



SOUTH
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SPRING 2022

TOKYO SEMINAR

Reshaping Norms: A New Way Forward

South Asia Economic Focus | Spring 2022

PRESENTERS |

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CHAPTER 1

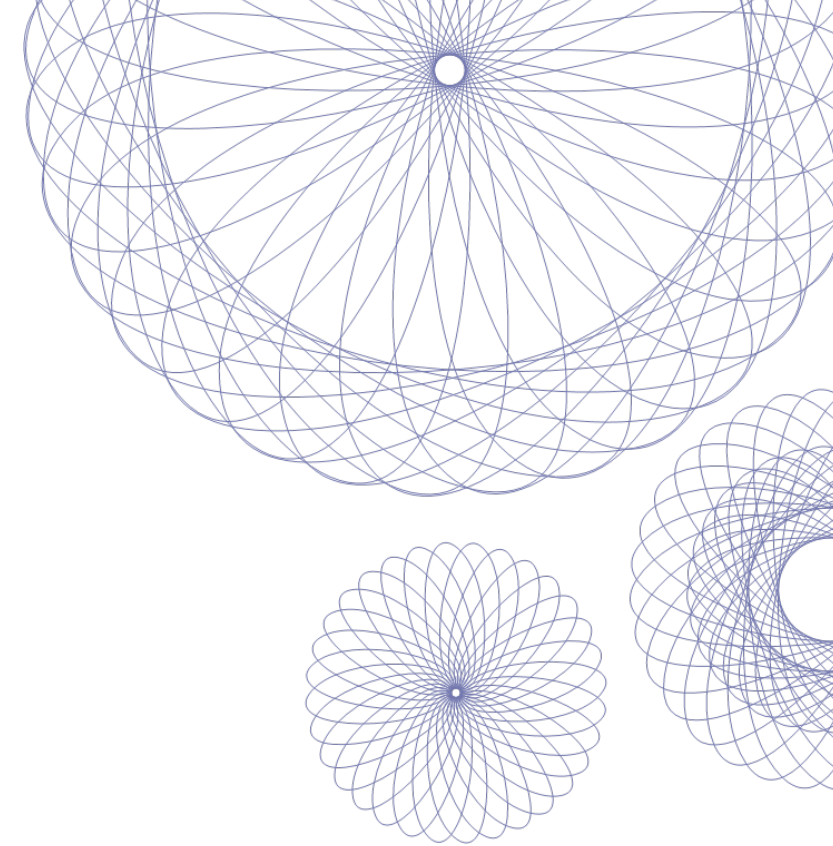
Stronger Headwinds during Recovery

CHAPTER 2

Charting the Course to a New Normal

CHAPTER 3

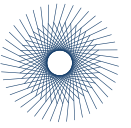
Reshaping Social Norms about Gender: A New Way Forward



CHAPTER 1

Stronger Headwinds during Recovery

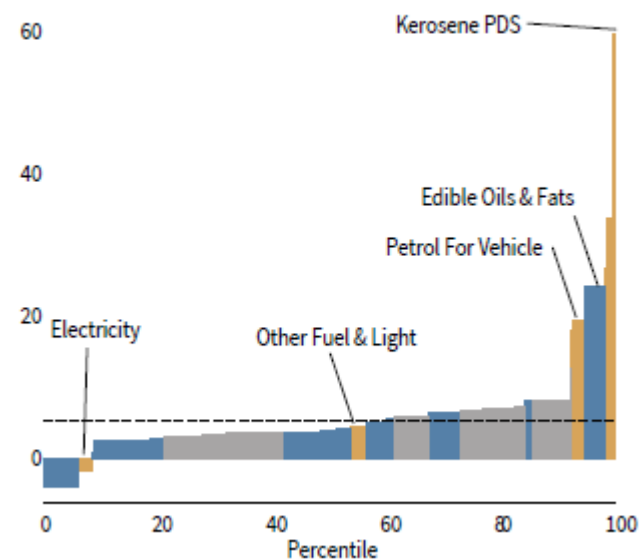




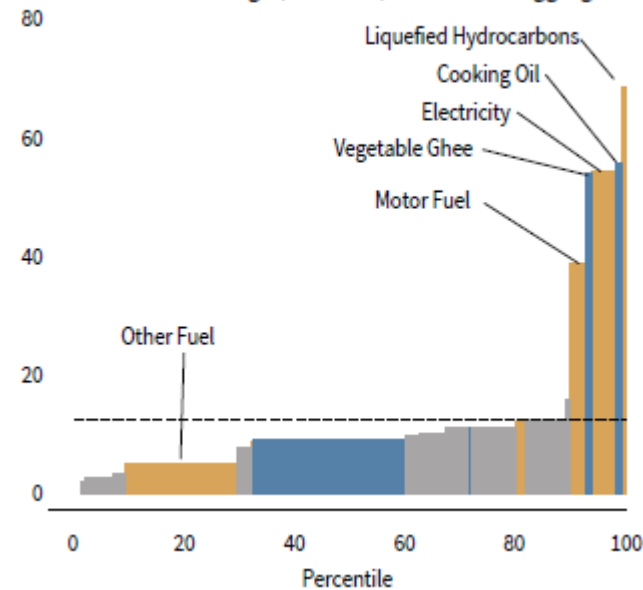
Inflation in energy elevated even before the war in Ukraine...

Driven by rising global energy prices since the second half of 2021, inflation rates in most energy-related goods (e.g., fuel for utilities, transport) are **much higher than the headline inflation in most South Asian countries** during Nov 2021-Jan 2022.

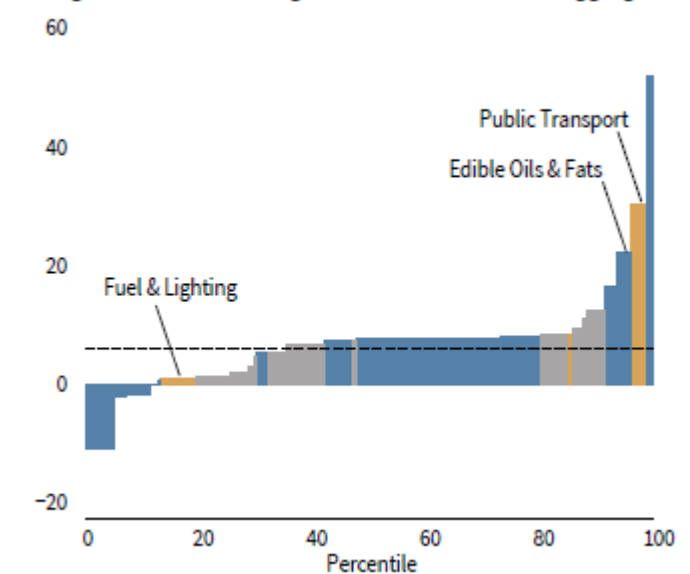
India: Average (Nov-Jan) inflation disaggregated



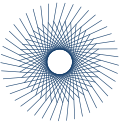
Pakistan Urban: Average (Nov-Jan) inflation disaggregated



Bangladesh Rural: Average (Nov-Jan) inflation disaggregated



■ Energy ■ Food ■ Others — — Headline, Nov 2021-Jan 2022

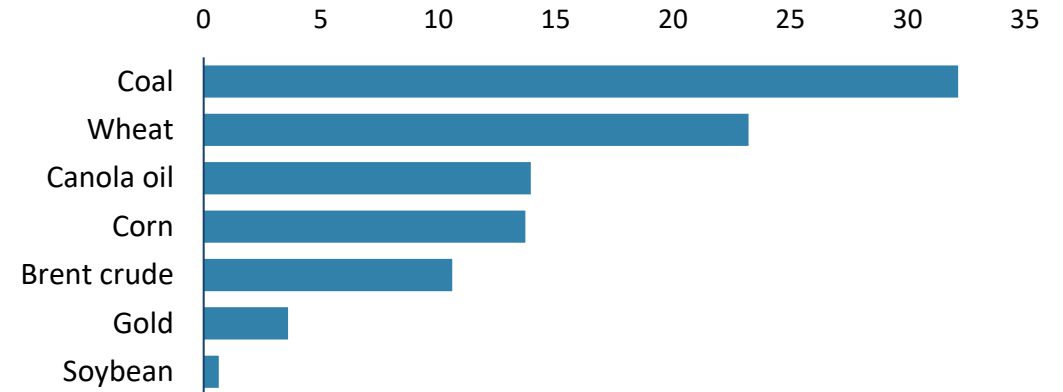


... the war raised global commodity prices, further exacerbating inflation

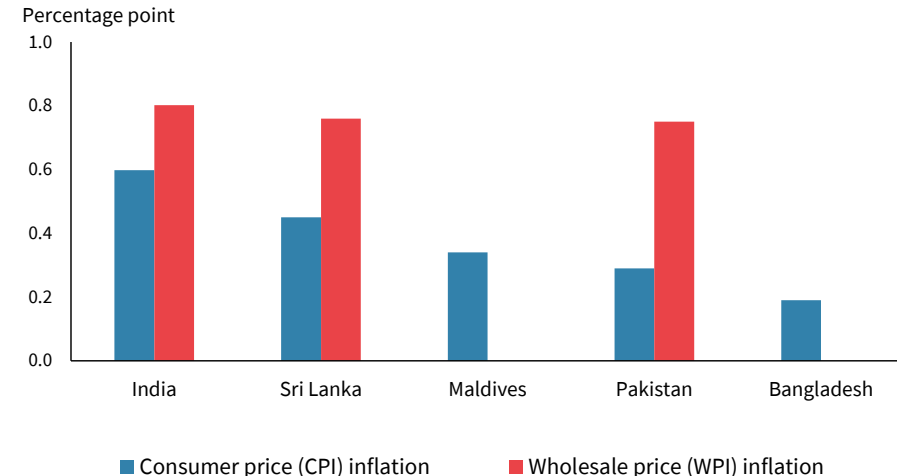
Key commodity prices rose drastically since the war.

Global oil prices historically have weak pass-throughs to consumer prices in South Asia, but stronger pass-throughs to producer prices.

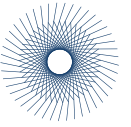
Commodity prices as of April 4 (% change from Feb 14)



Pass-through of a 10 percent increase in global oil prices to consumer and producer prices



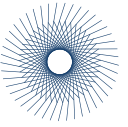
Source: Haver Analytics, staff calculations using the model in Ruch and Taskin (2022) adapted to South Asia.



Fuel subsidies help dampen impact on consumer prices, but with detrimental fiscal impacts.

- Many South Asian countries subsidize fuel through regulated price caps, subsidized import, or subsidies on retail prices. Most also subsidize electricity and public transport.
- Following recent surges in energy prices, India and Pakistan both lowered fuel tax or increased subsidy.
- But higher fuel subsidies increase fiscal burdens, and distort market prices.

