OXFAM RESEARCH REPORT

The Global Economic Crisis and Developing Countries: Impact and Response

Working draft for consultation

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Executive Summary

I've never made any mistake, never done anything wrong. It's probably because of my age …it's very difficult for older people, difficult to get a new job - even youths find it hard

41 year old female garment worker dismissed from a factory in Serang, Indonesia

I feel cheated as I wonder how economic problems somewhere in America can make my cash crop suffer here in Malawi. It's a shame that I cannot boil and eat it

Cotton farmer, Malawi

[My relatives in the US] are unable to send me money because the job opportunities are not there any more. Their support is a huge contribution to the family here because it helps us to support children in school and pay medical bills when one is sick

54 year old in Monrovia, Liberia

Behind the official statistics and the economic modelling, farmers, manufacturing workers, migrant workers and waste pickers all over the world are asking the same question: what hit us in 2009? Oxfam's research on the global economic crisis (GEC) in 11 countries[1] involving some 2,500 individuals, and studies by a range of universities, thinktanks and international organizations, reveals the depth and complexity of the impacts, vulnerabilities and resilience among poor people and countries worldwide.

The GEC has hit poor countries through a number of transmission channels, each with their own rhythm and severity. Some impacts are already receding while others are still to strike. The first developing countries to experience the crisis were those with the most globally integrated financial sectors. Next came the impact on trade, as volumes and prices of commodities and manufactures collapsed across the globe. Women and men selling food on the street, doing piece work in the home, and picking through waste were affected as demand for their services dropped and more people joined their ranks. Remittances from migrant workers in rich countries fell, though not as badly as anticipated. Finally, with an even greater lag time, comes the impact on government spending in poor countries and donor aid budgets – it is yet to be seen whether rich country governments will stand by their aid promises, or force poor countries and people to pay the price of their financial folly.

Generalizations are risky with such a complex picture, but overall Oxfam has seen the crisis hit East Asia primarily through trade and labour markets, with mass layoffs in supply chains producing garments and electronics for the world's consumers, and knock-on impacts into the informal sector. In sub-Saharan Africa and the Pacific Islands, the impact has been mostly via commodity exports and reductions in trade revenues, starving governments of cash and threatening a fiscal crisis in the months and years to come. Latin America has experienced both. Eastern Europe has suffered the highest degree of financial contagion and has seen the largest falls in GDP, while Central Asia has been hard hit by its dependence on the Russian economy, which suffered both from falling oil prices and a banking crisis. South Asia has been largely insulated from the crisis, with Sri Lanka the worst affected country in the region.

This story of regional impacts has been told many times based on the available macro-economic data. Oxfam's research drilled down to sectoral, individual and household levels and the findings challenge some of the macro-analysis. But any general conclusions drawn from this research must begin with a large health warning. The impact of the GEC on developing countries as well as the patterns of resilience and vulnerability among poor people are simply too diverse to permit easy generalizations. Moreover the GEC is not over yet.

Oxfam's research presents a diverse picture, with pockets of export-dependent workers and industries in countries like Ghana and Indonesia devastated even when national economies seem to be weathering the storm. While households spoke of having trouble putting food on the table, they did not make neat conceptual distinctions between rising food prices, the economic crisis or the impacts of climate change on their harvests.

In countries such as Thailand and Cambodia, women employed in the frontline of the world's consumer supply chains have lost their jobs in large numbers. Many others have suffered wage freezes, reductions of work hours or were pressured into less secure contracts, as companies have taken advantage of the crisis. Gender norms also matter: employers are targeting women first because they view them as only the secondary breadwinner in the family. In households, women ate less to provide for husbands and children and migrated or worked more without social security or legal protection in the informal economy to prop up the family income.

But if one word emerges from Oxfam's research into the impact of the GEC, it is resilience. Of countries, communities, households, and individuals. Resilience to a shock such as the GEC is to a large extent determined long before the crisis actually strikes. Pre-crisis factors that have strengthened resilience on this occasion include:

Social networks: At a household level, resilience is largely built on the agency of poor people themselves, their friends and families, and local institutions such as churches or community groups. Everywhere, people have turned to one another to share food, money and information to recover from lost jobs or reduced remittances. Families with land for subsistence farming or access to fishing have been able to survive much better than those without. Migrants with strong social networks could rely on support locally, or even (in Vietnam) on reverse-remittances from home.

Economic Structures: Dependence on one or two commodities or markets increases the risk should they go into freefall; the degree and nature of integration with the global economy, particularly of the financial sector, has also proved a source of vulnerability. Countries such as Brazil that retain state control over a portion of the banking system have been more able to use those banks to channel credit to cash starved small producers and small and medium enterprises. Countries with effective systems of domestic taxation in place reduce their vulnerability to sudden losses of trade taxes or foreign capital inflows. Regional trade links can offer a bulwark against slumps in global markets for economies like Uganda.

Role of the State: Resilience is enhanced when governments have entered the crisis with fiscal space, in the form of high reserves, budget surpluses and low debt burdens. Effective state bureaucracies capable of responding rapidly to the crisis with fiscal stimulus measures have also shown their worth. Well-designed and implemented labour laws are needed to deter unscrupulous employers from taking advantage of the crisis to attack workers' rights. State support for smallscale agriculture and fisheries bolstered household survival strategies in countries such as Viet Nam and Sri Lanka.

Social Policies: Countries with free health and education, and effective social protection systems, have proved more resilient, reducing the vulnerability of poor people to health shocks, avoiding school dropouts in response to falling incomes, and providing shock absorbers against falls in household incomes. More generally, automaticity is beneficial in a crisis: if automatic stabilizers such as unemployment insurance, or demand-driven public works schemes like India's National Rural Employment Guarantee Scheme (NREGS) are already in place, they can respond immediately to a crisis rather than wait for decisions by hard-pressed governments fighting the crisis on several fronts. Similarly, it is far easier to scale up existing cash transfer schemes such as Brazil's bolsa familia to inject cash into poor communities than to design new ones from scratch. The chaos generated by a crisis also increases the likelihood of hastily introduced emergency responses being badly designed, or captured by vested interests.

But resilience, whether national or individual, has its limits. Assets once depleted take years to recoup; working extra hours in second or third jobs leaves a legacy of exhaustion; loans taken on to finance consumption accumulate into crushing debt burdens; and meals forgone can affect children for their entire lifetimes. When they get it right, governments, aid donors and others can strengthen and replenish the sources of resilience.

This focus on resilience appears somewhat at odds with the big numbers routinely quoted by development organizations (including Oxfam) in discussions of the crisis, for example that 50–100m more people (depending on the source) were driven into extreme poverty in 2009 due to the crisis. These numbers are rough and ready, and largely based on either the predicted fall in economic output or the poverty elasticity of growth at regional or national levels, or on predicted changes in consumption levels (assumed to be distributionally neutral within country). It will be some time before household surveys provide a genuine picture of the poverty impact of the crisis, but Oxfam's research suggests the final figures may well fall short of these numbers.

Irrespective of levels of perceived resilience, governments have been called upon and have responded in a variety of ways. What lessons can be learned from their actions for future crises?

At a minimum, keep spending (in the medium term): Governments in most countries entered the crisis in a better fiscal position than in previous crises, and have largely kept to their spending commitments, avoiding the kind of pro-cyclical cuts that have aggravated recessions in the past. In so doing, many have gone into fiscal deficit, and it remains to be seen whether they can maintain such commitments until the economy picks up again. Especially in low income countries, much will depend on aid donors sticking to their promises to increase aid, despite their own fiscal constraints, and poor countries having access to other forms of sustainable finance.

Make sure the right people benefit from responses: On the ground, real-time monitoring of the impact of the crisis, and genuine dialogue with affected communities are essential to identify who has been hardest hit, and what kind of support they need. One near-universal characteristic of responses to date is gender blindness. Governments have responded to job losses in textiles and garments industries, largely of women, by channelling fiscal stimuli into construction, which mainly employs men. Attempts to inject credit into cash-starved economies too often end up being pounced upon by large enterprises, who employ relatively few workers, rather than benefiting small, labour intensive firms, or people working in the vast informal economies of the South.

The future: building back better?

The crisis continues to ebb and flow through the world's economy, and the extent and nature of the eventual recovery remains unclear. But the mayhem has driven home the centrality of resilience and vulnerability in the lives of poor people. While economists prefer to talk about stocks and average flows, it is volatility and shocks that can inflict sudden catastrophe, if people, communities and countries are not prepared for them. The GEC has marked the coming of age of social protection as a development issue and more widely, the importance of managing risk and volatility at all levels. It is not enough to pursue economic growth now, and social welfare later – the two must come together.

So much for the good news, but the response to the GEC has also contained serious flaws. Social networks have provided the initial safety net for the crisis, but individuals and families are reaching breaking points. Even those countries that are adopting improved social protection systems seldom extend them to migrants or those working in the informal economy, both of which have been significantly affected. Elsewhere, governments have sleepwalked their way through the GEC, giving little evidence of even being aware of, let alone seeking to grapple with the crisis.

Poverty is not just about income, it is about fear and anxiety over what tomorrow may bring. This crisis is not the last, but if one of its lessons is that reducing vulnerability and building resilience is the central task of development, then future crises may bring less suffering in their wake.

Scope and methodology

The economic crisis that developed in financial markets in the developed world has spread – in a variety of ways – into developing countries. As the crisis started to hit developing countries Oxfam International initiated research to inform national and global program and policy responses to the crisis. The objectives of the research were to assess the human impacts of the economic crisis and to analyse whether responses by government, civil society and multilateral agencies were serving the interests of poor people.

Countries or themes were chosen for study based on both the interest of country teams or Oxfam affiliates in the research and a desire to study countries exhibiting a diverse range of impacts and responses. The research reflects a range of country and thematic interests and is not exhaustive. Oxfam conducted the most extensive research in South-East Asia, with some studies in Africa, Eastern Europe, Latin America and the Pacific Islands. The original research, through focus group discussions, household surveys and interviews involved around 2500 individuals across 11 countries including Armenia, Cambodia, Ecuador, Ghana, Indonesia, Nicaragua, the Philippines, Thailand, Vanuatu, Vietnam and Zambia. Additional regional research and analysis focused on Africa, Latin America, South-East Asia and the Pacific Islands, while two additional studies focused on gender analysis of impacts and responses (see Annex 1 for details of the scope and methods of all studies).

While key questions drove the research efforts, country and regional teams adapted the focus and methods to suit their own contexts and capacities. The samples and methods used were not consistent and the findings presented here are not definitive. Where possible, Oxfam has triangulated its findings with official data and secondary sources. The analysis in this report reflects the geographic bias of our original research, particularly in the absence of detailed analysis of Eastern Europe and Central Asia (despite the impact of the crisis there).

In November 2009 Oxfam International convened a workshop of Oxfam staff and research collaborators including the Cambodia Economic Association, Eurodad, Institute of Development Studies, International Labour Organisation, World Bank and Vietnamese Academy of Social Sciences. The workshop analysed evidence from the country and regional studies around three key themes: vulnerability and resilience in the face of shocks; pro-poor responses to the economic crisis and the environments that enabled them.

This report is informed by the original country, regional and thematic reports, the analysis undertaken in November 2009 and a range of secondary sources. The scope and methods of the country, regional and thematic studies undertaken by Oxfam International in 2009 are summarised in Annex 1. A full list of reports is contained in the bibliography.

Impact, Resilience and Vulnerability

Oxfam's research in 11 countries[1], along with studies by a range of universities, think-tanks and international organizations, reveals the depth and complexity of the impact of the global economic crisis (GEC) on the lives of poor people and countries worldwide. Compared to the financial earthquake that in a matter of weeks shook the banking centres of Europe and North America, and spread rapidly to the real economy, the GEC has hit poor countries through a number of transmission channels, each with their own rhythm and severity. Some impacts are already receding while others are still to strike.

The first developing countries to experience the crisis were those with the most globally integrated financial sectors, which felt the aftershocks from Wall Street and the City. Next came the impact on trade, as volumes and prices of commodities and manufactures collapsed across the globe. Workers selling food on the street, doing piecework in the home and picking through waste were affected alongside workers in the factories as demand for their services dropped and more people joined their ranks. Remittances from migrant workers in rich countries were also hit, though not as badly as anticipated. Finally, with an even greater lag time, comes the impact on government spending in poor countries and donor aid budgets – it is yet to be seen whether rich country governments will stand by their aid promises, or force poor countries and people to pay the price of th rich world's financial folly.

This sequence of shocks has been overlaid on the pre-existing turbulence wrought by the global food price spike of 2007–8. According to Oxfam's research, people tend not to adopt neat conceptual distinctions between the food price and global economic crises. Instead, what they experience is merely the latest chapter in the years of chaos in prices and incomes, which in turn determines whether or not they can put food on the family table, keep their children in school or cope with the particular disasters of disease or injury.

Generalizations are risky with such a complex picture, but overall Oxfam has seen the crisis hit East Asia primarily through trade and labour markets, with mass layoffs in supply chains producing garments and electronics for the world's consumers, and knock-on impacts into the informal sector.[2] In SubSaharan Africa and the Pacific Islands, the impact has been mostly via commodity exports and reductions in trade tariffs, starving governments of cash and threatening a fiscal crisis in the months and years to come. Latin America seems to have experienced both. Eastern Europe has suffered the highest degree of financial contagion and has seen the largest falls in GDP, while Central Asia has been hard hit by its dependence on the Russian economy, which suffered both from falling oil prices and a banking crisis. South Asia has been largely insulated from the crisis, with Sri Lanka the worst affected country in the region.

