



Strengthening low-income household support programmes

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- In Pakistan, low-income households remain vulnerable to economic shocks, with 52% of the entire population at risk of falling back into poverty.
- This policy brief investigates how integrating actions to improve air and water quality and create income earning opportunities for women can improve low-income support programmes such as the Kamyab Pakistan Programme (KPP) and buffer vulnerable households.
- This brief also includes recommendations on what can be incorporated within KPP itself to make it more effective, such as improving coordination across existing programmes that strive to improve air and water quality, and encouraging enterprise among women borrowers from vulnerable households.

This policy brief draws from the report "The path to a successful Pakistan" prepared by a team comprising Kulsum Ahmed (Director ILM, Honorary Fellow CDPR, former Sector Manager, World Bank), Ijaz Nabi (Chairman, CDPR and Country Director, IGC and former Sector Manager, World Bank), Sanval Nasim (Assistant Professor, LUMS), Amna Mahmood (Country Economist, IGC), and Farah Said (Associate Director, MHRC, LUMS). We are grateful to the International Growth Center (IGC) for funding.

Overview of the research

Despite lacklustre economic growth in recent years, Pakistan has succeeded in reducing endemic poverty. However, the poor remain vulnerable to economic shocks, with 52% of the entire population vulnerable to falling back into poverty (Jamal, 2021). To counter this, the Government of Pakistan's (GOP) efforts have focused on policy actions, including concessional finance and health insurance through programmes such as the Kamyab Pakistan Programme (KPP), to allow vulnerable households to increase productivity.

This policy brief analyses whether vulnerable households would benefit from making low-income support programmes, such as KPP, both green and gender-inclusive, and suggests policy recommendations. It is one of three policy briefs that stems from a report that analyses sources of vulnerability differently.

The report argues that environmental factors, such as poor-quality air and water, impose high health costs on low-income households and contribute significantly to their vulnerability. Reduced incomes from either illness of the main wage earner, from taking time off work to care for other family members, and from spending disproportionate percentages of earnings on healthcare often propel families just above the poverty line back into extreme poverty.

In vulnerable households, multiple income earners help to increase household income and hence resiliency. In general, surveys show very low participation of women in the labour market. Though more women work in the lower income quintiles than the higher ones to augment income, they engage in informal, often low-pay work, and their access to finance is very poor. However, there are developmental benefits (beyond additional income) from women working.

The report concludes that integrating actions to improve air and water quality and create income earning opportunities for women will buffer all vulnerable households, even those not participating in a low-income household support programme.

Given Pakistan's specific institutional arrangements, two additional policy briefs complement this one: the first on improving air quality, written for the Climate Change Ministry; and the second on increasing women's participation in the labour force, written for the Planning Commission¹. This policy brief focuses on what can be incorporated within KPP itself to make it more effective.

¹ These are respectively titled Prioritising climate action through a health and vulnerability lens and Increasing productivity in Pakistan through a gender and vulnerability lens.

Policy motivation for research

One of the approaches taken by Government of Pakistan (GoP) to support vulnerable households is the PKR 1.4 trillion Kamyab Pakistan Programme (KPP) launched in October 2021 to support income growth of small firms and farms. Under the KPP, the government is providing subsidised, interest-free microloans to 3.7 million vulnerable families over five years. KPP aims to reduce poverty and transition families towards sustainable livelihoods by complementing the loans with building skills, making health insurance (Sehat card) mandatory for borrowers, and providing loans for low-cost housing.

The KPP is in its pilot phase. It focuses on ensuring smooth flow of finance through the commercial banking system to microfinance institutions for lending to vulnerable households.