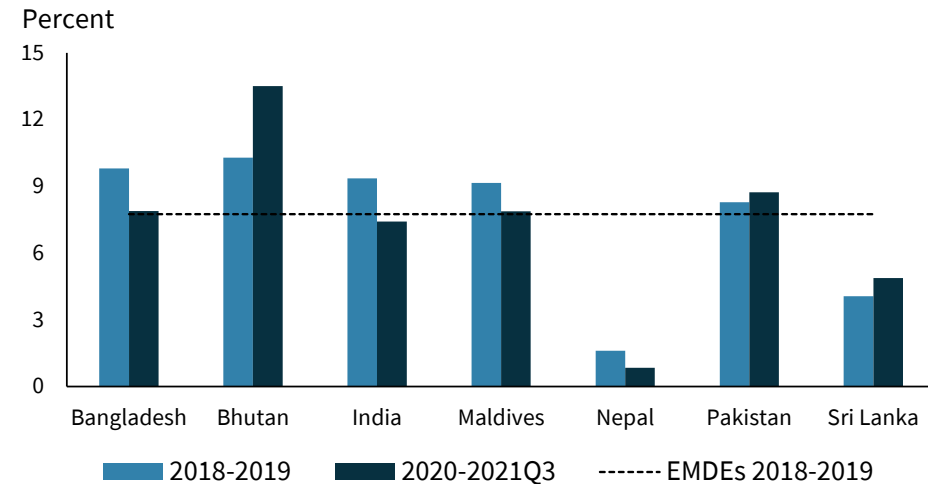
Subsidy on fuels	
Bangladesh	Domestic fuel prices fixed and subsidized, adjusted on discretionary basis
Bhutan	Fixed quantity of LPG imported at subsidized prices from India, consumer prices for LPG regulated
India	LPG, kerosene subsidized; petrol and diesel duties adjusted on discretionary basis
Maldives	Diesel subsidy to electricity providers through SOEs
Nepal	Consumer prices regulated, and for some (such as LPG), adjusted on discretionary basis
Pakistan	Imported gas subsidized; fuel levies adjusted mostly on discretionary basis (an additional subsidy may apply depending on the price differential in producer and consumer prices, net of taxes/levies)
Sri Lanka	Diesel, petrol, kerosene, LPG subsidized; prices set on discretionary basis since Nov 2019



Financial vulnerabilities as COVID-era support unwinds

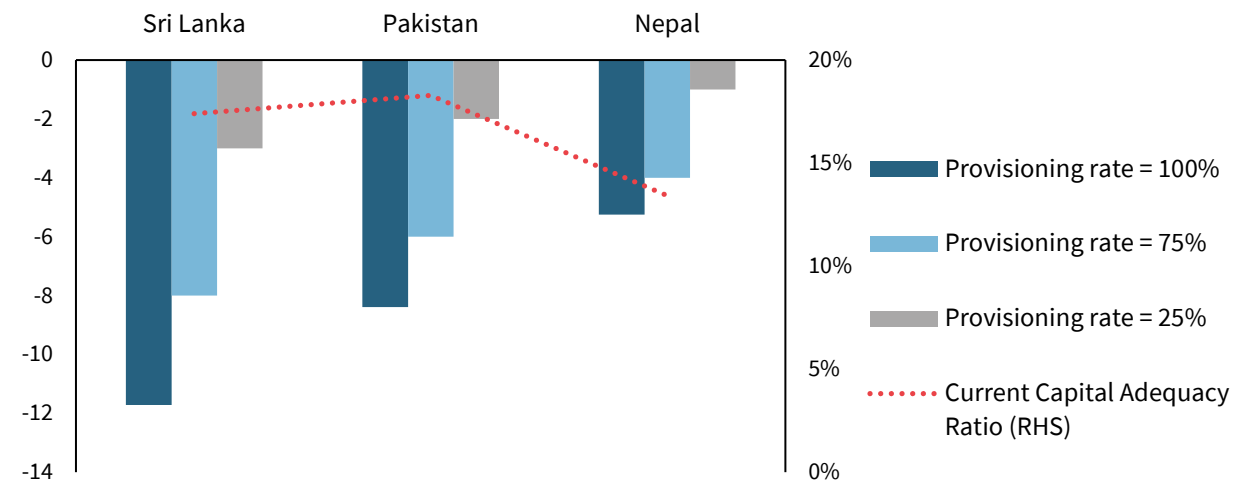
- Measures such as loan moratorium, restructuring and rescheduling limited increases in the non-performing loan (NPL) ratio during COVID in most South Asian countries.

Non-performing loans to total gross loans

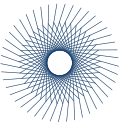


- But the measures also masked some deteriorations in asset quality. As the measures unwind in most countries, potential asset quality deteriorations can lead to fragility in the financial sectors.

Simple stress analysis: capital impact of moratorium phaseout



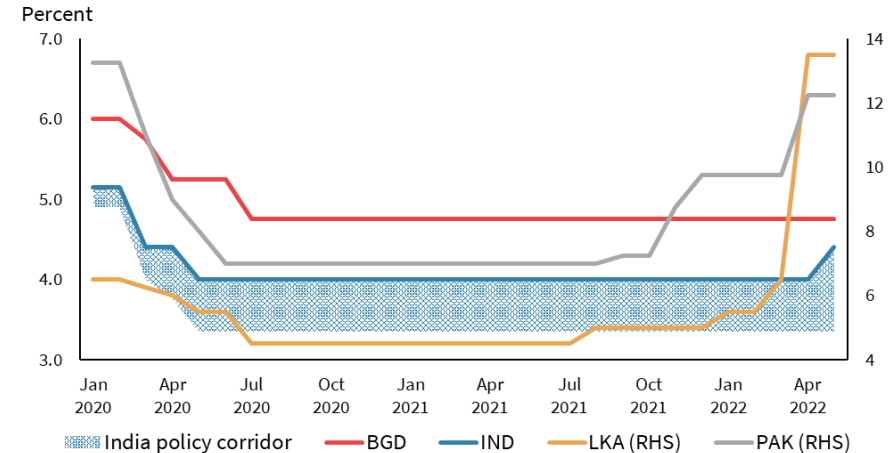
Source: Haver Analytics, central bank websites, Global Financial Development Database, Fitch Ratings, and staff calculations.
Note: Data used for stress analysis: Sri Lanka: By end of 2021Q3 loans under moratorium were 10 percent of gross loans which was 10.3 million Sri Lankan rupees. Pakistan: Data is as of 2021Q1. Nepal: Loan amount on moratorium is as of August 2021, and regulatory capital and risk-weighted assets are as of mid-Oct 2021. For this exercise, it is assumed that 100 percent of the loans on moratoriums at the time the data are taken are subsequently classified as NPLs, which is the worst-case scenario. Refer to South Asia Economic Focus (Spring 2022) for more details.



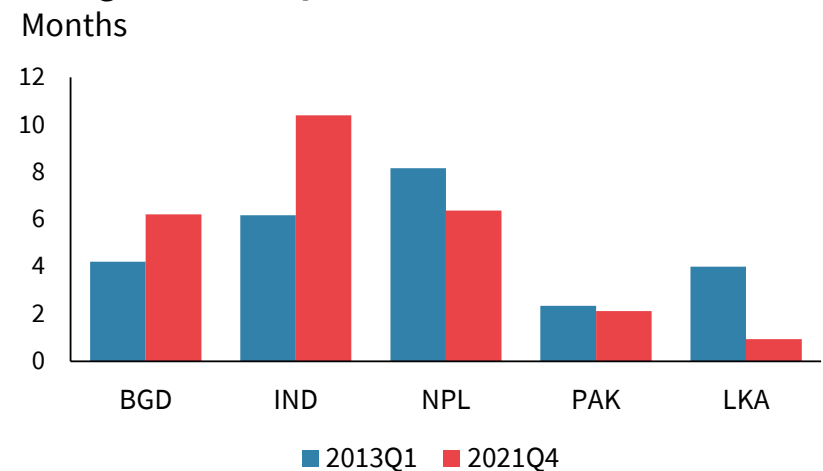
The war and monetary tightening raise pressure on financial system and external liquidity positions..

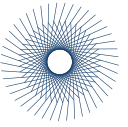
- The war has fed into higher inflation. Higher inflation and tightening in advanced economies have created pressure for monetary tightening.
- Pakistan and Sri Lanka both tightened aggressively since late-2021, and more since the war. India also started raising policy rate in May 2022.
- Import cover remains adequate — except for Sri Lanka