After several years of progress, per capita growth slowed sharply in every region in 2009, and shrank in Latin America, Central Asia, Eastern Europe and Sub-Saharan Africa.

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1 Armenia, Cambodia, Ecuador, Ghana, Indonesia, Nicaragua, the Philippines, Thailand, Vanuatu, Vietnam, Zambia alongside regional research and analysis of Africa, Latin America, South-East Asia and the Pacific.

2 The informal economy is defined as all economic units that are not regulated by the state and all economically active persons who do not receive social protection through their work (ILO, 2002). The informal sector is characterized as part of the reproductive economy and often provides women with avenues for additional income. Home and piece workers in the garment sector, wastepickers, street vendors and domestic workers all form part of the informal sector.

Trade slumped and inward investment fell as potential investors retreated to lick their wounds in their home countries.

Remittances have proved surprisingly resilient, as migrants abroad have clung on despite recessions in many host countries, sending home what they can. In November 2009, the World Bank upgraded its predictions, estimating that remittance flows to developing countries would fall just 6% to $317 billion in 2009, after a record year in 2008.[2]

These national and global averages mask a diverse picture, with pockets of export-dependent workers and industries devastated even when national economies seem to be weathering the storm. Digging down to this level reveals the true gender impact of the crisis.[3] In the developing world's garment, electronics, and other export manufacturing industries, women have been the most vulnerable to the huge job cuts experienced. They are both over-represented within these sectors, and employed under the most precarious conditions. The result is that they are more likely to be fired first (especially if employed as contract workers) or suffer most from deteriorating working conditions, such as wage freezes or reductions of work days or hours. Gender norms also matter, as employers often sack women first, arguing that they are only the secondary breadwinner in the family.

The crowded markets of the informal sector are where the majority of women and men in developing countries make their living with no regulation, no security, and no social safety nets. For both men and women, the economic crisis has resulted in increased informalisation and vulnerability. Street vendors in numerous developing countries are suffering from the twin squeezes of increased competition from retrenched workers turning to a livelihood with low barriers to entry, and reduced consumer demand. Home-based workers have suffered from a reduction in export demand, reduction in pay rates for piece-work, and from being undercut by new migrant entrants to the market.[4]

The profound impact on the informal economy has been largely invisible, in terms of official statistics, even though the informal economy in many countries accounts for more jobs than the world of regular salaries. This is a major omission in conventional analyses of the crisis.

Oxfam's research on the impact of the crisis also shows the GEC's role as a driver of change, both good and bad. On the good side, it has (together with the painful lessons of previous crises) clarified the crucial role of state services and counter-cyclical spending, including social protection and universal and free health and education services, in cushioning poor families during crises. On the negative side, employers have used the crisis as a pretext to sack permanent employees and replace them with cheaper workers on insecure short-term contracts, while mining companies in Zambia have used the crisis to arm-twist the government into dropping a windfall tax that could have funded schools and hospitals for years to come.

But if one word emerges from Oxfam's research into the impact of the GEC, it is resilience – of households and individuals, and of countries.

Most poor people have relied on their own networks of friends, family, neighbours, churches or community institutions to weather this crisis. One striking feature of the research findings is the 'dogs that haven't barked' – things that we expected to happen, based on previous crises, but have so far happened differently or not at all. In a surprising number of cases, migrants have not returned to their villages; households have been able to feed themselves from their gardens or farms; most people have kept their jobs, albeit with lower wages, fewer hours, and worse conditions; and families have managed to keep their kids in school. Family and social networks have shared food, lent money and done what they can to keep kids in school and put food on the table.

There have also been signs of resilience at the national level: in contrast to previous crises, governments have not (yet) slashed public services and political regimes have avoided major upheavals (apart from Latvia and Iceland).

A country or community's resilience to a shock such as the GEC is to a large extent determined long before the crisis actually strikes. Pre-crisis factors that have strengthened resilience on this occasion include:

National Economic Structures: Dependence on one or two commodities or markets increases the risk should they go into freefall, as shown by oil producers, Botswana (diamonds) and Mexico (US market). The degree and nature of integration with the global economy, particularly of the financial sector, has also proved a source of vulnerability. Countries that retain state control over a portion of the banking system have been more able to use those banks to channel credit to cash starved small producers and small and medium enterprises (SMEs).

Fiscal Policies: Resilience is enhanced when governments ran countercyclical policies during the preceding boom, for example by putting part of the proceeds from high commodity prices aside, or have entered the crisis with 'fiscal space'[3] in the form of budget surpluses and low debt burdens that have enabled them to keep spending even when revenues have fallen. Effective state bureaucracies capable of responding rapidly to the crisis with fiscal stimulus measures have also shown their worth.

Rule of Law: Effective and enforced labour laws deter employers from taking advantage of the crisis to attack workers' rights.

Social Policies: Countries with free health and education, and effective social protection systems, have proved more resilient, reducing the vulnerability of poor people to health shocks, reducing school dropout rates in response to falling incomes, and providing 'shock absorbers' against falls in household incomes.

Social Capital: Most poor people rely not on official structures and institutions, but on their own networks of friends, family, neighbours, churches or community institutions as the first port of call in a crisis. The value of social capital in this crisis cannot be underestimated.

But reserves of resilience, whether national or individual, have their limits. A health promoter in Armenia, one of the most hard-hit countries in the world, describes the consequences:

"The crisis has had terrible results for people in rural areas. Firstly unemployment has risen higher and higher, secondly, salaries have dropped, and thirdly, those that are receiving salaries often do not get them on time because companies can no longer afford to pay them. Those employed by the state are to some extent protected from this. The impact of these trends on healthcare has been enormous: for example, one community member who is in need of surgery, has had to postpone it because last month her husband's salary didn't arrive. And it is usually the women who are postponing treatment because of the impact of the crisis on household finances. Many women in our community healthcare scheme who have recently undergone mammography screening and been recommended to have surgery now cannot afford to pay for it – this is mostly because of the crisis." [5]

Some peoples, and countries, have been rendered more vulnerable by their exposure to recent prior events such as the food price crisis. When waves of crises break on top of one

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3 Fiscal space is defined as "room in a government's budget that allows it to provide resources for a desired purpose without jeopardizing the sustainability of its financial position or the stability of the economy" (Heller, 2005, p. 32 cited in UNESCO, 2010)

another, the damage inflicted is often compounded. If people have no chance to rebuild their assets (personal and emotional as well as physical and financial) between shocks, they are destined to lurch from crisis to crisis with ever-dwindling resources and ever-increasing vulnerabilities. For many people living in poverty, these separate pressures are experienced as one multifaceted chronic crisis with spells of acute distress. Where the economic crisis hampers poor women and men's ability to find a decent and sustainable way of providing themselves and their dependents with food, water, shelter, education and health care, it will threaten wellbeing and survival for generations to come, as well as place severe strains on household relationships. The responses of governments, aid donors and others are essential to strengthen and replenish the sources of resilience for the crises to come (for this one is undoubtedly not the last).

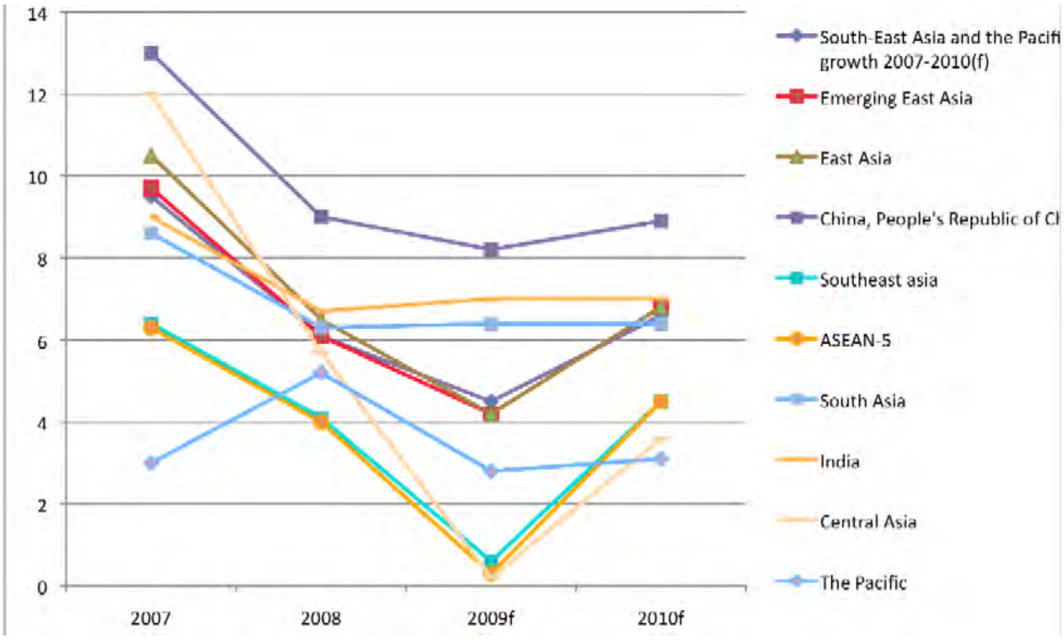
Asia and the Pacific

Regional overview

Asia is a vast region, accounting for over half the world's population, and includes some of the developing countries most (and least) affected by the global crisis. This section provides an overview of impacts in Asia, before focusing in more detail on findings from Oxfam's research in South-East Asia and the Pacific.[4]

While the graph below shows that most regions of Asia share the same V-shaped pattern of recession and recovery, significant differences exist between countries in the region in terms of both impacts and responses to the economic crisis.

Figure X: Asia and the Pacific GDP Growth 2007-2010 (f)[5][6]



4 This research included country studies of Cambodia, Indonesia, the Philippines, Thailand and Vietnam; a regional study of the gendered impacts in South-East Asia and a regional study of the Pacific Islands.

5 Note: Developing Asia refers to 44 developing member countries of the Asian Development Bank and Brunei Darussalam, an unclassified regional member ; Emerging East Asia comprises East and Southeast Asian economies except Mongolia; East Asia comprises People's Republic of China; Hong Kong, China; Republic of Korea; Mongolia, and Taipei, China; Southeast Asia comprises the ASEAN-5 (Indonesia, Malaysia, Philippines, Singapore, and Thailand) plus the economies of Brunei Darussalam, Cambodia, Lao People's Democratic Republic, Myanmar, and Viet Nam; South Asia comprises Islamic Republic of Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka; Central Asia comprises Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan; and The Pacific comprises Cook Islands, Fiji Islands, Kiribati, Republic of the Marshall Islands, Federated States of Micronesia, Nauru, Papua New Guinea, Republic of Palau, Samoa, Solomon Islands, Democratic Republic of Timor-Leste, Tonga, Tuvalu, and Vanuatu.

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A UNDP study[7] provides a typology of five groups of countries in Asia:

China, which stands alone by virtue of its size, significance and particular institutional features (e.g. high degree of state control and high levels of reserves, giving it much greater flexibility to respond to the crisis).

Newly industrialized countries. South Korea, Malaysia, Singapore, Taiwan, Hong Kong and Macau. These are among the more developed countries/economies of the region, with high per capita incomes, high degrees of trade and investment integration with the world and extremely high export dependence. They have been sharply affected by declining exports, but have considerable fiscal space for aggressive countercyclical policy. These countries tend to have more extensive social protection policies than elsewhere in the region.

India, Indonesia, Thailand, Vietnam, the Philippines, Pakistan and Sri Lanka. They are at lower stages of development, with predominantly poor populations. Their recent export growth (even in the case of India, other than for India's service exports) is essentially part of a manufacturing nexus that is increasingly oriented towards China as the hub for ultimate export to developed markets. Several economies are also extremely dependent upon remittance inflows, which have held up better than expected. These economies were all running current account deficits and somewhat larger fiscal deficits before the crisis broke, and were to a greater or lesser degree dependent on foreign capital inflows for at least a part of their recent growth. Material conditions have been affected by the rise in food prices even before the onset of the financial crisis. These countries face the crisis with less available freedom in terms of policy space. Other than Indonesia, which has a high degree of financial integration and associated fragility, financial liberalisation has been less extensive than in other countries. Pakistan and Sri Lanka are extreme cases within the group, as they have had to turn to the IMF for emergency external funding with associated restrictive conditions on policy. In Sri Lanka, the collapse of some export employment appears to have generated a shift away from industry back to agriculture.

Low-income countries such as Bangladesh, Cambodia, Bhutan, Lao PDR, Mongolia and Nepal. These are poor countries that have increasingly integrated with the global and regional economy through trade, although for various reasons investment integration has remained limited. In general they have been less directly affected by the first-order effects of the crisis other than through some declines in commodity prices, exports and tourism revenues. However, the available policy space tends to be more limited in these economies because of their small size and high dependence upon capital flows. Bangladesh, whose economy is heavily reliant on garment exports, has defied expectations of a significant slowdown as experienced by other garment exporters. This has been attributed to the 'WallMart effect' – Bangladesh produces the kinds of low priced clothing that consumers continue to buy even in a crisis, and so has been largely spared (although there were some signs of a slowdown in growth rates in the second half of 2009).

Small island economies in the Pacific and the Indian Ocean. These tend to be extremely vulnerable because of their undiversified economies, high dependence upon tourism and capital inflows, especially in the form of foreign aid, as well as reliance upon food imports.

