

## 1. Characteristics of Poverty in Pakistan

- (1) Within South Asia, Pakistan is lagging more in human development than in economic growth.
- (2) Incidence of poverty (headcount of those individuals whose consumption expenditure is below the poverty line) is high at more than 30%, about 40 millions in absolute terms, and increasing rapidly in the late 1990s.
- (3) Income poverty is more severe in rural areas, among the landless, and closely correlated with deprivation in education and health.
- (4) Macro performance during the 1990s was not pro-poor because the growth rate was lowered and the labor absorption capacity of economic growth was reduced [Kurosaki 2003].
- (5) The income poor in Pakistan not only suffer from average low consumption but also are subject to high fluctuations in consumption due to income risk and the lack of safety net measures. The landless are more deprived than the landed if we focus on vulnerability [Kurosaki 2004].
- (6) In rural areas, permanent non-farm employment is associated with the exit from poverty. Education is key to such employment [Kurosaki 2001]. Livestock is more pro-poor than crop agriculture [Kurosaki 1995] but its role in economic growth may be limited to short- to middle-run.
- (7) Social safety nets are weak, especially those provided by the public sector or by formal institutions. Private networks based on personal relations are more important safety nets [Kurosaki and Khan 2001].

## 2. Implications to Community Development and Poverty Reduction Policies

Policy implications from the characteristics of poverty in Pakistan include [Kurosaki 2003]:

- (1) When poverty reduction policies or social safety net policies are implemented, formal interventions may substitute private networks. To avoid this problem, targeting to those with least private networks (such as the landless households without permanent non-farm employment) is critically important.
- (2) Labor-creating growth promotion policies should be put at the center of poverty reduction policies. Without such growth, micro policies for poverty eradication such as micro finance will be ineffective. Declining labor absorption capacity is a great concern. Promoting livestock activities in agriculture and export-oriented small-medium scale industries in manufacturing should be seriously considered.

The role of community development in poverty reduction has been increasing. Under the context of global reduction of aid money to developing countries, keywords for a successful PRSP implementation include *efficiency*, *accountability*, and *transparency*. Decentralization through community development can potentially contribute to achieving the three keywords through:

- (1) Utilization of local information:  
e.g., the local people know better about local needs; they can monitor the projects better. etc.
- (2) Utilization of local resources  
e.g., local skills, on-site service provisions, etc.

(3) Nurturing "ownership":

e.g., the incentive to free-ride is reduced; the incentive to sustain the project is increased, etc.

But at the same time, there are some dangers of community development policies leading to institutional vulnerability to local politics and inefficiency due to the low level of local information/skills or due to the existence of scale economy. To avoid such dangers, monitoring and evaluating poverty reduction policies in general and community development policies in particular are of critical importance.

In monitoring and evaluation, both qualitative (e.g., rapid project appraisal, participatory poverty assessment) and quantitative measures (e.g., income level, literacy, anthropometric measures) should be used. In both cases, what is important is to compare the performance under the project against the counterfactual of what would have happened to the community if the project were not implemented. Naive comparison of "the project area *before* the project" and "the project area *after* the project" may be biased due to the existence of macro shocks or trends. Naive comparison of "the area *with* the project" and "the area *without* the project" may be biased due to non-random assignment of the project and voluntary participation by target people. To have unbiased quantitative measures, four types of information should be combined: "the project area *before* the project", "the project area *after* the project", "the non-project area *before* the project", and "the non-project area *after* the project." Taking the double differences, we can assess the impact of the project correctly (Ravallion 2001).

## References

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