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Poverty reduction in Pakistan

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Cover image: Women and children riding
the Lahore Bus Rapid Transit. © Asian
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Abbreviations and acronyms

BISP	Benazir Income Support Programme	**OPHI**	Oxford Poverty and Human Development Initiative
CPI	Consumer Price Index		
CRPRID	Centre for Poverty Reduction and Income Distribution	**PBS**	Pakistan Bureau of Statistics (was the Federal Bureau of Statistics)
DHS	Demographic Health Survey	**PKR**	Pakistan rupees
FBSa	Family Budget Survey	**PPAF**	Pakistan Poverty Alleviation Fund
FBSb	Federal Bureau of Statistics	**PPP**	Purchasing power parity
FRDLA	Fiscal Responsibility and Debt Limitation Act	**PSLM**	Pakistan Social and Living Standards Measurement Survey
FY	Fiscal year	**SPDC**	Social Policy Development Centre
GDP	Gross Domestic Product	**UNDESA**	United Nations Department of Economic and Social Affairs
HIES	Household Integrated Expenditure Survey		
IFPRI	International Food Policy Research Institute	**UNDP**	United Nations Development Programme

Abstract

Consumption-based poverty in Pakistan fell sharply between 1990 and 2010, according to official poverty data. Nonetheless the mainstream narrative on poverty reduction in the country remains highly contested. Key sources of evidence show improvements that are commensurate with a decrease in poverty, while others raise doubts over this decrease. The policy space in which poverty reduction is debated is also highly polarised, as revealed in the positions of multiple stakeholders involved in policy, research and civil society in Pakistan. An analysis of official poverty data shows how the estimates may be biased – both owing to technical flaws and to the politics of measurement.

As a result, it is surprisingly difficult to reach a definitive conclusion as to whether poverty reduced between 1990 and 2010 and if the stated progress is real. We discuss the implications of the high levels of contestation over official poverty data as well as the need to understand better the types of evidence that the government must produce to defend its policies to alleviate poverty, and for key stakeholders to accept these as credible. We also discuss the steps that the country is taking to depoliticise the measurement and analysis of poverty – in and of themselves signs of progress.

1. Introduction

Plucking green chillies. Photo: © Visual News Associates/ World Bank.

1.1 Why explore poverty reduction in Pakistan?

Pakistan appears to have reduced poverty remarkably. Reported ratios of national and international poverty headcounts[1] have dropped sharply – the share of people living on less than US$1.25 a day (2005 purchasing power parity, PPP) is estimated to have fallen from 64.7% in 1990 to 12.7% in 2010 (World Bank, 2015a), and, based on the official national poverty line, from 25.5% in 1992 (Cheema, 2005) to 12.4% in 2010 (Government of Pakistan, 2014).

According to official sources, the factors driving recent reductions in poverty include increased allocations for social safety-net programmes under the Benazir Income Support Programme (BISP) and for the Pakistan Poverty Alleviation Fund (PPAF); higher support prices for agricultural products that raised rural household income and consumption for net producers; improved agricultural yields from better crop varieties; increased remittances; and increased female employment in rural areas (Government of Pakistan, 2014).

Yet major doubts are raised over the veracity of the official figures and over the degree of poverty reduction in the country. A significant number of stakeholders in the policy arena (representatives from the policy, research, academic and donor communities as well as from civil society) disagree with the official view. These stakeholders are positioned in various corners of Pakistan's poverty debate, and have considerable influence over the

'In all these controversies, we lose sight of what's really at stake – the poor people of Pakistan' – Former government official

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1   The poverty headcount ratio measures the percentage of population living in poverty.

measurement and analysis of poverty as well as over the policies to reduce it. The views they hold vary about the progress (or lack thereof) in reducing poverty. Some espouse the opinion that official statistics are misleading – poverty has increased over time – and others the idea that official statistics are not misleading – poverty has indeed decreased over time, but that the extent of the decline is debatable.

To many stakeholders, the official national poverty line is fraught with complexity that is both technical and political in nature. According to them, the purported progress is incommensurate with wider macroeconomic and political conditions in the country as well as with trends in other dimensions of wellbeing. The drivers of progress, from their perspective, have also not favoured the poor (key informant interviews, 2015).

The inability to state with confidence as to how many people are living in poverty at any point in time or how the poverty headcount ratio is changing acts as a major handicap for policymaking in the country. The polarised poverty debate in Pakistan also raises broader questions. It points to deep-seated epistemological questions over what constitutes evidence and why this matters. And it also presents an opportunity: to establish a credible evidence base for future efforts to reduce and possibly eradicate extreme poverty in the country.

It is against this backdrop that we explore in this case study whether progress in reducing poverty in Pakistan has been real, and why the official data and the mainstream narrative on poverty reduction are so contested. We map the claims made by official as well as other stakeholders, exploring first a wide range of evidence, and then a range of perceptions. We also examine, in some detail, the technical and political disputes over official poverty measurement.

Unlike other case studies in Development Progress that aim to measure, understand and communicate where and how progress in different areas of wellbeing has occurred, we focus on the disputes over official poverty estimation in Pakistan with a view to underscoring the point that any proof of progress presented as 'official' needs to be both defensible and verifiable, as well as accepted by key stakeholders. Moreover, any efforts to depoliticise the official measurement and analysis of poverty need to be duly recognised and treated, in and of themselves, as signs of progress.

1.2 Country context

Pakistan is a lower middle-income country (World Bank, 2015b) with a population of 189 million people (UNDESA, 2015). This makes it the sixth most populous country in the world. It is among the top nine countries that are expected to account for more than half of the world's projected population increase between now and 2050 (ibid.). It also has a higher rate of urbanisation (38%) than

the other two large countries in the region – India (33%) and Bangladesh (34%) (UNDESA, 2014).

According to the World Bank, for the greater part of the 1990s poverty fell in Pakistan (see Figure 3, page 11). A severe drought in 1998 affected the country, raising the number of people in extreme poverty by 13 million – from 40 million in 1998 to 53 million in 2001. Since then, for most of the 2000s, both the absolute number and the percentage of people living in extreme poverty have declined steadily (World Bank, 2015a). In absolute terms, 22 million people were poor in Pakistan in 2010 compared to 72 million people in 1990 (ibid). This is despite the population increasing from 108 million in 1990 to 170 million in 2010 (UNDESA, 2015).

While this appears to be an impressive gain, the stated reduction in poverty needs to be considered in the context of highly unstable conditions in the country. Towards the end of the 1990s and for the greater part of the 2000s, Pakistan was not only affected by major natural disasters such as droughts, but also earthquakes and floods, by macroeconomic and political crises as well as acts of terrorism. Eight million people clustered above and below the international poverty line in 2010 ($1.25, 2005 PPP) (authors' calculations[2] based on World Bank, 2015f). Any shocks whether external or internal were, therefore, likely to have pushed millions of people into poverty, and as such, the effects of these shocks have not been satisfactorily accounted for in the official narrative on poverty reduction.

1.3 About the case-study report

The study focuses mainly on the monetary measure of poverty (based on consumption) that Pakistan uses to compute its official national poverty line (see Box 1 overleaf for a brief discussion on monetary and non-monetary measures of poverty and for the methodology being used to estimate this line). Other indicators of poverty and other sources of evidence are also discussed to contextualise, to the extent possible, the points of contention between the various stakeholders.

The study has been prepared by a team of researchers based at the Overseas Development Institute (ODI), as well as an external consultant who conducted several key stakeholder interviews in Pakistan.

The methodology included: a review of the literature on poverty and poverty reduction in Pakistan covering the period between 1990 and 2010; quantitative data analysis of poverty indicators using available data sources; a review of qualitative studies; key informant interviews to capture the perceptions of former government officials and policymakers, researchers, donors, academics and civil-society representatives as well as the perceptions of current policymakers and technical experts working to

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2   Authors' calculations are based on the absolute number of people living in the range between $1.20 (slightly below the international poverty line) and $1.30 (slightly above the international poverty line) that is set at $1.25 (2005 PPP).

revise Pakistan's official poverty estimates; a review of perceptions data from perceptions-based surveys; and a review of government documents, poverty reduction strategy papers (PRSPs), and budgetary frameworks. The questions this study aims to answer are as follows:

- What evidence supports the stated reduction in poverty?
- What evidence raises doubts over the stated reduction in poverty?
- What are the flaws in the 'official' evidence base?
- What does the range of stakeholder perceptions demonstrate?
- With high levels of contestation, what are the implications and next steps for measuring and analysing poverty in Pakistan as well as for devising and implementing effective policies to reduce it?