In addition, much of **Central Asia** has been badly hit by the severe slowdown in the Russian economy, on which they rely for exports and remittances. At 50% of GDP in 2008[8], Tajikistan is the most remittance-dependent country in the world.

Vulnerability in South East Asia and the Pacific

The impact of the economic crisis on the financial sectors of South-East Asia and the Pacific Islands has been less severe than in some other regions and when compared to the Asian Financial Crisis of 1997/98. There are three main reasons: first, most insolvent banks in the region were liquidated or restructured in the earlier crisis[9]; second, the region's financial sector hadn't incorporated highly complex financial innovations in their business model[10]; and third, reforms triggered by the previous crisis provided for greater financial supervision and prudent risk management[11]. In the Pacific, a few countries were affected by their investments in American financial markets through trust funds, but most countries had little exposure.[12]

Instead, the main impact of the crisis has been on the 'productive economy' of manufacturing, services and agriculture and the knock-on effects in the 'reproductive economy' of the informal sector, remittances and the household.

Productive economy

Across Asia and the Pacific, GDP growth dropped in 2008 and 2009. The most significant falls occurred in Central and South-East Asia, particularly the ASEAN-5[6]. Most countries are forecast to recover in a narrow v-shape with others flatlining at their current GDP growth rates.

In South-East Asia, jobs have been disproportionately hit because the crisis has particularly affected highly labour-intensive export sectors, including the garment and footwear industries, electronics, construction, tourism and farmers of selected crops. In the Pacific, low levels of formal employment have meant that export impacts have not translated into increases in recorded unemployment, but have affected government revenues and spending.

The impact of the crisis has not been consistent across countries, reflecting different levels of reliance on exports and positions within global supply chains. The textiles and garment industry has consolidated its production into a pool of strategic suppliers – China, Vietnam and Indonesia – which constitute the 'inner critical core on which customers rely for the most important share of their production'.[13] In 'bad times' or 'terrible times', orders for the strategic suppliers may fall but their market share will remain intact, in contrast to second line suppliers (such as India, Pakistan and Sri Lanka) and marginal suppliers (such as the Caribbean Basin and Cambodia), which experience drops in both orders and market share.[7][14]

Cambodia has been hit hard through garment, tourism and construction: according to the UNDP 30% of construction jobs disappeared between January and November 2009.[15] And according to the Government as many as 63,000 mostly female garment workers, or 18% of the total garment workforce, lost their jobs in the 8 months to May 2009.[16]

Nineteen year old Ean Chen lives in Kompong Speu, Cambodia, and has been working as a garment worker since late 2006. She makes US$80 per month, of which $40 is allocated to supporting her family of 5 and the balance US$40 is spent on her food and transport to work and some personal expenditure. In December 2008 she was temporarily laid off because the factory ran out of orders. Chen applied for a job at 2 other factories but luck was not in her favour. Chen and her family experienced great hardship while Chen was unemployed because neither she nor her

6 The ASEAN-5 are: Philippines, Indonesia, Malaysia, Singapore and Thailand.

7 Bangladesh has survived well despite its reliance on manufacturing due to its production of cheap goods, separate to its position in the supply chain.

family had any savings. Chen was called to resume her job in April 2009 but is now only on a one month contract, renewable on the decision of her employer.[17]

In the Philippines most layoffs have been in Export Processing Zones where typically 75% of workers are women. In Thailand, at least 125,700 women in four export industries have been laid off or moved from decent work to more irregular employment.[18]

Many workers are not dismissed outright, but instead have their wages and hours cut. In Cambodia, a survey found that earnings of those hanging onto their jobs dropped by 18 percent in real terms in the year to May 2009, while remittances to their families in rural areas declined by 6 percent.[19] In Thailand, women report that their overtime, shifts, normal working hours, pay and welfare benefits have all been reduced. Similar patterns emerge from data collected by a national union in Indonesia.[20]

Trends towards 'labour market flexibilisation' or informalisation did not start with the economic crisis, but some factory owners have taken the opportunity of the crisis to accelerate them. This has been compounded in places like Indonesia by the inconsistent application of the rule of law, particularly by provincial governments.

In Indonesia and Thailand, Oxfam found evidence of factories using the crisis as an excuse to dismiss staff and replace them with younger, cheaper workers. In one factory in Serang, Indonesia, 79 employees who had worked at the factory for between 8 and 14 years were dismissed due to a 'downturn in orders due to the economic crisis'. The factory has subsequently re-hired younger workers on a variety of more flexible, lower paid arrangements including short-term contracts, apprenticeships and outsourcing.[21]

Factories want younger and fresher workers for contracts where they can pay less

Trade Union Leader, Indonesia[22]

Oxfam found that older women have been disproportionately affected by these trends:

I've never made any mistake, never done anything wrong. It's probably because of my age …it's very difficult for older people, difficult to have a chance to get a new job - even youths find it hard

41 year old female garment worker dismissed from a factory in Serang, Indonesia[23]

While older workers are directly affected, the overall drop in employment also affects young people trying to enter the labour market for the first time, who may have to settle for even lower wages or standards in order to find their first job.

Before the crisis, the garment industry often provided both exploitative and precarious jobs. Nonetheless, those workers who were employed earned a wage higher than most in the informal or agricultural sectors. The crisis has shown how quickly those engaged in these global markets can see the benefits vanish.

Informal economy

Informal workers have experienced both direct and indirect impacts of the economic crisis. The practice of outsourcing garment production to home-based workers, under weaker contracts, means that many producers and suppliers linked into global supply chains have cut off home based workers in preference to sacking their contract or permanent employees. In Indonesia, the government recorded 65,200 dismissals by August 2009, but the employers' association reported between 150,000 to 200,000 layoffs, once outsourced and daily workers were included. WIEGO's study across 5 countries recorded sharp declines in home based workers producing for global value chains.[24] In Oxfam's focus groups with home based workers in Rizal, the Philippines, women reported having to take on second jobs or 'sidelines' including cleaning, retail and piece work for community members.

In Vietnam, service providers for internal migrant workers within industrial zones have seen falling demand for their dormitories or food. Many of these informal sector providers have previously sold their farmland and so cannot fall back on subsistence. They are mostly old and have low levels of education, so cannot rely on formal sector work.

It was a mistake when I erected this 5-room hostel last year. It cost me 90 million dong, taken from the compensation when they took my land for expansion of the industrial park. Since after Tet [Vietnamese New Year] this year, only 2 or 3 rooms have been occupied even though I reduced the monthly rental fee. How long will it take for me to get my investment back"?

Hostel owner in Sap Mai village, Vong La commune

Street vendors have experienced both a drop in demand and an increase in competition. Many formal or agricultural workers have turned to informal work, either as a result of losing their jobs or income, or in order to keep up with inflationary pressures. In Cambodia, 40% of households surveyed had sought alternative or additional jobs including selling vegetables and self-employment. In Indonesia, inflation and precarious conditions in their work (changing hours, potential for dismissal) pushes formal sector workers to take up additional work in the informal sector. In a focus group session just outside of Jakarta, Indonesia, women with full time jobs all reported seeking additional income from informal work including collecting plastic glasses, trading small birds, selling school uniforms, singing in small bars or sex work.

While this may provide a certain level of short term resilience, such hyperactivity comes at a cost: women are vulnerable to exhaustion as they take on yet more work, and juggle its demands with their existing jobs and roles as family caregivers.[25]

Migration and remittances

Fears of a slump in remittances and large-scale return of migrants have proved largely unfounded. Countries with a high level of female migrants, such as the Philippines, have been particularly resilient.

Women migrants are concentrated in the service sectors, such as the care economy broadly defined… and 'entertainment'…female migrants are far more likely to send remittances home, and typically send a greater proportion of their earnings…male migrant workers find that incomes are much more linked to the business cycle in the host economy….thus job losses in the North during this crisis have been concentrated in construction, financial services and manufacturing, all dominated by male workers.[26]

The overall number of migrants going overseas from Indonesia actually increased by 54% (quarter to quarter) between September 2008 and December 2008 and the Government has identified increasing migration and remittances as a recovery strategy. The increase in migration has been female as markets for domestic work and service industries have remained strong.[27]

Nonetheless across the region, remittances have gone down, in part due to drops in male migration (for example, in Indonesia and many parts of the Pacific Islands[28]), and in part due to the fall in the US Dollar (for example, in the Philippines). For some households, the drop in remittances has a serious impact on their incomes, and consequently on food consumption.

Migration is the most important solution for employment and incomes. If all migrants returned home, we would come back to eating porridge only.

Official from Thuy Hoa Village's Women's Union, Tra Vinh, Vietnam.

Unlike in previous crises, internal migrants have not returned en masse to their villages. Those that have lost their jobs have reduced the remittances they were sending home, sought work in the informal sector and in some cases have received reverse remittances from their villages to keep them afloat. Many are concerned about what reduced remittances must mean for their parents and families in the villages, particularly their ability to afford food and education for their kids. The reasons for remaining in the cities include having married and settled down, the lack of opportunities in the villages and shame in returning home empty handed

In Vietnam, some migrants have tried to return home but could not find work as farmers because households no longer had sufficient productive land and agricultural incomes were too small. Many of them then returned to the cities. Households in Tra Vinh, a migrant source community with no land and wholly reliant on migrant remittances, have been struggling, and in some cases even more household members have migrated internally to Ho Chi Minh or Dong Nai. In contrast, in Nghe An, another migrant source community where all households possess agricultural land and still view rice cultivation and husbandry as their 'core' activities, households have fared much better. Reduced remittances have affected consumption of durables and non-essential goods, but not forced villagers to eat less, as in Tra Vinh.

Even so, in Nghe An, returning migrants add to the existing pressures on informal workers:

It is OK for a couple of people to open restaurants, or start a business in dealing pigs, paddy rice husking, mechanical services or construction. But if all migrants return and do the same things, it would be a disaster. There would be no customers.

Retail shop owner, Nghe An, Vietnam

Household impacts

Although the food crisis and the global economic crisis have had distinct, and at times opposite, impacts, for most people at the sharp end, they are part of a single trauma – the struggle to put food on the family table[29]. When food prices soared in 2007-8, households had to eat less or less well, or find new ways to afford their old diet; when the economic crisis hit, food prices often went down again, but in countries like Cambodia, incomes fell even faster and families have once again been forced to cut back.

Families who are still employed in Indonesia report having to give up meat or fish. The women who are now unemployed face even starker choices: those who have been out of work for over a year now only consume food twice a day instead of three times and are eating less at each meal. Many are foregoing food to ensure that their children or husbands can eat. Others are watering down the milk they gave to babies and feeding children less, including not being able to give them money for school meals.

For the first three months my kids found it very difficult to give up rice, tempe and tofu and just eat soup and the cheapest thing.

Dismissed worker in a focus group discussion, Indonesia

My husband and I skip meals to make sure our baby has milk.

Woman in focus group discussion, the Philippines

Men deserve to eat more food because they are physically stronger, do hard work on the farm and earn income for the family

Focus group discussion, Vietnam

Many households have sold assets or gone into debt in order to cope with their reduced income. Almost 70% of households surveyed in Cambodia had taken out loans, mostly from relatives or friends, or bought food on credit. It has become common in Indonesia for formal sector workers to sell or have their motorcycles or mobile phones repossessed, as they acquired them on credit prior to the crisis. In Cambodia, fewer households have so far sold assets, but there are fears that increased debt due to rising farming costs in 2008 and expected income that didn't materialize in 2009 will force many households to dispose of vital productive assets (cattle, machinery etc) to repay their debts.

Despite fears that children could be removed from schools, Oxfam's research has not uncovered significant drop out rates in response to the economic crisis. Parents in urban areas in Indonesia report eating less and selling assets to keep their children in school.

It is better for us not to eat than for our kids not to go to school

Woman in a focus group discussion, Indonesia

In Cambodia, by July 2009 of the 1070 households surveyed by Oxfam, only 1.8% (16 children of 900, consistent with normal drop out rates), had dropped out of school since April, with the highest level of dropouts from poorest rural and fishing villages. Reasons given include that school was far away; there was no safety; a lack of interest; insufficient teachers and poor quality. Urban poor households found it more difficult to maintain education spending. There may be a trade off in some households, where education spending has remained at the same level but health spending has dropped.

Another alarming effect of the crisis is its role as a trigger for violence in the home.

Nuning worked in a garment factory in North Jakarta and her wage supported her extended family as her husband was unemployed. When she was laid off, he got very angry and started to beat her. In this case our union tried to mediate by meeting with the family and explaining that the dismissal was the impact of the crisis, not the fault of the wife and that the violence had to stop. We are hearing many cases like this.*

Story told by union officials, Indonesia

Sources of vulnerability and resilience

Public finances and fiscal space

Many Asian countries have been able to undertake fiscal stimuli due to their existing policy space for counter-cyclical measures, as demonstrated in the table below.

Table X: Title

	Category	Countries
High policy space	Surplus or low fiscal and current account deficits	Bhutan, China, Indonesia, Korea, Lao PDR, Nepal, Papua New Guinea, Philippines, Singapore and Thailand
Modest policy space	Low fiscal and high current account deficit	Cambodia, Mongolia, Samoa, Solomon Islands and Tonga
Modest policy space	High fiscal and low current account deficit	Bangladesh, India, Iran, Malaysia
Low policy space	High fiscal and high current account deficit	Maldives, Pakistan, Sri Lanka and Viet Nam

Note: Current account or fiscal deficit is defined as "high" if it exceeds 4 % of GDP based on data of 2006–08.

