Asghar Khan who headed a renowned NGO on Environment and Poverty Alleviation, called SUNGI. However, the regime soon got involved in the war on terror following the 9/11 attack and had little time for any serious programme of poverty alleviation.

3. Role of PRGF and PRSP

Concurrently, there was a change in the dispensation of poverty alleviation funds by the international financial institutions and the IMF renamed the economic and structural adjustment facility (ESAF) under which Pakistan had earlier negotiated a loan, as the Poverty Reduction and Economic Growth Strategy (PRGS) which provided the Musharraf government a new vehicle for accessing aid for poverty alleviation, although its purpose was primarily to carry on structural adjustment and stabilisation policies under the IMF auspices. The government was also enabled to pursue its pet programme of decentralisation and devolution through the formation of National Reconstruction Bureau.

As a result, Pakistan concluded an agreement with the IMF on the Poverty Reduction and Growth Facilitation (PRGF) of \$1.3 billion in early 2002. The signing of the PRGF was followed by the rescheduling of \$12.5 billion of Pakistan's official debt to the Paris Club. These measures created the fiscal space necessary to accelerate growth which was used as the principal means of poverty reduction.

Under their flagship poverty assistance programme, the Poverty Reduction and Growth Facility (PRGF), the IMF and the World Bank, made poverty reduction and growth the lynchpin of its lending to low-income countries for almost a decade since September, 1999. To make its support more flexible and tailored to country needs—giving it a “home-grown” character, the IMF later replaced the PRGF with the Extended Credit Facility (EFF), which will make it sync with the objectives of a country's own poverty reduction strategy.

After the introduction of the Poverty Reduction and Growth Facility (PRGF) by the IMF and the World Bank, a number of steps were undertaken by the government of Pakistan to conduct the research on poverty reduction through the establishment of the Centre for Research on Poverty Reduction and Income Distribution (CRPID) in the Planning Commission.

The GoP's Poverty Reduction Strategy Paper (PRSP) [GoP (2003b)] is the principal official framework and strategy for this task and is operationally linked to Pakistan's commitments under the Millennium Development Goals (MDGs). The four pillars of the PRSP²² are: (i) Accelerating economic growth while maintaining

²²PRSPs are prepared by governments with the active participation of civil society and other development partners. PRSPs are then considered by the Executive Boards of the IMF and World Bank as the basis for concessional lending from each institution <http://www.imf.org/external/np/exr/facts/prsp.htm>

macroeconomic stability; (ii) Improving governance; (iii) Investing in human capital; (iv) Targeting the poor and the vulnerable.

Under the PRSP, the existing social safety net programmes were strengthened and streamlined. The main programmes that existed under social assistance were Zakat, or cash transfer funded from a religious levy, Baitul Maal (BM), tax funded cash transfer, Tawana Pakistan (TP), or healthy Pakistan—a school feeding programme for girl students, and a non-targeted wheat price subsidy. Under social insurance, the main programmes were the Employees Old Age Benefit (EOBI), the Workers' Welfare Fund (WWF), and the Employees' Social Security Institution (ESSI), all of which were funded using payroll levies on employers. The PRSP included a very wide range of supposedly public expenditures as poverty-reducing expenditure without any analysis of the impact of those expenditures on diverse sectors such as infrastructure construction, education, including higher education, and law and order—which largely benefited the non-poor and affluent classes. The PRSP met its target of taking poverty-focused expenditure to above 4 percent of gross domestic product (GDP) by 2005-06, but much of this increase occurred in sectors where the poor or the vulnerable were not direct beneficiaries. Equally important was the share of non-targeted food subsidies—which, again tended to favour the non-poor relatively more than the poor, notwithstanding some efforts to increase the outreach of Utility Stores and other subsidised public distribution outlets.

Apart from its primary function of providing financial support to those who become indigent during period of economic recession, or due to certain disabilities, any impairment of their natural fatalities or prolonged sickness, the social security system has been modified in recent years as an instrument for alleviating poverty caused by lack of opportunity due to uneven development.

4. Towards a New Social Protection Architecture

With the increasing focus on poverty alleviation and social protection embedded in the PRSP, there was a tendency to inflate the expenditure on safety nets as a response to the populist demands for increase in pro-poor public expenditures needed to soften the impact of recession and structural adjustment. In 2007-08, a year before the new democratic government was installed; the expenditure on safety nets was shown as having increased 24 times, largely as a result of the

inclusion of a large range of non-targeted consumer subsidies, including law and order and microfinance. To overcome such anomalies and to define the parameters of social protection, the Planning Commission set up a task force in 2006 which submitted its report in June 2007.

