

Seminar on Poverty in South Asia

May 25-26, Islamabad, Pakistan

This year the launch of the Mahbub ul Haq Human Development Centre's annual report '*Poverty in South Asia – Challenges and Responses*' was followed by a seminar on the theme, 'Has Poverty Gone Down in South Asia? An analysis of poverty alleviation in India, Pakistan and Bangladesh'. The seminar was organised to discuss the various issues related to poverty, particularly to analyse the impact of the poverty alleviation programmes that were being implemented in the region for a number of years.

In particular, the seminar addressed the following questions:

- Has poverty gone down in South Asia as a result of recent economic performance?
- What is the trend of poverty incidence (rural-urban) and income inequality in each country over the past one decade?
- How effective are the poverty alleviation programmes in reducing poverty in the region? In particular, what are the bottlenecks in the successful implementation of these programs?
- What are the governance policies and institutions that create and/or perpetuate poverty, despite numerous special initiatives by the governments of the region?

As the Human Development Report 2006 noted, countries across South Asia have witnessed remarkable growth rates in recent decades due to liberalisation of their economies. The GDP growth rates in India, Pakistan and Bangladesh have been well above 6 percent over the past five years. However, whether this growth has had a significant impact on poverty reduction is not clear.

The first session of the seminar took up this question. Poverty in India, Pakistan and Bangladesh were analyzed focusing on trends in national poverty lines, distribution patterns of poverty incidence among rural/urban areas, across gender and various socio-economic classes, and the governments' efforts to alleviate poverty through various poverty alleviation programmes.

Based on the paper prepared by Smita Gupta of India, Sadia Malik presented poverty trends in India and noted a number of important facts in that context:

- With the fast pace of economic growth in India, poverty had declined and social indicators improved.
- However, the reduction in the incidence of poverty was higher in the 1980s than the 1990s although economic growth was higher in the 1990s.
- Also, the aggregate figures of poverty reduction masked widespread geographical and socio-economic disparities. In 2000, poverty was concentrated in six states in India with 70 percent of the population (Uttar Pradesh, Bihar, Madhya Pradesh, Maharashtra, West Bengal and Orissa). Four of these states had poverty levels exceeding 30% for many decades. Indicators of well-being also recorded similar disparities. The progress in poverty reduction was also uneven across states.

Falling agricultural productivity, lack of access to land, rising unemployment, and rise in relative prices of food were cited as main determinants of poverty in India. For significant reduction in poverty incidence, the paper suggested that India needed to concentrate on:

- Increasing agricultural productivity and growth in non-farm sector.
- Reduction in income and non-income inequalities.
- Reduction in food prices; and
- Advancing human development, particularly education and skills training.

Based on the paper prepared by Quazi Mesbahuddin Ahmed of Bangladesh, Alishan Azhar's presentation on poverty and growth in Bangladesh began by noting the declining trends in indicators of poverty since the early 1990s. However, Bangladesh still had the third highest number of people living in absolute poverty in the world (after China and India). Regional disparities in poverty incidence were clearly marked with central and south-western regions prospering and the northern and south-eastern regions were left behind. As in the rest of South Asia, the burden of deprivation was higher for women with average income levels of female-headed households being 33 percent lower than those of male-headed households in the country. The positive impact of steady economic growth on poverty reduction, especially in rural Bangladesh, was noted. This steady and significant decline was attributed to well-designed and timely agricultural growth policies that had transformed the agricultural sector in Bangladesh. Improved agricultural policies, reduced costs of inputs through enhanced irrigation facilities and better availability of seeds and fertilizers, and encouragement of private sector participation – these policies increased agricultural productivity and reduced poverty. On the non-governmental front, micro-credit initiatives were important in empowering the poor and enabling them to pull themselves out of poverty. The various ongoing policies aimed at maintaining, indeed accelerating, decline in poverty levels, such as, macroeconomic stability; focus on agriculture, roads and telecom as sectors for pro-poor growth; safety nets for the poor; and improved delivery of basic services were particularly highlighted.

