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Gendered Austerity and Cash Transfers in Pakistan: A Gender-Sensitive Budgeting Assessment

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The issue of contraction in public expenditures and its gendered implications remain a formidable concern particularly when the dominance of international financial institutions like World Bank and IMF becomes inevitable. What makes matters worse is the intersectional inequalities and multifaceted phases of crisis in which austerity measures deepen the effects on inequality. Although cash transfers represent a particular type of intervention within social protection systems, they can still have significant positive outcomes if designed with gender-oriented concerns. With gender-sensitive budgeting, the potential gender biases could be assessed through the way cash transfers are designed. It can help in readjusting the priorities and recognize the need to allow for adequate budgetary resources for the expansion of social protection thus adding to the productive space of the economy. This research attempts to capture the austerity effects on gendered inequalities through the spectrum of social cash transfers using the Gender-sensitive budget assessment. It analyses the gendered cost of austerity imposed on women through the social cash transfers mechanism and seeks to address the following question: To what extent can gender-sensitive budgeting help design cash transfers which can reduce gender inequalities in crises exacerbated by the austerity measures?

WHAT'S AT STAKE?

The study by [Ortiz and Cummins \(2021\)](#) has already identified the phases of contractionary shocks of budget cuts projecting approximately 85% of the people living in developing countries to be impacted by the budget cuts or the tax increases by 2022. In addition, 54 of these developing countries have severe debt problems with 50% of their population living in extreme poverty. In 2019, it was reported that 64 countries had spent more resources servicing foreign debt than spending on healthcare expenditures¹. Commensurably, the neoliberal view prioritizes the reduction of fiscal deficits for economic recovery by encouraging “productive” investment and cutting back on “unproductive” public sector spending on social protection, education, and health. As true in times of sovereign debt crisis, the Global South countries turned to the IMF and World Bank for financial assistance. The cycle of taking regular loans continues for some of them when the resources for emergency assistance start depleting and they resort to IMF lending assistance with the imposition of conditionalities and surveillance for the financial support ([Kentikelenis and Stubbs 2022](#)). Given that, over the years the austerity policies have been evident through fiscal consolidation packages² vis-à-vis public expenditure cuts (particularly in social protection expenditure), removal of untargeted subsidies, consumption tax increases, pension reforms, and the privatization of public assets ([Bürgisser 2017](#); [Bretton Woods Project 2021](#)). These reforms have gendered implications.

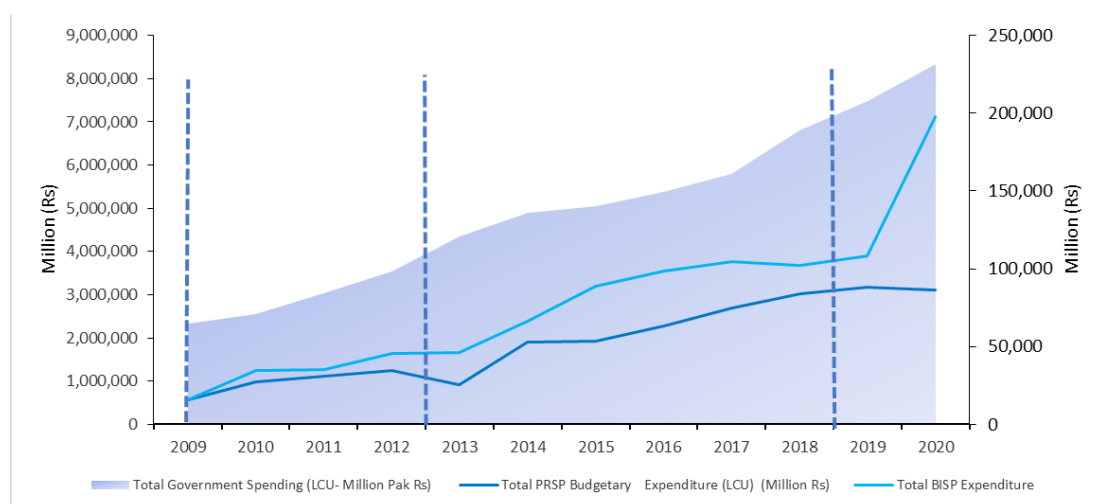
This brief emphasizes the impact of austerity seen through social protection policies. In South Asia, it accounts for 15% of the total social safety net ([Ivaschenko et al. 2018](#)). Moreover, these programs have 40% of the population living below the poverty line dependent on them, targeting mainly women. The disaggregated data for Pakistan shows the evolution of total public spending which although has shown an increasing trend for the past 11 years, however, it also reflects the effects of debt repayments in the cuts to expenditure. For the development expenditure as represented by PRSP budgetary expenditure and its cash transfers program expenditure – Benazir Income Support Programme (BISP), the succeeding years of loan repayments have resulted in either a steady decrease or stagnancy in social expenditures. It is illustrated in the years between 2010 – 2011, 2012 – 2013, and 2016 – 2019 ([figure 1](#)).

