The question of poverty reduction in Pakistan

Official claims of a major breakthrough in poverty reduction in Pakistan do not stand up well to close scrutiny, argues Akmal Hussain



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POVERTY in Pakistan is rooted in an acutely unequal distribution of productive assets and an associated asymmetric structure of power. This power structure distorts markets and state institutions in such a way that they systematically discriminate against the poor with respect to access over resources, public services and governance decisions which affect their immediate existence.[1]

Poverty occurs when individuals in a fragmented community are locked into a nexus of power which deprives the poor of their actual and potential income. For example, in rural Pakistan it has been estimated that poor peasants are losing as much as one-third of their income due to asymmetric markets and local institutions of governance.[2] At the same time, as many as 57.4 percent of the extremely poor peasants who have taken loans from the landlord work on his farm without any wages at all, and 14 percent work at a wage that is less than half the market wage rate.[3]

Our recent research shows that as much as 65 percent of the poor population in Pakistan is suffering from ill health, which is an important factor in the systemic process of poverty creation.[4]

Given the structural nature of the poverty phenomenon in Pakistan, a mere acceleration in GDP growth cannot, in itself, be expected to significantly reduce poverty quickly. For substantial poverty reduction to occur the structure of power, the asymmetric markets, and the distribution of productive assets have to be reconfigured in favour of the poor.

At the same time, the composition of GDP growth, which is determined by these structural factors, would have to be restructured in favour of the poor. On the contrary, the fact is that the government, during the last six years, has not even begun to address the structural basis of systemic poverty in Pakistan. Furthermore, the evidence shows that GDP growth during the last six years has been pro-rich rather than pro-poor.

It is remarkable, therefore, that the government has come up with a claim