Key findings

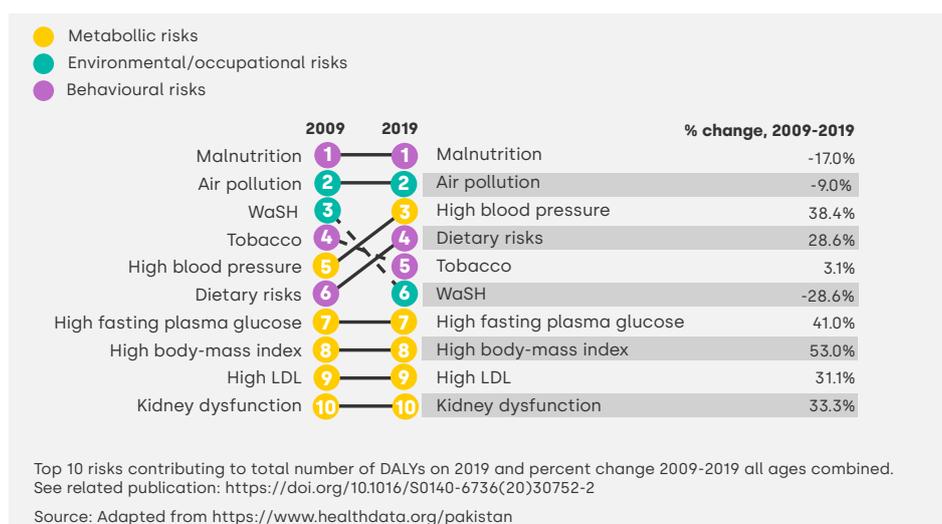
We took a different approach to analyse sources of vulnerability. We reviewed existing data and papers to better understand Pakistan's current health burden linked with environmental risk factors, as well as the current status of gender inclusion in the country, with a particular focus on vulnerable, low-income households.

Pakistan's health burden

Data that directly analyses health, poverty and income linkages is scarce in Pakistan. The Pakistan Household Integrated Economic Survey (HIES) 2018-2019 notes that, on average, 3% of monthly consumption expenditures are used for health purposes. Anecdotal information suggests that the poor only seek medical help in cases of extreme illness. Research from China analysing these same linkages noted that illness is the main cause of poverty in most low-income groups in rural China (Zhou et al., 2020).

In the last 10 years, there has been a significant increase in non-communicable diseases (NCDs) in Pakistan, such as ischemic heart disease and stroke. NCDs form 60% of the health burden today and cannot be treated (GBD, 2019). They need to either be prevented or they need to be managed throughout a lifetime, resulting in increasing health costs. A more detailed analysis of Pakistan's health burden indicates that the two major risk factors that drive the most deaths and disability for Pakistan in 2019 are malnutrition and air pollution (Figure 1).

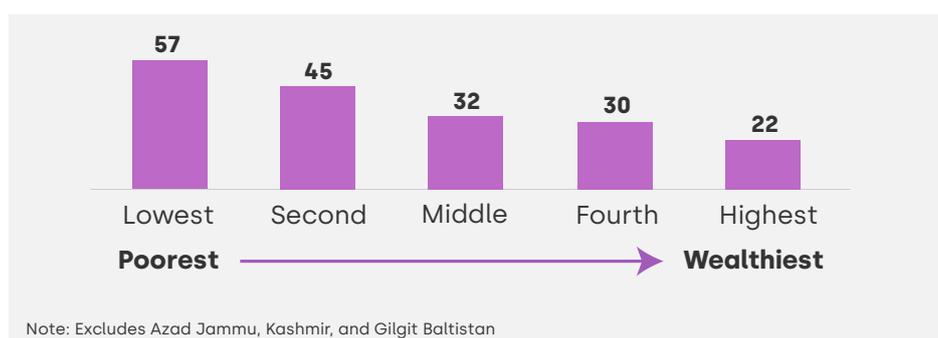
FIGURE 1: What risk factors drive the most death and disability combined in Pakistan?



Unpacking the malnutrition risk factor is instructive. Poor intake of adequate nutrition, and/or repeated bouts of diarrhea and lower respiratory infection among children, particularly under the age of 2 years, due to unsafe drinking water, poor sanitation, and poor air quality result in less absorption of food leading to stunting that affects future income (World Bank, 2008). Physical stunting is also an indication of mental stunting, thus affecting educational attainment in later years (Alam et al., 2020). Further, improved nutrition in later years cannot change the cognitive damage and these children continue to underperform in educational tests (Sokolovic et al., 2014). This clearly indicates that stunting cannot be cured, only prevented, and that the lower productivity consequences are lifelong. In the extreme case, this leads to death.

Pneumonia and diarrheal diseases are the number 1 and number 2 causes of children's deaths in Pakistan. The risk of both these diseases is increased through exposure to environmental risk factors. Further, deaths from pneumonia and diarrhoea are correlated with income quintile in Pakistan (Chang et al., 2018). With respect to stunting, Pakistan's Demographic and Health Survey (DHS) 2017-2018 found that 57% of children under the age of 5 years are physically stunted in the lowest income quintile, and even 22% in the highest income quintile (Figure 2), suggesting that environmental risk factors play an important role.