The gendered nature of austerity is defined as an understanding of how social reproduction exists as a

buffer against the socio-economic effects of the crises by performing care work in both unpaid and paid forms. Hence, austerity prioritizes production growth while marginalizing social reproduction and passing the cost of it to the most vulnerable groups in society, particularly women. The results are seen through the budgetary effects of austerity whereby the emphasis is placed on reducing or eliminating programs related to social protection transfers, and welfare benefits. Social protection assistance through cash and in-kind transfers is seen as a significant source of financial resources mainly for the low-quintile and lower-middle income quintiles who are part of precarious work like the domestic work sector or other exploitative forms of labor ([Razavi 2016](#)). Consequently, fiscal contraction through social transfers is likely to have detrimental redistributive effects with long-term damage to women's welfare ([Seguino 2013](#)). The austerity effects on gender inequality through the retrenchment of public expenditure would negatively impact nutritional wellbeing, pressurize women to enter precarious job markets and engage in informal jobs or self-employment, increase feminization of poverty by targeting single mothers, curtail education, health, and social benefits, increase unpaid care work and gender-based violence ([de Oliveira and Alloatti 2021](#)).

Therefore, the extent to which women's autonomy can be evaluated depends on whether the cash transfer has incentivized women's participation in the labor market, improved women's employment conditions, and help redistribute care work and responsibilities. In pertinence, the design of cash transfers: targeting, program conditions, transfer value, and payment procedures play a pivotal role in determining the gendered differentiated impacts. They have positive expected or negative outcomes on women through the same channels as identified for austerity implications mainly health, labor market, social reproduction, and feminization of poverty. At the same time, the design of the cash transfers depends on the way social policies are configured by external forces, institutions, and political reforms through budgetary expenditure. A representation of the linkage is shown in [diagram 1](#).

