

APPROACHES TO ALLEVIATING POVERTY IN RURAL PAKISTAN

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Background

More than 12 million people added to the poor in Pakistan between 1993 and 1999. The rising poverty was the result of poor governance and slow economic growth (Asian Development Bank 2002). All available evidence on poverty trends in Pakistan suggests that the problem of poverty in the country worsened during the 1990s, and this was more so in rural areas than in urban areas. Rural economy of the country is caught up in a vicious circle of problems – rapidly increasing population resulting in decreasing per capita resource base, low literacy level, continued high level of inequity in resource distribution, slow growth in both farm and non-farm sectors, and more importantly, continued poor governance. All these factors adversely affected the efforts to reduce poverty. Agricultural economy, which forms the backbone of broader rural economy of the country, is presently facing three major inter-related problems: (1) increasing water scarcity coupled with continued poor performance of irrigation systems, (2) increasing degradation of land and water resources, and (3) farmers' poor access to other key production inputs and services – all resulting in actual agricultural productivity levels continuing to be much below the achievable potential levels. Enhancing agricultural productivity through removing these constraints, especially for small farms, is one of the keys to address the problem of food and income poverty. This paper provides an overview of poverty trends in Pakistan. It highlights fundamental issues related to rural poverty and offers key approaches to enhancing agricultural productivity for food security and poverty alleviation in rural Pakistan.

Poverty Trends in Pakistan

According to recent estimates, Pakistan's has population is over 141.5 millions (2001), which was grown at an average annual rate of 2.5 percent during the 1990s. The population density is 183 persons per square kilometer. With a gross national income of only US\$ 59.6 billion and large population size, per capita gross national income works out to be around US\$ 420 in 2001. Among other measures of human welfare, there is life expectancy of 63 years, under-five child mortality rate of 110, and adult literacy rate of 57 percent only. As per official statistics, 28.20 percent of population was below poverty in the 1998-99, with incidence of poverty higher in rural (31.95 percent) than in urban areas (19.13). While poverty estimates vary from study to study, overall conclusion from all sources is that over one third of the population is living under poverty, and poverty is constantly increasing in Pakistan [note: according to the World Bank estimates released in October 2002, poverty rate in Pakistan in 1998-99 was 32.6 percent.] Recent micro level studies based on household level surveys show much higher incidence of poverty. For example, recent survey-based study estimates around

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59 percent of households below poverty line in Punjab (IWMI 2003). Further, income inequality among poor and non-poor is very high, with estimates in 1998-99 suggesting that the lowest 20 percent of households had only 6.2 percent of income and the highest 20 percent of households had 49.7 percent of income, with remaining 44.1 percent of income shared by middle 60 percent of households.

There was a considerable decline in poverty during the 1980s, followed by a somewhat rising trend in early 1990s and later the situation again worsened in late 1990s. Over the passage of time rural poverty increased than urban poverty but this does not mean that poverty in Pakistan is purely a rural phenomenon or rural areas are withholding progress in poverty alleviation. Rather, agricultural growth in rural areas has delivered considerable gains to both rural and urban poverty alleviation. During the period of 1985-1999, the correlation between agricultural growth and poverty rate was negative. During 1986-87, agriculture sector grew by 3.25 percent; consequently the incidence of poverty decreased to 17.3 percent in 1987-88. Poor harvests of 1992-93 resulted in negative agricultural growth of 5.3 percent, and thus registering a higher poverty incidence in 1993-94, particularly in rural areas. Similarly, severe drought and water shortages in 1997-98 affected agricultural productivity, thereby, increasing rural poverty to 31.95 percent. The relationship between availability of water supplies and its impact on national economy and incidence of poverty is self-evident. Overall, it can be concluded that poverty in Pakistan increased in the 1990s. The questions are now being raised on poverty being the permanent phenomenon in Pakistan or not.

Table 1: Incidence, depth and severity of poverty (percent of population) in Pakistan.

		1984-85	1987-88	1990-91	1993-94	1998-99
Incidence of poverty	Urban	38.2	30.7	28.0	17.2	24.2
	Rural	49.3	40.2	36.9	33.4	35.9
	Overall	46.0	37.4	34.0	28.6	32.6
Depth of poverty	Urban	9.2	6.1	5.7	3.0	5.0
	Rural	11.9	8.3	7.8	6.4	7.9
	Overall	11.1	7.7	7.1	5.4	7.0
Severity of poverty	Urban	3.10	1.8	1.7	0.78	1.51
	Rural	4.10	2.5	2.4	1.87	2.51
	Overall	3.8	2.3	2.2	1.55	2.2

Source: World Bank (2002), Pakistan Poverty Assessment-Poverty in Pakistan: Vulnerabilities, Social Gaps, and Rural Dynamics. Assessed October, 2002, <http://www.worldbank.org.pk>

There is a considerable variation in poverty across regions and provinces in Pakistan. Province-wise breakdown of poverty reveals that the highest incidence of poverty is in NWFP and the lowest in Balochistan. The later is mainly due to lower population density in Balochistan, although it has one of the driest, water scarce and fragile environment. Poverty patterns in Punjab and Sindh appear to be fairly similar and are more or less in keeping with that of the country as a whole.