The reader needs to bear in mind at the very outset that this study does not attempt to explain what has driven poverty reduction, but rather to highlight the evidence and the perceptions on whether poverty reduced between 1990 and 2010. The sheer nature and diversity of the available evidence in addition to the starkly opposite views of key stakeholders prevents us from supporting either of the two positions with confidence. The contrasting sources of quantitative evidence in many instances is compelling. The relatively limited qualitative evidence draws attention to variables that are overlooked in official accounts. The range of stakeholder perceptions also demonstrates how political the debate is and why there is a need to separate beliefs from evidence.

The case study is structured as follows: Section 2 covers the wide range of evidence through which we evaluate the stated reduction in poverty between 1990 and 2010. Section 3 maps stakeholder perceptions over whether poverty reduced during this time. Section 4 outlines key policy implications emerging from the discussion, as well as the road ahead.

Box 1. Measuring poverty

Poverty is measured in monetary and non-monetary terms. In this study, we focus mainly on the official estimation of poverty in Pakistan, which is based on consumption.

The Household Integrated Economic Survey (HIES) – now a component of the Pakistan Social and Living Standards Measurement Survey (PSLM) – provides data on household consumption of several food and non-food items. The Pakistan Bureau of Statistics (known previously as the Federal Bureau of Statistics) is responsible for conducting the survey.

The Ministry of Planning, Development and Reform (also referred to as the Planning Commission) then uses the data to calculate the absolute level of poverty in the country using a calorie-based poverty line. The calorie threshold, 2,350 calories per adult equivalent (as not all household members are adults), has been set by the Nutrition Cell of the Planning Commission, and the poverty line is updated by the Consumer Price Index (CPI).

Most analysts argue that provided the information on consumption obtained from a household survey is captured in sufficient detail, consumption is a better indicator to measure poverty than income. Income is only one enabler of consumption of goods – others include access, availability, etc. (World Bank, 2011). Consumption may be measured better than income in that people may have less incentive to underreport it. It may also better reflect a household's ability to meet basic needs (ibid.).

Other ways to measure poverty are non-monetary and can include a diverse range of indicators to reflect its multidimensional nature. Consumption and income indicators capture only some, but not all, aspects of poverty. Health, nutrition and literacy, asset ownership, social exclusion and powerlessness are also relevant. In this study, we include the statistics on multidimensional poverty estimated by both the Social Policy Development Centre in Pakistan and the Oxford Poverty and Human Development Initiative.

Sources: World Bank (2011) and Naseem (2012).

2. Evaluating progress

Uzma stitches a bed covering in Tausna, Pakistan. Photo: © Asian Development Bank.

This section evaluates progress in poverty reduction (or lack thereof) by reviewing the quantitative and qualitative evidence on poverty available between 1990 and 2010 (both years inclusive). By analysing the evidence, we find that:

- the estimates produced by the government and the World Bank, as well as the results from a panel survey on rural households, demonstrate a reduction in consumption-based poverty;
- even though multidimensional poverty estimates do not include consumption, they too demonstrate a reduction in poverty;
- levels of poverty are higher in rural than in urban areas;
- poverty levels fluctuated between the years 2001 and 2010, according to the panel data on rural poverty, even though poverty declined overall in this 10-year period;

- there are considerable technical flaws in the quality of the official evidence base;
- the estimates on real GDP growth per capita, stunting and wasting of children and food security raise reasonable doubts over the stated progress;
- unlike qualitative accounts, consumption-based poverty measures do not capture fully poor people's experiences and understanding of what causes poverty, what characterises it in rural areas, and what prolongs and perpetuates it;
- landlessness, natural disasters, health problems and deaths in the family, unemployment and social exclusion are identified as the most common characteristics and causes of poverty, and are largely overlooked in official policy responses to poverty.

'One doubts the poverty figures when they don't correspond with everyday observations' – Head of an international humanitarian agency

2.1 Evidence that poverty has reduced
Official evidence
In the Pakistan Economic Survey 2014:

'Poverty is defined as a state or condition in which a person or community lacks the financial resources and essentials to enjoy a minimum standard of life and wellbeing that is considered acceptable in society. Poverty is pronounced deprivation in wellbeing and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity' (Government of Pakistan, 2014:231).

Figure 1. Percentage of the population living below the official national poverty line
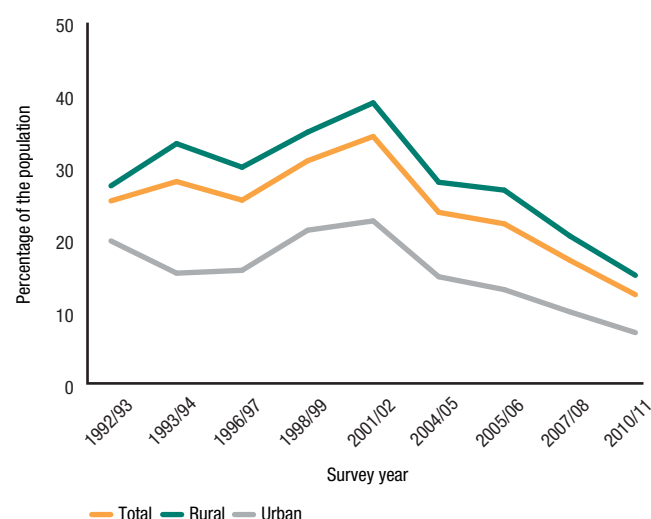
Sources: Cheema (2005) and Government of Pakistan (2014).
Note: The Pakistan Economic Survey (Government of Pakistan, 2014) refers to the figures for 2007/8 and 2010/11 as 'interim'.

Based on the official national poverty line[3] of Pakistan rupees (PKR) 673.5 (per adult equivalent per month in 1998 prices) poverty has fallen from 25.5% in 1992[4] (Cheema, 2005) to 12.4% in 2010 (Government of Pakistan, 2014), with significant variations in between (see Figure 1). Gauging from the 2010 estimate, Pakistan has achieved one of its localised targets under Millennium Development Goal (MDG) 1: to halve, between 1990 and 2015, the proportion of people below the national poverty line. It is not on track, however, to meet its other two targets under the same goal – to halve, between 1990 and 2015, the prevalence of underweight children under the age of five, and the proportion of the population below the minimum level of dietary energy consumption (Government of Pakistan, 2013a and 2014).

Aligned with the country's Poverty Reduction Strategy Papers[5] (PRSPs), PRSP-I (2003-2007) and PRSP-II (2008-2011), the government's expenditure on 17 pro-poor sectors, subsumed into five broad categories (market access and community services, human development, rural development, safety nets and governance),[6] increased in real terms from US$3.6 billion in fiscal year (FY) 2001/2 to US$18.4 billion in FY 2010/11 (Government of Pakistan, 2013). This expenditure framework adheres to the Fiscal Responsibility and Debt Limitation Act (FRDLA) 2005, which stipulates that public spending on social and poverty-related sectors as a percentage of Gross Domestic Product (GDP) should not be less than 4.5% (Government of Pakistan, 2015).

The government claims that a major boost to safety-net spending since 2007 and to BISP in particular (see Box 2) has facilitated the reduction in poverty in recent years (Government of Pakistan, 2014).

Evidence from the World Bank
The World Bank[7] finds that poverty in Pakistan has fallen faster than its South Asian counterparts, but that the decline has not been consistent (see Figure 2).

According to the World Bank, for most of the 1990s poverty fell in Pakistan (see Figure 3). As mentioned previously, a severe drought in 1998 affected the country,

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3   Pakistan's Planning Commission decided to establish an 'official' poverty line in 2001. Before then, there was no uniform 'official' methodology to estimate poverty.

4   Oddly, many government and donor documents cite a figure of 26.1% as the national poverty headcount ratio for the year 1990, however this figure is not based on the official methodology to estimate poverty and is, therefore, not comparable to figures from 1992 and 2010 that are based on the official methodology.

5   PRSPs are country-owned strategies to reduce poverty, written in-country but influenced by the World Bank's and the International Monetary Fund's development financing arrangements to extend loans and credits to developing countries since the early 2000s.

6   These cover: *market access and community services* – roads, highways and buildings; water supply and sanitation; *human development* – education; health; population planning; *rural development* – agriculture; land reclamation; rural development; rural electrification (People's Works Programme-II); *safety nets* – subsidies; social security and welfare including the Benazir Income Support Programme; food support programme including that of Pakistan Bait-ul-Mal and the Punjab Food Support Scheme; Peoples' Works Programme-I; natural calamities; low-cost housing; and *governance* – justice administration; and law and order.