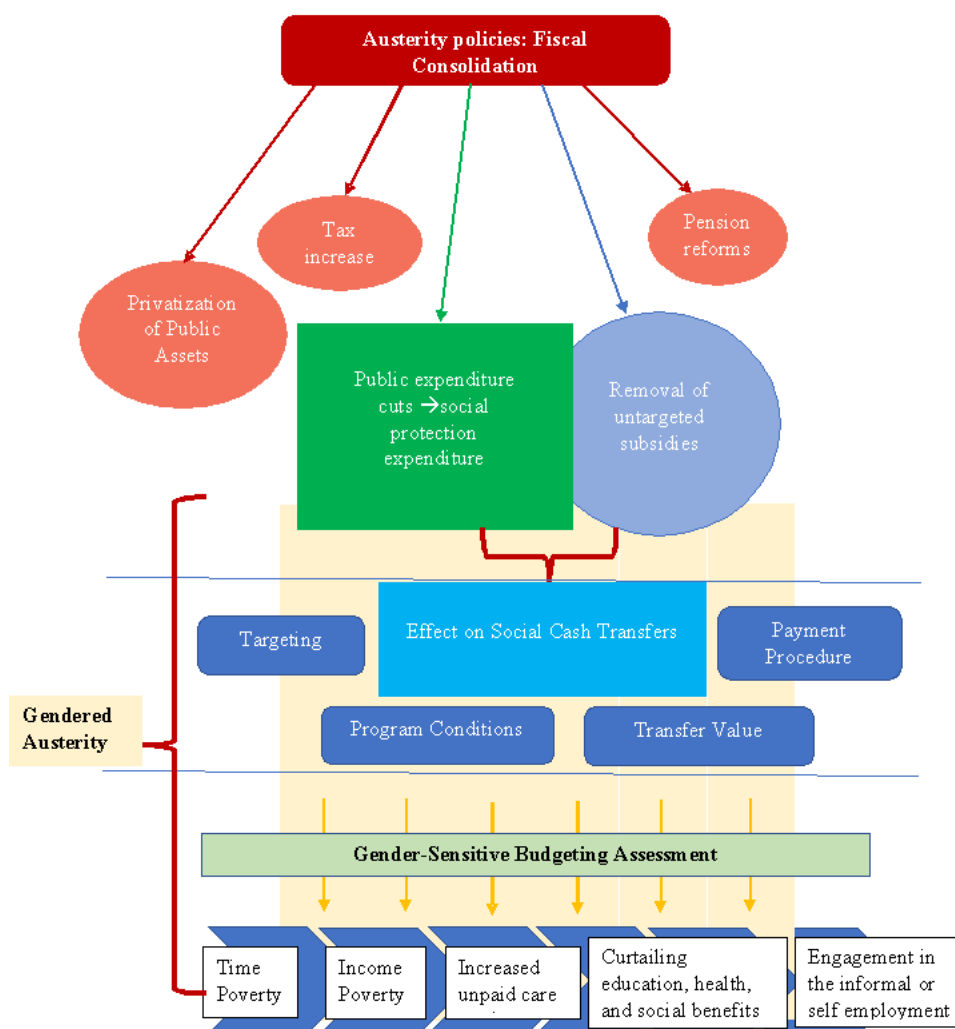
FIGURE 1 - TRENDS FOR COMPOSITION OF TOTAL PUBLIC SPENDING



Source: Ministry of Finance (2020) and IMF, Authors' own elaboration

DIAGRAM 1- THE LINKAGE BETWEEN AUSTERITY, DESIGN MECHANISM OF CASH TRANSFERS, AND GENDERED IMPLICATIONS

Context: Sovereign debt crisis and creation of fiscal space



Source: Authors' own elaboration

GENDER-SENSITIVE BUDGETING FRAMEWORK: CASH TRANSFERS IN FOCUS

Gender-sensitive budget (GSB) is a broad framework developed in response to the social accountability and mainstream argument that governments lack fiscal space to fund the physical and social infrastructure required to promote gender equality (Elson 2021). It is a method that recognizes how policies impact women and men differently and therefore it is a lens to promote gender equality by assessing the effect of government expenditures and revenues on both men and women. Hence, it identifies the gender differential impacts of the budgetary process and fits them into fiscal policies (Chakraborty 2016; Sharp 2003). The budgetary expenditure and financing of the cash transfers are crucial for designing these elements. Therefore, it is important to understand the pre-existing conditions of the programs in assessing how they are engendering an impact either positively or negatively through Gender Sensitive Budgeting. What remains to

be concerning is the political aspect of the budget and the influence of donors and international organizations in improving the budget allocation and ensuring its execution (Stotsky 2016). In pertinence, Pakistan serves to be the canary in the coal mine because of its persistent history with IMF with the popular conditionalities that leads to the removal of untargeted subsidies and retrenchment in public spending.

IMF'S 'MACRO CRITICALITY ROLE' AND LENDING COMMITMENT WITH PAKISTAN

Against the background of austerity, the role of International Financial institutions remains crucial for the implications of fiscal policies for developing countries. 'Macro criticality' is a term introduced to recognize the intersectional matters of political and economic development issues according to which gender and economic inequalities should be prioritized. However, it remains an unclear standard because of the focus