FIGURE 2: Percentage stunting in Pakistani children (under 5 years) by household wealth



Source: Pakistan DHS 2017-18

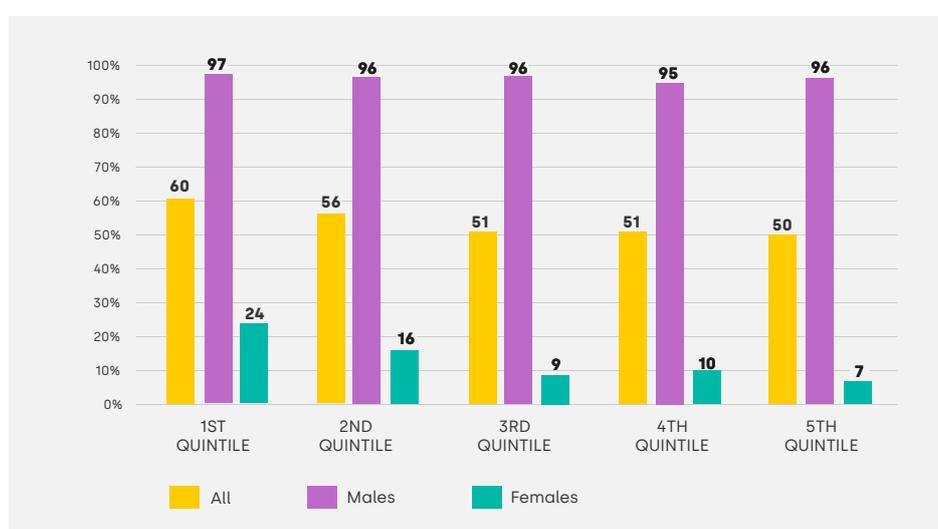
The air pollution risk factor captures both indoor air pollution and outdoor air pollution. It is associated with increased risk of ischemic heart disease, stroke, lung cancer, neonatal morbidity, lower respiratory infections, diabetes, chronic obstructive pulmonary disease, tuberculosis, and blindness. There is little research in Pakistan, but evidence from other countries suggests that air pollution causes death and disability, as well as reduced labour productivity and reduced human capital outcomes later in life, including reduced performance in academic and cognitive tests, depressed earnings, and higher incarceration rates.

Air quality in several Pakistani cities has deteriorated considerably over the years. Pakistan came third in the list of the most polluted countries in 2021 (IQ Air, 2021). According to Pakistan's Social and Living Standards Measurement Survey (PSLM) 2019-2020, only 37% of households have access to clean fuel technology for cooking and lighting. The poor rely on cheap fuel such as biomass and coal to meet their energy demands. These solid fuels release very high levels of toxic pollutants inside the household, affecting women and children disproportionately. A study in Mirpurkhas and Nawabshah found that women were 5 to 6 times more at risk of acute coronary syndromes as a result of cooking with solid fuel, compared with women cooking with natural gas (Fatmi et al., 2020).

Female labour force participation

Pakistan's female labour force is among the lowest in South Asia (under 30%), and so Pakistan loses out both in terms of untapped productive potential, and the broader development gains and resilience that comes with women wage-earners in the household. In general, while labour force participation for men is high, labour force participation by women is substantially lower. There is considerable variation in female participation across income quintiles, ranging from 24% for the lowest quintile to only 7% for women from the highest income quintile (see Figure 3).

FIGURE 3. Female participation by income quintile



Notes: The graph plots female labour force on the y-axis and income quintiles, disaggregated by gender, on the x-axis. Source: Cho and Majoka (2020)

Data suggests that women from vulnerable households work because they need to augment income (PSLM 2019-2020, based on author's calculations), yet the household income they bring in is less than in the case of multiple men earners within the household. Nearly a third (33.75%) of the households in Pakistan have more than one income earner, of which nearly half (43%) have at least one earning woman in the family. Multiple-earner households report a significantly higher monthly income: an average of PKR 34,000 compared to PKR 14,000 earned by single earner families. Multiple-earner households where women also work earn PKR 5,000 more than single-earner families (PSLM 2019-2020, based on author's calculations).