Source: Chhibber et al, 2009.

In the Pacific Islands, PNG and Timor-Leste were well-placed to undertake fiscal stimuli due to windfall revenues from their recent commodity booms. Fiscal space was far more constrained in other countries in the region, where governments have seen significant drops in revenues from tariffs, on which many governments rely to fund their social services.

Land and access to natural resources

In countries such as Vietnam and Sri Lanka, strong government support for agriculture has provided an important bulwark against the crisis.[30] In Cambodia, Vietnam, Indonesia and the Pacific Islands, having land and being able to grow your own food, or having access to fishing has boosted resilience both to high food prices and drops in income from the economic crisis.[31] Over-exploitation of natural resources threatens this form of resilience. In Cambodia, households increased their fishing activities in response to food prices, and then income losses. Households reliant on fishing are finding it harder to earn an income or feed themselves from depleted fish stocks, affected both by increased fishing and by changes to the river, or their access to it, through the development of large scale dams.[32] Previous neglect of agriculture, partly through an excessive focus on industrial export-oriented growth, has undermined resilience in some countries.[33]

Family and social networks

Family and social networks, including churches and in some countries (notably Cambodia) community or non-government organizations, have proved to be a key factor for resilience.[34] Social networks are providing support through sharing or borrowing food, loaning money, including reverse remitting from rural areas to support unemployed or underemployed formal sector workers and taking care of sick relatives or children.

Oxfam's research involved around 2,000 people across the region, and consistently in interviews, surveys and focus groups, found that people had turned to and relied upon their family, neighbours, friends and social organisations for support. The role of these relationships and networks in responding to the impacts of the crisis was seen as much more important than that of governments.

Social networks are also helping in less traditional ways, such as providing information about urban market conditions:

Now youngsters travel to the city to seek employment by themselves. They get information from their friends through mobiles so it is clearer. Fewer people are cheated.

Official from Thuy Hoa village, Tra Vinh, Vietnam

Most families have proven remarkably resilient, so far, but some of their actions may cause long term damage. Eating less, selling off assets and reducing the quality of a child's education can harm individuals and families and make them more vulnerable to future shocks. Government, civil society and other institutions need to support and replenish individual and family resilience and provide appropriate services and safety nets to ensure that coping with the crisis does not run down the social and economic capital needed for future survival.

Sub-Saharan Africa

Regional Overview

The African continent is a patchwork of differing vulnerabilities and resiliencies to the economic crisis. Even within nations and sectors the impacts have varied greatly. In places where the headline macroeconomic figures suggest a limited impact so far, there are pockets of individuals and communities who are reeling from the consequences of the crisis. At a very crude level, the exposure of national economies to the economic crisis can be categorised the along the same lines as their IMF Regional Economic Outlook country groupings:

Oil-exporting countries (oil exports account for 30 per cent or more of total exports)[8]

Middle-income countries (non-oil exporting, with per capita gross national income more than $905 in 2006 (apart from Lesotho))[9]

Low-income countries (per capita gross national income less than or equal to $905 in 2006)[10]

Fragile countries (low-income and with Country Policy and Institutional Assessment score of 3.2 or less)[11]

In very broad terms, at a macro-economic level, middle-income countries on the continent have been hardest hit, followed by oil-exporting countries. Low-income countries and fragile states have been most insulated from global shocks, yet they enter the crisis from already weakened economic and political positions. The macro-economic exposures of nations, though, do not necessarily give a reliable indication of the vulnerabilities of individuals within those same countries.

In many cases the true patterns of vulnerabilities are only just becoming apparent. Initially, South Africa was worst affected; otherwise, the region's financial sectors largely avoided (if only due to their fledgling nature) the massive haemorrhaging of assets seen elsewhere. Subsequently, a much larger swathe of countries has been hit by falling commodity prices and export demand.

Export earnings finance the majority of national budgets in most sub-Saharan African countries, so the ramifications for public spending are significant. Government spending and international aid flows, both key players in determining the poverty consequences of the crisis, are operating on a significant time lag from the more immediate transmission channels; how they develop throughout 2010 will be key determinants of long-term resilience or vulnerability within the region.

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[8] Angola, Cameroon, Chad, Repulic of Cogo, Equatorial Guinea, Gabon, Nigeria

[9] Botswana, Cape Verde, Lesotho, Mauritius, Namibia, Seychelles, South Africa, Swaziland

[10] Benin, Burkina Faso, Ethiopia, Ghana, Kenya, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Senegal, Tanzania, Uganda, Zambia

[11] Burundi, Central African Republic, Comoros, Democratic Republic of Congo, Côte d’Ivoire, Eritrea, The Gambia, Guinea, Guinea-Bissau, Liberia, São Tomé and Principe, Sierra Leone, Togo, Zimbabwe

Foreign Direct Investment

Although Africa is not a major recipient of foreign direct investment or private capital flows compared with some other regions of the world, the crisis has had significant effects in some cases. In Mozambique and Tanzania several large projects planned for 2009 were cancelled, put on hold, or scaled down. As South Africa is the major African source of foreign investment, the contraction of its economy is also a potential concern for other countries in the region, especially in the telecommunications, mining, and energy sectors.[35]

Productive Economy

Across the economies of sub-Saharan Africa as a whole, growth fell sharply to 1.1 per cent in 2009, down from 5.5 per cent in 2008 and 6.9 per cent in 2007. Once population growth is taken into account this translates into a decline of 0.9 per cent in per capita terms - the first such fall across the region in a decade.[36]

In very broad terms, middle-income countries on the continent have been hardest hit, followed by oil-exporting countries. Shocks in low-income countries may not be as severe or deep as in middle-income countries - real GDP growth in 2009 is projected to have fallen to 4.5 per cent from 7.0 per cent in 2008 - but they can be devastating for people already living on the edge.[37]

Sub-Saharan Africa's GDP is expected to recover fairly quickly, growing by just over four per cent in 2010. However this is predicated on the rest of the world responding as expected to economic stimuli and financial bailouts totalling more than $20 trillion globally.[38]

Mineral and agricultural commodity exporters[12] have been particularly hard hit, with reduced demand (and in some cases credit and long-term capital) hitting output, investment, employment, and tax revenues. In Botswana mineral-related taxes constitute between 35 and 50 per cent of the total government budget; revenue from such taxes was predicted to decline by half in 2009 as demand for diamonds in particular has slowed. Mozambique's principal export, aluminium, has been its greatest casualty of the crisis.[39] Kenya has been affected by both domestic political turmoil and by falling tourist arrivals. Its horticultural industry has been hit by exchange-rate fluctuations that are blamed for flower exports falling by 35 per cent.[40][41] Although only around 1,200 jobs out of three million had been cut by the middle of 2009, more are likely to follow.[42] Small farmers who have pursued the higher returns often associated with export agriculture are now suffering the concomitant risks (see box):

Box X: Mr Jonas Banda, Malawian cotton farmer[43]

Jonas Banda is a cotton farmer in Malawi. Last season he produced ten bales of cotton, each weighing 110 kilograms. The government price for cotton was $0.54 per kilogram which would have provided him with a minimum income from cotton of $1,200. But as a result of the economic crisis he stood to earn just $500. "The Great Lakes Company that buys our cotton says that the world economy has shrunk and pushes the international cotton demand too low… I feel cheated as I wonder how economic problems somewhere in America can make my cash crop suffer here in Malawi. It's a shame that I cannot boil and eat it…I cannot believe that last year we sold at $0.40 and this year we are told the prices is $0.23. This

12 Approximately 80 per cent of Africa's exports are minerals, metals, and food products (World Bank (2009) 'Africa and the Crisis: What's Next? http://psdblog.worldbank.org/psdblog/2009/11/africa-and-the-crisis-whats-next.html (last accessed January 2010)).

means that I will not cover my costs, will not pay school fees for my children who are in private schools, and will not buy inputs for the next growing season."

The impact on mining-dependent economies in some cases has longer-term consequences for people living in poverty. In the five months to December 2008, world copper prices collapsed to a third of their value. They have since recovered (by December 2009) to three-quarters of their July 2008 value. In Zambia, where copper accounts for 70 to 80 per cent of exports, this rollercoaster fluctuation has hit hard.[44] The most immediate social impact was the loss of some 8,500 jobs (1,500 of which have since been regained) out of a total of some 30,000 mining jobs in the sector, each one supporting up to another 20 jobs in the service sector. But whilst jobs can be recreated, progressive tax reforms initiated prior to the crisis and then annulled during it will be much more difficult to re-establish. The new tax regime was expected to add nine per cent to the government's domestic revenue collection but some of the key new measures were abolished in January 2009, at the height of the crisis, following intense lobbying of the government by large, foreign owned copper companies. By August 2009, the price of copper had already rebounded to the level where it would have triggered the defunct windfall tax. According to a calculation by a locally based economist, just in the remaining five months of 2009, that would have generated approximately $50 million in revenue, enough to expand the national health budget by 14 per cent.

Whilst commodities destined for global markets have not fared well, regional markets have proved much more resilient. In Uganda, where exports to regional markets account for 45 per cent of all foreign trade, exports of maize and beans continued to grow between 2007 and 2009.[45] Ghana too has escaped the worst of global market collapses; not because it is not involved in them, but because it was lucky: the world market price for Ghana's principal export, cocoa, has remained resilient, along with prices for its gold output. However, shea nuts (exported for use in beauty products), on which many poor and vulnerable people in the north of Ghana depend for their livelihoods, have been seriously affected.[46]

Informal Economy

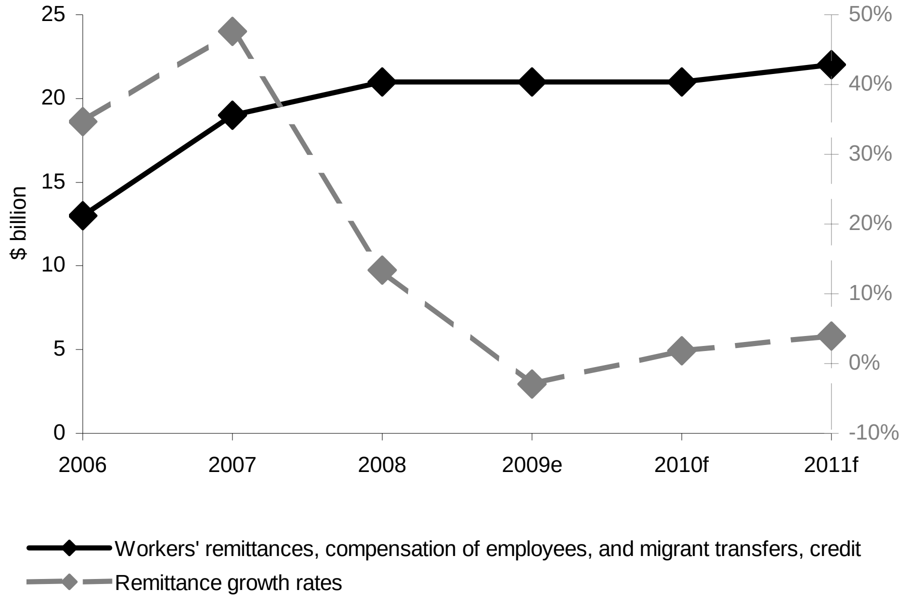
When formal sectors linked to world markets suffer shocks, the repercussions are also felt by informal sector workers such as street vendors, as one South African trader whose business is close to several recently closed factories in Durban explained, "Lots of factories here have closed, due to this recession. Lots of people have lost their jobs. This has negatively impacted our business, as these factory workers are our main customers. We sell them cooked food for lunch."[47] Informal workers are also affected by increased competition from retrenched workers turning to a livelihood with low barriers to entry. In Kenya one trader observed "Even spaces that were empty in town a year ago have been taken up by new entrants into hawking."[48]

Unskilled workers seeking employment in the Ghanaian construction industry have also suffered - demand has outstripped supply both as a result of declining activity and increasing numbers of people leaving rural areas in search of work. Combined with delayed payments and increased food and travel costs, workers are finding it increasingly difficult to cope without cutting back on household meals and school expenses such as uniforms and books.[49]

Migration and Remittances

In 2008, remittances accounted for only two per cent of the region's GDP (though in Lesotho it was as high as 27 per cent).[50] Remittance flows to the region are holding up better than originally forecast (figure X).[51]

Figure X: Remittance inflows in sub-Saharan Africa



Despite their limited regional significance there are pockets where remittances comprise an important part of household income (Box X). In Mozambique thousands of people depend on monies remitted from the estimated 50,000 migrants working in South African mines.[52] In Ghana, where remittances experienced a sharp drop in the first half of 2009, according to focus group participants for a rapid appraisal of the situation commissioned by the World Bank, delays or interruptions result in children missing classes or deferring their studies and families resorting to in-country family networks for support.[53]

Box X: Nathaniel Vakor, resident of Monrovia, Liberia[54]

Fifty-four year old Nathaniel lives in Monrovia and takes care of eleven people including nine of his own children and two dependents. His mother and sister are in the US and regularly send him money to add to his earnings for family upkeep, education and health services. But these vital transfers have dried up: “They are unable to send me money because the job opportunities are not there any more. Their support is a huge contribution to the family here because it helps us to support children in school and pay medical bills when one is sick.”