7   In order to estimate poverty in Pakistan on an internationally comparable scale, the World Bank uses the data that comes from the consumption module of the country's household income and expenditure survey, known as HIES. This is a part of the larger Pakistan Social and Living Standards Measurement Survey known as PSLM.

Figure 2. Percentage of the total population living in extreme poverty (US$1.25, 2005 PPP) in Pakistan and South Asia
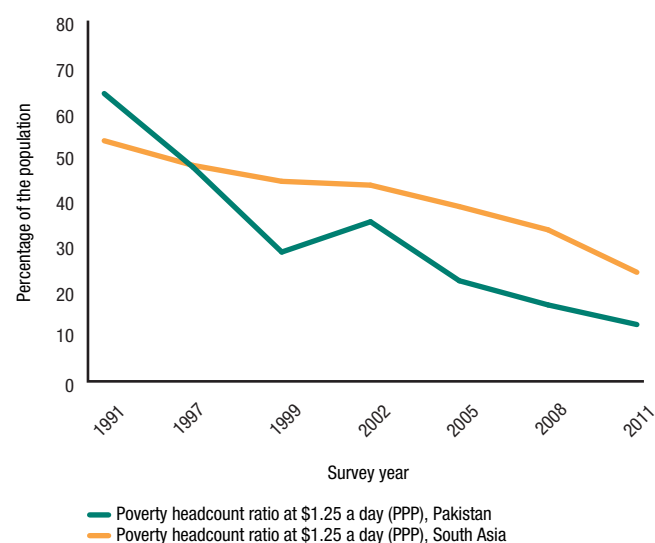
Source: World Bank (2015c).

Figure 3. Absolute number and the percentage of people living in extreme poverty (US$1.25, 2005 PPP) in Pakistan

Source: World Bank (2015a).

raising the number of people in extreme poverty by 13 million – from 40 million in 1998 to 53 million in 2001. Since then, for most of the 2000s, both the absolute number and the percentage of people living in extreme poverty have declined steadily (World Bank, 2015a). In absolute terms, 22 million people were poor in Pakistan in 2010 compared to 72 million people in 1990, despite the population increasing from 108 million to 170 million during this time (UNDESA, 2015).

The World Bank also points to relatively strong growth in consumption across the income distribution in Pakistan, tilting slightly in favour of the bottom 40% circa 2006–11. This suggests that Pakistan has experienced more 'inclusive' growth (defined as the ratio of the consumption growth rate of the bottom 40% of the income distribution relative to the mean) than the average large country

in South Asia. This is illustrated through a regional comparison between Pakistan, India and Bangladesh (Figure 4, overleaf). India experienced higher mean consumption growth, but consumption of the bottom 40% only grew at a rate similar to Pakistan. While Bangladesh experienced mean consumption growth similar to Pakistan, the growth in consumption of its bottom 40% was much lower.

The World Bank data also shows that Pakistan has one of the most equal distributions of national income of any

Figure 4. Consumption growth of the bottom 40% in comparison to the mean in Bangladesh, India and Pakistan, circa 2006–11
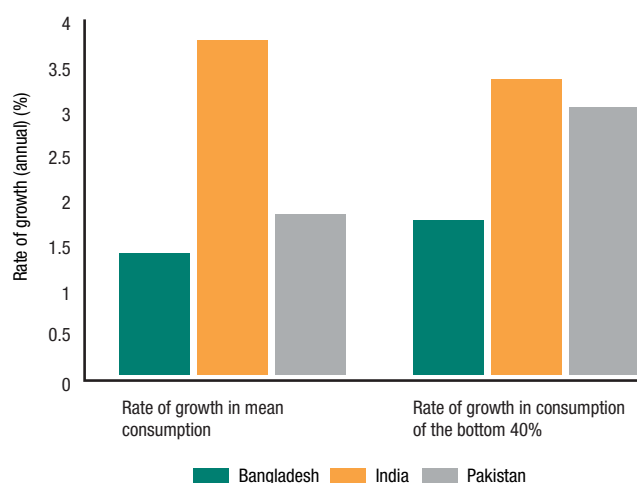
Source: World Bank (2015d).

developing country in the world between 2010 and 2012, as measured by the Palma ratio.[8] This is an improvement compared to the early 1990s, when Pakistan was less equal than either Bangladesh or India (Figure 5).

Figure 5. Palma ratio (top 10% over bottom 40%) for Bangladesh, India, and Pakistan in comparison to the world average in the early 1990s and around 2010
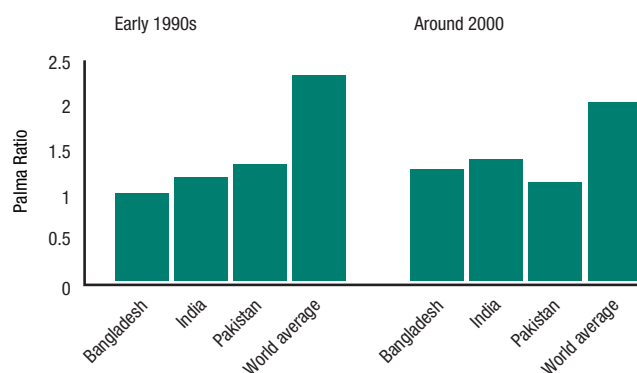
Source: World Bank (2015f).

Figure 6. Multidimensional poverty in Pakistan – SPDC method
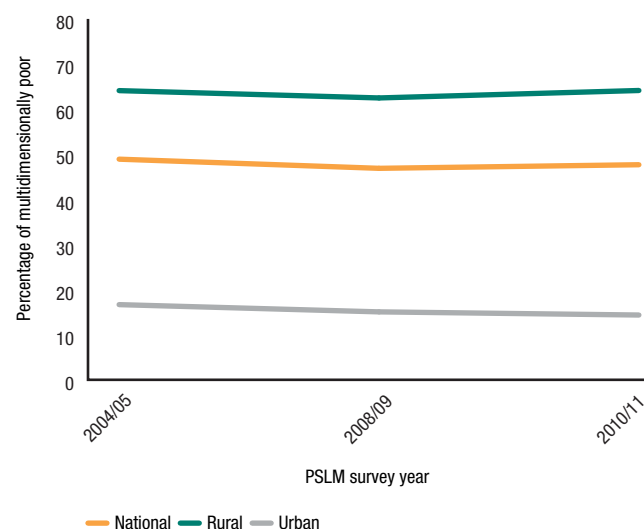
Source: Jamal (2012).

Evidence on multidimensional poverty

Multidimensional poverty statistics reveal a different picture in Pakistan, in part because the indicators to compute these are not based on consumption, but on other indicators of wellbeing. Multidimensional poverty has been calculated within Pakistan by the Social Policy Development Centre (SPDC) (Jamal, 2012) as well as internationally by the Oxford Poverty & Human Development Initiative (OPHI).

SPDC has used data from various years of the Pakistan Social and Living Standards Measurement survey (PSLM) to compute a country-level index[9] that includes three broad dimensions of poverty: education poverty (referred to as human poverty), poor housing, and economic and household-assets poverty. Based on these, SPDC shows that the proportion of people living in multidimensional poverty has fallen marginally from 49.4% in 2005 to 48.1% in 2011 (see Figure 6).

OPHI has estimated the Multidimensional Poverty Index[10] (MPI) for Pakistan using data from the Demographic and Health Surveys (DHS) of 2007 and 2013. Its results suggest that the percentage of people in multidimensional poverty at the national level has fallen from 49.4% to 45.2% between the two survey rounds (see Figure 7).

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8   The Palma ratio is defined as the ratio of the richest 10%'s share of gross national income divided by the poorest 40%'s share.

9   The variables to measure human poverty include: illiterate head of household, illiterate spouse, no child of primary age between five and nine in school, and no household member with five years of schooling. The variables to measure poor housing include: households with only one room, persons per room greater than two, inadequate roof structure, inadequate wall structure, no electricity, unsafe water, no telephone connection, inadequate fuel for cooking, and no proper sanitation. Economic and household-assets poverty is measured using these variables: unemployed head of household, and households without ownership of home or physical assets. For computation of the index, see Jamal (2012).

10 The education component of the MPI has two indicators: years of schooling and school attendance. The health component also has two variables: child mortality and nutrition. The standard of living component has six indicators: electricity, sanitation, water, floor, cooking fuel and assets. Each dimension is equally weighted and each indicator within a dimension is also equally weighted. A person is identified as multidimensionally poor (or 'MPI poor') if he or she is deprived in at least one-third of the weighted indicators. In other words, the cut-off for poverty (k) is 33.33%.