Monetary policy rates



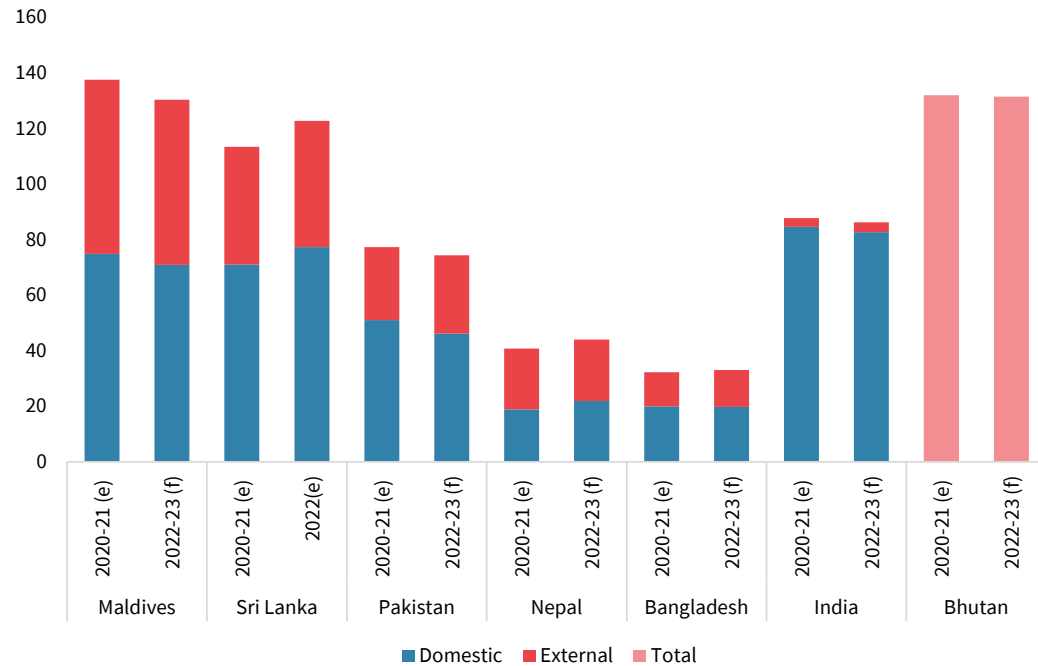
Foreign reserve import cover



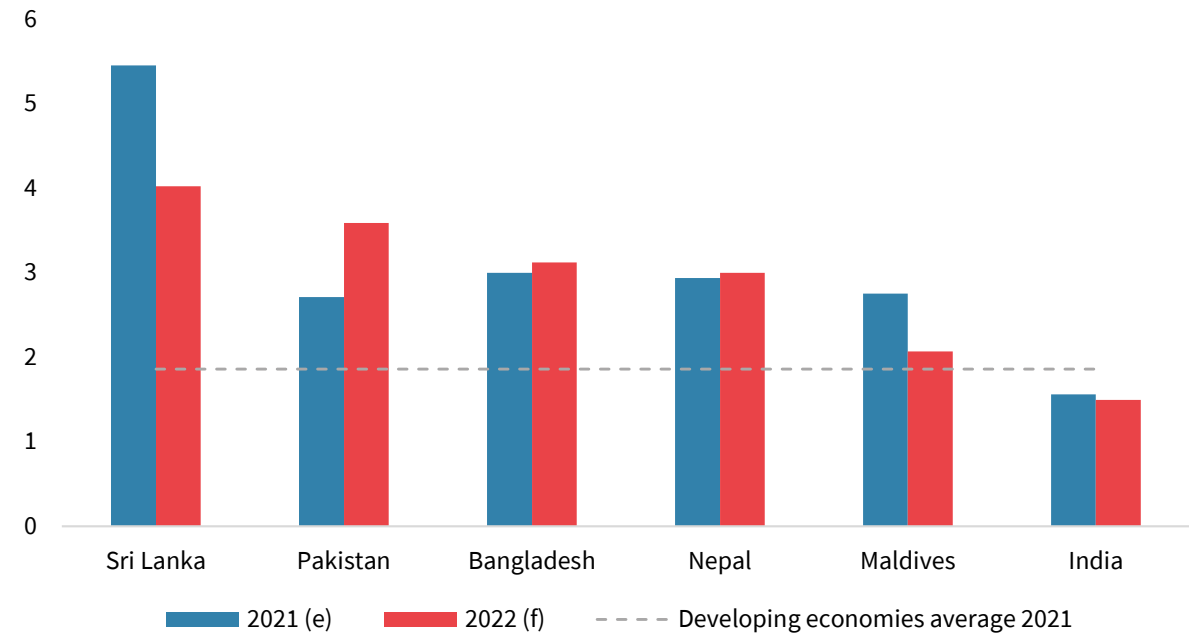


... so debt burdens and ability to pay external debt will remain at 2021 levels—though will worsen for Sri Lanka and Maldives.

General government debt stock
Percent of GDP



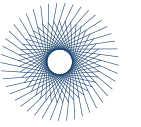
Public external debt service
Percent of exports and remittances



CHAPTER 2

Charting the Course to a New Normal

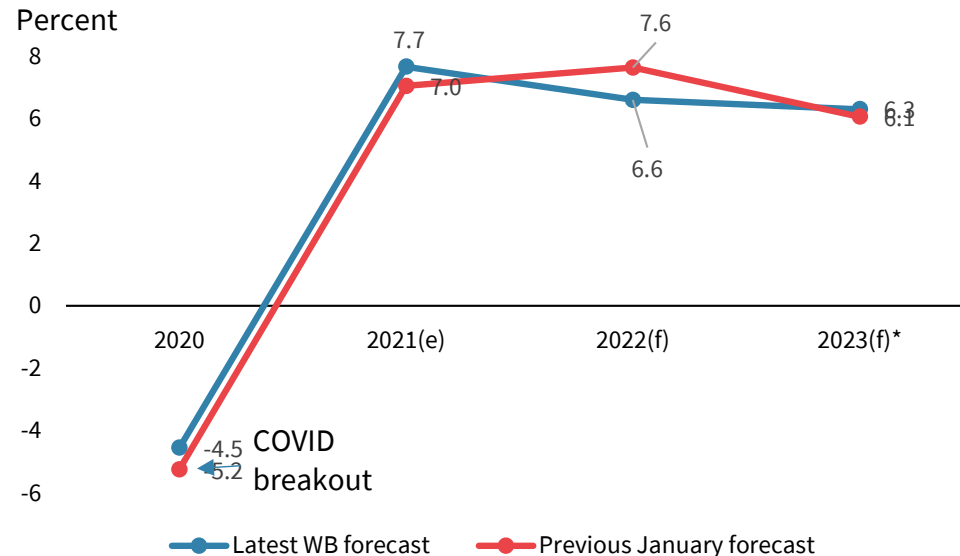




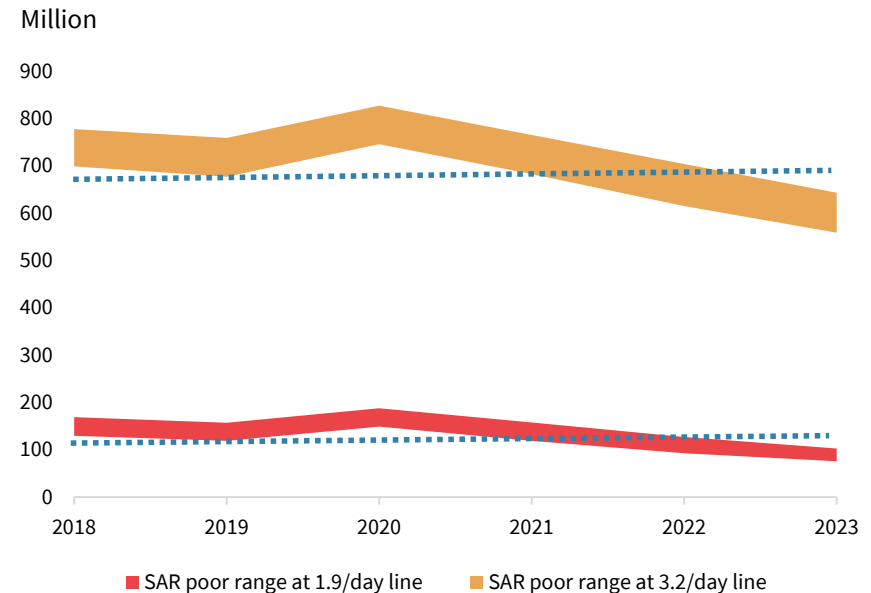
Growth and poverty rates should go back to trend by 2023...

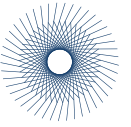
- The World Bank has **lowered** South Asia's GDP forecast for calendar year 2022 by 1 percentage point to 6.6 percent.
- War in Ukraine cost about 1.3 percentage points. Pre-COVID **growth** rates expected in 2023.
- Poverty for the region in 2022 should **fall** below 2019 levels — but will **increase** in Afghanistan and Sri Lanka.

South Asia GDP growth



South Asia poor projection

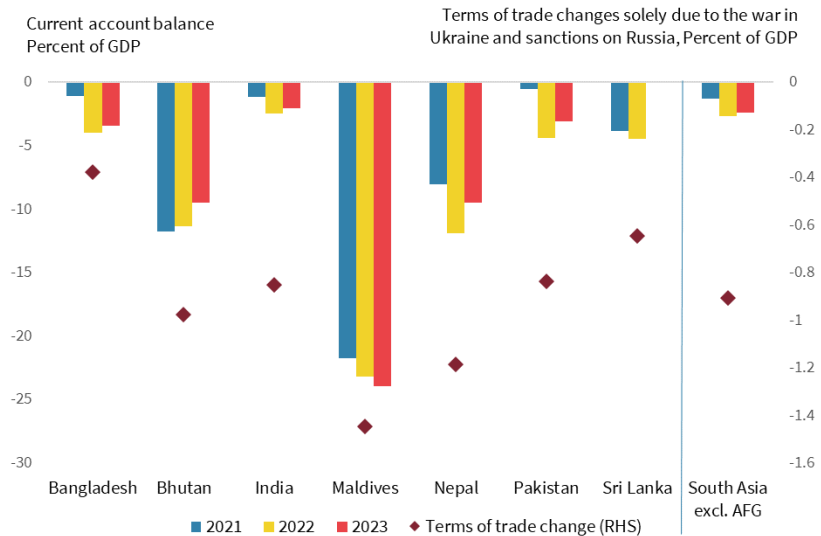
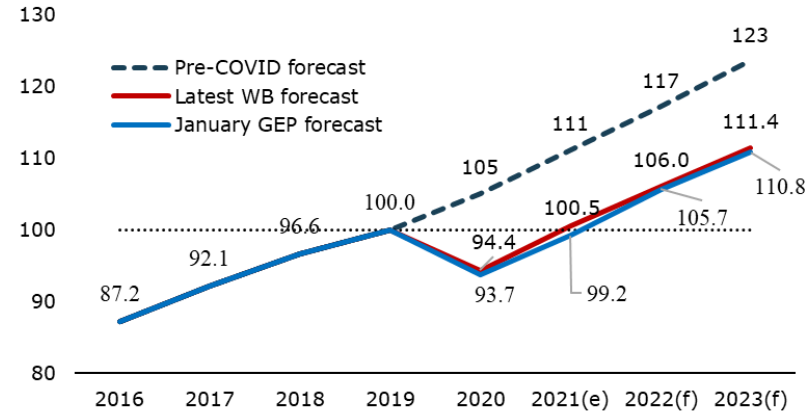


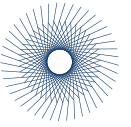


...but headwinds have become stronger

- Even with the remaining solid growth, the **damage done by the pandemic** will not be fully undone.
- The main channel through which high commodity prices will affect South Asia is through the **current account balances** as terms of trade deteriorate.
- This adds to **pre-existing financial vulnerabilities**.