TABLE 1- PAKISTAN'S LENDING COMMITMENT TIMELINE WITH IMF

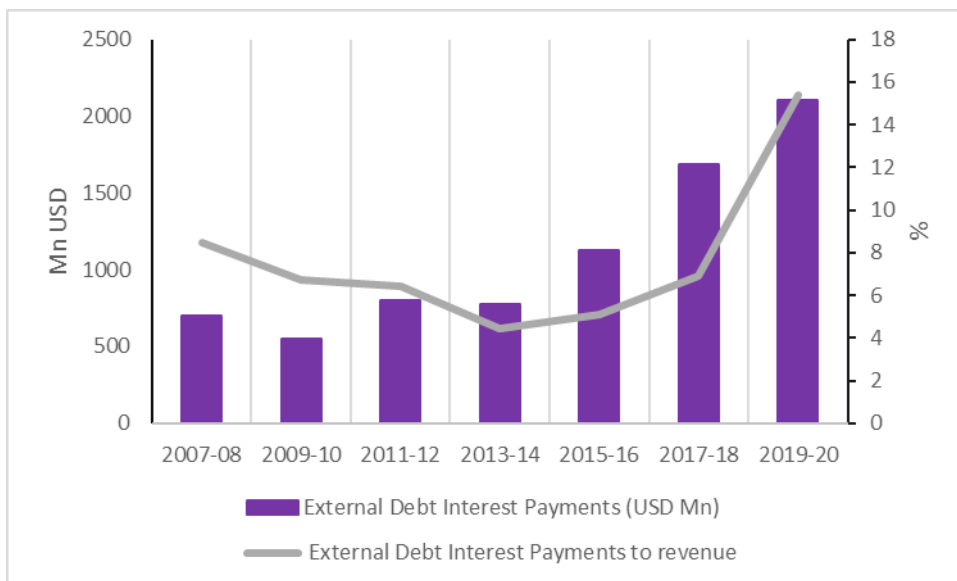
Facility	Date of Arrangement	Expiration Date	Agreed Amount (Thousands of SDR)	Conditionalities	Reasons
Extended Fund Facility (EFF)	Jul 03, 2019	Oct 02, 2022	4,268,000 - \$6 Billion	i) Cut in energy subsidies ii) Modifying social safety nets	High inflation; War on terror; Fiscal Deficit
Extended Fund Facility (EFF)	Sep 04, 2013	Sep 30, 2016	4,393,000 - \$6.6 Billion	i) Modifying the social transfer programs and increase in spending by 0.3% point ii) phasing out electricity subsidies iii) increase in General Sales Tax (GST) and non-tax revenues	High Inflation; Declining reserves; Fiscal deficit of 3% from 2008 - 2012
Stand By Arrangement (SBA)	Nov 24, 2008	Sep 30, 2011	7,235,900 - \$7.6 Billion	i) Removal of tax exemptions on the staple food items - sugar, edible oil, etc.. ii) Levying 17% GST on the food items iii) increasing the electricity and gas tariffs with a levy on petroleum products	Political turmoil; Twin deficits - Current and fiscal deficits

Source: Ministry of Finance (2020) and IMF, Authors' own elaboration

centered on “fiscal sustainability, spending adequacy, and spending efficiency”. As part of loan conditionalities, the recommendation for social safety nets is made to be ‘temporary’ and ‘better targeted’ for generating fiscal savings (Razavi et al. 2021). These claims are seen to be paradoxical for redistribution as they hint towards the social cash transfer programs to be countercyclical without fixing the size of the redistributive budget, which means keeping a small amount of budget that is meager in both transfer value and coverage (Stubbs et al. 2021). As well as such clauses blur the possibilities of making the social policies ‘universal’ and ‘inclusive’.

Since the inception of the Benazir Income Support Programme (BISP) – one of the largest unconditional cash transfer programs in 2008, Pakistan entered into three major agreements with the IMF (Table 1) which allude to the preconditions of fiscal consolidation that have been in effect. In fact, in Pakistan per person debt had nearly risen to 46% by 2021 over the years equivalent to R175,000 ~ 875 Euros per capita (The Express Tribune 2022). Moreover, the share of IMF loans in external debt accounts for 9.25% and had grown by 150% since 2008 (Ministry of Finance 2020). The key conditions have shown regressivity in nature which comes

FIGURE 2 - INTEREST PAYMENTS ON EXTERNAL LOANS (PERCENTAGE OF GDP)



Source: Ministry of Finance (2007 - 2020), Authors' own elaboration

in fact with targeting social security programs and the reduction of 'untargeted subsidies' referred to as the removal of fuel and electricity subsidies further adding to the rise in the cost of living with an increase in food inflation and rise in electricity prices, deepening the gender inequalities (Bretton Woods Project 2021). These gendered inequalities would result in pushing more women into poverty and the informal sector, psychological stress of basic provisions for family, time poverty, and increased burden of care work (Muchhala et al. 2021).

