

## **Poverty**

Poverty is a state or condition in which a person or community lacks the financial resources and essentials for a minimum standard of living. Poverty means that the income level from employment is so low that basic human needs can't be met. Poverty-stricken people and families might go without proper housing, clean water, healthy food, and medical attention. Each nation may have its own threshold that determines how many of its people are living in poverty.

Poverty is an economic state where people are experiencing scarcity or the lack of certain commodities that are required for the lives of human beings like money and material things. Therefore, poverty is a multifaceted concept inclusive of social, economic and political elements.

### **What Is the International Poverty Line?**

The international poverty line is a monetary threshold under which an individual is considered to be living in poverty. It is calculated by taking the poverty threshold from each country—given the value of the goods needed to sustain one adult—and converting it into dollars. The current international poverty line is \$1.90 per day.

**The World Bank** sets the international poverty line at periodic intervals as the cost of living for basic food, clothing, and shelter around the world changes. In the 2008 update, the poverty line was set at \$1.25 per day. In 2015, the threshold was updated to \$1.90 per day, which is where it currently stands.

There are two ways to define **poverty**:

### **Absolute poverty**

Absolute poverty is poverty that is unrelated to a particular economic or social context. In other words it is a general definition of poverty which is valid at all times and for all economies. Agreeing such a definition is extremely hard to do.

One straightforward definition of absolute poverty is ‘...*being unable to subsist...*’ that is, unable to eat, drink, have shelter and clothing. A common universal measure of extreme poverty is .receiving less than \$1.25 a day. Extreme poverty if defined as not being able to buy enough food to survive.

### **Relative poverty**

It can be argued that poverty is best understood in a relative way – what is poor in New York is not the same as in Karachi.

One approach is to look at ‘deprivation’, the poor being defined as those who are deprived from the benefits of a modern economy, such as clean water and education.

### **Poverty in Pakistan**

In contexts of Pakistan, poverty has always been higher in rural than urban areas. Pakistan has shown a decline in the poverty during 1970s and 1980s, but the trend reversed in the 1990s. Poverty rose more sharply in the rural areas in the 1990s, and the incidence of rural poverty was significantly higher than urban poverty [2]. Inequality in both urban and rural areas also increased in Pakistan during the 1990s, which enhanced the negative impact on poverty.

### **Government Efforts to Reduce Poverty**

Pakistan does not have any general or universal social protection system that covers all of its population. It does not even have an umbrella institution that

would extend social protection and social safety nets to the poor. However, a number of programs targeted at improving governance and responsibility of public institutions to be able to better respond to the needs of the poor, assisting them economically by creating income and employment opportunities, and improving their access to basic services are being implemented by the government, NGOs, and the private sector. Each of these sectors operates in a distinct manner as discussed in this section.

### **Governmental reforms**

The Decentralization Plan revealed in March 2000, is an essential governance reform that targets to replace the existing highly centralized and control oriented government with a three-tier local government system that institutes “people-centered, rights and responsibility-based, and service oriented” government structures. The important poverty determined facilities, such as health and education, have been transferred to district and lower local governments under this strategy. Provinces, once mainly responsible for the provision of services, assumed new responsibilities to support and supervise the performance of local governments, not as administrative members of the provincial administration, but as independent corporate bodies accountable to the electorate through political leaders.

Numerous civil service reforms have been implemented by the government to improve public sector and make it more accountable and approachable to the citizens. The issue of improving the financial management system in the country has received particular attention. Microfinance is another step that government took to provide basic support to the poor. Khushhali Bank was established in 2000 with the support of Asian Development Bank. The main aim of this bank was to benefit the poor through income generating activities, to establish small-scale enterprises and small infrastructure ventures. Within first 2 years of its establishment, the bank had distributed an amount of Rs. 100

million to 15,000 beneficiaries, while 30% of the bank's borrowers were women. This bank also supported social mobilization activities within poor communities and development of infrastructures such as water channels and link roads in the neglected rural areas.

Pakistan Poverty Alleviation Fund (PPAF) was founded in 1997 by the government to help poor through loans. Now, it works with the World Bank, to increase the access of poor and microenterprises to credit facilities. Policy guidelines for PPAF are provided by the board of directors, which contains three members from the government and nine members from the civil society. PPAF works as a supplier that distributes its credit through fellow organizations mainly nonprofit organizations. However, the effectiveness of PPAF in this regard has not been officially measured since 1997. So, the policymakers and researchers could not evaluate its benefits to poor.