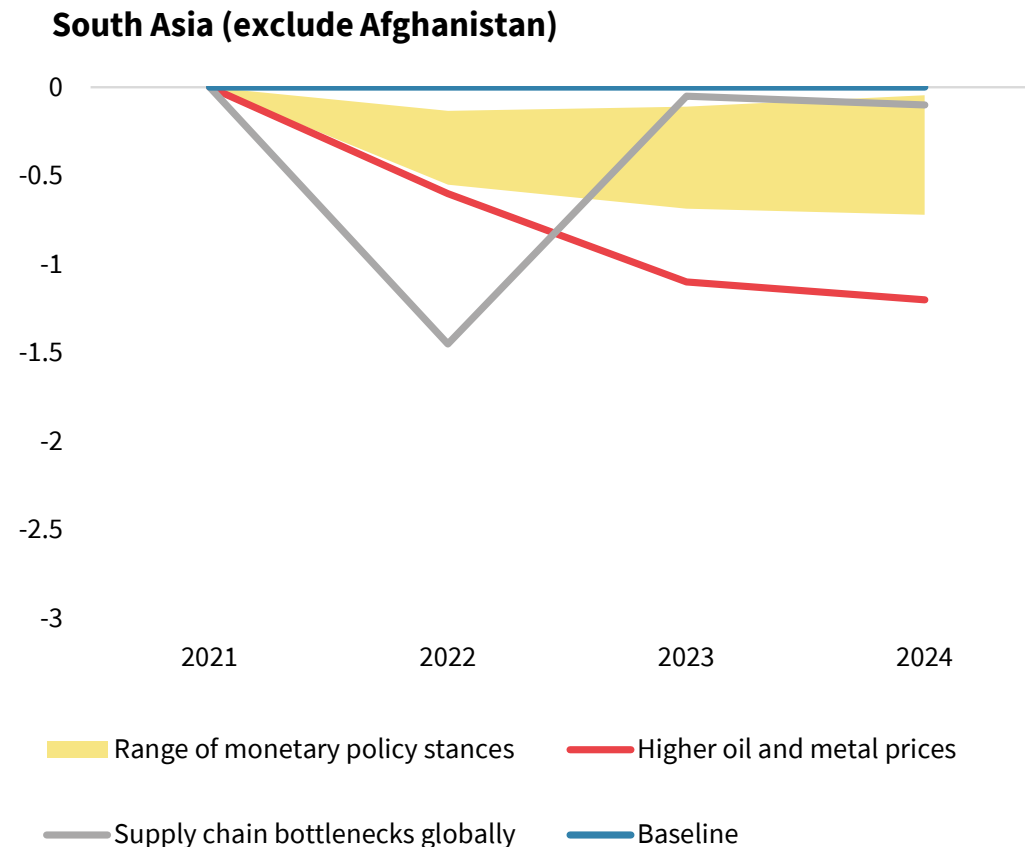
South Asia real GDP per capita forecast
Index, 2019=100





Risks to the forecast relate to inflationary pressures

External developments could slow growth and reduce output compared with the baseline
(percent change in GDP vs. baseline)

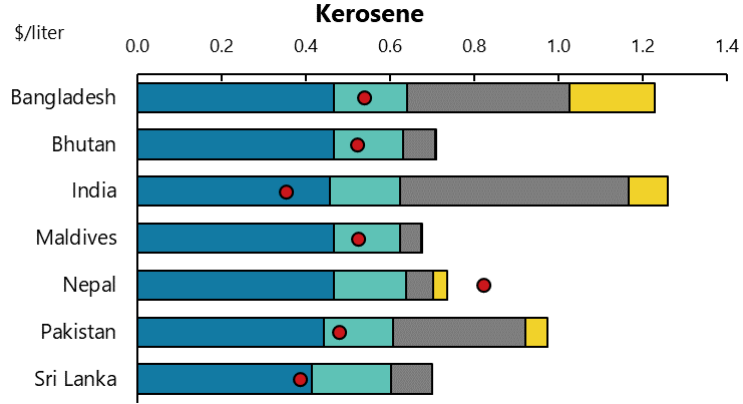
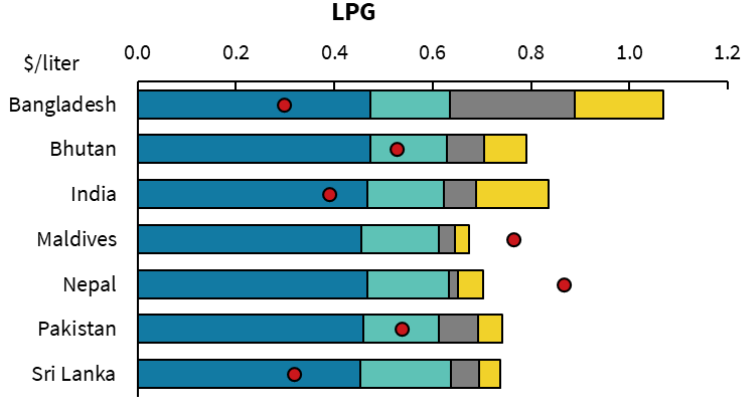
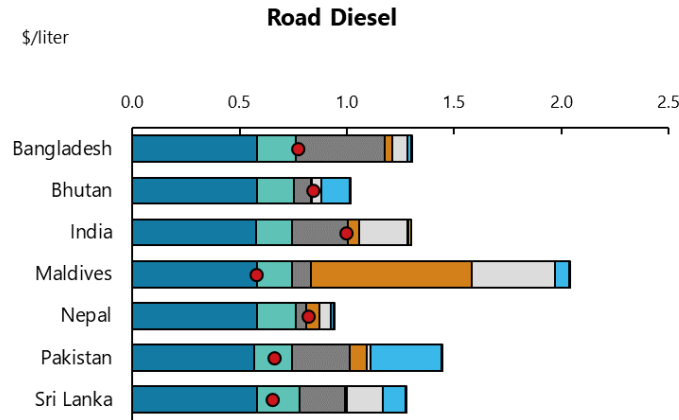
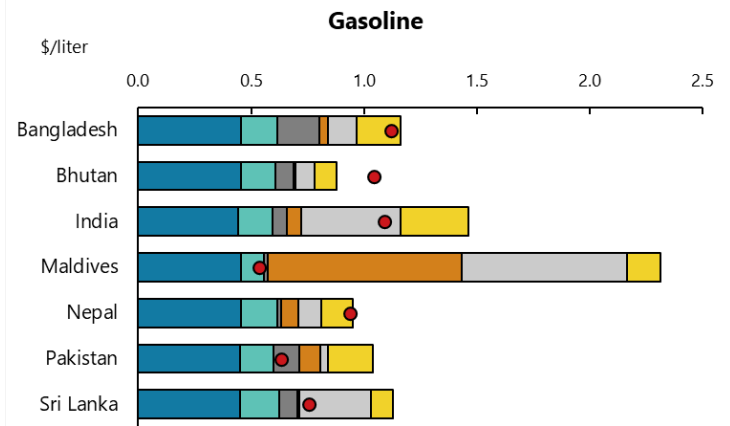
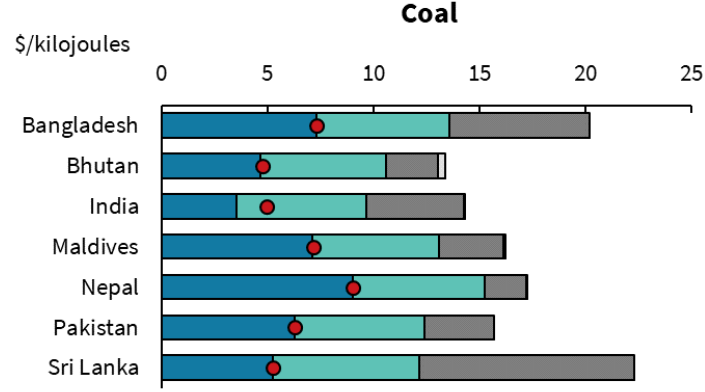
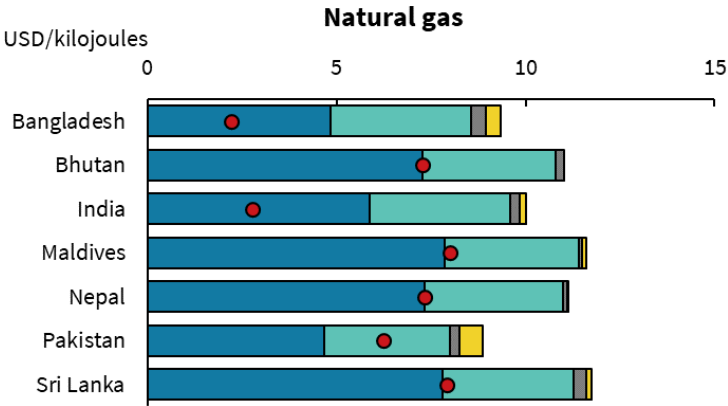


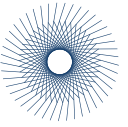
- **Supply chain disruptions** will have a large but temporary effect
- **Commodity prices** are currently very susceptible to geopolitical tensions. With Europe pledging to wean itself out of Russian oil and gas, supplies could be tight for some time: *negative* impact on growth.
- The **monetary policy** dilemma: tighten or loosen more in response to possible sudden advanced economy tightening above baseline?

Source: Authors' calculations based on MMod simulation output. Note: simulation assumes US and UK real policy interest rates rise by 1 percent and EMU and Japan real rates rise by 0.5 percent above baseline in 2022 and 2023



In most cases, 2020 fossil fuel retail prices in the region are below their “optimal” externality-inclusive levels. High energy prices and volatile international energy markets are another incentive to accelerate the transition to renewable energy.





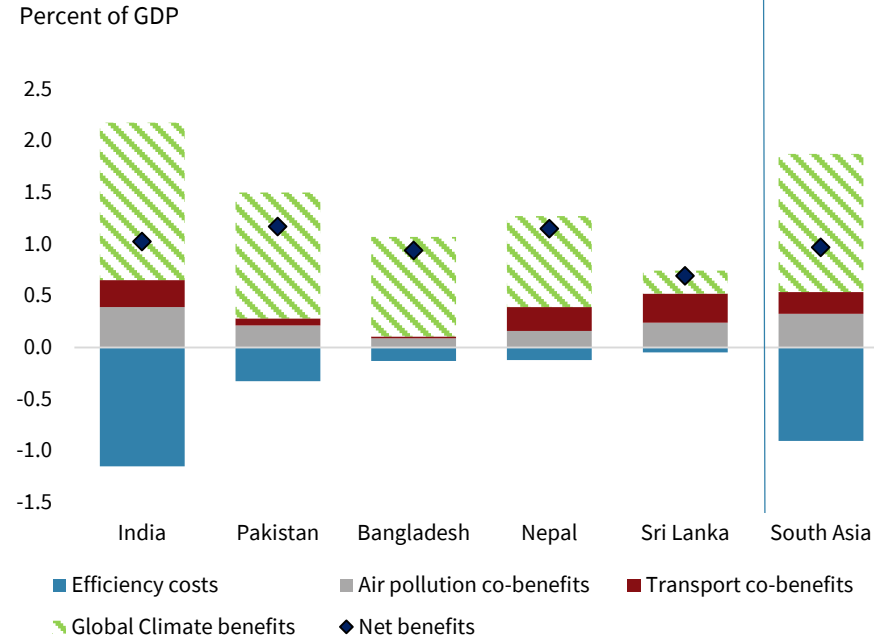
An illustrative example: a gradual phase-in of a \$25 carbon tax.

Green taxes can substantially increase government revenues, which is important given the current very narrow tax base.