The mini budgets introduced following the loan conditionalities paved the way for cuts in public infrastructure (roads, railways, and bridges), education, health, and all other segments except for subsidies and the BISP program. These were introduced following the IMF loan agreements to create the fiscal space for reducing the budget deficit. In 2010, Pakistan specifically reported in the third review under the Stand-By arrangement of the actual spending curtailed for BISP by 36% less than

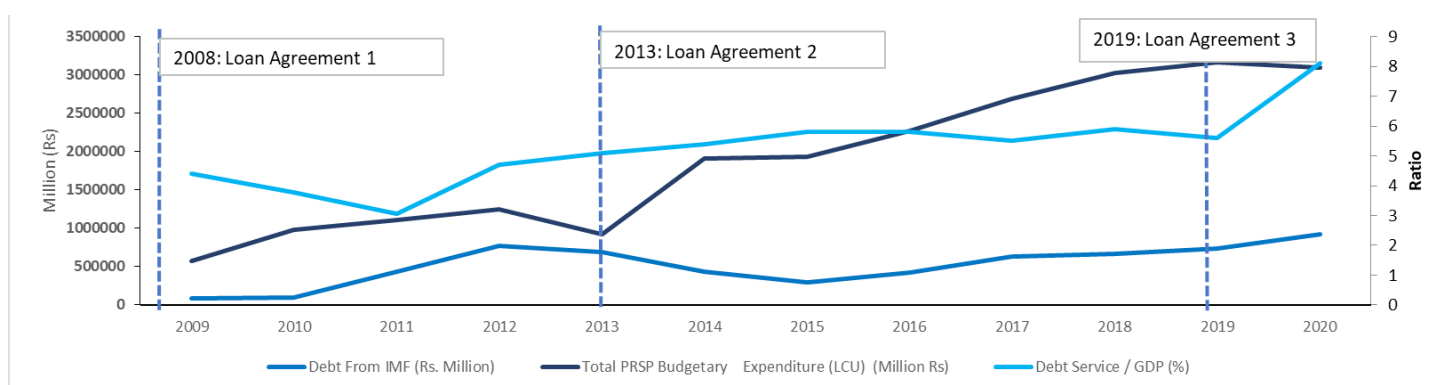
the projected (IMF 2010)³. The descriptive statistics analyzed also showed that although BISP's funding was covered by 32% through budgetary support for BISP at the same time, to control the fiscal deficit and meet the target, the following year in 2015, Pakistan curtailed its spending.

According to Geoghegan and Foiss (2021), the available government resources are allocated for servicing the debt as the public debt increases are contracted, including a reduction in public expenditure. Consequently, the fiscal space which remains to be a contentious notion is described as the budgetary position of the government allowing it to service its debt obligations while ensuring its solvency making it fiscally sustainable (Roy 2009). Pakistan's situation sheds light on the increase in interest

payments on external debt from multilateral creditors and IMF accounting for most of the share specifically from the years 2011 onwards (Debt Policy Statement 2019). The total interest servicing has been increasing as a percentage of revenue has been increasing slowly owing to the real growth in debt with slow growth in real revenue as shown in figure 2.

Relatedly in figure 3, a corroboration can be seen through parallel trends in debt servicing and PRSP spending. IMF loan repayments formed approximately 40% of debt servicing between 2011 – 2013 ensued by a decreasing trend in PRSP spending (Ministry of Finance 2019). While, in the period after 2016, the repayments share had been less than 20%, hence showing an upward trend in the total PRSP spending. Although it is difficult to see only the counter effects of conditionalities and loan repayments but a corresponding response to the increase in the repayments can be seen in the decreasing or stagnancy trend of PRSP budgetary expenditure.

FIGURE 3 - TREND IN DEBT FROM IMF, PRSP BUDGETARY EXPENDITURE AND DEBT SERVICING TO GDP RATIO



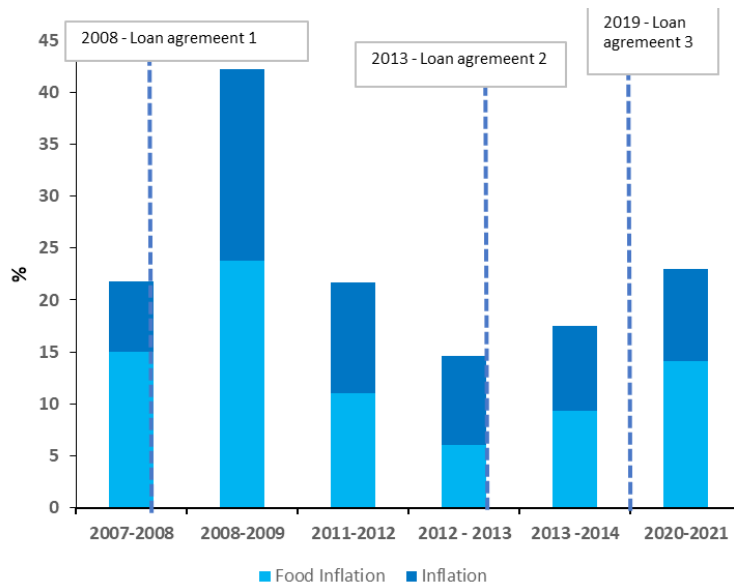
Source: Ministry of Finance (2007 - 2020), Authors' own elaboration