Household Impacts

Affected shea nut gatherers in Ghana say they will try to 'cope' by making family food stretch further, asking men to contribute towards family food (thereby changing established gender roles), and reducing the quality of their children's schooling - either downgrading the quality of school attended or pulling them out altogether.[55] In reality, such measures are not coping strategies that can be sustained, but are more akin to desperation measures that erode the sustainability of families' livelihoods and life chances in the long run.

Speaking in the middle of 2009, traders in Accra suggested that if the trend continued their families would have no choice other than to take "drastic measures" including sending older children to live with better-off family members and involving other children in income-generating activities at the expense of their education.[56]

In rural Kenya, women report that it has become common for men to abandon their families, stating that they were going to look for work in the city; some never return or now only come back once a year. In other cases both parents have abandoned their children, leaving them to act as household heads. In the words of one rural Kenyan woman:

Is it possible... that families have broken up because of food? Of course, there are many, many abandon their homes, leaving the wife and children without anything. The wife/mother is subjected to lots of indignities because she must provide something for the children ... In these crises, women and children suffer most. It is not unusual to find, like my neighbour here whose husband ran away a long time ago. He claimed he was seeking employment in town, but never returned from town when he found employment. He never sent any support home. However, when the job ended, he came back here briefly, noticed life was miserable and he left never to be seen again.[57]

Longer work hours are also placing additional stress on families, especially for women who have children to look after – their choice is often between longer working hours or less food. One Malawian woman sees no choice other than working longer hours, asking, "how would we take food to the children otherwise?"[58]

Sources of resilience and vulnerability

Public Finances

Sub-Saharan Africa's fiscal balance, excluding grants (i.e. the balance of governments' revenues from tax and asset sales less their spending, before counting aid), has declined spectacularly from a surplus of 0.3 per cent of GDP in 2008 to an expected deficit of 6.4 per cent in 2009. In real terms this translates into a transition from a surplus of $3.0 billion to a deficit of $64.4 billion - i.e. a $67.4 billion hole has opened up in government finances.[59] Fiscal balances and changes therein vary considerably with the characteristics of the economy. Low-income countries (which in aggregate have suffered modest declines in output growth) saw their fiscal balance decline by only 0.8 per cent of GDP between 2008 and 2009, whereas for oil-exporting countries it slumped by 12.3 per cent. However, unlike low-income countries, oil-exporters entered the crisis in fiscal surplus and in 2009 their deficits remain smaller than low-income countries', as a proportion of their respective GDPs.

In previous global economic slowdowns, the fiscal decline in Africa has been much more limited than in the current crisis. The IMF suggests this is both because the shock this time around has been greater than in the past, and, more positively, because African governments entered this crisis from a better fiscal position and with lower debts, meaning they had more 'fiscal space' with which to respond[60] In most countries government expenditure (as a proportion of GDP) increased in 2009, (figure X).

A question remains as to how sustainable these deficits are, and how long governments can continue to absorb these pressures without cutting funding, or planned increases in funding, to essential public services such as health and education, or vital infrastructure plans, or otherwise running up unsustainable debts from borrowing on non-concessional terms. Deficits need to be paid for, at least in part through borrowing, raising fears of a new debt crisis, but the IMF argues that a worsening of debt indicators does not yet give serious cause for concern.

However, the IMF also recognises that countries with binding financing restrictions (such as high debt-to-GDP ratios) are less likely to be able to finance counter-cyclical policies during the crisis. This is confirmed by analysis commissioned by UNESCO, which suggests that 22 of the 37 lowest income countries[13] in Africa have low or no fiscal space (Table X).

Table X: Fiscal space in low-income sub-Saharan African countries[61]

High (4 countries)	Mali, Rwanda, Uganda, Tanzania
Moderate (11 countries)	Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Lesotho, Madagascar, Mozambique, Niger, Nigeria
Low (17 countries)	Congo, Côte d'Ivoire, Djibouti, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Kenya, Malawi, Mauritania, Sao Tome and Principe, Senegal, Sierra Leone, Sudan, Togo, Zimbabwe
None (5 countries)	Burundi, Democratic Republic of the Congo, Ghana, Liberia, Zambia

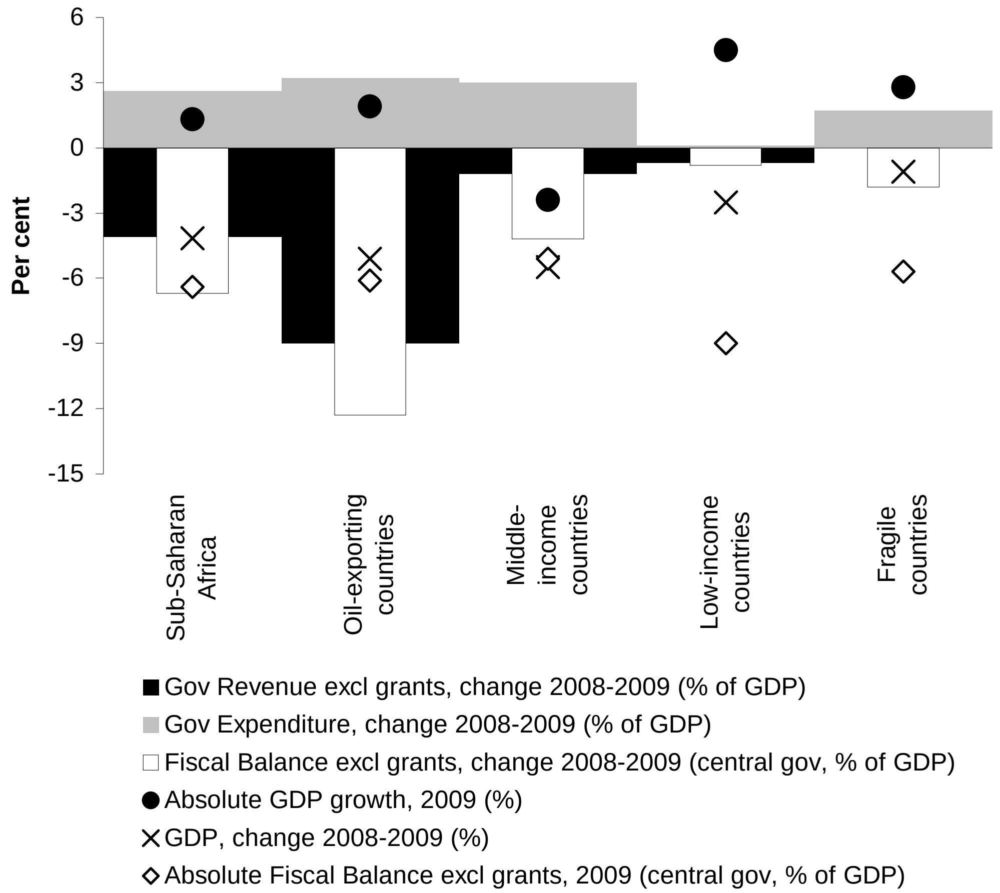
The evidence of the impacts of the crisis on education is still emerging, and thus far only anecdotal. In Botswana, the increased fiscal deficit has forced the government to borrow $1.5 billion from the African Development Bank to support 2009-10 expenditures and to reduce both recurrent and development budgets by five to seven per cent across all departments.[62] As a result the tertiary education sector in particular looks set to be hardest hit.

UNESCO's latest *'Education for All Global Monitoring Report'* calculates that, if the share of expenditure invested in education remains constant at 2007 levels, and if growth and revenue-to-GDP ratios fall as a result of the economic crisis as predicted, resources available for education in sub-Saharan Africa could fall by $4.6 billion per year on average in 2009 and 2010. This is more than double the current amount of aid to basic education in the region.[63] However, as UNESCO notes, this is only one scenario rather than an inevitable outcome.

Overseas Development Assistance (ODA) is a major source of financing within Africa, and is particularly important for many countries' social spending. Despite some reductions around the margins from specific donors, ODA to the region has so far remained fairly resilient to the crisis even as donors' own economies have been hit hard. In many regards 2010 will provide a sterner test of donors' commitments than 2009; donors will be under pressure to rein in their own fiscal deficits by reducing their public spending. African countries will be vulnerable not just to cuts in ODA, but also to donors reneging on promised increases of aid towards the international target of 0.7 per cent of their Gross National Income (GNI).

13 Countries classified by the World Bank as 'IDA-only' plus Zimbabwe which has an IDA-only income level.

Figure X: GDP and fiscal balance composition in sub-Saharan Africa



Integration and Diversification

Middle-income countries, which have fared the worst in the region, have been vulnerable as a result of their close trading relationships with the rest of the world and, particularly in South Africa's case, integration with global financial markets.

Countries that produce a variety of commodities rather than relying on just a handful stand a greater chance of weathering the storm and achieving more rapid returns to previous levels of growth. Angola has been one of the worst affected countries in the region and is dependent on just oil and diamonds for 95 per cent of its export revenues and 78 per cent of its fiscal revenues.[64]

Low-income countries have been less vulnerable because they are less well integrated into these markets, though some, especially South Africa's neighbours, have suffered the knock-on consequences of contractions in MICs. Nonetheless, many low-income countries continue to rely heavily on private capital inflows and development assistance neither of which is immune to the economic crisis. In those low-income countries that have economies heavily reliant on agriculture, the climate can be just as an important determinant of resilience as the state of the global economy. Outside East Africa, weather shocks on the continent during 2009 were relatively mild and good harvests have bolstered many agrarian communities' fortunes. In Malawi good rains produced an excellent harvest in 2009, helping agricultural output to grow 12 per cent in 2009 compared with fewer than two per cent in 2008.[65]

Social capital and networks

People integrated into strong social groups have fared better than those without support networks. In Nairobi some signs of tensions have emerged between groups that have and groups, and individuals, that have not, especially amongst Christians in relation to a feeding programme for practising Muslims. One participant in IDS research said,

'*Although we are suffering as youth in [the Nairobi community], and our parents and friends are struggling, the Muslims always have food. Every Friday, the mosque opposite provides food and even clothing. This support is only for Muslims. We have been to the mosque a few times dressed in buibui like the other Muslim women and managed to get food. It seems the people at the Mosque found out. We are told they cannot give food to kafirs. A few weeks back our friends, young men, were caught dressed in buibui like women; it was embarrassing, but we must survive.*'[66]

Latin America and Caribbean

Regional Overview

In recent years, the economies of the region has become more diverse in several ways, with Mexico and the Caribbean basin countries becoming increasingly integrated with the US economy, while South America has expanded its trading links with East Asia and Europe. The commodity price boom has also led much of South America into increased dependence on raw material exports.

The GEC has exposed the strengths and weaknesses of these different development models, and stress tested the region's new-found commitment to social policy.

Productive Economy

After six years of uninterrupted and rapid growth, the GDP of Latin America and the Caribbean was expected to fall by 1.8% in 2009 (-2.9% in per capita terms). The international crisis hit the region hard at the end of 2008 and in early 2009, taking a toll on all of its countries. However, a recovery began to take shape in the second quarter of 2009 and became more widespread in the second half of the year. The UN's Economic Commission for Latin America and the Caribbean (ECLAC) predicts 4.1% growth in 2010.[67]

The impact on growth has varied significantly between countries (see table[68]). The regional GDP growth rate fell 7.5% from 2007-9. Three major economies saw their growth rates fall by more than 10%, with the bulk falling between 5 and 10%. No economy escaped unscathed.

Table X: The Growth Collapse in Latin America in 2009[69]

Negative Change in GDP Growth Rate, 2007-9	Countries
Above 10%	Mexico, Paraguay, Venezuela, Antigua & Barbuda
5-10%	Argentina, Brazil, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Panama, Peru, Uruguay; Cuba, Dominica, Dominican Republic, Granada, St Kitts& Nevis, St Vincent and Grenadines, St Lucia, Trinidad and Tobago
0-5%	Bolivia, Ecuador, Nicaragua; Bahamas, Belize, Guyana, Haiti, Jamaica, Suriname

Of the sub-regions, Mexico, Central America and the Caribbean have been worst hit, due in large part to their closer ties to the recession-hit US economy. In general the crisis has accelerated the shift in the economic and political centre of gravity across Latin America towards the south, consolidating the rise of Brazil as the preeminent regional power. This North-South divide is also apparent within Mexico, whose northern states are more dependent on the US economy for manufacturing trade and investment and so have been harder hit by the recession.

The transmission channels for the slump include:

- The value of total exports from Latin America and the Caribbean in 2009 fell 24% with regard to the previous year, thanks to a combination of falling volumes (-9%) and prices (-15%). Mining and oil fared the worst, with a slump in exports of over 40%. Oil-dependent Venezuela was the hardest hit country, with a fall in exports of 42%.[70]
- Foreign Direct Investment (FDI), which was expected to shrink by 37% in 2009, the sharpest regional fall for 30 years;
- Financial contagion: while most economies have been largely immune to the banking meltdown to the North, the financial systems of Brazil, Peru and particularly Chile, have suffered direct financial contagion from the chaos on Wall Street;
- Remittances: sharp drops in many countries, particularly Mexico (-15%), Ecuador (-13%) and Colombia (-18%), although remittance flows were beginning to pick up again by the end of 2009.

One piece of good news is that the slump in demand and fall in global prices has halved regional inflation rates (to 4.5% in 2009), which has to some extent cushioned the impact of the crisis on poor people's consumption levels. In Mexico, for example, average real wages have held up much better than in the inflationary spasm of the 1994/5 financial crisis.[71]

Oxfam case study research in Nicaragua and Ecuador shows a severe contraction of both domestic and international credit. In Nicaragua total credit shrank by 4.5% in the year to June 2009 (and consumer credit fell by 13%). In rural areas, cooperatives depending on international financing have felt this contraction severely and there has been a sharp increase in loan defaults by farmers. In Ecuador, the impact on the private banking sector is similar: lower credit availability and high interest rates – though not to the same extent.