Based on the paper prepared by the Centre, Feyza Bhatti presented trends of poverty incidence in Pakistan noting that poverty in Pakistan exhibited a cyclical trend over the past four decades. There had been a significant decline in poverty incidence in the period between 2000-

01 and 2004-05, the decline was attributed largely to high economic growth, increased levels of pro-poor expenditure and a reduction in unemployment rates. However, the levels of poverty remained high and there were significant regional disparities and socio-economic inequalities between classes and genders. Women in Pakistan bear a disproportionate burden of poverty because of their lower position in the labour market, lower earnings, lower access to productive resources and lower levels of human capital due to restricted access to education and skill development. Despite the higher level of GDP growth, Pakistan featured low on the human development ranking (134th among 177 countries in the UNDP Human Development Index) and its social indicators still have a dismal record. Various dimensions of inequality have kept the benefits of growth from reaching all sections of the population in Pakistan.

All three presenters highlighted the importance of equality of income and asset distribution, access to basic services such as education and health, and of opportunities such as jobs and credit as critical determining factors for the growth process to benefit the poor. Women were identified as being the most disadvantaged and vulnerable group in all three South Asian countries.

The discussants, Sajjad Akhtar and G.M. Arif, both well-known poverty experts, contributed significantly to the debate by highlighting and discussing issues of methodology in defining and measuring poverty in various countries. The lack of reliable data was identified as one of the major reasons for failure of policies. The discussants highlighted the need for the policy making process to rely heavily and continually on sound data and research. This is possible only through introducing, promoting and maintaining information systems that can collect, compile and analyse data objectively and aid the policy making process.

The second session of the seminar dealt with the issue of effectiveness of poverty alleviation programmes in Pakistan, India and Bangladesh. The first speaker Shoaib Sultan Khan enlightened the participants by sharing his own experiences with poverty alleviation programs in India and Pakistan. The speaker, having worked extensively with the Agha Khan Rural Support Programme (AKRSP), shared his knowledge of what worked and why in successful poverty alleviating programmes. He identified social mobilisation as a key factor in determining the success or failure of a particular programme. Drawing upon his experience in northern Pakistan, he proposed that social mobilisation be a centre piece of all poverty reduction strategies. Social mobilisation in his view was a sine qua non of all development interventions. While interventions in education, health and sanitation were equally important, mobilising communities and their organizing abilities would ensure community ownership of any particular development programme, thus increasing the chances of success. The speaker cited the Orangi Pilot Project¹ and the AKRSP (where the program was able to triple incomes in a decade in the northern areas of Pakistan) as cases in point.

Shoaib Sultan Khan further noted that multilateral agencies such as the World Bank and UNDP have recognised this and project designs for programmes such as the Social Action Program (SAP) and UNDP's South Asia Poverty Alleviation Programme set a precedent for the

¹ The Orangi Pilot Project (OPP) was started in Karachi by a community based at Orangi Town where the residents got together to improve the deplorable sanitation conditions of their area and is cited as one of the most successful models of social mobilization in development. The residents of the area were able to, by mobilizing local financial and human resources, build an effective drainage and sewage system in Orangi Town thus proving missing sanitation facilities for their locality. The OPP model of social mobilization in development has been replicated in a number other locations within Pakistan as well as other countries.

South Asian governments to implement the social mobilisation component of development programmes.

The second speaker, Faisal Bari, provided a critique of the poverty alleviation programmes in Pakistan. The speaker noted that the imperative for poverty alleviation programmes came from the widely accepted view that poverty was functionally damaging and as such most poverty alleviation programmes must address the critical issue of human development. However the two poverty alleviation programmes that the speaker presented, Zakat and tubewell subsidies, were not addressing either the poverty issue or the issue of human development as these programmes were badly designed and implemented leading to substantial leakages and corruption.

The discussants, Kamal Hayat and Talat Anwar, were well suited to comment on the issues. Kamal Hayat drew from his experience as Chief Executive of the Poverty Alleviation Fund (PPAF) to comment on what makes policies work. He noted that many initiatives by the government in Pakistan were working well by addressing the structural issues, such as provision of infrastructure, credit and basic facilities, and making a demonstrable difference in poverty incidence as well as in removing basic conditions that perpetuate it. The large scale development initiatives, governmental and non- governmental, were responsible for lowering poverty incidence. The PPAF, for example, reaches out to between 65000 to 70,000 communities in one hundred districts across Pakistan and its current total credit portfolio amounts to \$274 million. He stressed the need for policy coherence on a macro, meso and micro level. He held the current disconnect between the needs at the grassroots level and policy making at the macro level responsible for the leakages and inefficiencies in poverty alleviation programs identified by Faisal Bari. Talat Anwar in his turn supported the key issues identified by the second speaker as weaknesses in policy design of poverty alleviation programs.