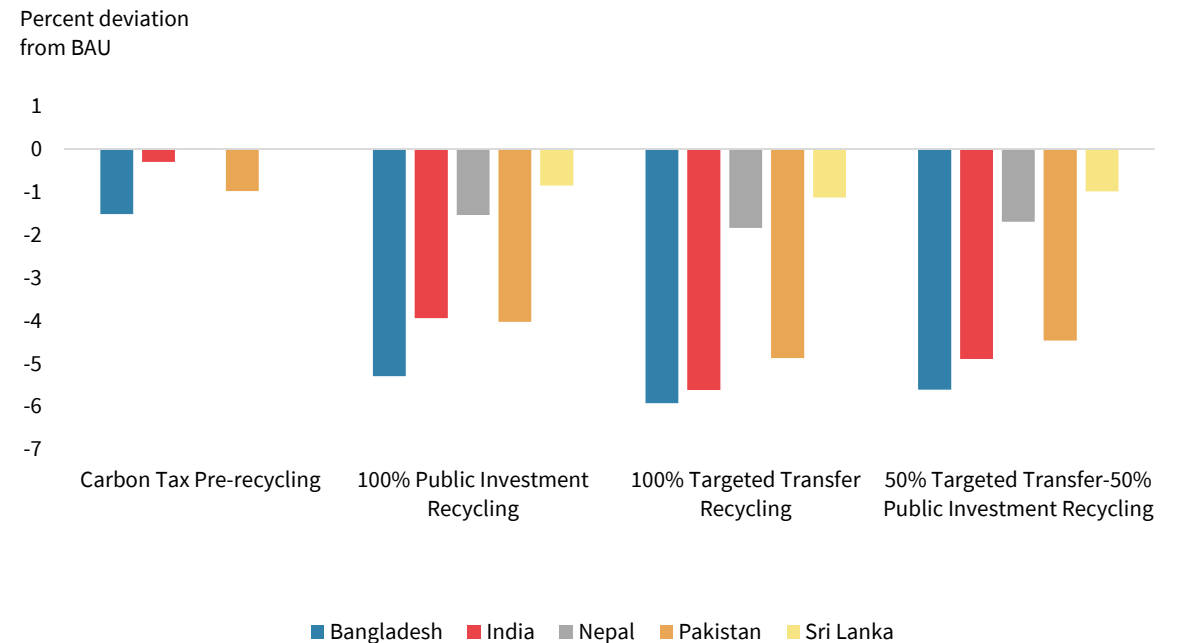
The welfare benefits of cleaner energy are substantial for South Asia...

...while recycling of revenues from such a tax could enhance distributional gains from carbon tax phase-in.

Monetized welfare benefits (incl. global climate benefits), 2030



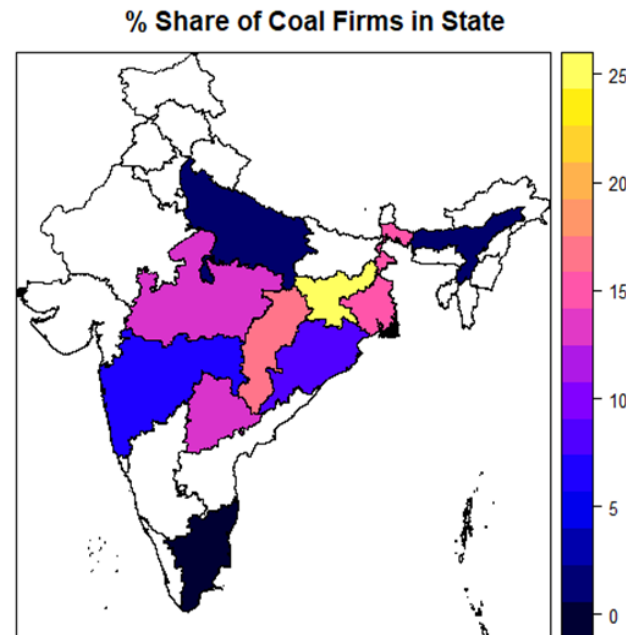
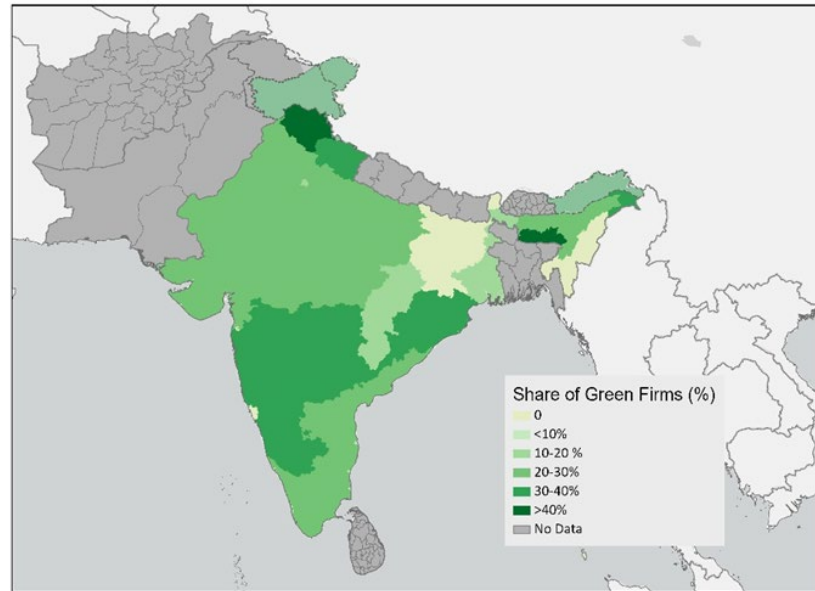
Relative change in consumption-based Gini coefficient, 2030





There are other long-term considerations which need to be part of a ‘green transition’ policy package.

The difficulties for the labor market amid energy transition:
Coal jobs are concentrated, green jobs dispersed.



- Green jobs in India and Pakistan tend to be skills-biased—though our work on services shows this is not a problem long-term.
- Coping with ‘stranded assets’ will require a *gradual* approach to taking assets out of commission.
- Other green fiscal instruments should be part of a broader macro policy: carbon border adjustment taxes and feebates.

CHAPTER 3

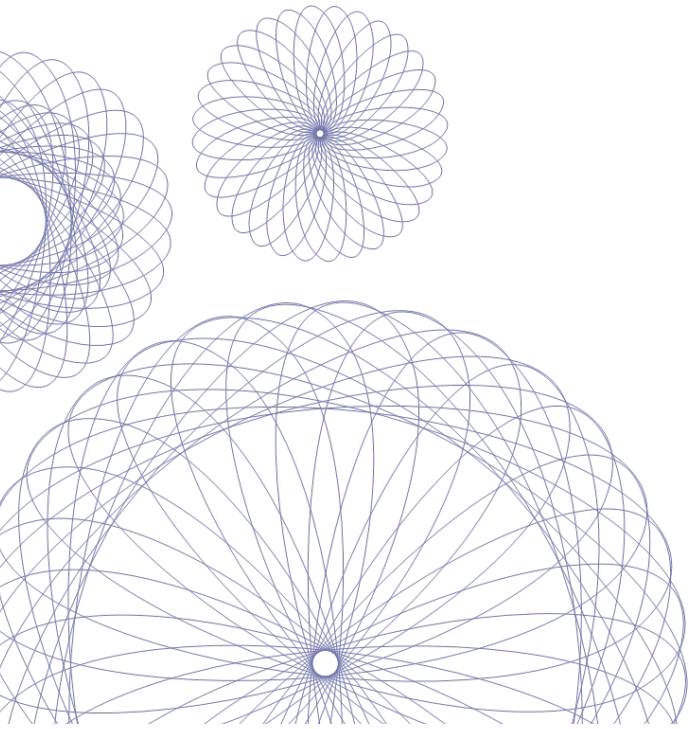
Reshaping Social Norms about Gender: A New Way Forward

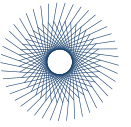




Main Take Away

- **Female Labor Force Participation (FLFP) is low in South Asia** compared to countries with similar levels of development, and trends have been stagnant or worsening over time.
- Other outcomes related to economic participation – such as early marriage, freedom of movement and asset ownership - also show **considerable gender gaps**, and these gaps have not narrowed over time.
- **Deeply rooted social norms about gender** in South Asia, and more specifically the household division of labor, can explain in part these gender gaps.
- **Norms-blind policy interventions** that aim to improve gender outcomes - even when targeted to women - can have negative unintended consequences.
- There is some **promising evidence** on policies and interventions that address norms directly or provide information to correct existing misperceptions about social norms.



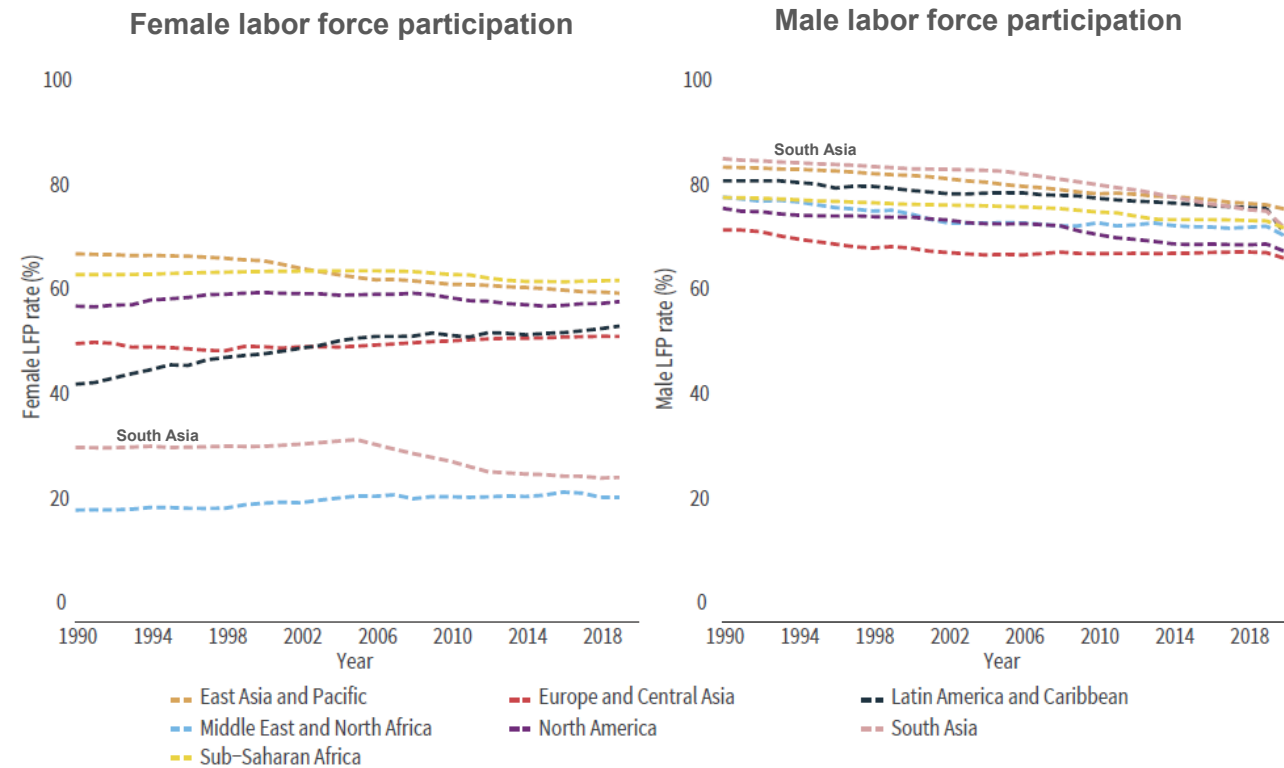


Gender inequalities in South Asia are stubbornly persistent

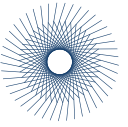
Our chapter' starting point is a review of the large literature and data on gender disparities in South Asia.