The slump in 2009 reversed a trend of several years in which both the quantity and quality of jobs in Latin America had improved. Unemployment rose by almost one percentage point from 7.4% to 8.3%. The improvements under way in recent years in job quality have stopped as the creation of wage jobs in the private sector and of formal employment in general has slowed considerably.[72]

Ecuador saw 218,000 people lose their jobs in the year to June 2009 in a country of 13 million inhabitants. Unemployment has grown most in trade and export-oriented sectors in the coastal region, affecting Guayaquil City much more than Quito, the Andean capital. Workers interviewed in focus groups said they were afraid of unemployment and were willing to accept lower wages and worse working conditions to avoid it, while those already dismissed are competing in the informal market.

Informal Economy

A study of the impact on waste pickers, home-based workers and street vendors showed that the crisis has prompted a surge in the numbers of people trying to eke a living in the sector, but a fall in prices and demand, putting a serious squeeze on living standards. Respondents reported that both the volume and quality of waste available for collection has dropped dramatically since January 2009.

[The crisis] affects us greatly because many people are now being careful in their spending. Before, they threw things out their windows, but not now.

Waste-picker, Bogota, Colombia[73]

Many newly unemployed workers as well as some employed individuals, such as cleaners, guards and other cash-strapped individuals, are now recycling to make ends meet. These new pickers are mostly unorganised, and are not part of any local recycling co-operative or association. These new waste pickers are referred to as 'flyers' in Chile. Traditional waste pickers consider them to be detrimental to the recycling sector because they reduce the volume of waste available, potentially threatening the fragile relationship between waste pickers and local authorities.[74] The study concluded 'there is no 'cushion' in – much less a cushion for – the informal economy, only an increasing number of firms or individuals competing for ever-decreasing slices of a shrinking pie.' This is consistent with Oxfam's own research findings.

Household Impact

The economic slowdown and job losses has taken its toll on poverty. ECLAC estimates that the economic crisis will return to poverty around a quarter of the 41 million who had made their way out of poverty since 2002.[75] Mexico and Venezuela have been worst hit.

While overall numbers are worrying, Oxfam's case studies on the ground if anything look worse. The most visibly affected sector in Nicaragua, workers in the 'maquila' factories that produce garments and other export goods for the US market, has seen a third of its jobs go – some 30,000 workers, mostly affecting women. Since each maquila worker supports an average of four people, this means 120,000 people directly affected and an increasingly overcrowded informal sector, as women have been pushed to compete for work in areas such as cleaning, street selling, washing and ironing. Their income reduction has meant reducing their diet to two meals a day, and for one interviewee and her four kids, not eating any meat in four months. In focus groups, over 70% of dismissed women had severely reduced their diet and that of their children. In towns and cities, girls are helping their mothers to try and earn more income, while in rural areas boys are collecting the harvest on their parents' farms, substituting for waged farm workers that are no longer affordable.

Sources of Vulnerability and Resilience

Public Finances and Fiscal Space

ECLAC's analysis of the crisis and its impact on LAC provides grounds for guarded optimism. On the economic side, it argues 'The emergence from this crisis has been quicker than was expected, largely thanks to the ramparts that the countries of the region had built through sounder macroeconomic policy management.'[76]

The region went into the crisis in better conditions than in previous downturns, thanks to its prior efforts to reduce outstanding debts, build up international reserves and curb inflation. This 'broadened macroeconomic policy space in many of the region's countries gave them substantial capacity for anti-crisis policymaking', otherwise known as counter-cyclical spending. ECLAC finds that policy space is greater in some South American countries than in those further North, partly explaining their better social and economic performance. A modeling exercise by the IMF concluded that these better preparations allowed the region to 'save' about 4% of GDP during the crisis.[77]

Policy space is not enough on its own, however; countries also need institutions able to use it. Here too, there is evidence that some governments in the region have improved their capacity to introduce and run effective social protection and other programmes, although that capacity remains weak in some of the smaller economies in Central America and the Caribbean, forcing them to adopt cruder and less effective responses (see Responses section).

On the social side, ECLAC concludes 'this recession has some characteristics that differ from previous GDP contractions, and these have lessened the impact on poverty'. These include low and falling inflation, which has prevented wage erosion, and greater use of social protection to cushion the impact on the most vulnerable: 'Learning the lessons from previous crises, the countries have sought to maintain —and even expand— the coverage of these programmes, even in the context of a gradually tightening fiscal space.'

The contrasting prior situations in Nicaragua and Ecuador helped determine the depth of vulnerability in each country. Since 2007, Ecuador has embarked upon a period of strong public investment, progressively introducing free and universal education and healthcare, and guaranteeing minimum incomes to all socially excluded sectors. These policies have helped build the resilience of poor people to the impacts of the crisis. Although Ecuador is now suffering strong fiscal pressures, forcing it to cut investment, so far the government has protected social spending from cuts.

In contrast, Nicaraguans suffer particularly from a lack of suitable public policies and institutional and financial capacity. This has meant that when crises – food prices, high oil costs and now the economic slowdown – hit the poor and vulnerable their only real resource is family and social networks. The struggle of Nicaragua´s government to curb its 4% budget deficit has only had a minor impact on public finances as a whole, but has done disproportionate damage to health and education spending.

Another key prior condition for increased resilience was countries' capacity to mobilize domestic resources through taxation and other means. According to ECLAC:

'There is a direct relationship between each government's capacity to collect revenue and the availability of public funds to finance protection systems that address old and new social and economic risks. The region does a poor job of collecting the low taxes it charges. Low tax burdens persist, as do regressive tax structures, which place severe limitations on budgets. Nevertheless, governments have made significant efforts to increase their budgets (especially those budget items that target social functions) with tighter fiscal discipline than in the past. Public spending, per person, almost doubled during the 2006–2007 period, compared with 1990–1991 (to stand at US$ 820 per person at 2000 prices), and increased by 18% compared with 2004–2005.'[78]

Responses to the Crisis

As the economic crisis has unfurled differently across the world, national governments, multilateral agencies and other institutions have reacted in equally varied ways. Diverse as these responses have been, in many parts of the developing world, people living in poverty have to a large extent relied on their families and social networks, rather than on institutional responses, to see themselves through the crisis (these community responses are considered in the previous impact, vulnerability and resilience section).

This is not to suggest that institutional responses are irrelevant; indeed without the significant bailouts of, and stimuli to, the world's afflicted economies, we would be facing a far bleaker global crisis. Rather, it indicates that in many cases people have been forced to rely on their own coping mechanisms in the absence of adequately targeted formal support. Although labelled 'coping strategies', the means people, often women, find to respond to such crises are frequently unsustainable, and more accurately viewed as 'desperation measures'.

The extent of this desperation, and the degree to which it will erode future livelihood chances and children's cognitive development, depends to a large degree on the level of buffering provided by institutions. Even working within governments' financial ability to respond, the best responses should have managed to combine systematic economic and social monitoring of vulnerability with genuine social dialogue on the best way to respond. Social dialogue, in particular consultation on crisis responses, has occurred across South-East Asia with consultations in Cambodia, Indonesia, the Republic of Korea, Malaysia and the Philippines. However, these consultations have had few tangible results in influencing crisis responses.[79]

One universal failing in responses has been to ignore the gendered impact of the crisis, for example focusing on the formal, rather than informal, sectors and not ensuring that social protection is extended to informal sector workers or migrants, many of whom are women.

The most significant challenge for governments, international institutions, and civil society remains to find ways of building on the resilience with which families have faced the crisis, providing support that prevents harm and allows them to recover strongly.

Fiscal and monetary responses

Many governments have used fiscal policy to stimulate their economies. Between late 2008 and October 2009, fiscal stimuli adopted by the 59 countries on which UN-DESA has data were worth 4.7 per cent of these countries' GDP, or $2.6 trillion.[80] Countries with sufficient fiscal space (i.e. not entering the crisis with an already large debt or fiscal deficit) or access to sustainable or concessional financing have been in a better position to respond, especially where they also have adequate political space for manoeuvre, *i.e.* where there are few restrictive conditionalities imposed from outside. Several developing Asian economies with large foreign reserves have been more readily able to undertake fiscal loosening than many cash-strapped low-income countries. Indeed, compared with other regions, fiscal and monetary responses in Asia have been generally rapid and comprehensive. Some Pacific and African governments, with reasonable levels of fiscal space, have been able to undertake fiscal expansions and tolerate deepening deficits, whereas other countries in the same regions with less available space have been forced instead to cut expenditures.

The size and focus of stimulus packages and counter-cyclical expenditures have been varied and have included increasing public spending and infrastructure investment as well as tax cuts and subsidies to stimulate both consumer and business demand. Public spending has generally dominated the packages in developing countries, whereas tax breaks have dominated developed nations' responses.[81] Zambia has given a massive tax break to its mining industry but more as a result of abandoning proposed reforms out of desperation rather than as a positive stimulant. By contrast Ecuador has managed to see through its own fiscal reforms, increasing tax collection by $1 billion in 2009. Unable to devalue due to its dollarised economy, Ecuador has also introduced trade restrictions to curb imports from neighbouring countries with devalued currencies. Although many African nations have responded similarly in previous crises, this time many appear to have eschewed trade restrictions.

Economic Policy and Job Creation

Governments have tried to create jobs through infrastructure spending (the most consistent aspect of government responses) as well as tax breaks and incentives. Spending on infrastructure is particularly dominant in Argentina, China, and the Asian Tiger economies.[82] In most cases, infrastructure spending has been large scale, and not targeted to specific community needs or designed to create jobs for women. India's National Rural Employment Guarantee Scheme and Indonesia's PNPM are notable exceptions. The ILO calculates that if current fiscal stimuli are maintained and better focused on appropriate jobs (as recommended in the ILO Global Job Pact) then global employment could be raised by seven per cent.[83]

In contrast, an early exit from fiscal stimulus would, by the ILO's reckoning, postpone employment recovery and increase the risk of long-term joblessness, labour market exclusion and employment informality.[84] There has been a clear tension, especially in South-East Asia, between 'fast-tracking' projects to create jobs and safeguarding peoples' rights and the environment. However, some stimulus packages (Indonesia's and the Philippines', for example) have included small-scale and community infrastructure, credit for SMEs, increased spending on agriculture, and a focus on re-orienting away from an export-led focus towards generating greater domestic demand.

Social responses

As vulnerability has not been entirely predictable, countries with universal social services or flexible social protection have been better able to direct a response to where it is most needed. Examples include Brazil's Bolsa Familia, which expanded its coverage by almost 1m households to a total of 12m. The World Bank's qualitative assessment of crisis impacts in Asia found that with the exception of Mongolia, where families with children were *universally* eligible for monthly and quarterly payments, respondents in low income countries had almost no access to formal safety protection mechanisms.[85] [86] Botswana's extensive series of safety nets have positioned it well to deal with the country's major socio-economic challenges and South Africa's state-funded unconditional social assistance programme is helping, but coming under funding pressure.[87] As the majority of developing countries have weak social welfare systems, many have had to use discretionary spending to respond to the employment and social consequences of the crisis, whereas in developed countries many of these provisions are built into the system in the form of 'automatic stabilisers' such as unemployment insurance, which kick in immediately without requiring new government decisions.[88] The absence or limitations of these automatic stabilisers in many low-income countries has resulted in many of the most vulnerable women and men (including migrants and those working in the informal economy) falling through the cracks in official responses.