Figure 7. Multidimensional poverty in Pakistan – OPHI method
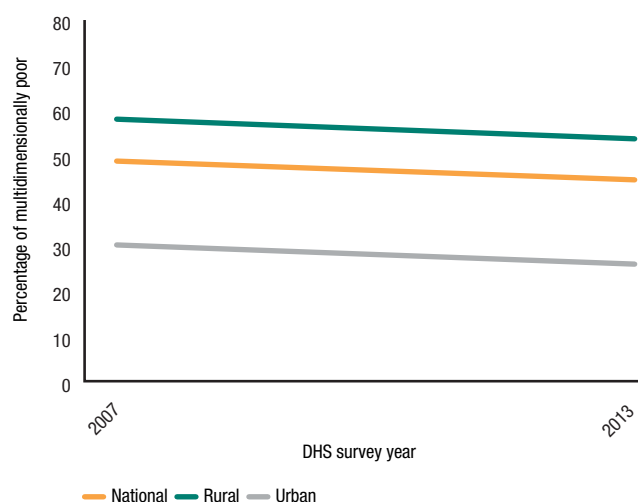
Source: OPHI (2015).

Evidence from a rural panel survey

In Pakistan, little panel data exists to track movements into and out of poverty. The International Food Policy Research Institute (IFPRI) in collaboration with various local organisations conducted one panel survey between 1986 and 1991. In 2012, it collected baseline data for a new rural panel survey that will be useful in understanding the dynamics of poverty in the future.

The Pakistan Rural Household Survey, renamed recently as the Pakistan Panel Household Survey has tracked movements into and out of poverty in rural areas. Three survey rounds have been completed to date, and the results show a decline in rural poverty from 27.5% in 2001 to 22.4% in 2010 (Arif and Farooq, 2012).

By analysing two waves of data from 2001 and 2010, Arif and Farooq (2012) show that more rural households moved out of poverty (15.9%) than into poverty (13.3%). Using three waves of data from 2001, 2004 and 2010 for rural areas in two key provinces – Punjab and Sindh – the authors also show that, although average rural poverty declined between 2001 and 2010 in these areas, the decline in poverty between 2001 and 2004 was followed by an increase from 2004 to 2010. In their view, these fluctuations indicate that the benefits from economic growth in the first half of the decade (in terms of poverty reduction) were largely eroded in the second half (ibid.).

On the face of it, the evidence to indicate that poverty has reduced is quite compelling. As illustrated, the estimates produced by the government and the World Bank as well as the results from the panel survey on rural households demonstrate a reduction in consumption-based poverty. Even though multidimensional poverty estimates do not include consumption, they too demonstrate a reduction in poverty. Yet, all of this evidence is partial at best. This is primarily because there are flaws in the official evidence base, and because other sources of evidence – both quantitative as well as qualitative – raise doubts over the stated reduction in poverty.

2.2 Evidence that raises doubts

In this section, we present evidence that raises doubts over the stated reduction in poverty. First, we present the technical flaws in the official evidence base to counter the apparent progress. Second, we present other quantitative evidence on real GDP growth per capita, stunting and wasting of children, and food security to suggest that the progress in reducing poverty may not be real. And third, we gain insights from qualitative literature into people's experiences of poverty as well as into the variables overlooked in the official narrative on poverty reduction to reinforce the doubts.

Technical flaws in the official evidence base

In this sub-section, we examine the quality of the official evidence base beginning first with technical flaws in the household surveys (mainly in the consumption module and the sampling frame) as well as technical flaws in the official measurement of poverty, in particular the adjustment of the official national poverty line using the Consumer Price Index (CPI).

Technical flaws in household survey data
Issues with the consumption module
Prior to 1998, the Household Integrated Expenditure Survey (HIES) – which provides data on household consumption – was conducted on its own. In 1998, it was merged with the Pakistan Integrated Household Survey (PIHS) to consolidate the collection of all socio-economic data. This combined survey had a consumption module,[11] and one that tried to retain the earlier HIES format. The module, however, underwent two specific changes. First, expenditures in the combined survey's module were recorded in less detail. Second, the reference period of consumption was changed. Whereas previous HIES data documented monthly consumption, the combined survey's module relied on fortnightly consumption for a majority of food items. Both the World Bank (2002) and Arif (2006) note that these changes are likely to affect the comparability of consumption data since 1998 with earlier HIES data.

To illustrate the impact these changes are likely to have we examined other country experiences. In India, for instance, the National Sample Survey Organisation experimented with recall periods of 30 days and 7 days, and found that the latter led to estimates of consumption

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11 The acronym for this revised consumption module is still HIES.

that were 23% higher (Deaton and Kozel, 2004). A study by Beegle et al. (2010) in Tanzania found that reducing the recall period from 14 to 7 days increased the poverty headcount by 8 percentage points, while using this recall period as well as a highly collapsed list of items led to estimates of poverty that were 20 percentage points higher. In El Salvador, differences in questionnaire design alone (using a highly collapsed versus a long list of consumption items) led to poverty estimates that were 46% higher (D'Souza and Jolliffe, 2012).

Outdated sampling frames

Pakistan has not conducted a national census since 1998. The sampling frame[12] of the household survey is, therefore, old and produces biased poverty headcount ratios. The World Bank (2015e) notes that:

> *'an obsolete population census in a country that is growing or demographically changing will produce an outdated sampling frame. Any sample from an outdated frame can only make inferences to the population as it was comprised at the time of the census and will therefore likely fail to represent important groups or areas of the population. For example, if there are large population realignments by area, say through rural-to-urban migration, and if poverty prevalence differs significantly by area, an outdated frame will provide incorrect population expansion factors (or weights) and will produce biased poverty counts' (World Bank, 2015e:227).*

Pakistan's population has grown significantly faster than the projections made from the 1998 Population Census. For example, in the 2010/11 HIES[13] round, the population size was estimated to be 130 million, whereas Pakistan's most recent economic survey (2013/14) issued by the Ministry of Finance as 'a state of the economy' report cited a figure of 177 million for the same year of the survey round. If the latter estimate is correct, as many as 47 million people are missing from the poverty statistics (Malik et al., 2014a).

Technical flaws in official poverty estimation

A major flaw in estimating official poverty figures is linked to the adjustment of the official national poverty line with the CPI.

Adjustment to the official national poverty line

The consumption basket of food and non-food items was fixed in 1998 when the official national poverty line was constructed in Pakistan. Over time, the poverty line has been adjusted through the CPI to reflect the same cost to the average consumer of acquiring that basket. Relying on the CPI to make these adjustments is problematic. Food weights in the CPI are derived from the Family Budget Survey (FBSb)[14] from 2007 that is now outdated, covers only cities and urban markets, and also underestimates household spending on food (Malik et al., 2014b; Business Recorder, 2015). For example, the FBSb estimated a food share of 35% in 2007, while survey data on household consumption for that same year estimated the food share to be 37% in urban areas and 51% in rural areas. Higher expenditure on food in rural areas, combined with low weighting given to the food share in the CPI in high food-price periods, are likely to estimate rural poverty in Pakistan, with implications for the official national poverty estimates (Malik et al., 2014b; Business Recorder, 2015).

In addition to technical flaws in the official evidence base, the statistics on real GDP growth per capita, stunting and wasting of children, and food security call the official poverty data into question and suggest that the progress in reducing poverty may not be real.

Other contrasting evidence

Evidence on real GDP growth per capita

The decline in real GDP growth per capita raises doubts over the apparent fall in poverty (see Figure 8). Average real GDP growth per capita has declined from 1.9% in the early 1990s to 0.9% in the late 2000s. The country's economic history has been turbulent, with repeated cycles of growth followed by stagnation (World Bank, 2010).

Evidence on malnutrition and hunger

Malnutrition and hunger are intimately linked to poverty, although their relationship with consumption poverty in Pakistan is unclear. Given that two of three localised targets on halving extreme poverty under MDG 1 are related to malnutrition and hunger (target 1.2 and 1.3: to halve, between 1990 and 2015, the prevalence of underweight children under the age of five and the proportion of the population below the minimum level of dietary energy consumption), we review the national level data on stunting and wasting of children under the age of five, and also on food insecurity.

Stunting and wasting: Between two rounds of the *National Nutrition Survey* (NNS) conducted in 2001 and 2011, the percentage of children under the age of five who experienced stunting and wasting increased from

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12 Household survey data on consumption from HIES serves as the evidence base for producing official poverty estimates. This data is collected through a sampling frame that aims to be representative of the country and its diversity. A national census at least every 10 years is needed to construct an appropriate sampling frame.