During comments from the floor, the elite capture of policy making process was recognised as a threat to poverty alleviation efforts. A comparative analysis of successful development programs from countries such as China was presented to highlight the role of social structures and political processes in determining the path a society and an economy could take. Sartaj Aziz noted that the process of social change (as in China) needed to precede economic transition. The nature and process of social change could be important for symmetric distribution of assets. Economic growth on its own is very unlikely to distribute assets equally, and once the economic process takes off it is harder to correct the initial inequalities built into the system. Furthermore, redistribution of assets is an intensely political issue. To judge whether a growth process is pro-poor factors such as access to land, facilities and service delivery mechanisms and credit need to be addressed. A socialist system provides a system that treats development rights as fundamental and so provides a guarantee that the system of policy determination will ensure that they are met. The need for a national ideology for pro-poor policies was stressed.

The third session focused on the role of good governance in poverty reduction, in particular the role of pro-poor economic policies and the imperative of the efficient, transparent and equitable delivery of basic services in poverty reduction. Specifically under focus were the policies of decentralisation and devolution of power and their role in creating an enabling environment for the disadvantaged. The progress on these issues in South Asia so far and the remaining challenges of devolution of power and resource allocation were discussed.

The first speaker Ishrat Hussain urged a shift in focus from too much methodological concern on poverty measurements, determination of poverty lines and other statistical debates that distracted, in his opinion, from the more important issue of reducing poverty regardless of its level of incidence. He noted that most academics agreed that growth alone cannot reduce poverty and there needed to be a deliberate effort to address various inequalities in society. It was also important for governments to be cognizant of the various fault lines within societies that could, in the presence of persisting and worsening inequalities, erupt into violent internal conflicts. By drawing attention to the various afflictions in South Asian societies – presence of land mafias, rampant unemployment that makes youth susceptible to a life of crime, lack of well-functioning education systems, dysfunctional health facilities, weak enforcement of legal rights (especially for women, religious minorities and disadvantaged groups), and religious extremism, to name a few – the speaker highlighted the importance of policies and structures of governance to actively address these issues in order to ensure stability in society.

The second speaker, A.R. Kemal noted that good policies without good governance would not benefit the poor. For example, in Pakistan the periods of highest levels of resource allocations did not result in improvement in social indicators underlining the fact that spending money without addressing the underlying structural causes of poverty would not reduce poverty. This was not a Pakistan specific problem it was common to most South Asian countries. The issues of governance that needed immediate attention included not only the design of policies and structures of governance but also a clear understanding of issues of resource allocation versus resource utilisation. Transparency of public sector expenditure and accountability in resource allocation therefore was of foremost importance. Political accountability was also essential to eradicate bad governance practices.

Secondly, regressive tax structures followed by poorly constructed subsidies made for an inefficient system. The speaker also emphasised the need for correct and efficient targeting of subsidies. Poor governance structures exacerbated the leakages and mis-targeting, completely sidelining the poor even from accidental benefits.

The discussant SM Naseem enlightened the audience with his take on the issues of governance. The speaker put the issue in the context of international policy development and linked the role of donor interventions to the growing concern with governance systems in developing countries. The fact that international development agendas and foreign aid was now tied to political and economic reforms that included good governance raised some important concerns about the effectiveness of ‘one-size-fits-all’ policies. Comparing the recent push for a rather simplistic formula of ‘sound policies’ and ‘good governance’ to the now unpopular Washington Consensus approach, the speaker stressed the importance of considering country-specific contexts before designing political and economic reforms.

Khadija Haq closed the seminar with the question, ‘Has poverty gone down in South Asia?’ and concluded that it had in the three-country results presented here, but cautioned that each country was faced with unconscionable income equality that needed to be given urgent policy attention before the results of high economic growth got wiped out by social turmoil.