Research on poverty, particularly rural poverty, in Pakistan highlights some of the key characteristics of the poor and determinants of incidence of poverty. These show that: (1) poverty tends to be generally higher in rural areas than in urban areas and urban poverty is largely a function of rural poverty; (2) the incidence of rural poverty is generally higher among resource poor (land, water) and skill/education poor

households; (3) the incidence of poverty is generally higher among households with a large number of children and single earning members; (4) the incidence of rural poverty is generally higher among households where males/females have no formal education or they are unskilled agricultural laborers; (6) poverty is generally also higher among non-farm households as compared to farm households; and (7) female-headed households have a higher incidence of poverty than otherwise.

There are many poverty-related issues in agriculture. Over 67 percent of the country's population lives in rural areas. Rural households depend directly or indirectly on agriculture for their livelihoods. Bulk of the rural non-farm activity, supporting mostly non-farm population, also depends on agriculture. Overall, agriculture contributes around a quarter of the country's gross domestic product, generates 44 percent of the employment, and significantly contributes to export earnings. Any economic or climate shock to agriculture affects the entire country, with poor being hit the first and the hardest. Government of Pakistan has identified agriculture as one of the four major drivers of economic growth along with oil and gas, small and medium enterprises, and information technology. Therefore, any rural poverty reduction strategy in Pakistan must focus on rural agricultural economy and help to address its specific problems. These include inequitable distribution of resources, degradation of land and water resources, and low agricultural productivity.

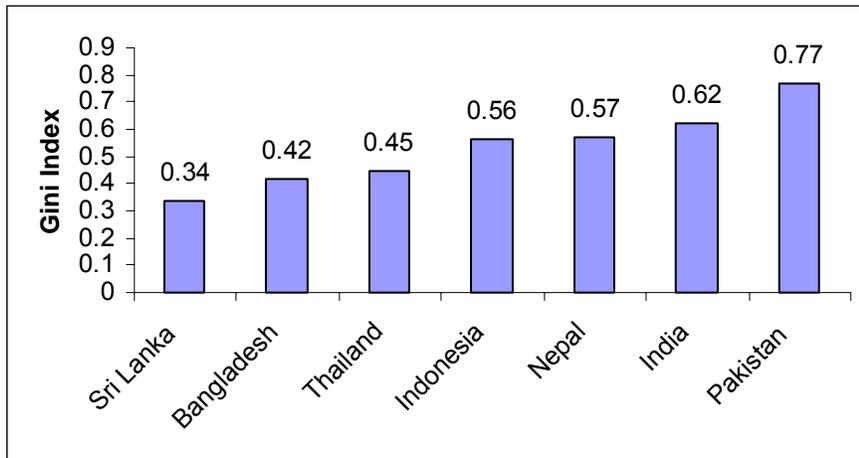
In Pakistan, land is a key rural resource, but it is highly unequally distributed. Land inequality in the country is highest in Asia, with Gini-coefficient is as high as 0.769 (Adams, Jr. 1995), as compared to other countries in the region. According to the official statistics from the Ministry of Agriculture (2000-01), there are 5.1 million farms in the country and 93 percent of these are up to 10 hectares, accounting for 60 percent of total cultivated area. Farms of less than one hectare account for 27 percent of the total farms but control only 4 percent of total land. On the other hand, farms with land comprising above 10 hectares are only 7 percent of the total farms but account for 40 percent of the cultivated area.

Recent observations show that inequitable land ownership has a substantial negative impact on agricultural productivity, and also has indirect negative effects on natural resource base and environment. Distribution of available public lands and undertaking overall land reforms in more effective and pro-poor ways, unlike the past efforts which were largely ineffective, would remain important to create assets for the poor, particularly for the landless who constitute the bulk of the poor in rural Pakistan.