On the international stage, the ILO has been the chief advocate of a 'universal social floor' as a means of recovering from the crisis: "Building a basic social protection floor should include access to health care, income security for the elderly and persons with disabilities, child benefits and income security combined with public employment guarantee schemes for the unemployed and working poor. This needs to be done adapting to local realities and on a fiscally sustainable basis. Least developed countries should receive development assistance to support this effort."[89]

There is a danger that new programmes built as ad-hoc crisis responses can undermine longer-term objectives, yet as Martin Ravallion, director of development research at the World Bank, notes "[past] crises have given birth to some of the worst social protection policies and some of the best."[90] A more favourable outcome is likely if schemes factor-in countries' longer-term development objectives as well as addressing the immediate impacts of the crisis, moving progressively from immediate protection towards prevention, promotion and long-term transformation.[91]

Work on developing a Social Protection Floor has already been initiated in a few regions, yet at present, social protection measures that cover informal sector workers and the self-employed exist in only a third of all developing countries.[92] Recent research by ODI across ten developing countries found that social protection provision is currently "piecemeal and fragmented", with low coverage assisting only a small proportion of people living in poverty.[93]

Nonetheless, many governments have made efforts to scale-up or install new forms of social protection in response to the crisis, especially in South-East Asia. In Central America and the Caribbean general consumption subsidies (for food, fuel, transport, and power) have formed the bedrock of responses, whereas in South America there has been more targeting of support to vulnerable groups and poor families. Across Latin America social spending has progressed from being pro-cyclical ((cutting in a recession, thereby making the impact even worse) in previous crises to now being counter-cyclical. Yet, social protection responses to the crisis have generally been small increases to already limited programmes. ODI found little evidence of interventions to address the poverty consequences of the crisis on any significant scale, with those in formal employment, especially government employees, receiving a disproportionate level of support.[94]

The ILO, however, draws more positive conclusions than the ODI, perhaps because it is focussing more on announced plans, than implementation. In a survey of employment and social protection measures taken in response to the economic crisis between June 2008 and July 2009 in 54 countries, the ILO found that all countries have given a high priority to infrastructure investments to stimulate labour demand. Low and middle-income countries have also invested in expanding social protection whereas better-off countries have spent more on labour market policies. In those low and lower-middle income countries that increased their support to poorer households the additional transfers have, according to the ILO, tended to be targeted to the most vulnerable including disabled people, deprived castes, returning migrants, widows, and destitute women.[95]

Table X: Selected examples of targeting[96]

	Low income	**Lower middle income**	**Upper middle income**
Increased support to low-income households	Kenya (mentally challenged), Bangladesh (destitute women and others), Nepal (children, elderly, deprived castes), Viet Nam	India (widows, disabled), China (returning migrants), Philippines (conditional cash transfers, very poor)	Argentina, Brazil, Colombia, Costa Rica, Peru, Honduras, South Africa, Malaysia, Chile, Romania, Russia
Increased targeting of employment programmes at the poor	Cambodia (small projects in rural areas), Viet Nam (infrastructure in poorest districts)	Philippines, Pakistan, India, South Africa	Uruguay (long-term and older unemployed), Peru (low-income youth), Serbia (regions), Turkey (poor regions), China (regions with low credit availability), Mexico (poor regions)
Increasing coverage or level of old-age pension and support to the elderly	Tanzania, Kenya, Bangladesh, Nepal	China	Romania, Russia, Dominican Rep., South Africa, Chile
Increasing coverage of unemployment benefits/assistance	Viet Nam	Ukraine	Poland, Romania, Uruguay, Chile, China
Increasing level/duration of unemployment benefits			Russia, Brazil
Measures to protect migrant workers	Bangladesh, Nepal, Viet Nam	India (Kerala), Jordan, Egypt, Philippines, Pakistan	Brazil
Strengthening maternity protection	Bangladesh	India, Jordan	
Family-friendly policies/promoting employment of women		India, South Africa, Jordan	Chile, Russia
Expanded training and employment measures for youth	Kenya (reallocation of resources for youth)	Philippines (expansion of employment programmes),	Turkey (employment incentives, training), South Africa (public works), Argentina

		Jordan (infrastructure targeting youth, training)	(training), Colombia (training), Dominican Rep. (training), Peru (employment programmes), Russia (training)

International institutions

In past crises, international financial institutions' policies have sometimes exacerbated vulnerability, for example by imposing pro-cyclical spending cuts and other inappropriate policies via the practice of attaching conditions to their loans.

However, new loans in response to this crisis contain less, but still highly significant conditionality governing borrowing country's macroeconomic policies. For example, the International Monetary Fund (IMF) has recently reformed its conditionality and lending framework, which eliminated some structural conditionality. But macroeconomic conditions such as limits on deficits and on certain types of spending, or requirements that governments impose new taxes or kept on hand certain levels of international reserves continued to be placed much as in the past. Donor countries increased the resources available to the IMF to $750 billion, although the bulk of this money is destined for middle income countries, primarily in Eastern Europe. Other reforms include doubling the concessional lending capacity for low-income countries and moves to improve the terms on loans to the poorest countries.[97]

The World Bank, has channelled significant amounts to middle income countries affected by the crisis. Its middle-income arm the IBRD lent $33bn in fiscal year 2009, compared with $14bn the previous year[98]. However, in spite of some frontloading of funds, it has not be able to scale up its lending to low income countries in the same way. Part of this is due to technical hold-ups in recipient countries, but a larger part is due to the Bank's overly complex allocation and disbursement systems. This is in spite of receiving a mandate from the G-8 and G-20 to strengthen social protection and address food supply issues in the poorest countries.[99] In recognition of this, the Bank's board has just approved a new 'crisis window' for its low income – IDA – arm. This will lend money quickly without conditions, looking only at need and targeting the countries' whose growth has been most affected. An evaluation by the Bank's Independent Evaluation Group (IEG) concludes that the Bank needs to focus better on poverty in its crisis response[100]

Although the World Bank and IMF may have retreated somewhat from their earlier insistence on the economic orthodoxy of the Washington Consensus, which has been found wanting in previous crises, there is little sign of either institution promoting genuine alternatives or an openness to new policy approaches in dialogue with governments. It seems that on economic policy, the IMF and World Bank have moved from orthodoxy to a degree of agnosticism, but stopped a long way short of heresy.

The crisis has accelerated the profound geopolitical shifts of recent years, shown in the formal recognition of the G20 as a replacement for the G8 and the continued economic and political rise of China. Regional bodies and identities have also seen a rapid rise to prominence, with ASEAN taking a lead role in Asia, and the African Union engaging with the G20.

Asia and the Pacific

In response to the GEC, Governments in South-East Asia have instituted a range of measures - fiscal, economic and social – with a strong focus on infrastructure investment, job creation, social protection, monitoring and with a lesser focus on social dialogue. While these responses have supported an initial recovery, they have not adequately targeted women's employment or extended social protection to informal and migrant workers. Instead, individuals and families have mainly had to rely on their own resilience and social networks to withstand the crisis

The Pacific Islands governments initially took a less pro-active response to the crisis, in part due to the timelag in the crisis hitting the region. While some governments have increased spending, the drive for new infrastructure and social protection schemes, along with a push for improved economic management has initially come from donors and international financial institutions, rather than from governments.

An emerging trend is the pursuit of regional solutions to these global problems, particularly in South-East Asia.[101] ASEAN has taken a lead on regional dialogue in South-East Asia in response to the crisis. A key response has been the eventual signing of the Chiang Mai Initiative Multilateralization (CMIM) agreement to address balance-of-payments and short-term liquidity difficulties faced by the signatories via a US$120 billion currency-swap facility[102]. This idea has been around since the Asian Financial Crisis but was delayed by opposition by the US and the IMF, which was concerned that it would usurp its role.

The Asian Development Bank has focused mainly on economic growth and infrastructure development and to a lesser extent on social support and counter-cyclical spending. Out of the 76 projects listed under the ADB's crisis response lending from September 2008 – December 2009, amounting to $10.2 billion in committed funds, 29 (38%) are for macroeconomic support, 25 (33%) are for infrastructure financing, 7 (9%) are for social support through health and education and the remaining projects or programs are directed at governance, emergency assistance and agriculture.[103]

Fiscal and monetary responses

Countries first deployed monetary policies to address the impacts of the crisis. Most countries had tightened monetary policy in early 2008 in response to sharp increases in commodity prices. By late 2008, most governments were easing monetary policy by reducing prime lending and repurchase agreement interest rates (repo rates) and increasing liquidity by changing cash reserve rules. On average interest rates in Asia fell by about 2.3%, five times more than in previous recessions[104]. Pakistan, where monetary policy is being operated under an IMF programme, bucked the trend, keeping interest rates high in order to fight an inflationary problem that preceded the GEC. Governments also took measures to support domestic financial markets and by mid-2009 these appeared to have had some positive effect, although small enterprises still found credit tight.[105]

East Asian countries all undertook some level of fiscal stimulus ranging from very large – China at 12-13% of GDP over two years (6% GDP per year), Malaysia (9%), Singapore (8%), Vietnam (8.3%), South Korea (6.2%) to much smaller – Thailand (3.4%), the Philippines (3.1%) and Indonesia (1.4%).[106]

Asia's fiscal stimulus has differed from that of other regions on three aspects: first, the size of fiscal stimulus; on average, in Asian economies, fiscal stimulus in 2009 amounts to about 2.7 % of GDP, compared with about 2 % on average in the G-20. Second a greater reliance on spending *than tax measures. Asian economies devoted about 80 percent of their discretionary fiscal stimulus to increased spending, against about 60 % in the G-20. Third - faster implementation. Close to 50 % of the stimulus has been implemented on average in Asian economies, well above the G-20 norm.*[107]

In the Pacific Islands, however, a number of countries have responded to their fiscal crises by cutting essential services. The Marshall Islands have cut education expenditures in the next budget. Palau has cut government spending by 10 per cent and dropped a proposed financial assistance programme for low income families and most government funded development spending in the Solomon Islands has been deferred.[108] To date, only the Marshall Islands and Samoa are making efforts to prioritise essential expenditures in order to reduce the impact of spending cuts.[109]

Economic Policy and Jobs

Stimulus packages and responses in South-East Asia have focused strongly on creating jobs. Large scale employment generation is less relevant in the Pacific Islands where most people are subsistence farmers.

Infrastructure investment has been the most common way to create jobs.[110] Cambodia, Vietnam, the Philippines, Indonesia, the Cook Islands, Fiji, the Solomon Islands, Timor-Leste and India received loans from the ADB to fund infrastructure development, predominantly roads and water infrastructure.[111] The majority of infrastructure funding is for large scale projects, and only two countries in South East Asia (Indonesia and the Philippines) have employment criteria to ensure that projects are labour intensive and small scale[14]. Countries without employment criteria often invest in capital- rather than labour-intensive infrastructure, thereby reducing the number of jobs created. Other concerns surrounding infrastructure responses include their implicit neglect of women's jobs, even where most job losses have been by women in export-oriented light industries, and the environmental and social impacts of 'fast-tracking' infrastructure without adequate safeguards. A number of countries have attached green criteria to their infrastructure investments, including the Philippines, China, India, Japan and the Republic of Korea, however this requires ongoing scrutiny to analyse the real environment and social impacts of purportedly green investments.[112]

A possible alternative to investment in large individual infrastructure projects is provided by India's National Rural Employment Guarantee Scheme (NREGS), which guarantees to all rural citizens who request it 100 days of paid work per year at the minimum wage on local public works schemes such as water conservation and roads. The NREGS acts as a labour-intensive automatic stabilizer, both creating jobs and acting as a fiscal stimulus in rural areas. Although still in its early stages and despite differences in implementation across the country, the scheme has already benefited some 30 million households to date, and just over half the participants have been women.[113]

Governments have also funded a range of non-infrastructure projects. In the Philippines, Thailand and Cambodia this has included increased investment in agriculture.[114] In Thailand, the stimulus package focused on farmers and the poor by funding projects that could spend money within a year. The Philippines has undertaken the Comprehensive Livelihood and Emergency Employment Programme (CLEEP) that called upon departments to propose projects to 'to protect the most vulnerable sectors - the poor, hungry, returning expatriates, workers in the export industry, and out-of-school youth -

14 Small scale infrastructure has the benefit of being targeted to community needs and having the potential for strong linkages into local markets through procurement and local labour, including stronger chances of women's employment in both construction and to staff clinics and schools and other community infrastructure.

from threats and consequences of reduced or lost income as a consequence of the global economic crisis'.[115] As of 25 September 2009, official figures showed that over 300,000 jobs had been created (70% of the planned number).[116] Whilst increased investment in agriculture is welcome, civil society organizations have criticised CLEEP for focusing on export commodities, and therefore reinforcing dependence on fickle international markets.[117]

Governments have provided tax breaks to businesses and individuals, and given subsidies and loans to keep enterprises afloat. Business support within Vietnam's stimulus has been used predominantly by large enterprises, attracted by the low interest government loans on offer.[118] Few small to medium enterprises have managed to overcome the administrative hurdles involved, while informal workers face even greater barriers in accessing credit.

Parts of the private sector, particularly those engaged in export-oriented manufacturing, have responded by replacing permanent workers with casual ones, or eroding workers' hours or conditions.[119] In contrast, some Vietnamese enterprises have tried to diversify by moving into higher value products, improving working conditions, increasing their domestic market share or expanding into new markets including Egypt, the Middle East, ASEAN and Hong Kong. Such efforts have been easier for larger enterprises that have the requisite experience and financial backing.[120]

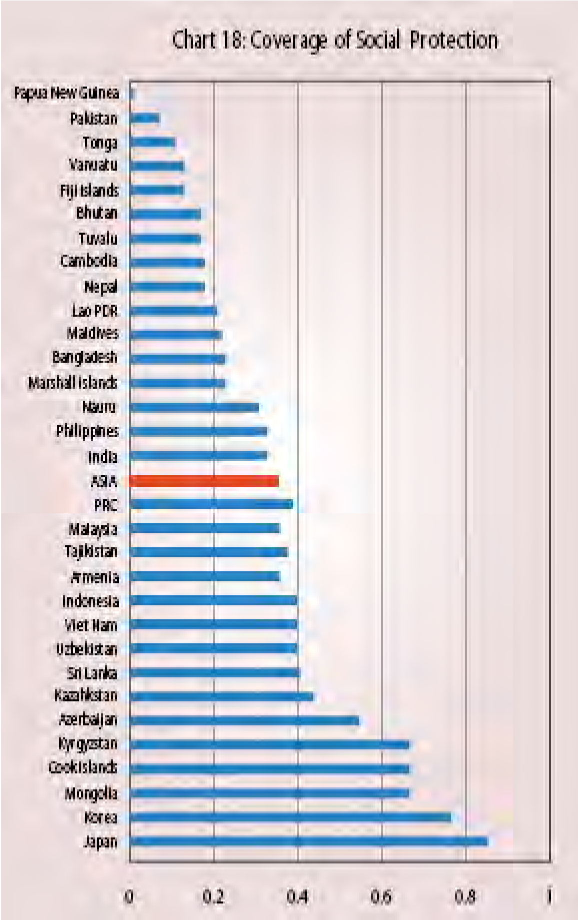
Governments have instituted training and employment services to support laid-off workers, although these have not always been adequately targeted or linked to real job opportunities. In Cambodia, the government allocated US$7.5 million to retain laid off workers for one to four months, and then provided micro-credit for them to establish small businesses. Sixty percent of trainees (29,250 workers) were garment workers, of which the majority were women. The scheme provided training for just over half of laid-off garment workers. According to a number of unions, many of the remaining redundant workers wanted to participate but could not survive on the US$1 a day offered by the scheme and had to find other work to support their families.[121]