13 The PBS retained the acronym HIES even though this is the consumption module that underwent changes in 1998, and has since been used to collect household consumption data.

14 The CPI only covers 40 cities and 76 urban markets. Malik et al. (2014b) note that the survey methodology, survey instruments, and primary data for the Family Budget Survey have never been released and as such it is impossible to assess its quality and reliability with any rigorous scientific methods.

Figure 8. Real GDP growth per capita, Pakistan and South Asia (1961–2011)
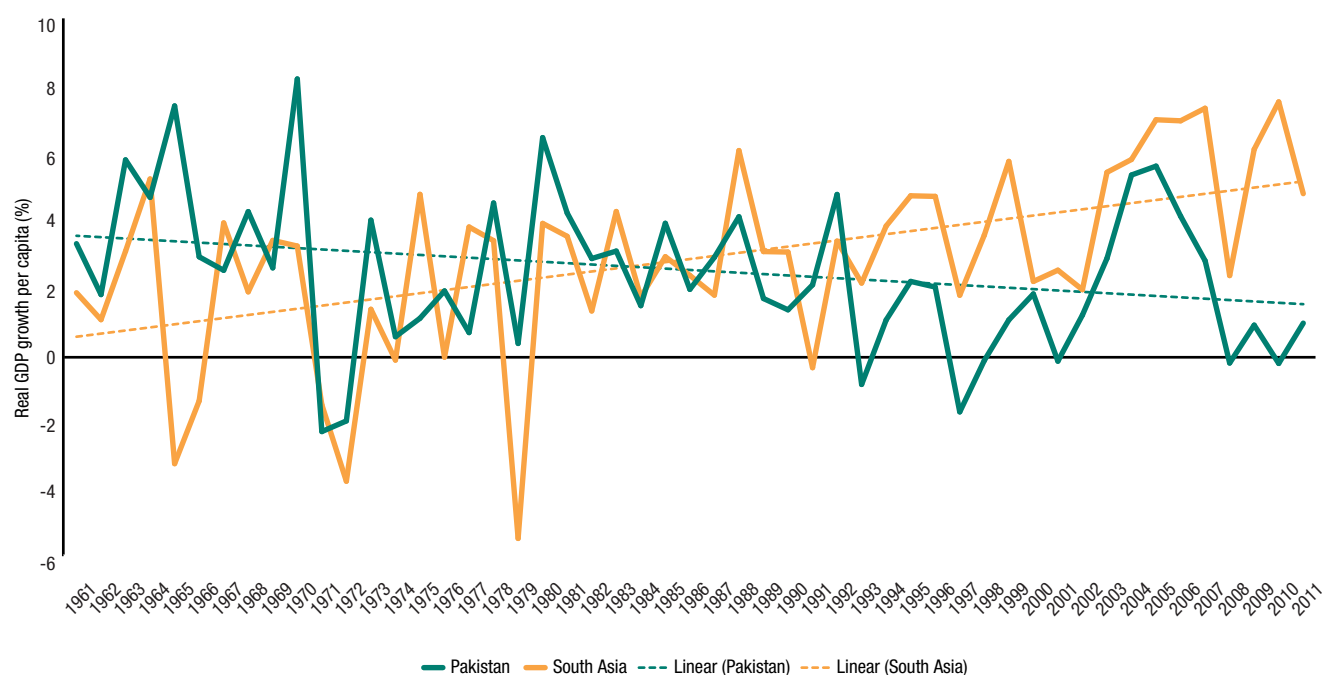
Source: World Bank (2015f).

41.6% to 43.7% and from 14.3% to 15.1% respectively[15] (Government of Pakistan, 2011). The National Nutrition Survey 2011 finds that:

'very little has changed over the last decade in terms of core maternal and childhood nutrition indicators. The survey does point towards gains in iodine status nationally following the implementation of a universal salt iodisation and promotion strategy, but is counterbalanced by substantial deterioration in vitamin A status and little to no gains in other areas of micronutrient deficiencies. These are reflective of an insufficient response to the nutrition situation in Pakistan and the lack of coordination in developing and implementing a coherent nutrition strategy' (Government of Pakistan, 2011:63).

Food insecurity: According to the NNS 2011,[16] 58% of households in Pakistan are food insecure. Of these, 28% are food insecure without hunger, 20% are food insecure

with moderate hunger and 10% are food insecure with severe hunger.[17] Around 52% of urban households and 61% of rural households are food insecure (Government of Pakistan, 2011).

The evidence presented above, i.e., the technical flaws in the official evidence base as well as the quantitative evidence on declining rates of real GDP growth per capita, increased stunting and wasting of children, and high food insecurity raises doubts over the stated reduction in poverty. The qualitative evidence also reinforces this.

Qualitative evidence

Even though qualitative evidence is limited in Pakistan, it is useful in showing why a nuanced picture of poverty and of poverty reduction is needed. Albeit on a small scale, the qualitative evidence illustrates that poverty may not have reduced. Participatory poverty assessments (PPAs) generally produce conflicting accounts, with the PPAs portraying a different picture of the poverty situation in comparison to national income and expenditure surveys.

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15 This is assessed by looking at anthropometric indicators, clinical indicators and core biochemical indicators.

16 In the NNS 2011, household food security has been determined on the basis of four categories: food secure, food insecure without hunger, food insecure with moderate hunger and food insecure with severe hunger.

17 The NNS document does not explain how it arrives at these conclusions (i.e. what constitutes without, moderate or severe hunger). It does mention that the survey included questions about: anxiety that the household food budget or food supply may be insufficient to meet basic needs; the experience of running out of food, or of having no money to obtain more; perceptions of the respondent that the food eaten by household members was inadequate in quality or quantity; adjustments to normal food use, substituting fewer and cheaper foods than usual; instances of reduced food intake by adults in the household, or consequences of reduced intake such as the physical sensation of hunger or loss of weight; and instances of reduced food intake or consequences of reduced intake for children in the household.

Factors such as deterioration in asset holdings, food insecurity and access to basic services are not captured in income or in consumption-based poverty.

Qualitative evidence adds valuable insight. It gives 'precision in meaning', and tends to be contrasted with the value of quantitative 'accuracy in measurement' (Chambers, 2007:9). 'Participatory statistics can be persuasive and more credible than those from questionnaire investigations. But they may be discounted when they challenge official statistics and threaten professional reputations' (ibid.: 25).

This evidence is, therefore, an important part of the poverty equation in Pakistan. In this sub-section we examine three types of qualitative evidence – PPAs, individual and group-based interviews, and people's perceptions about the economic situation of their households as well as their communities. On their own, some of these types of evidence are context-specific, yet seen collectively, they are able to cast further doubts on the stated reduction in poverty. Mainly, they show that consumption is one of many measures of poverty, shocks regardless of their nature and scale have devastating and long-term effects, and some groups in society continue to experience more poverty than others by virtue of their low caste.

Participatory poverty assessments

Between Hope and Despair[18] was a nationally representative participatory poverty assessment that was conducted between 2001 and 2002. Using a data-generating process based on participatory wealth ranking (PWR), whereby households within the respective communities defined their own criteria for wealth and wellbeing, the assessment revealed very diverse definitions and descriptions of poverty.

The national report characterised *the poor* as 'having large families, few resources, little or no security, little or no access to health care, only one meal a day, being unemployed and in constant debt' (Government of Pakistan, 2002:51). On the other hand, the *very poor* were commonly landless, illiterate, devoid of possessions, and unable to afford clothes that were not tattered. They were also chronically ill and barely able to afford even one meal in a day. The report stated that:

'The definitions of poverty used by poor people blended effortlessly into a description of their assets. In Sindh, for example, a poor man was said to be one who had one acre of land and one cow. In other places the poor were described as those who lived in jhupris (straw huts) and whose household items were old and broken. This lack of assets was also reflected in rural areas of NWFP[19] where lack of access to and control over natural resources, especially land, forests and water, was the main factor determining poverty. In urban areas, for example Quetta in Balochistan or Sialkot in Punjab, where employment was the major source of livelihood, the lack of a job or insecure employment were major factors in determining poverty' (Government of Pakistan, 2002:51).