The national social protection strategy (NSPS) 2007 was formally adopted by the government but there was little or no progress towards its implementation until 2008 [Gazdar (2011)]. The NSPS set out three broad goals of social protection policy: The first of these, which to some extent was already embedded in the framework of the existing social protection policies, was the mitigation of risks and uncertainties faced by poor households to risk free and secure. The second goal was to introduce the direct role of government in reducing social inequity through income transfers and other legal interventions. The final and the most radical goal of the NSPS 2007 was to counter social exclusion and marginalisation by promoting social mobilisation for the poor.

However, until 2008, the NSPS remained confined to the existing outlays and interventions under PRSP listed earlier (such as Zakat, employees' old-age benefit Institution (EOBI)). The NSPS called for gradual implementation of reforms spanning over five years emphasising a two-fold increase in total assistance from Rs 11 billion to 36 billion. The total number of beneficiaries from total assistance programme was to rise from 2.6 million households to over 6 million. Much of the expenditure was to be directed towards public works employment schemes and an increase in conditional transfers. Although the NSPS is a well-intentioned public document aimed at consolidating apparently disparate schemes and programmes into a coherent and comprehensive social protection framework, its broader goals such as income redistribution and asset transfer, for an active or proactive programme countering social exclusion and marginalisation were only peripherally dealt with. The NSPS, like PRSP, lacked—at least initially, domestic and legal ownership that was hardly debated in public fora or the Parliament. The NSPS 2007 recommendation for creating a new integrated ministry for social protection was not taken seriously by either the Musharraf or the succeeding PPP governments.

Serendipitously, the political and economic turmoil in Pakistan of early 2007 triggered by the dismissal of the Chief Justice of Supreme Court, which culminated in election of the new government and the ending of the General Musharraf's military rule, gave a powerful

stimulus to demand for social protection in Pakistan. Pakistani politics entered a new era of populism after the brief period of populist policies under Mr Bhutto in the 1970s associated with the iconic slogan of “Roti, Kapra aur Makan” (bread, clothing, and shelter). Ironically, both the PPP and the PML (N), the two parties which ascended to power after elections in 2008, in Centre and in Punjab respectively—the latter had vehemently opposed the PPP earlier, were competing with each other to support such populist policies.

In its very first budget presented to the Parliament nearly ten weeks after the induction of the government, an amount of 34 billion rupees was allocated for the Benazir Income Support Programme (BISP) 2008. At around the same time, the Punjab provincial government announced its Food Support Programme (FSP) and a subsidised bread (Sasti Roti) scheme with a total outlay of 22 billion rupees. There was a time of competitive populism taking place in Pakistan led by two major political parties, one which supports the broad base of economically disadvantaged people across the country and the other is based in Pakistan’s most popular province, the Punjab.

The context of this resurgence of populism was two-fold. Firstly, the two parties had entered into an electoral alliance to fight against the incumbent pro-military regime, which was widely perceived as having been responsible for increasing poverty and promoting economic inequalities and an elitist pattern of development. Secondly, the world financial crisis of 2008 with its three dimensional (3-F) impact on food, finance and fuel, created a vicious spiral of inflation which hit the poor the hardest. These price increases eroded the budgets of the poor families much more sharply and pushed them towards the margins of existence and created civilian unrest, on top of the terrorist threat that it had been grappling with for over a decade. The Government had to look after the balancing of the poor woman’s budget, much more than the Federal budget, despite the pressure from the IMF and the World Bank. The increased funding and enlarged coverage of the BISP—notwithstanding all the problems of targeting and leakages it faced—was a response to this pressure, which was increasingly making itself on urban streets.²³

²³By 2009-10, fiscal allocations to the BISP reached 50 billion rupees (\$590 million). The programme was reported to have reached some 1.8 million women beneficiaries in 2008-09, and estimated to have included another million women in its second year of operation. If the average beneficiary had four dependants, the reach of the programme would have extended to over a tenth of the national population, or about a third of the population reported to be under the official poverty line.

Although there seems to have been a welcome shift in the political perception about the need for well established and well targeted social protection schemes to help alleviate poverty, they have in some cases degenerated into dole-out schemes for political patronage with an eye on the election cycle. Lap-top, yellow-taxi, Rozgar programmes and Danish schools, the benefits of which leak out principally to the non-poor, do not have legitimate claim for inclusion as social safety net programme.

It is too early to speculate whether the BISP and other social initiatives undertaken since 2008 will evolve from an apparently become a precursor of a full-blown and universal social protection architecture with multiple dimensions including conditional support programmes, emergency relief and health insurance. The swings in the policy pendulum between growth and equity and the changing international climate on such issues will determine whether the initial steps taken in recent years will take firm roots and lay the basis for a truly inclusive development paradigm. The four-decade long discourse on poverty will have hopefully contributed to such a favourable outcome.

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