The Zakat and Ushr Department was established in 1980, which was based on Islamic traditions in which rich people should pay a specific amount at the rate of 2.5% on their wealth to the poor. Zakat is imposed on different assets such as saving bank accounts, fixed deposits saving certificates, mutual funds, government securities on which return is paid and life insurance policies. Banks, companies, and financial institutions that operate these assets deduct Zakat. This deducted amount of Zakat transfers into Central Zakat Fund at State Bank of Pakistan. Central Zakat Fund transfers funds to Provincial Zakat Fund, which further transfers it to District Zakat Committee, based on population basis. Each District Zakat Committee further transfers funds to Local Zakat Committee at village, Mohalla (street or small towns), and other organizations such as Deeni Madaris (religious schools), government educational institutions, and vocational training institutes.

Pakistan Bait-ul-Mal (PBM) was set up as an autonomous corporate body in 1992. PBM was established to work for poverty alleviation through its focus on

widows, orphans, disabled, needy, and poor people irrespective of sex, caste, creed, or religion. It provides educational assistance, residential accommodation and necessary facilities, free medical treatment, and promote self-employment schemes. Federal government is the main financing source of PBM but it also receives small grants from the Zakat funds as well as from provincial and local governments.

### **Social Security Schemes**

The Social Security Scheme for Employees was first introduced in March 1967. It was the first formal initiative to provide social security to the state employees. Originally, this scheme particularly covered workers in the textile industry with the objective of providing protection against possibilities of illness, maternity, work-related injury, invalidity, and death. The coverage of the scheme was expanded in 1969, which also included workers from commercial and other industrial establishments having ten or more employees.

The Workers Welfare Fund Scheme and the Worker's Children Education Ordinance were initiated during the early 1970s. These schemes provide education, matrimonial and housing related benefits to workers in the formal sector. The Employees Old Age Benefits Institution (EOBI) was established in the year of 1976 as a federal scheme to provide old age benefits, invalidity and survivor's pensions as well as old age grants to those eligible. It covers formal sector establishments, employing ten or more workers.

Nevertheless, none of these schemes cover workers from the agriculture region, the informal economy and those in the formal sector who are either employed temporarily or through contractors or are employed in companies with less than ten workers.

### **Role of NGOs and Civil Society**

There is a close connection between NGOs, civil society, and democracy in any country. In this connection, NGOs are part of civil society that strengthens the society through activities. This process, in turn, supports the democratic development. Civil society and non profit sector have appeared as a significant performer on the development aspect in Pakistan, particularly in the last two to three decades. The development of NGOs and civil society as an active development entity is widely seen as a response to the failure of the state in providing successful and well-organized basic social services, and in its overall suppression. Most of the NGOs are working with partner organization at grassroots level for poor and marginalized groups.

However, the exact extents of the non profit sector in Pakistan are not known because of multiple laws under which NGOs and civil society organizations can be registered with no centralized system of recordkeeping in government agencies, and also because many organizations are not registered with any agency. For example, in order to be registered, NGOs in Pakistan can opt between five different legal frameworks.

Civil society has considerably progressed in past few decades. It is flourishing in Pakistan with the recent development of technology, geopolitics, and markets. This development stimulates the construction of many civil society organizations, giving rise to exciting representation of citizens at both online and offline platforms.

There are different types of NGOs, which are associated with different types of social services. Welfare-oriented NGOs are primarily philanthropic institutions working with vulnerable groups. Edhi Welfare Trust is the best example for this type of category. It operates a countrywide network of relief services such as ambulance, old houses, orphanage houses, women shelter houses, poor feeding houses, and its work has been recognized internationally.

Social sector, NGOs, and other civil society organizations are mainly focusing on social development limited to health or education. Agha Khan University health program is one best example, providing health and education services to poor. Numerous NGOs are employing cohesive rural and urban development programs in different parts of the country and provide a range of development services. Most of these have adopted a participatory approach and work closely with local communities.

### Benazir Income Support Program (BISP)

Benazir Income Support Program is considered an important public scheme to support poor families in all parts of the country. It was launched in 2008 as a social safety net platform aiming to increase the living standards of the poor and controlling the negative effects of slow economic growth, food crisis and inflation of the poor (predominantly women). It was started with the goal of providing money to poor families, which would help them to buy basic needs of life such as food and house expenditures. This program is very significant support of government's development program on poverty eradication and women empowerment. Government of Pakistan has continuously increased the allocation of funds for BISP since its formation.

To allocate the poor people, BISP developed a better research design and data collection method. In the opening year, members of National Assembly (MNAs) were given the task to supervise the allocation of poor in their respective areas. However, later on, it was substituted by a Poverty Scorecard (PSC) constructed on a Proxy Means Test (PMT) applied on household census data. PMT consists of 23 variables and uses poverty characteristics such as number of assets, education level of household head and the number of dependents, to identify the poor [24]. It has identified 7.5 million families that are eligible for support fund. However, 4.6 million eligible families are already receiving support funds, which comprise of 17% of the total population.

Eligible families were receiving a cash amount of 1000 Pakistan rupees per month in 2012, and the amount is expected to increase in the next years.