

Poverty alleviation in pakistan essay



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There may be varying meanings and definitions of poverty. In general terms poverty may be referred as lack of resources to fulfill basic needs of daily living of oneself and ones family. The World Bank however describes poverty as living on less than US\$ 3 per day, and extreme poverty as less than \$1 a day. According to this definition, in 2001, more than 50% of the world population was living in poverty and about 21% of the world population which comes to about 1.1 billion people was living in extreme poverty.

The more disturbing news is that about 8 million people die each year because they are too poor to survive. Poverty when expanded to larger canvas, it may be seen as the collective condition of poor people, or of poor groups, and in this sense entire nation-states are sometimes referred as poor. Poverty is found in every region around the globe. To avoid the stigma of poverty, poor nations are usually called developing or underdeveloped countries. Developed countries are not devoid of poverty as well. In developed countries, this condition results in wandering homeless people and poor suburbs.

There are efforts being made at the world level to help poor nations to alleviate poverty and provide basic necessities of life to the general masses. The figures are improving. But much has to be done yet. According to one estimates, while the U. S. government spends over \$300 billion dollars a year on military contracts, only \$19 billion a year is needed to achieve the Millennium Development Goals of ending extreme poverty by 2015 (Wikipedia, 2006). Pakistan is also one of the developing countries where most people live all their life even without having traveled on an automobile.

Successive governments have been making all out efforts to eradicate this menace from its roots but have failed miserably. This paper will analyze levels of poverty in various segments of Pakistani society, while scrutinizing its causes and focusing on various poverty reduction and poverty alleviation measures being undertaken by the present Pakistani regime. At the end, the paper will also evaluate efficacy of these measures by comparing them with neighboring India and Bangladesh. What is Poverty Poverty has varying meanings.

The main understanding of poverty comes from the fulfillment of basic needs including the necessities for daily living like food, clothing, shelter, education and health care. Economic description of poverty would simply mean lack of resources and capital. Poverty may have varying degrees or levels as well. In economics, there are two kinds of poverty commonly known as absolute poverty and relative poverty. Absolute poverty is basically the set standard of living which is consistent over time and between countries. Relative poverty however views poverty as socially defined and dependent on social context.

In this sense poverty can also be judged by comparing income levels of two different groups in the same community. A reduction in absolute poverty is compatible with an increase in relative poverty. Poverty is usually measured either by indices of consumption or of income. In United States, poverty is measured by identifying a minimum dietary or basket of goods. The main conventional measure used in European Union, however, is based on “ economic distance”, a level of income set at 50% or 60% of the median

household income. The World Bank however defines poverty as living under \$ 3 a day (Wikipedia, 2006).

Causes of Poverty Poverty at individual level may have a reason like lack of employment opportunity but at national level, the causes may not be that simple. Basic reason for poverty at country level would include lack of sufficient resources which may have been exhausted due to an ongoing or an impending war, and high level of corruption at all tiers of government. There could be economic factors causing depletion of resources in addition to geographical factors like the location of country at a place which may be devoid of natural resources.

The structural causes for poverty may also include limiting the opportunities by discriminating in age, gender, and race. Poor governance including mismanagement of available resources and excessive taxations also have profound affects on poverty line of a country. It is not an easy task to determine precise causes of poverty in any given country. The issue is always politicized and would hence remain controversial. In general terms, poverty can be attributed to factors like population versus resources index and over-interference by the government.

There are analysts who believe that poverty is a matter of social justice and lack of opportunity (particularly in education), and that it is often the lack of government intervention which impacts on poverty levels (Wikipedia, 2006).

Ways to Alleviate Poverty There is no single measure to reduce poverty levels in a country. It requires a multi-directional approach to deal with this complex problem and necessitates sincerity at government level followed by

determination and continuation of effort in the right direction. The measures to alleviate poverty can be divided into short term and long term measures.

Short term measures are basically more individualistic in nature whereas long term measures are focused on improving the overall state of society. The main responses to poverty at individual levels may include donating directly to those in need and responding to individual circumstances. A variety of measures can be taken to change the situation of poor people on an individual basis, through education, employment, and social work efforts measures. Then there can be some measures focused at some categories of people who are most at risk of economic hardship, such as the elderly and people with disabilities.