The national report found that the number of people who had fallen into poverty exceeded the number who had moved out of poverty, but did not indicate the scale of movement in either direction and over what time period. It stated that:

'Despite the predominance of poverty across the PPA sites, analysts reported that movements in and out of poverty did occur. These movements were often long-term (e.g. over a lifetime) but sometimes sudden events. Livelihood strategies were often undermined by the types of trends and shocks… and rendered unsuitable as mechanisms to cope with seasonal stress periods and life-cycle obligations (e.g. dowries, weddings, Eid,[20] funerals). For many households, even those considered better-off, one shock – an illness, natural disaster or theft, for instance – could initiate a spiral of asset liquidation and debt from which it was often difficult, if not impossible, to escape. Persistent drought conditions were especially responsible for increasing vulnerability across Pakistan. The cases where individuals and households had fallen into poverty far outnumbered the cases of people moving out of poverty, especially in the long-term… In many cases, individuals and households only temporarily achieved higher levels of wellbeing before falling back into poverty. In some cases, however, the move out of poverty was more permanent' (Government of Pakistan, 2002:100).

Individual and group-based interviews

In a qualitative study, Lohano (2009) aimed to corroborate information from a re-survey in 2004/5 of 226 panel households in rural Sindh (the second most populous province in Pakistan) that were surveyed initially by the IFPRI between 1986 and 1991. Through individual and group interviews, Lohano (2009) found that the whole

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18 For this assessment, a PWR was carried out by Pakistan's Planning Department in all four provinces from 2001 to 2002 and published for each of the four provinces; it was also synthesised in a national report. It involved participatory discussions and activities in two economically contrasting sub-sites (poor versus better off) in each of 54 urban and rural research sites that were selected through purposive sampling. The number of sites was fixed in advance, considering population and province size. Fifteen study sites were allocated in Punjab, 12 in Sindh, 9 each in North West Frontier Province (NWFP) and in Balochistan, and 3 each in the Federally Administered Tribal Areas (FATA), and in the Northern Areas.

19 NWFP is now known as Khyber Pakhtunkhwa (KPK).

20 Eid is a religious event marking the end of Ramadan, when Muslims fast from dawn till sunset for an entire month, rich and poor alike.

village community was severely affected in the wake of the 1998 drought for five years, from 1999 to 2004. This damaged villagers' income from crops and other sources plunging them into adverse coping, with negative consequences for their asset holdings and investments in human capital. The author also found a sharp increase in the incidence of poverty over this time, as the percentage of households that entered poverty was nearly three times as high as the percentage of households that escaped it.

Kabeer et al. (2010), in a study on marginalised populations in Sindh and Punjab, reported on the causes of poverty to be landlessness, natural disasters and social exclusion.[21] Respondents from the marginalised *Daha* caste in Punjab reported that the floods had wiped out their crops, destroyed their homes and caused disease in their livestock. They moved to nearby uplands and 'sat there like jackals' waiting for the season to be over (Kabeer et al, 2010:8).

Household perceptions

We also examined people's perceptions about the economic situation of their households and their communities. Around 79,600 households in the PSLM survey stated that the economic situation of their households and their communities had improved between the survey year and the year before, for the survey years of 2006 and 2012. However, respondents clearly reported the economic situation as having worsened at the household and at the community level between the survey year and the year before, for the survey years of 2008 and 2011 (see Figures 9 and 10). Since 2007 Pakistan's economic, and socio-political conditions have been fragile, and it is unsurprising to see these reflected in household perceptions.

The evidence that raises doubts over the stated progress in poverty reduction is quite compelling, but also partial at best. How then do we reconcile the contrasting evidence to state with some confidence that Pakistan's progress in reducing poverty has been real?

Unfortunately we cannot. This is because in addition to the contrasting evidence either in support of or to raise doubts over the stated reduction in poverty, the estimation of the official national poverty line and of subsequent poverty statistics has always been highly political. Contestation by key stakeholders over the construction and validation of the official national poverty line has pushed many technical aspects of the debate into political territory.

Before we map the range of stakeholders' perceptions and delve into the different areas of their disagreement over whether poverty has reduced in section 3, we look at the politics of the official national poverty line (see Box 3 overleaf). The aim here is to understand, to the extent possible, the political roots of the contestation.

Figure 9. Household perception of economic situation of the household in comparison to the year before the survey
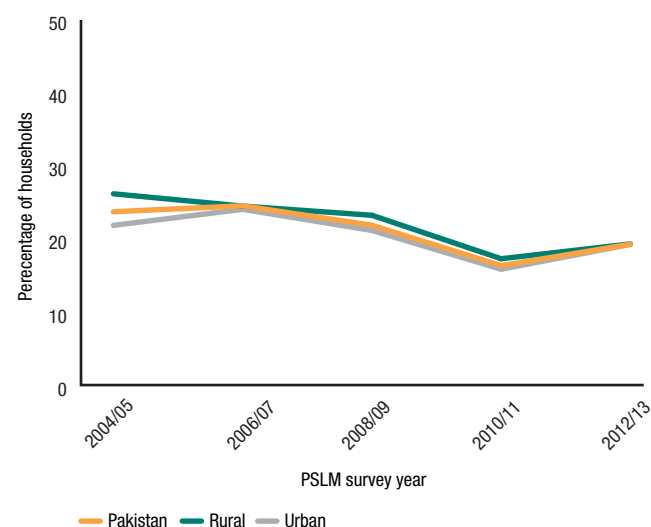
*Note: *Sum of 'Better' and 'Much better'*
Source: Pakistan Bureau of Statistics (2015).

Figure 10. Household perception of economic situation of the community in comparison to the year before the survey
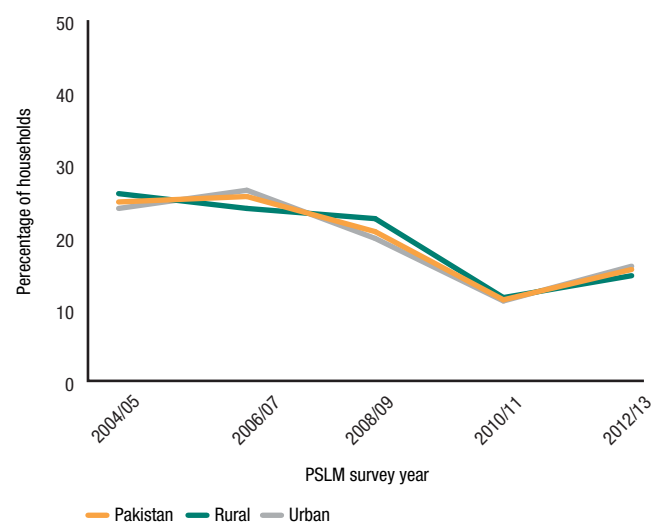
*Note: *Sum of 'Better' and 'Much better'*
Source: Pakistan Bureau of Statistics (2015).

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21 Kabeer et al. (2010) documented the views and perceptions of those in poverty in two rural and two urban locations in South Punjab and Sindh. At each of the sites – selected through prior experience of each research team – local NGOs or key informants assisted in identifying socially excluded groups for focus group discussions (FGDs).

Box 3. Politics of the official national poverty line

When the Planning Commission established the first official national poverty line in 2001, it hoped to bring some uniformity to poverty measurement across the country. The Centre for Research on Poverty Reduction and Income Distribution (CRPRID) was assigned to deliver official poverty estimates. It was set up as an 'autonomous' entity within the Planning Commission, and funded mainly by the United Nations Development Programme (UNDP) (key informant interview, 2015).

CRPRID's ability to deliver credible official estimates of poverty was brought into question throughout the 2000s. The decline in poverty during the military regime of General Musharraf was surprising to many and needed to be validated by external sources. Professor Kakwani, then heading the UNDP's International Poverty Centre, was brought in to validate CRPRID's estimates for the years 2001/2, 2004/5 and 2005/6. He verified all figures (Naseem, 2012). The World Bank was also called in to validate the official estimates. In May 2008, it also endorsed the figures.

Despite these exercises, skepticism grew over the CRPRID's figures and over the official methodology to estimate poverty (Naseem, 2012). This was mainly because of the broader political environment in which estimates were being produced and presented (key informant interviews, 2015).

Official sources now cite the poverty headcount rate of 12.4% for the year 2010/11 (the latest year for which poverty estimates are available) as an 'interim' indication of poverty in the country (even though the World Bank has validated this) and highlight that a technical group is currently tasked with reviewing official methodology and finding out possible causes of variance in the figures (Government of Pakistan, 2014).

Current policymakers face a dilemma over whether to support the 'interim' official poverty estimates. By virtue of their political position, they should support the official estimates and the majority of current policymakers do subscribe to these. Yet, if they do so, they also risk many trade-offs in the international and domestic policy arenas.