We highlight two points:

- **Economic drivers**, such as economic growth, rising education, and declining fertility, cannot adequately explain the levels and (stagnant to worsening) trends of female labor force participation (FLFP) in South Asia.
- **Gender gaps** in other outcomes related to economic participation – early marriages, freedom of movement, social interactions, asset ownership, and parents' offspring preference - also show stagnant trends in South Asia.



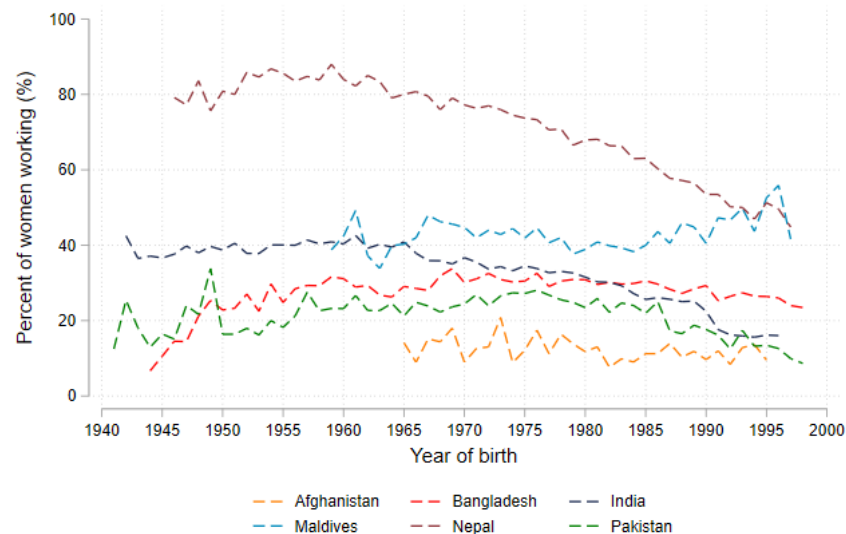
Source: South Asia Economic Focus, 2022 using world development indicators



Women's economic engagement has not increased in the region

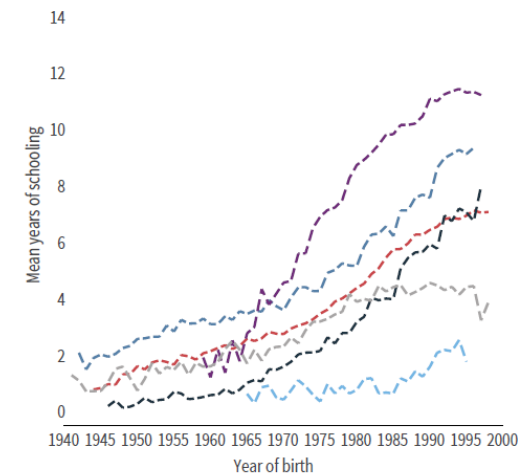
A birth cohorts' perspective on FLFP

Working women by birth cohort and country



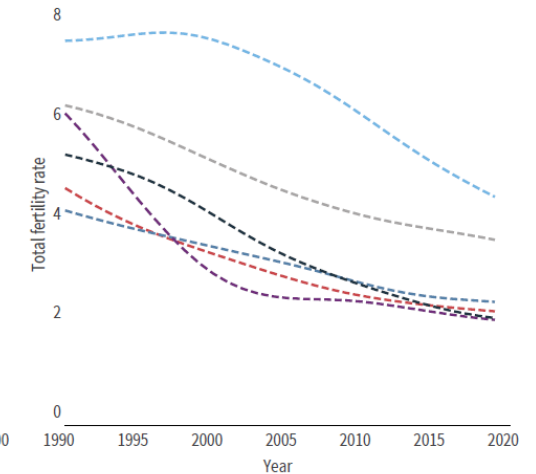
Source: South Asia Economic Focus, 2022 using DHS data

Women education



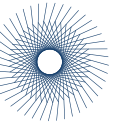
Source: South Asia Economic Focus, 2022 using world development indicators

Fertility



- In India, Nepal and Pakistan, for a cohort born in the early 1970s, the share of working women was 36%, 77% and 28%, respectively.
- For cohorts born in the 1990s, these shares shrink significantly by 13, 23, and 10 percentage points in these three countries.

- This lack of progress in female labor force participation is in contrast with the positive developments in women's education, fertility and overall economic growth in the same period.



Other gender inequalities also show stagnant progress in South Asia

The gender gap in FLFP is both a **driver and a consequence** of multiple disadvantages that affect women in South Asia.

Early Marriage and Age at First Birth

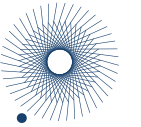
- Early marriage remains common and early age at first birth low compared to other regions as women face pressure to prove their “value”.
- In turn, these prevent effective human capital accumulation and labor force participation (Field and Abrus, 2008; Scott et al. 2021)

Asset Ownership

- Gender gaps in property ownership in South Asia remain large compared to other regions (Gaddis et al. 2021).
- In turn, these prevent women’s economic participation and drives gender gaps in entrepreneurship and business ownership

Mobility Constraints & IPV

- Large share of women in South Asia are not allowed to access places outside the home on their own due to concerns about safety and female “purity”.
- Married women face significant level of IPV in South Asia, and economic empowerment can increase the likelihood of domestic violence (Vyas and Watts, 2009)
- These restrictions lower women’s ability to join the labor force or form social networks and limit their access to information about jobs or entrepreneurial opportunities (Field et al., 2016)



Other gender inequalities also show stagnant progress in South Asia

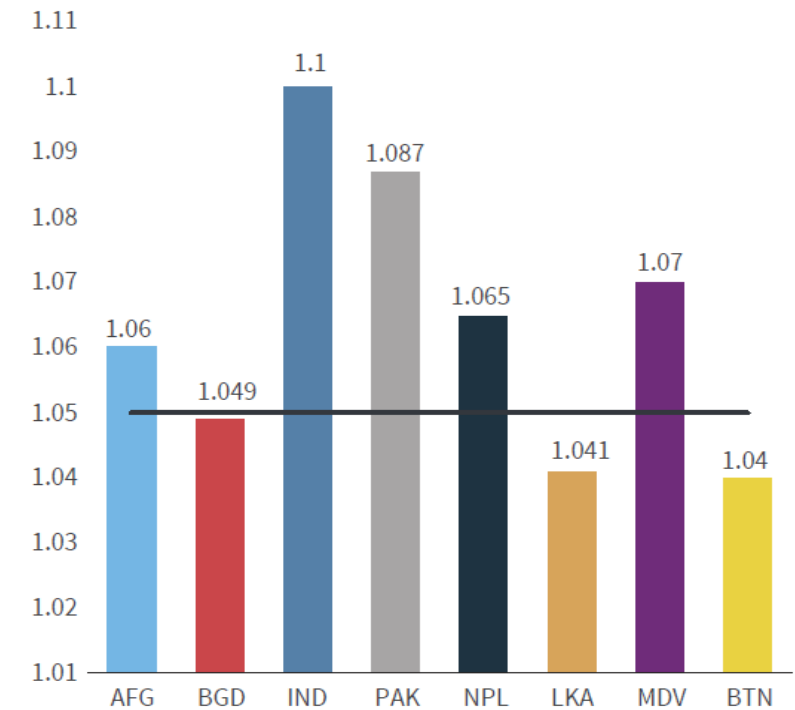
In South Asia gender inequality starts in the womb.

- Strong son preferences in the region in combination with improvements in medical technology have led to male-biased sex ratios in India, Pakistan, Nepal, Maldives and Afghanistan.
- In 2019, the male to female ratio at birth was as high as 110 boys per 100 girls in India and 109 boys per 100 girls in Pakistan.

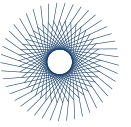
Sex-selective abortions are closely linked with FLFP and the economic value of women relative to men in society.

- Parents dependence on sons for old-age in patrilocal societies where daughters move away from natal families upon marriage.
- Improvements in women's earning potential relative to men has been shown to reduce sex-selective abortions (Qian, 2008; Brule et al. 2020).

Several countries in South Asia have male-biased sex ratios at birth

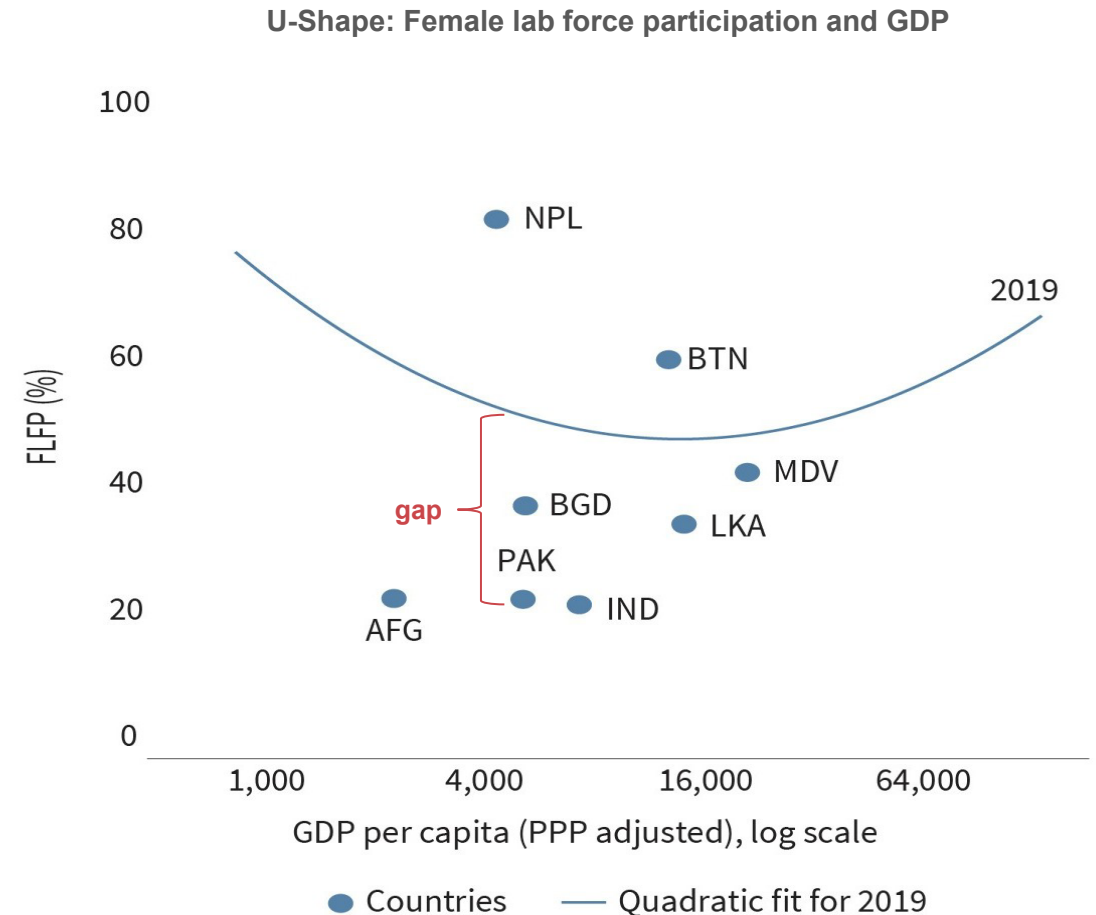


Source: South Asia Economic Focus, 2022

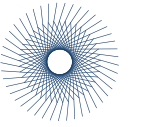


Deeply rooted social norms about gender can account for a large proportion of gender disparities