HOW ARE WOMEN AFFECTED BY AUSTERITY?

The extra burden of unpaid care work and the spike in commodity prices particularly food and energy due to fiscal contraction in times of crisis is further likely to push more women into poverty and they bear the brunt of psychological stress for not being able to afford food, fuel, and electricity (Muchhala et al. 2021). UNDP (2020) substantiates, that there were 118 women living in extreme poverty for every 100 men (aged 25 – 34) in Pakistan and the pandemic further increased the poverty rate amongst women by 9.1% in 2020. Yet, being the net food and petrol importing country (FAO 2016), Pakistan has significantly suffered through the price hikes. The impact of fuel prices in combination with the removal of fuel subsidies and public expenditure cuts translated into increases in food prices (Muchhala et al. 2021). Figure 4 reflects on the impact of fiscal adjustments alongside IMF conditionalities on the prices of food items. The prices of staple food like wheat, cooking oil, sugar, and pulses have increased by over 15% on average during each period as shown in figure 4. The incidence of price increases has been higher in lower and middle-income households than in high-income households, while middle-income households had felt a slightly higher incidence (Figure 5). Additionally, the number of female-headed households in Pakistan had increased from 7.1% to 10.7% by 2016 (World Bank 2020). An average household size of 7 adds to their impoverishment due to the low-income earning capacity situation. It has been cited according to 118 interviews conducted by Pakistani women’s rights and social development organizations of an increase in food prices and time poverty impacting their mobility, consumption/income patterns, and diet plans – “being restricted to one meal a day”; “not ironing clothes because the iron consumes too much electricity”; “walking to the workplace (4 km) because the rickshaw (public transportation) charges too high” (Muchhala et al. 2021).

To further elaborate on the design mechanism through which cash transfers are impacted by austerity policies, this research used a gender-sensitive assess-

FIGURE 4 – FOOD AND NON-FOOD INFLATION

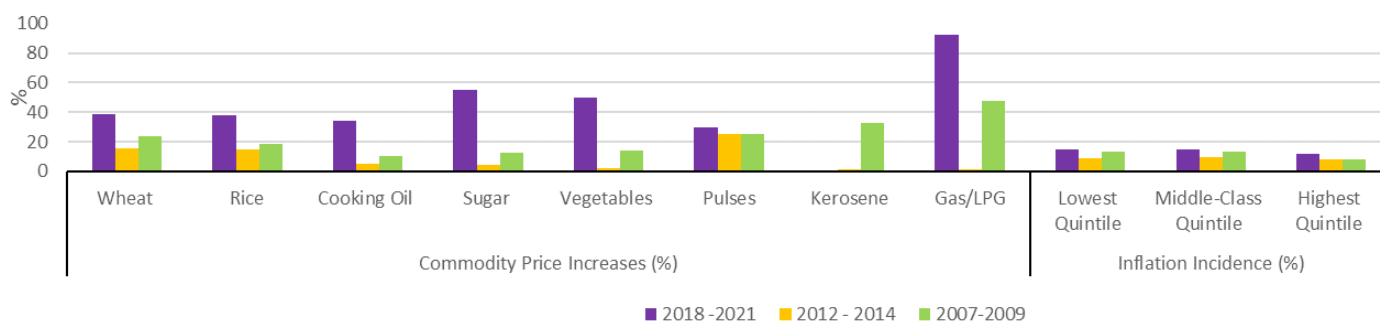


Source: Ministry of Finance (2007 - 2020), Authors' own elaboration

ment methodology⁴ to analyze the gendered impacts. The gender-sensitivity analysis for BISP during the austerity measures showed that cash transfer design like soft conditionality of having the identification card (CNIC) had positive spillover effects on women’s autonomy in terms of intrahousehold decision-making, voting status, and having to make consumption decisions independently. Regarding the targeting mechanism, the expenditure curtailing BISP had resulted in irregular payments given to beneficiaries that had affected women’s consumption patterns and impacted the child nutrition of children in the beneficiaries’ households (Iqbal et al 2020; Cheema et al. 2020/2015; Leary et al. 2011).