These people can be provided with social protection, and can be assisted through the provision of resources or services. The long term measures at governmental level would include improving the overall economic condition of the country with the assistance of world bank and other monetary organizations. These measures aim at increasing the economic growth rate by creating conducive conditions for bringing in foreign investments and developing industrial and communication infrastructure of the country. Infrastructural improvements are required to facilitate business groups and investors to explore the economic potential of a country.

The government also encourages poor to help themselves by initiating micro and macro-financing projects. At international level, the world economic organizations may prove very effective to help eradicate poverty worldwide with known, proven, reliable, and appropriate interventions in the areas of

housing, food, education, basic health, agricultural inputs, safe drinking water, transportation and communications. Poverty Levels in Pakistan Report on poverty in Pakistan issued by Asian Development Bank (2002) reflects that more than 12 million people were added to the ranks of the poor in Pakistan between 1993 and 1999.

The report further highlights that during this period, the level of poverty worsened from 26% of the population falling below the poverty line in 1993 to 32% below the line in 1999. It is expected that the number of people falling below the poverty line to have further increased after 1999, as growth has slowed, development spending has declined and the country has experienced a severe drought. The said report concludes that it would not be an exaggeration to say that more than a third of the country's population is currently living in poverty.

Major cause for sustained levels of poverty in Pakistan has been identified as poor governance. Moreover, inequality is another aspect to consider since it was also intensified in the 1990s, with income distribution in urban areas being consistently more unequal than rural areas. In 1997, the income share of the bottom 20 percent of households had declined to 6.9 percent from 7.9 percent in 1987, and the income share of the bottom 40 percent of households declined from 20 percent to 18 percent. Following chart describes the fluctuating poverty line in last twenty years.

According to the official poverty line (above), it is inferred that the basic needs head count dropped between 1987-88 to 1992-93, falling from 29.2 per cent to 26.8 per cent of the population. Subsequently the trend in

poverty was reversed. Between 1992-93 and 2000-01, poverty increased by 5 per cent to 32.1 per cent, the biggest jump in 1993-94, while the increase decelerated towards the end of the decade.

There had been various poverty reduction and poverty alleviation initiatives taken by successive Pakistan governments over the last sixty years of independence. The determination and serious attitude shown by the present regime in Pakistan is however unprecedented. In last five years, poverty reduction has taken center stage of Pakistan's development policy framework recognizing that poverty alleviation is not merely a by-product of the growth process.

In wake of fact that there had been an increase in the poverty levels in the country over past years, the Government of Pakistan adopted a comprehensive strategy in November 2001 to reduce poverty. This strategy focused on providing an integrated focus on a diverse set of factors that impact poverty, and to meet the twin challenges of reviving broad based equitable growth and reducing poverty.

The Poverty Reduction Strategy of the Government of Pakistan is now based on the accelerating economic growth and maintaining macroeconomic stability, investing in human capital, augmenting targeted interventions, expanding social safety nets, and improving governance (PRSP, 2003). The Government has redefined its role as policy maker and regulator without engaging itself in doing business, and is rationalizing its size.

In order to improve its fiscal position, the Government intends to improve the tax to GDP ratio which has remained stagnant at around 13 percent as a

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result of a narrow tax base, weak tax administration, a complex tax regime, and widespread culture of tax evasion and corruption. In order to address this situation, the Government of Pakistan carried out tax survey and documentation exercise in the year 2000.

It was supplemented by a comprehensive tax and tax administration reform program initiated in November 2001. The implementation of reform package in this regard will continue over the medium term. The basic purpose of the tax administration reform is to convert the Central Board of Revenue (CBR) into a modern, efficient and an autonomous organization. The CBR is expected to improve revenue collection by providing quality service and enforcing compliance with tax and related laws.

Another major aspect the Government of Pakistan is focusing is the reduction in debt burden. The Government believes that without reducing the debt burden, the fight against poverty cannot be won. In year 2002, the Government of Pakistan developed a formal debt reduction strategy to reduce fiscal and current account deficits; curtail the cost of borrowing, and seeking concessional financing from the IFIs.

Option of pre-payment of its expensive external debt and liabilities (EDL) in view of improvement in the reserve position, prospects of continuing current account surpluses, and low domestic and international interest rates is also under implementation. All these measures are undertaken to reduce the future debt servicing outflows thereby releasing sufficient fiscal space for increased spending on social uplift and infrastructure development. Macro economic targets of the country are appended below.