- FLFP follows a U-shaped path over the course of economic development (Boserup, 1970; Durand, 1975; Goldin 1995).
- However, in South Asian countries rates of FLFP are below what their level of economic development would predict. Economic determinants are not sufficient to explain FLFP.
- New research in this chapter suggests that deeply rooted social norms - especially those about household division of labor - account for a large share of these **gaps** in women's economic engagement (also see Jayachandran, 2021).

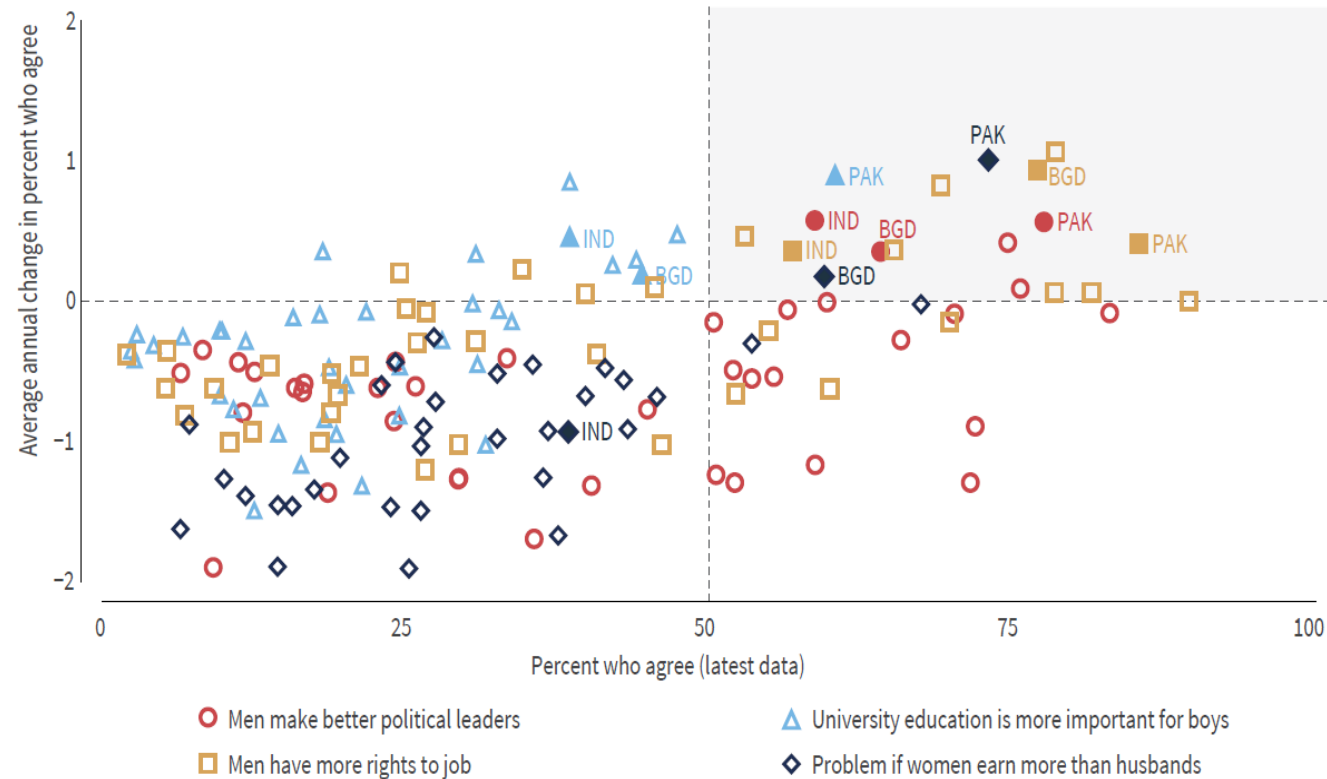


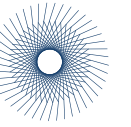
Source: South Asia Economic Focus, 2022 using world development indicators



Attitudes towards gender in South Asia tend to be more conservative than in other regions and have become more conservative over time

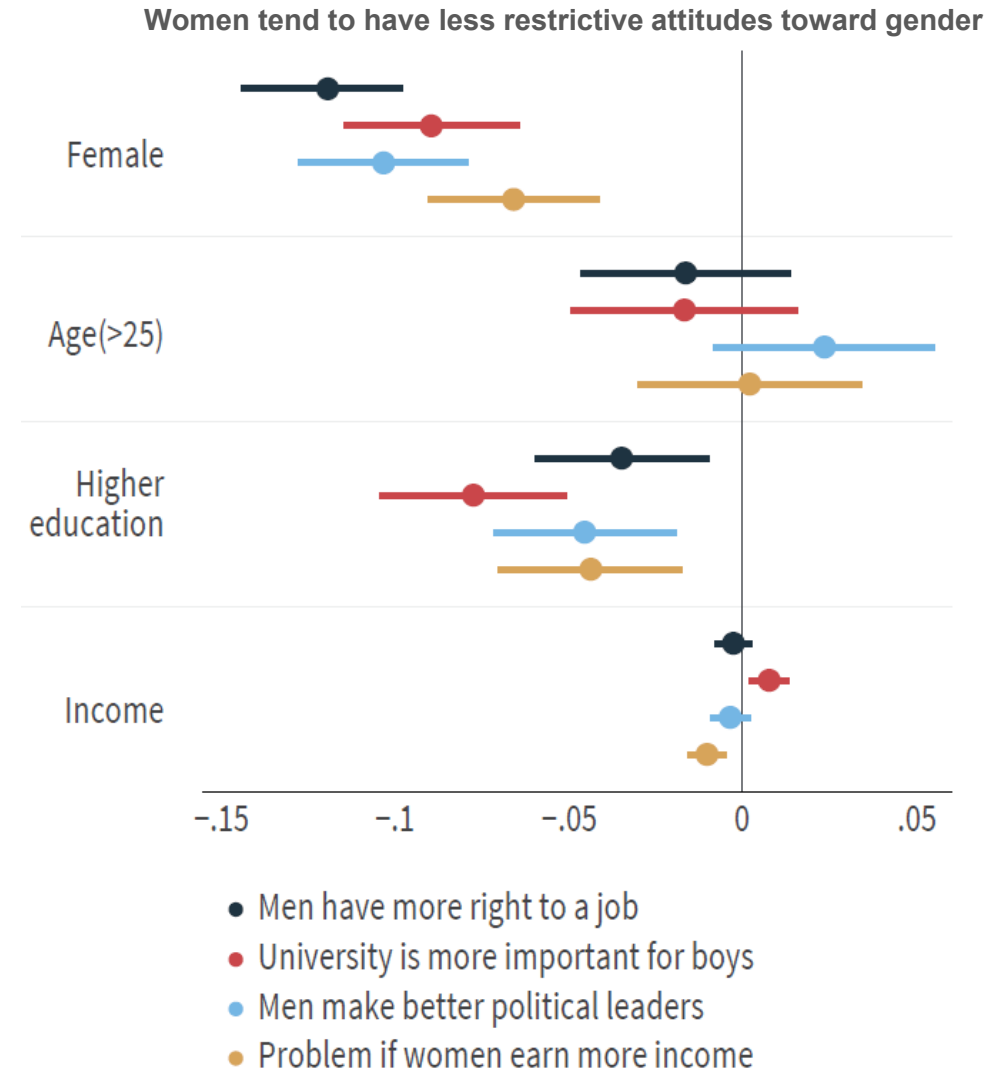
Attitudes towards gender: slow progress or deterioration in South Asia

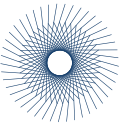




Attitudes can vary across subgroups

- Women are 12 percentage points less likely than men to believe that men have more right to a job when jobs are scarce. And similar differences in case of the other attitudes.
- However, attitudes differences across other groups (age, education, income classes) are quite small.





Accurate definition and measurement of social norms is crucial

- Social norms are “*informal rules of behaviour that dictate what is acceptable or appropriate to do in a given situation within a given social context*” (Bicchieri, 2006).
- Social norms are different from personal attitudes, as they rely on the **perceptions of others**, and hence are challenging to measure.