Female employment has proven developmental impacts, both for the women themselves and for their dependents. For instance, women who work in Pakistan are more likely to have a say in household consumption decisions and their own health decisions, including the decision to use contraception (Fatima, 2014). Similarly, when women are part of household decision-making, households tend to spend more on young girl's education than the average household (Saleemi and Kofol, 2022).

Societal norms may discourage women from working as household income rises, and the need to augment household income decreases. Yet, when women set up a business in a household with other business(es), evidence from female microbusiness owners in Punjab suggests that overall household income is greater, and businesses are larger with more potential to grow (d'Adda et al., 2019).

Research in Pakistan suggests that major challenges to women's participation in the workforce include: (i) financial exclusion and lack of access to finance; (ii) inadequate skills, including low digital literacy; and (iii) lack of safe transport options. The overarching constraint appears to be social norms. Women usually require permission to work from other household members (including to leave the home). Some work is also considered inappropriate or unsafe for women.

Policy recommendations

Our findings suggest that more vulnerable households are disproportionately affected by health impacts arising from environmental risk factors, such as poor-quality air and water. These households are also often the ones that seek to augment income through female participation in the labour force. Yet they do not fully benefit from this participation due to low skills, wages, and gender disparities.

Addressing both environmental risk factors and gender disparities in the labour force will significantly benefit vulnerable households in Pakistan.

Reducing vulnerability through better health

Better health will lead to better outcomes for any loan programme for the vulnerable. Since there is considerable overlap between

interventions to improve air pollution and reduce greenhouse gas emissions, a separate policy brief for the Climate Change Ministry details recommendations to improve air quality more broadly.

Here, two policy actions are recommended specifically to strengthen KPP or any loan programme focused on the vulnerable households:

- 1. Improve coordination across existing programmes that strive to improve air and water quality**, since at a geographical level, this could yield better outcomes on the ground. This could take the form of ensuring geographical overlap with existing water, sanitation and hygiene (WASH) investment programmes and any programmes to improve household energy and outdoor air pollution, which by their very nature are provincial or city-level interventions. In the case of the latter, there appears to be a vacuum, and such programmes are sorely needed to help improve the conditions for successful outcomes from loan programmes focused on vulnerable households. Such an effort will also clearly require agile coordination across different stakeholders and levels of government.
- 2. Within KPP specifically, the training programme could include specific modules on personal action to reduce exposure to air and water pollution (e.g. through better ventilation, chimney, etc.) and reduce disease prevalence (e.g. through handwashing)**. This would support borrowers with relevant information to help achieve successful outcomes, without creating a heavy administrative burden or putting in place conditional requirements that would unfairly disadvantage the vulnerable.

Improving resilience through increased women's labour force participation

There are much broader development outcomes associated with women working. Hence a separate policy brief for the Planning Commission puts forward policy recommendations to improve women's participation in the labour force more broadly. This, in turn, will also eventually benefit women in vulnerable households who work to augment income, but currently do not fully benefit from this participation due to a lack of a culture of women working more broadly, and wage disparities and low skills.

Within the context of KPP, our research suggests that encouraging enterprise among women borrowers from vulnerable households could reap significant development gains. It may also be an effective way of augmenting income in vulnerable households in the immediate term, then trying to tackle gender wage disparities or encouraging formal work at low-income levels, which is administratively fraught with difficulty.

Currently, there is a clear vacuum in the KPP with respect to encouraging female participation in the labour force. No effort has been made to encourage greater female participation or even to monitor and report female participation. Specific suggestions on how KPP, or any such loan

programme, focused on vulnerable households could be improved are described below:

- Improve monitoring of the following, with data disaggregated by gender:
 - Loan applied for, and approved
 - Loan size and use
 - Loan disbursed
 - Loan refused
 - Defaults and delayed payments
- Set targets:
 - Introduce a KPI for gender inclusiveness (or different KPIs for each province, considering varying societal constructs)
- Improve chances of women borrowers utilising loan programmes:
 - Overlap with existing efforts to improve digital literacy for women
 - Make application process friendly for women borrowers (who may not have a cell phone)
 - Develop 'use cases' to illustrate access and encourage take-up.
- Oversight and advisory mechanism:
 - Include better gender representation in committees overseeing loan programme progress.

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