Another point inferred is about the middle-class missing (Ortiz et al 2021) which in the case of Pakistan has been evidently seen through the removal of untargeted subsidies having a tendency to impact their incomes more than or equivalent to poor and being subjected to taxes further lowering their incomes, making them vulnerable. However, the targeting conditions as part of cash transfers mechanism exclude the middle-class groups in the hindsight of budgetary expenditure contraction.

FIGURE 5 – COMMODITY PRICE INCREASES



Source: Ministry of Finance (2020), Authors' own elaboration

Regarding benefit size, for BISP, the transfer value's effect remains inadequate relative to the average per capita consumption expenditure despite its objective of overcoming the income poverty and food poverty gap. In conjunction, with the budget cuts and inflationary pressure, that had further reduced the real value of the transfer. Hence, this substantiates that the removal of 'untargeted subsidies' in combination with the targeting approach has a paradoxical redistribution effect according to which the programs provide low benefit values (Razavi et al. 2021).

The payment mechanism had been another essential element which in the case of Pakistan had shown that despite the modification of the payment system through financial inclusion initiatives, the in-person collection of payments had resulted in added time, food, and traveling cost burden, especially for the rural women. This had been due to point of collection sites not being in closer proximity as well as the lack of administrative capacities of the banks and registration system (Cheema et al. 2020; Cheema et al. 2015; ;Leary et al. 2011).

CONCLUSIONS : MOVING FURTHER

In epitome, the evidence highlights that the main criteria according to GSB for designing cash transfers to mainstream gender can include:

- The possible actors and stakeholders which can play an important role in determining the outcomes of gender inequalities.
- Prioritizing the care economy which orients the focus on the recognition of unpaid care work and time poverty that should be considered for the gender-responsive design of the cash transfers.
- The need for universal approaches to deter the effects of conditionalities extends the impact to income poverty and the food poverty gap.

Thus far, from the analytical framework established, this research had identified a link between austerity, gendered implications, and cash transfers.

This neoliberal policy remains relevant during the unprecedented pandemic and in the wake of climate catastrophes that have wreaked socioeconomic havoc. The recent climate crisis in Pakistan has affected more than 33 million people and 650,000 pregnant women in flood-affected areas including 73,000 expected to deliver in the next month and affected livestock and crops causing \$10.5 bn of economic damage (Al Jazeera 2022). The cash-strapped country had once again re-

sorted to the \$1.17 Bn tranche of IMF bail-out loans and sought loans from other creditors with the imposition of austerity focusing on 'raising electricity' and 'fuel rates to fill the budgetary shortfall (Zaman 2022). These circumstances direly call for the productive investment channeled by 'debt relief and debt restructuring'. It is needed to make the necessary spending on flood rehabilitation, climate emergency resilience, and investments into cash transfer programs which by design mechanism can create positive intended consequences as discussed.

Austerity kills is not a new cry, but the way it is killing has costs attached to it in many ways. One form remains to be inequality which becomes more prominent from the gendered lens. Hence, the need for gender-responsive recovery should be the priority for building better mechanisms that are able to finance the needed policies in the context of humanitarian and ecological crises.

NOTES

- 1 Weisbrot, D. "Why is the IMF collecting surcharges from developing countries?". The Hill, 13 Oct. 2022, https://thehill.com/opinion/finance/3686380-why-is-the-imf-collecting-surcharges-from-developing-countries/?utm_source=email-marketing&utm_medium=email&utm_campaign=bretton_woods_news_lens_27_october_2022&utm_content=2022-10-27
- 2 Also termed as the structural adjustment programs (SAPs)
- 3 Press Release: IMF Completes Fourth Review Under Stand-By Arrangement for Pakistan and Approves US\$1.13 billion Disbursement. IMF, 14 May 2010, <https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr10198>
- 4 In accordance with the GSB framework. It includes target and benefit incidence analysis and benefit adequacy ratio estimations were used by incorporating the use of household survey data. The results were supported by the impact assessment through literature reviews and impact evaluation surveys.

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