In the international policy arena, a reduction in poverty numbers portrays a positive image of the country as an effective user of international development assistance. It helps to raise the country's profile of progress towards achieving the MDG on halving extreme poverty. On the other hand, a high incidence of poverty lends legitimacy to continued donor support. The probability of attracting sizeable international development assistance from various donor agencies, particularly in the context of the forthcoming Sustainable Development Goals (SDGs) acts as an incentive for current policymakers to demonstrate that the extent of poverty in the country is seriously disconcerting, and may be higher than 12.4%.

In the domestic policy arena, 'there is a lot of anxiety in higher echelons of the government over the delivery of official figures' (key informant interview, 2015). For example, the low poverty statistics at the end of the Musharraf regime (17.2% in 2007/8) reduced the confidence of both the previous Pakistan People's Party-led government and the incumbent government that they could reduce poverty further. For any government to endorse poverty statistics that it is unable to lower carries clear political risks.

In order to overcome the controversy over official poverty statistics, the Planning Commission convened a Technical Group on Poverty in September 2012, consisting of several experienced economists and poverty experts. The mandate of this Group was broad and included assessing the arrangements for updating the process of estimating poverty; for validating the existing process if found to be appropriate or for presenting alternative estimates; for verifying a sub-sample of the household survey data; assessing definitions of poverty including multidimensional poverty; building the capacity of the relevant units of the Planning Commission; and commissioning research to monitor and evaluate the impact of certain government policies and programmes on poverty reduction.

The Group has met regularly since 2012 and debated several aspects of poverty estimation in order to understand and to resolve the outstanding points of contention. The initial meetings were focused on generating consensus on framing the problems and prioritising which points to address first. The Group evaluated the process of survey data collection by the PBS. It also evaluated the official methodology to estimate poverty and identified a range of potential problems with inflation adjustment using the CPI. As a result of such developments, the PBS is currently planning to increase the coverage of the CPI to include rural markets. The Group is also aiming to narrow down its research agenda and to bring in more rigour and credibility to official poverty estimation and analysis. Many of the Group's recommendations are likely to be presented in 2016.

Sources: Naseem (2012), Government of Pakistan (2014) and key informant interviews (2015).

3. Stakeholder perceptions

Shahzaman Nazar Ali, 15 years old, is a teacher at a school run by volunteers at the Pakistan Navy Relief Camp. Photo: © Asian Development Bank.

Key stakeholders mainly comprising policymakers and bureaucrats (current and former), donors, researchers (independent, and from local and foreign think-tanks), academics, representatives from local and international humanitarian agencies and from the media have been interviewed for this study. The views they hold about the progress (or lack thereof) in reducing poverty vary widely. Some believe that official statistics are misleading and poverty has increased over time, while others believe that official statistics are not misleading and poverty has indeed decreased over time, but that the extent of the decline is debatable.

In this section, we look at these stakeholders' perceptions in some depth. We map the range of views on whether poverty has reduced in order to demonstrate, to the extent possible, why the official narrative is so contested.

3.1 Stakeholder perceptions that poverty has decreased

The stakeholders who claim that official statistics are not misleading and that poverty has decreased over time assert the following.

- Although there may be pockets of extreme poverty in some parts of the country (for instance in Balochistan, upper Sindh and Southern Punjab), overall the incidence of extreme poverty in Pakistan is low.
- Rural transformation over the past three decades has driven poverty reduction. Rural areas have been transformed by improved infrastructure and higher connectivity, which in turn has boosted people's access to information, opportunities and markets. Rural lives have also improved through higher support prices for

'The timing of poverty estimates is key. The politics of measurement that besets technical exercises is really the politics of acceptance' – Former government official

wheat.[22] The employment dynamics too have changed. Women's growing involvement in the agricultural sector has freed men to take up employment elsewhere. This has raised household income and consumption.

- The poor rely on a dynamic informal sector. Owing to the growth of this sector, incomes and living standards of the informally employed have gone up.
- The inflow of remittances into rural areas and small towns has also improved living standards of the migrants' families. In addition to supporting their families, the migrants' remittances have benefitted the local economy.
- Pakistan's shift from universal subsidies for basic goods – some selected food items and energy – towards targeted subsidies, such as cash transfers to poor families through BISP, has also driven poverty reduction.
- The extension of financial services to rural inhabitants, the poor and women – in particular through microfinance – has facilitated income-generating activities.
- The effective demand for household appliances (mainly refrigerators), and automobiles including motorcycles, as reported by consumer goods' companies, has expanded.

The evidence that connects either of these arguments to the stated reduction in poverty is extremely limited. If at all available, very few studies on Pakistan attempt to show whether and how the transformation of rural areas, the dynamics of the informal sector, the inflow of remittances, the shift to targeted subsidies, the extension of financial services, or the increased effective demand for consumer goods, has led to a reduction in poverty. It is, therefore, difficult to consider these to be the drivers of poverty reduction.

The fact that such positive developments can coexist simultaneously with high rates of poverty has also compounded this difficulty. For instance, people can be adversely incorporated into markets and their participation need not necessarily reduce their poverty. Increased female employment in the agricultural sector can drive up male unemployment and underemployment while increasing the drudgery of women. An increase in male off-farm employment need not lead to a rise in the consumption and wellbeing of other household members. Higher inflows of remittances can localise inflation. The level of income transfers and targeted subsidies may be set too low to allow households to invest in human capital and other assets, to protect them from an immediate return to poverty or to create the possibility of ongoing upward mobility. The emergence of a growing middle class and increased effective demand for household appliances can accompany stubborn levels of chronic and extreme poverty.

While some of these stakeholders' arguments may well be plausible, the lack of robust evidence in defence of their views prevents us from accepting that poverty has indeed reduced.

3.2 Stakeholder perceptions that poverty has increased

Contrary to the previous position, the stakeholders who claim that official statistics are misleading and that poverty has increased over time assert the following.

- Improvements in official poverty statistics, as reported by household survey data on consumption, are not commensurate with other indicators of wellbeing, in particular the indicators on nutrition, immunisation, school enrolment and housing.
- The global food crisis of 2006, which was followed by the Great Recession of 2008, has had an unprecedented impact on food prices in Pakistan. Prices for staples such as rice, pulses and milk have more than doubled, and led people to substitute nutritious food with inferior quality food. The rising number of stunted and wasted children testifies to this. High food insecurity is also a major indicator of increasing poverty.
- Pakistan's consistently low rates of economic growth during the 1990s and after 2007 have not generated the employment needed to keep the level of poverty static, let alone to reduce it. The low rates of economic growth have prevented the labour market from absorbing new workers. Inadequate job creation in parallel with unemployment and underemployment has driven down household income and consumption, which in turn has increased the number of people living in poverty.
- In addition to the low rates of economic growth, its composition has not been pro-poor. A structural transformation of the country occurred with the rise of the services sector and a decline of the agricultural and manufacturing sectors. Pakistan's shift towards services in the early 2000s was not inclusive, favoured only a privileged minority of services-based industries, and was unsustainable given low levels of foreign direct investment (FDI) in an increasingly unstable macroeconomic environment. Orienting the economy around the short-term needs of Western consumers and exploiting cheap labour in the country in order to do so did not create lasting benefits.
- Economic growth in Pakistan has only benefited people in certain parts of the country. Alongside a growing difference between the rich and the poor, there are stark regional inequalities.
- Energy deficits since 2007 have adversely affected labour productivity as well as small firms' competitiveness. As these firms employ a sizeable share of the labour pool, their low-profit potential and high costs of energy translate into low wages and job insecurity for the workers.
- Subsidies on food, electricity and fuel, which previously reduced the cost of the consumption basket of poor

22 This view is contested, however, on the grounds that almost 50% of rural households are non-farming and half of the farming households are engaged in subsistence farming. Increased prices of wheat are, therefore, likely to benefit a small proportion of large-scale farmers.

households are no longer available to them. Moreover, income transfers through BISP are ineffectively targeted, affecting those households that are eligible for support, but are unable to access the funds. Short-term social-protection strategies such as BISP are unable to lift people permanently out of poverty.

- Several aspects of public finance have failed to address poverty. The country's taxation system is highly regressive. The state continues to rely on indirect taxation without broadening the tax base. The burden of indirect taxation falls mainly on the poor, and perpetuates a vicious cycle of poverty. The lack of public provision of services such as education and health, and the concomitant expansion of the private sector in delivering these services, raises out-of-pocket expenses for the poor.