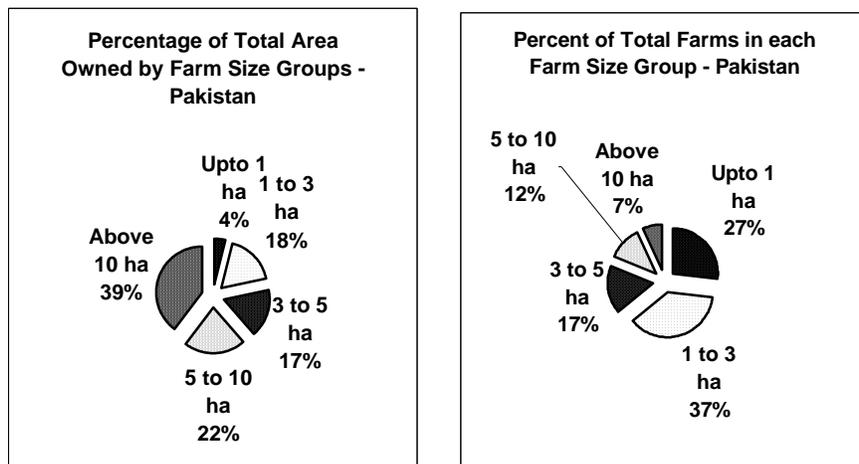
As mentioned above, agricultural productivity in Pakistan is very low in both absolute and relative sense. For example, productivity of wheat (an important crop in Pakistan) remains the lowest among major wheat producing countries (Figure 4).

Recent research by international organizations, including International Water Management Institute, suggests that there is considerable scope for improving agricultural productivity in Pakistan. The challenge is to narrow the existing productivity gap by removing a set of constraints (physical, technical, socio-economic, and institutional) at various levels – macro/policy level, meso and micro or field level. Some of these constraints relate to land and water resources, others relate to non-land and water factors and services such as access to seeds, fertilizers, production technologies, agricultural equipment, information and knowledge and finance/credit (for details, see Hussain et al. 2003).

Figure 1-3: Gini-coefficient for the selected countries in South Asia.

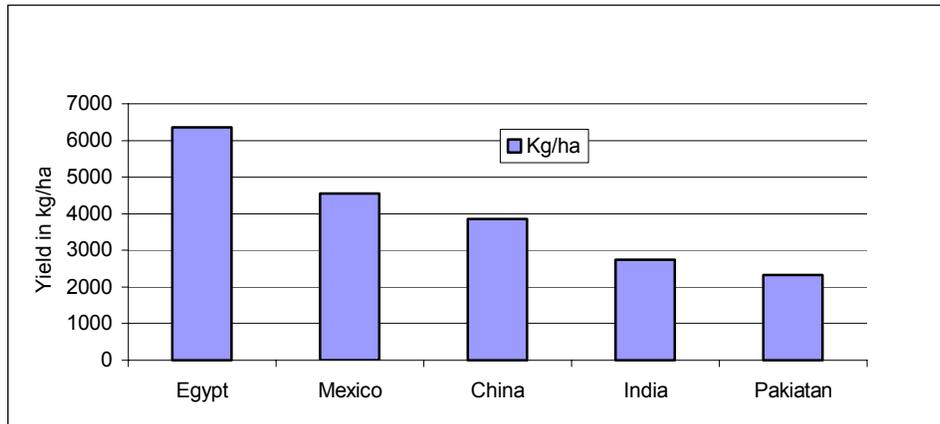


Sources: Adams, Jr. and Richard, 1995; Ray and Debraj, 1998; Hussain, Marikar and Thrikawala 2002.



Source: Agricultural Statistics of Pakistan 2001.

Figure 4: Wheat yield in selected countries, 2001.



Source: Agricultural Statistics of Pakistan 2001.

In aggregate terms, there is not much scope to further expand land and water resources in Pakistan due to physical scarcity of these resources, growing competition for resources across various use sectors resulting from population increases, expansion in urbanization and the growing overall economic activities. While, certainly, there is scope to increase productivity through improved management of land and water resources with effective interventions, overall gains in productivity will also depend on management of and access to other non-land and water factors and services, which are complementary to land and water. Even if most of the constraints related to land and water are removed through improved management, resulting gains in productivity may not be sufficient enough, in the presence of constraints related to other factors and services, to have any significant dent in poverty. In other words, improved management of land and water related factors will be important, but equally important will be improved management of and farmers' access to other factors and services.

In the past, most of these services (especially technology dissemination, information/extension, credit and finance) were supplied largely by the public sector. However, the performance of the public sector in provision of these services and in reaching to the poorest of the poor has been disappointing. Huge costs involved, sectoral approaches to services provision, and inherent inefficiencies in public sector management (largely due to lack of incentives) have been the key factors limiting wider access to these services, especially by the poor.