Two distinct elements:

- Personal beliefs (or attitudes)
- Social expectations (beliefs of reference group)

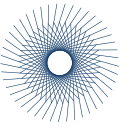
Two components:

- Factual (beliefs about what people do)
- Normative (beliefs about what people should do)

Example social norm early marriage

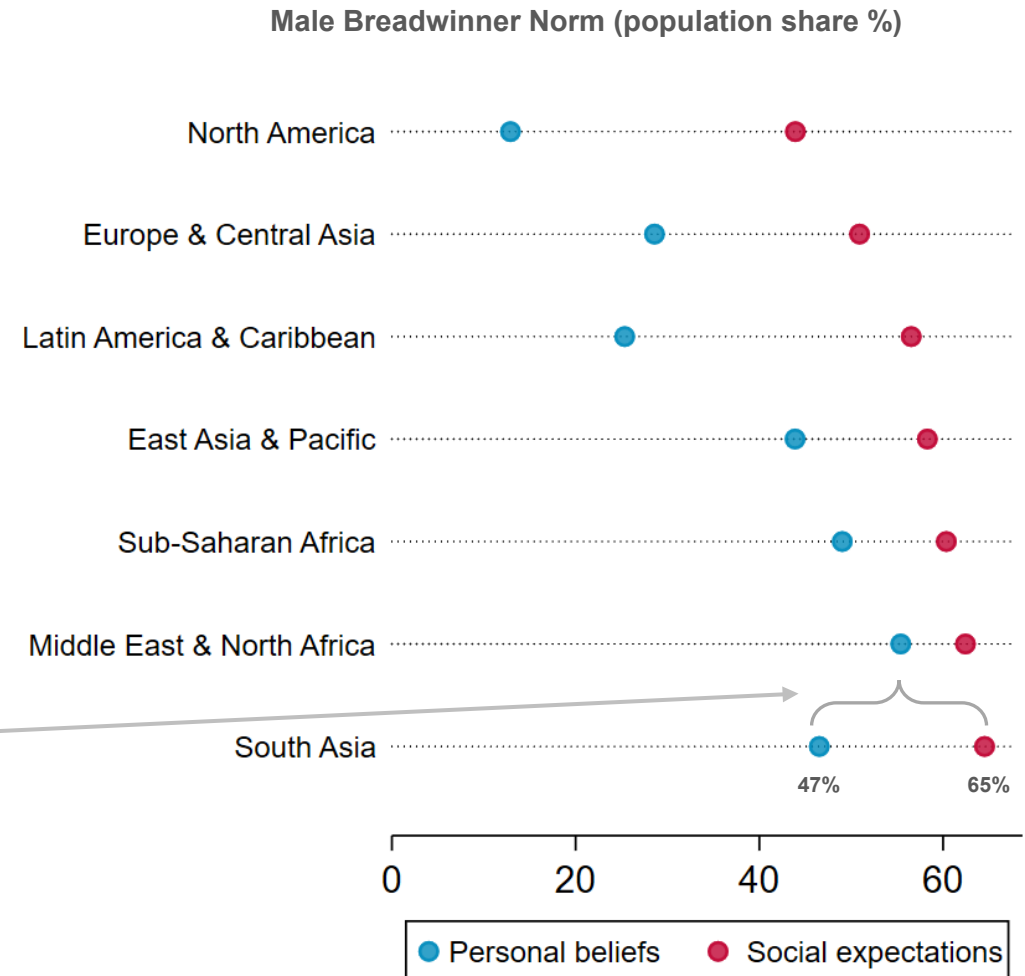
	Non-social beliefs	Social beliefs/expectations
Non-normative beliefs	Factual beliefs	Empirical expectations
<i>Definition</i>	<i>Beliefs about reality (excluding beliefs about people’s behavior and thought)</i>	<i>Beliefs about what people (in a reference group) do</i>
Example	An older girl will not find a good husband.	All my neighbors marry off their daughters as soon as they reach puberty
Normative beliefs	Personal normative beliefs	Normative expectations
<i>Definition</i>	<i>Beliefs about what one should do</i>	<i>Beliefs about what other people (in a reference group) think one should do</i>
Example	I should marry off my daughter as soon as she reaches puberty.	My neighbors think that one should marry off one’s daughter as soon as she reaches puberty.

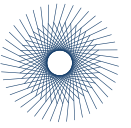
Source: South Asia Economic Focus, 2022, adapted from Bicchieri (2012). “Social Norms, Social Change.”



Accurate definition and measurement of social norms is crucial

- When measurement is possible for both social expectations and personal beliefs, such as in the case of the Survey on Gender Equality at Home, a common finding is that, in most regions, people's personal beliefs are more liberal than what they expect their social group believes.
- In other words, most people underestimate other's people support for more liberal social values.
- This gap between social expectations and personal beliefs is called **pluralistic ignorance**.
- Updating people's beliefs with information interventions could therefore be an effective policy.

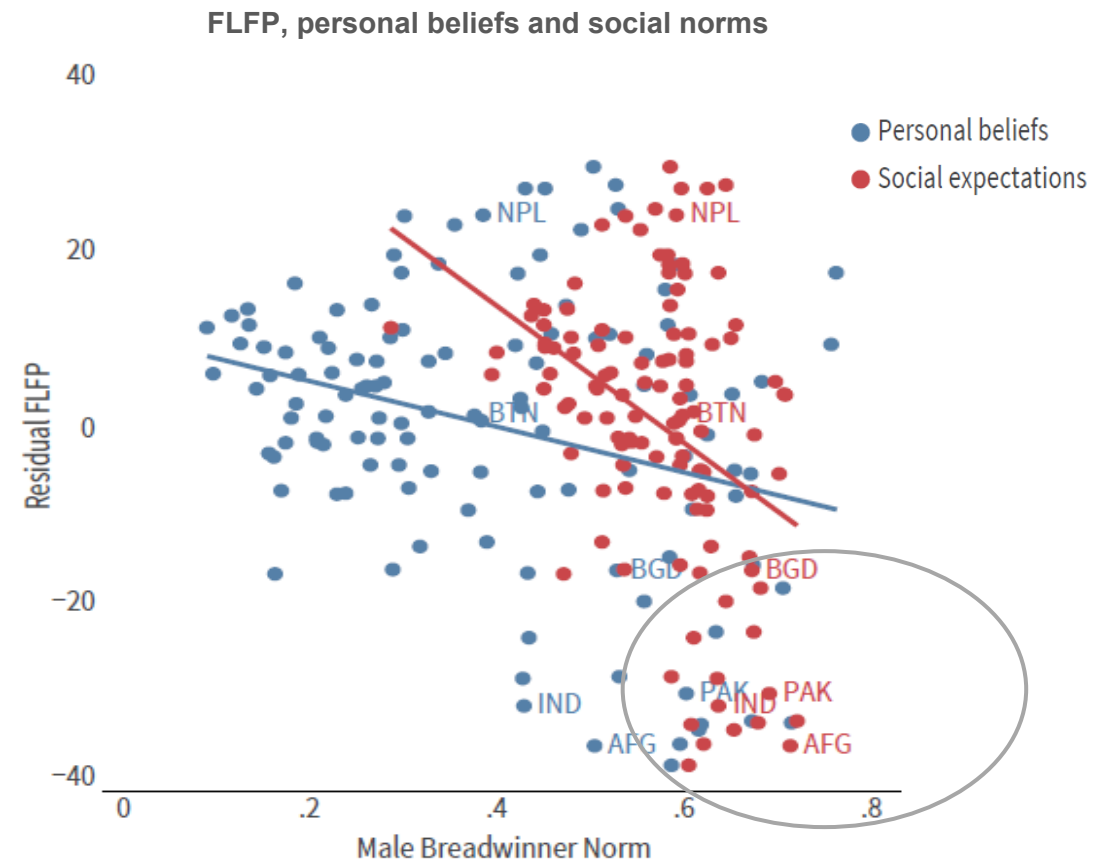
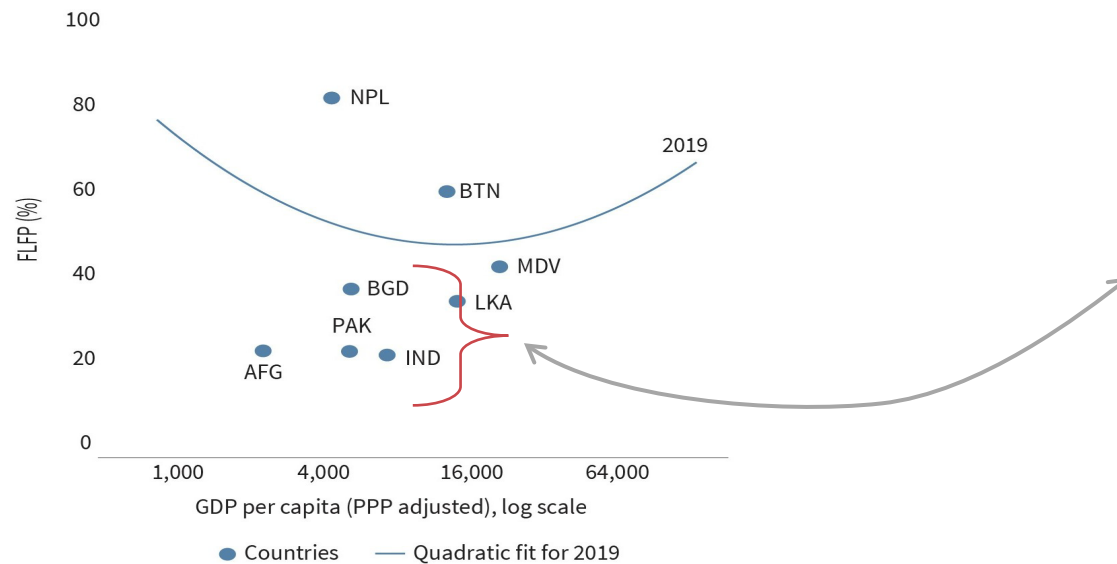


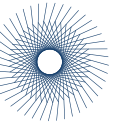


Social expectations appear to matter even more than personal beliefs in accounting of gender gaps in FLFP

The residuals of FLFP (the **gaps** after controlling for economic dev.) are correlated with personal beliefs and social norms.

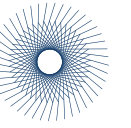
In particular:





Policy Lessons: Reasons for Caution

- **Social norms tend to persist**, despite their negative impact on women's opportunities, the welfare of children, and overall economic growth.
- **Norms-blind policy interventions**, even when targeted towards women, can have negative unintended consequences:
 - **Backlash & IPV:** Improving legal rights or labor market outcomes for women can lead to (perceived) decline in bargaining power of male partners, and result in backlash and increased gender-based violence (Vyas and Watts, 2009; Eswaran et al., 2013; Anderson and Genicot, 2015).
 - **Circumvention:** Legal changes to improve female rights can be circumvented to uphold existing gender norms. For example, changes in the Hindu Succession Act granting daughters equal inheritance rights increased their likelihood to inherit land, but substantial inequality remains as laws get circumvented (Deiniger et al., 2013).



Policy Lessons: Reasons for Optimism

New evidence on policies and interventions that take social norms into account provides some reason for optimism about the capacity of policy to improve gender outcomes and reshape social norms.

Policy changes that remove structural barriers:

- Expansion of safe transport in urban areas has increased FLFP in India (Seki and Yamanda, 2020); Women-only public transport reduces harassment in Mexico City (Aguilar et al., 2021) and Rio de Janeiro (Kondylis et al., 2020).
- Improvements in electrification increased women's economic participation and girls' time in education in India and Bangladesh (Samad and Zhang, 2016, 2017).

Interventions that address norms directly:

- School intervention that creates awareness of biases against women led to a shift in more progressive gender attitudes (Dhar et al. 2022).
- Family-focused intervention that target married women, their in-laws and husbands leads to increase in women's economic participation and shifts attitudes about women's ability to contribute financially to the household in Nepal (Shai et al., 2020) and India (McKelway, 2020).

Interventions that correct misperceptions of gender norms:

- Information intervention that shows married men preferences of other married men within their social group with regards to women's economic participation increased their willingness to help their wives in job searches and led to higher FLFP in Saudi Arabia (Bursztyn et al. 2020).





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