- The wider political context also raises doubts over the stated reduction in poverty. The period under study can be divided into three distinct phases: the 1990s, a decade of recovery from 11 years of military rule characterised by unstable political arrangements; 1999–2008, a decade of military rule by General Musharraf, characterised by significant restructuring of political institutions; and 2008 onwards, marked by a new but fragile wave of democracy.

  - The governments of the 1990s were unable to achieve high economic growth or to reduce poverty. Even though General Musharraf's tenure was marked by economic growth, poverty did not reduce significantly. In the period following 2008, the democratic government was largely focused on preserving its own political position than on improving the economic situation. In the words of one key stakeholder:

    'When the coalition government led by the Pakistan People's Party took office in 2008, it had no Minister for Finance, Economic Affairs, or Health for the first six months. There was an absence of leadership on economic policy at a time when the global economy was adjusting to high oil prices and the spill-over effects of the global financial crisis were being felt by the country. There was a high turnover in the State Bank of Pakistan (the country's central bank), with four Governors in a five-year period (2008–2013); ideally each of them should have completed a tenure of six years. There was also a high turnover in the Secretaries of Finance, with seven in the lifetime of one government,' (key informant interview, 2015).

- Since Nawaz Sharif (the incumbent) gained power, the economy has been back on the policy agenda. Yet the ongoing security situation, weak institutional capacity and *clientelist* policymaking continue to affect the ability of the government to devise and implement strategies for economic growth, employment generation and poverty reduction.

- Broader geopolitics following the political decision to support the war on terror that was made during the Musharraf regime has perpetuated conflicts, displaced scores of people, worsened the state of law and order, and driven down investment and employment. A substantial proportion of state resources are dedicated to managing conflict. A lack of investor confidence is inducing capital flight, with Pakistanis investing abroad or in non-productive sectors, such as real estate. The economic toll of the war on terror has been immense. Over 13 years, the war on terror has cost the country US$102.5 billion (*Express Tribune*, 2014) with its impact being profoundly anti-poor.

The evidence that connects these arguments explicitly to an increase in poverty is extremely limited. Where relevant, we incorporated some of the evidence in section 2.2 on 'evidence that raises doubts' over the stated reduction in poverty. For instance, we examined the technical flaws in the survey data and in official poverty estimation, as well as the evidence on real GDP growth per capita, malnutrition and hunger. We found these to raise reasonable doubts, yet still be partial at best.

The fact that such negative developments need not necessarily increase poverty has also raised the level of ambiguity. Without rigorous studies in Pakistan, for instance, on the impact of the energy deficits, of the switch from universal to targeted subsides, indirect taxation, the wider political context or of broader geopolitics on poverty, it is hard to state confidently that poverty has increased.

4. Implications and the road ahead

A salesman in the Walled City of Lahore, Pakistan. Photo: © Aga Khan Cultural Service – Pakistan.

In this study we have explored key features of the poverty debate in Pakistan. Section 2 examined the evidence in support of the officially stated reduction in poverty and the evidence that raises doubts over it. We found the evidence on both sides of the argument to be partial at best, and conclude that we are unable to affirm or reject whether poverty has reduced on the basis of the evidence alone.

In Section 3, we sought to understand why the data and the mainstream poverty narrative are so contested by mapping the range of perceptions of key stakeholders who have an influence over the poverty debate, and the subsequent measurement and analysis of poverty. We found that, while some stakeholders may have valid concerns about the official data and the official view, not all of their arguments are plausible especially given the *ad hoc* and anecdotal nature of their evidence base that is insufficiently robust at the country level.

Treated in isolation, neither the evidence in Section 2, nor stakeholder perceptions in Section 3, serve to answer the question of whether the stated progress in reducing poverty in Pakistan has been real. However, the cumulative effect of our findings casts reasonable doubts over the official poverty figures and demonstrates that the evidence of, and perceptions over, progress are surprisingly inconclusive.

This section discusses the policy implications of such high levels of contestation, and closes with recommendations for the road ahead.

4.1 Implications

The disputed evidence is unable to confirm Pakistan's progress in reducing poverty between 1990 and 2010 and thereby in achieving its first localised target under MDG 1. As the timeframe of the MDGs draws to a close, Pakistan

stands unable to assess its progress in reducing by half the proportion of people living below the official national poverty line. The baseline figure of 26.1% (for 1990) cited in policy documents as well as in various progress reports to donors is not based on the official methodology to estimate poverty and cannot be used to benchmark progress. The 12.4% official figure for poverty in 2010 is also considered 'interim'. In other words, an incorrect baseline figure and the tentative nature of the latest official figure leaves us with a surprisingly inconclusive story of progress.

The perpetual state of ambiguity over the progress in reducing poverty is detrimental to policymaking. The inability to establish clearly poverty trends between 1990 and 2010 impedes the government's ability to make policy and to allocate resources based on past evidence. It cannot evaluate what has or has not worked in previous decades to reduce poverty. The ongoing controversy over the claims of poverty reduction also weakens the credibility of public policy.

The contestation over official poverty figures overshadows the broader policy agenda. The policy debate (in particular since the mid-2000s) has been confined to agreeing on a single figure – the percentage of people living in poverty in the country. This has overshadowed other equally important poverty-related issues in the policy agenda. These include, for instance, understanding the dynamics of poverty, its determinants and distribution below national and subnational levels, and the changing characteristics of poor households as a result of shifting demographics and market structures.

Pakistan demonstrates how hard it is to present official poverty estimates when the data and the mainstream narrative on poverty reduction are so contested. It reinforces the view that data is inherently political as well as technical, therefore, any proposed solutions should aim to involve both politically orientated and technical recommendations. It also illustrates that without the necessary buy-in from key stakeholders, especially from those outside government, the official figures will lack credibility both now and in the future. An improved and comprehensive evidence base is likely to make policymaking easier and to turn the debate into a source of positive reflection. It is also likely to open up new avenues: to create positive feedback loops in policy formulation, implementation and evaluation and lead the way out of a vicious spiral of controversy, contradiction and contestation. In short, official evidence that is not only defensible and verifiable, but also widely accepted by key stakeholders in the policy landscape is likely to steer the road ahead.

4.2 The road ahead

New sampling frames must represent the population. The government's plan to conduct a nationwide population census in 2016 (last undertaken in 1998) is a crucial step forward. The new sampling frames that will be generated from this census must reflect the demographics and household characteristics of the country adequately. These will in turn strengthen the household surveys that form the basis for estimating official poverty figures.

The weights of the CPI must reflect what households in both rural and urban areas spend on food and non-food items. Coverage of the Family Budget Survey that determines weights in the CPI needs to expand to rural areas, as most poverty in Pakistan is rural. The weights in the index must reflect accurately the amounts that different households spend on food and non-food items. As these weights are used to inflate the official poverty line it is vitally important that they be representative.

Stakeholder consensus needs to be built and the differences in accounts of poverty reduction reconciled. Stakeholders in highly influential positions must be encouraged to build consensus. The Technical Group on Poverty that is advising the Ministry of Planning, Development and Reform must confirm that its recommendations are amenable to application, i.e. in producing estimates that are consistent and unbiased and that help in comparing changes in poverty over time as well in devising and implementing effective policies.

Pakistan must establish a credible baseline upon which to assess progress in reducing poverty between now and 2030. A credible baseline will enable Pakistan to monitor and plan its progress in reducing as well as eliminating poverty in all its forms everywhere in line with SDG1. This will also complement Pakistan's *Vision 2025* strategy.[23]

‘We are mindful that we have never been short of policies and plans but the failures in the past have been in the area of implementation’ – Minister for Planning, Development and Reform, Ahsan Iqbal in Vision 2025

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23 Vision 2025 is the incumbent government's vision document for the next ten years as well as the policy roadmap for the Ministry of Planning, Development and Reform.

Pakistan's progress in reducing poverty is highly contested
with contrasting statistics cited by different groups

The share of people in extreme poverty has fallen by

52 percentage points
(Source: World Bank, 2015)

1991 · 65%
2011 · 13%

Early 1990s · 1.9%
Late 2000s · 0.9%

Average GDP growth per person has fallen by

1 percentage point
(Source: World Bank, 2015)

On the one hand... ...on the other hand

Pakistan's progress in reducing poverty is highly contested
with contrasting statistics cited by different groups

Spending on social welfare has increased

x34 (in real terms)
(Source: UNDP, 2013)

2001 · $216m
2011 · $7.3bn

2000 · $
2009 · $$

The cost of everyday staples has doubled

x2
(Source: Government of Pakistan, 2013)

On the one hand... ...on the other hand

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