The issue is not really of availability but of access to the services and factors of production. New information and knowledge, technology, finance and inputs are available but these are not accessible when and where they are needed. This is so because institutional mechanisms that enhance access to these services and factors either do not exist, or if they exist they are fragmentary, anti-poor, limited, inefficient or exploitative. Access to these services and factors of production can be enhanced by establishing institutional mechanisms that: (a) ensure delivery of these services at wider scale, (b) provide services in integrated manner to reduce transaction costs not only in provision of these services but also in accessing these services by farmers, and (c) also ensures that there are strong incentives to the service providers. This can best be done

through involvement of private sector, with public sector playing an important role as an enabler, facilitator and regulator. In the financial sector in developing countries, Claessens (2002) reports that most analytical and empirical work to date finds provision of financial services in integrated manner to be beneficial as it enhances the efficiency of the sector and widens access to the services. In the agriculture sector in developing countries, the concept of 'Integrated Services Provision (ISP)' through private sector has not been promoted, so far, as an alternate to public sector provision of these services. However, over the passage of time various ISP-type experiments have been carried out or similar ideas and initiatives have emerged. These include modern cooperatives established and managed by the private sector such as those in India, contract farming by the private sector, private extension services such as web-based extension services through agri-clinics in India, and private/informal sector providing major services in integrated manner such as emerging agri-malls in Pakistan. Some of these entities provide inputs and related services, while others also provide direct or indirect services for output marketing.

Entities for 'Integrated Services Provision (ISP)' through private sector involvement could be viewed as 'one-stop-shops' established at the village/town level which would provide farmers with information and knowledge on cultivation practices, extension services, new production technologies including irrigation technologies, new seeds, fertilizers, farm equipment, credit, information on input and output prices, and help establish linkages with outputs markets, provide up date on government policies, and latest developments in agriculture - all provided under one umbrella. Technical guidance, business plans, quality control, monitoring, update on knowledge and technology and other similar functions would be carried out by apex bodies (created, say at the province level) of the private service providers facilitated by regulatory back-up from the government. Creating and promoting such institutions would help disseminate up-to-date knowledge and information to farmers, improve access to quality inputs and finance, reduce transaction costs to government, farmers and society as a whole, and expand access to key production inputs and services to all socio-economic groups including poor smallholders.

Government's New Poverty Reduction Strategy

The new government is developing a comprehensive poverty reduction strategy, will further strengthen the interim poverty reduction strategy formulated in 2001, and has the following main components: (1) engendering growth by correcting macro-economic imbalances, which has five sub-components – tax reforms, expenditure management, monetary policy, external adjustment and debt management; (2) broad-based governance reforms – devolution of power, civil services reforms, access to justice, and fiscal and financial transparency; (3) improving income-generating opportunities – empowering people by creating opportunities for improving livelihoods through improved access to assets including housing, lands and credit; (4) improving social sector – particularly improving health and education; and (5) reducing vulnerability to shocks by providing social safety nets.

Recently a number of anti-poverty programs have been initiated to improve the conditions of the poor. These include Khushaal Pakistan Program for community level public works, Food Support Program for poorest of the poor, *Zakat* Rehabilitation Grant, and micro-credit program. Another major program is the Social Action Program

with four target areas – elementary education, basic healthcare, family planning, and rural water supply and sanitation. These initiatives, if implemented effectively, can be expected to contribute for improving livelihoods of the target groups.

The government of Pakistan has recently reinvigorated its efforts to provide irrigation facilities to marginal areas, which are not yet served by the canal network. Priority areas in water resources development over the next decade include: (a) raising of Mangla dam, construction of Mirani dam, Gomal zam dam, Thal canal and other small and medium reservoirs; and (b) efficient use of stored water through construction of new irrigation schemes like Raineer/Thar canals, Kachi canal, greater Thal canal, and modernization of barrages in Punjab. According to the estimates in government's 10-year perspective plan (2001-2011), these developments would augment irrigation water by 6 million acre feet by 2011. These initiatives can be expected to contribute towards at least partially addressing the problem of growing water scarcity in the country.

It should be emphasized here that given the strong linkages between land, water and poverty, issues related to land and water should be at the forefront of the poverty reduction strategy paper for Pakistan. Similarly, poverty concerns should be clearly reflected in the new water policy.

Key to Reducing Rural Poverty

Rural poverty can be reduced by increasing crop/agricultural productivity through pro-poor interventions including:

- re-distribution of land and water resources
- integrated land and water management
- integrated service provision for non-land and water inputs and services through private sector
- increasing production and productivity of non-crop farm sector (e.g. livestock), that is, generating land-based employment and income opportunities for the poor
- developing non-farm sector for the poor, which is generating non-land based livelihood opportunities for the poor and landless through small-business and non-farm enterprise development and skill improvement and vocational training

Of course, good governance, improved human quality and sound macro-economic policies are important for creating conditions for enhancing effectiveness of poverty alleviation efforts.

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