Governments have largely not rolled back labour law,[122] but may be enforcing it inconsistently, particularly in regards to the informalisation of the workforce.[123]

Social policy

Almost all countries in Asia have in place some kind of social insurance system and social assistance (see fig X). Most of these schemes, however, are accessible only to formally employed workers, and reach only a minority of the population. For Asia as a whole, only 30% of the elderly receive pensions, and only 20% of the unemployed and underemployed have access to labour market programmes, such as unemployment benefits, training or public works programmes, including work-for-food programmes. Health care has emerged as one of the biggest issues: only 20 % of the population has access to health care assistance, and Asia has the highest rates of out-of-pocket health care expenditure in the world.[124]

Figure X: Coverage of Social Protection in Asia[125]



- Social responses by governments have included the expansion of existing social services or social protection measures alongside the introduction of new programs. Despite an increased focus on social protection, these measures have not necessarily reached those affected by the crisis. In general, government measures that are universal or had flexible targeting are able to better support people affected by the crisis, many of whom are not covered by existing social protection.
- Most governments have managed to maintain pre-crisis levels of social spending:
- The Indonesia health insurance scheme Jamkesmas targets the poor for free services in integrated health service posts. The funding for this has been increased, as planned prior to the crisis.[126]
- In Cambodia, 30% of households surveyed by Oxfam reported receiving some form of official aid from government or NGOs since the crisis began. Of those, 35% received free health care or medicine. The Government-supported programs were targeted to the poorest rural villages and some other rural villages, but didn't cover the urban poor. The NGO programs, in contrast, focused on the urban poor.[127]
- Thailand has maintained its old age allowance introduced just before the crisis, but Oxfam's research showed that the parents of many garment workers had not yet received any payments under the scheme. In addition, as many workers had parents

under 60, the scheme may not ease the strain for rural families of reduced remittances from their newly unemployed sons and daughters in the cities.[128]

- Vietnam has maintained its new unemployment insurance scheme, but coverage is limited to certain categories of formally employed workers and the impact after less than one year of implementation is unclear.[129]
- In China, local governments have frozen planned wage increases in 2009, whereas in Indonesia, part of the stimulus package saw an increase in wages for civil servants, military, police, retired government personnel and teachers/lecturers.[130]
- Existing programs to provide free or cheap food have provided some support: in Indonesia, women in Oxfam focus groups were buying cheap rice from the Raskin programme established during the 1997/98 crisis; in Cambodia, the long running World Food Programme food for work scheme was already operating in the poorest rural villages. Similarly, a free food programme run by NGOs in Cambodia was helping in a fishing village that received little aid from the government, and was experiencing serious difficulty both high food prices and the economic crisis.[131]
- Families benefited from existing school fee waiver schemes in Indonesia and Thailand. However, in both cases, families were stretched by the other costs associated with education including food, transportation, books, uniforms and some schools collecting 'voluntary' contributions.[132]

In some cases, governments have gone further and introduced new programs in response to the crisis. Commune authorities in Vietnam extended a 'student loans for the poor' scheme to all households, helping keep students in education.[133] In the Pacific, bilateral donors have funded school fee relief (NZAid in Samoa) and labour intensive schemes supporting schools and health facilities in the Solomon Islands and Vanuatu.[134] This is particularly significant considering the low level of existing social protection and access to social services across the region.[135]

A key concern with social protection schemes is accurate and effective targeting. Oxfam's research uncovered many instances in which those affected by the crisis were unable to access support. In Vietnam, migrant workers, their service providers, households depending on remittances and returning fired workers said they had not received any official aid aside from the general assistance given to all poor households. Internal migrants across South-East Asia remain ineligible for cash transfers or other social programs, because they are not counted as residents either in their home village or their place of work.

Two of the most significant gaps in social protection are coverage for informal and migrant workers. Informal workers make up a large proportion of workers in South East Asia and the Pacific and their numbers have increased as a result of the crisis. The only country to move to better integrate informal workers as a result of the crisis has been China, which legalised street vendors by allowing them to register from a home address rather than a business address, allowing vendors with no fixed place of trade to become part of the urban business community.[136]

In general, responses have lacked a strong gender analysis of crisis impacts, despite the significant impact on women through formal sector employment in export industries, their prevalence in the informal sector and their role in providing additional care in the reproductive economy. Infrastructure projects that have dominated fiscal stimuli have mainly created jobs for men. Despite the vulnerability of informal sector workers and migrant workers, many of whom are women, very few measures have been provided to support migrant workers, either in the host or the home country. Women's organizations have not played a key role in informing government responses in the region.

The UNDP survey[137] sums up the lessons to date as follows:

'It is better to expand and modify established safety net programmes than to create new ones; it is important to protect pro-poor spending, not only on health and education, but also relevant infrastructure; self-targeted schemes (such as those based on work) are more effective than other attempts at targeting.'[138]

UNDP argues strongly for increasing spending on social protection:

'Developing Asia spends less as a share of GDP on social protection than other regions. In many countries the main social safety net is via product subsidies (e.g. on fuel and rice), and is often fragmented among many schemes.

Countries can therefore make some headway by consolidating multiple schemes into a more coherent programme. There is also significant scope for moving from product subsidies to more targeted and equitable cash transfer schemes. For instance, Indonesia and Egypt spent 5 % of their gross domestic product (GDP) in 2005 and 8% of GDP in 2004 on energy subsidies.'[139]

Sub-Saharan Africa

Responses to the economic crisis in Africa have been varied but limited. They are perhaps more notable for what they have not done, rather than what they have. The full picture of budgetary responses is not likely to emerge until later in the year, but with that caveat, the pro-cyclical spending that dogged past crises looks generally to have been avoided. So far, government social spending has, on the whole, not been dramatically cut back, but then neither has it been dramatically scaled-up. Social protection programmes or stimulus packages have been limited and not always well-targeted. The vast majority of Africa's people lies beyond the reach of such official responses, relying on their own social and informal networks to get by.

Fiscal and monetary responses

According to the latest IMF analysis,[140] the majority of economies in sub-Saharan Africa are responding to this crisis better than in previous global economic slowdowns. As the crisis has progressed, the Fund has generally revised its estimates for Africa's fiscal deficits downwards in more low-income countries and fragile states rather than upwards, meaning governments have accepted increased deficits through spending and falling revenues. The Fund believes that many governments have been able to implement counter-cyclical fiscal policies in spite of falling revenues. [141]

Spending in some middle-income sub-Saharan African countries, mostly those heavily reliant on oil and gas revenues such as Angola and XX, increased in 2009. At the same time, in low-income countries government spending fell slightly. However, revenues in these countries fell even faster, so central government spending across sub-Saharan Africa was expected to rise to 120 per cent of revenues in 2009 (up from an average of 90 per cent for the past five years); in most cases funded by increased borrowing. Spending growth in real terms is predicted to remain high compared with recent years in many countries in the region.[142]

The Fund states that some countries without significant financing constraints have adopted counter-cyclical measures to sustain domestic demand. Analysis commissioned by UNESCO suggests there are 22 low-income countries in the region where instigating and sustaining such counter-cyclical measures will be a difficult challenge without, in most cases, additional aid. [143] South Africa's stimulus package is the largest in the region in absolute terms ($4.2 billion, 1.5 per cent of national GDP) and has positioned it to sustain domestic demand. In relation to the size of countries' economies, Tanzania's stimulus package is one of the largest in the region, worth 6.4 per cent of GDP ($1.3 billion in total). [144]

The Tanzanian government's support package has taken the form of limited and time-bound support to banks that have extended non-performing loans to sectors that have been affected by the crisis. It has also instigated measures to ease constraints on production, processing and manufacturing, and trading, including maintaining infrastructure investments, stabilising farmers' incomes, guaranteeing loans, maintaining fertiliser subsidies, and recapitalising the Tanzanian Investment Bank.[145]

Once signs of recovery become more evident, the IMF argues that fiscal policy should refocus on medium term objectives of achieving growth and development, with a high priority given to sufficient spending to address large deficits in infrastructure and human capital. Although debt sustainability indicators have already worsened to some degree in many countries, they are not yet a cause for alarm, according to Fund economists. That said, countries that have borrowed from the Fund either during the financial crisis, or the food and fuel-price crisis that preceded it, will in just a few years need to repay the principal of these loans, thereby creating increased fiscal pressures.

The IMF asserts that improving the effectiveness of those counter-cyclical fiscal policies which have been adopted depends, amongst other things, on reinforcing automatic stabilisers (instruments of the welfare state that don't rely on discretionary spending, but which automatically kick-in, such as unemployment benefits), enhancing fiscal institutions, and relaxing financing constraints, all of which must be underpinned by sound institutions, a commitment to good governance, and improving public sector efficiency and effectiveness.[146]

Between January and August 2009, the IMF itself committed roughly $3 billion of new concessional lending to countries in sub-Saharan Africa (compared with $1.1 billion in 2008 and $0.1 billion in 2007). Countries' use of such loans will depend on their decisions as to whether to first make changes to planned spending or to draw down on generally healthy international reserves.[147] Uganda, in particular, has been cautious not to take on new borrowing, prompting one Fund insider to describe it as 'more Catholic than the Pope'.

IMF member countries also have the option of using the new quota of 'special drawing rights' (SDRs) issued in August 2009, worth $250 billion globally, and $11.8 billion in Africa. This global form of 'quantitative easing' has disproportionately benefited Zambia, since its SDR quota reflects the days after independence, when it accounted for a much larger proportion of Africa's economy. As a result, the Zambian government received a windfall of $630 million from the SDR allocation, greatly improving its reserve position. One senior international aid official in Zambia commented, "The IMF has transformed into Father Christmas overnight. It's surreal, mind boggling. Zambia was always held up as how to have an awful relationship with the IMF. In the press, the Fund is now the most popular institution around." [148]

But the Zambian government's own response to the crisis has been lacklustre, "If you look at the spending side, all the increase has been urban – that's a political decision because that's where the next election will be won or lost. The rural poor can be taken for granted" said the aid official. In part the response has been constrained by Zambia's weak fiscal position and it's surrender of potential tax revenue from the mining sector, but in any case has appeared to lack urgency or particular interest in addressing the poverty consequences of the crisis.[149] By contrast, Uganda has also opted not to increase tax rates, but has instead committed to improve its tax revenue administration as well as increasing its supervision of the financial sector.[150] Angola is also undertaking reforms of its fiscal system but has had to revise downward its national budget for 2009 to reflect its reduced revenues. [151]

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With the lowest debt burdens in the region and with the most ready access to finance, spending in middle-income African countries (with the exception of the Seychelles) increased in 2009. In low-income countries government spending fell slightly. Average central government spending across all income groups in sub-Saharan Africa was expected to rise to 120 per cent of revenues in 2009 (up from an average of 90 per cent for the past five years); most likely funded by increased external and domestic borrowing. Spending growth in real terms is predicted to remain high compared with recent years in many countries in the region.[154]

The Fund suggests that in countries without significant financing constraints, counter-cyclical measures should remain in place and fiscal deficits may need to remain high for some time to sustain domestic demand. Analysis commissioned by UNESCO suggests there are 22 low-income countries in the region where instigating and sustaining such counter-cyclical measures will be a difficult challenge without, in most cases, additional aid.[155] South Africa's stimulus package is the largest in the region in absolute terms ($4.2 billion, 1.5 per cent of national GDP) and has positioned it to sustain domestic demand. In relation to the size of countries' economies, Tanzania's stimulus package is one of the largest in the region, worth 6.4 per cent of GDP ($1.3 billion in total).[156]

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Where financing constraints do exist, the IMF cautions that deficits will need to be carefully managed. Nonetheless, the Fund's view is that premature withdrawals of stimuli should be avoided and that 2010 budgets should be drafted with a view to achieving economic recovery. Whereas middle-income countries are being advised to "walk not run for the exit to the crisis", low-income countries are being recommended first to "look around and figure out where the exit is."[158] Once signs of recovery become more evident, the IMF advocates that fiscal policy should refocus on medium term objectives of achieving growth and development, with a high priority given to sufficient spending to address large deficits in infrastructure and human capital. Although debt sustainability indicators have already worsened to some degree in many countries, they are not yet a cause for alarm, according to Fund economists.

In the past the success of counter-cyclical fiscal policies in the region has been mixed. The IMF suggests that improving the effectiveness of such measures depends, amongst other things, on reinforcing automatic stabilisers (instruments of the welfare state that don't rely on discretionary spending, but which automatically kick-in, such as unemployment benefits), enhancing fiscal institutions, and relaxing financing constraints, all of which must be underpinned by sound institutions, a commitment to good governance, and improving public sector efficiency and effectiveness.[159]

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Economic Policy and Job Creation

In addition to crisis-related stimuli, South Africa's economy has been boosted by its numerous pre-existing construction projects in preparation for hosting the 2010 football World Cup. Beyond this, in February 2009, South Africa announced a framework for responding to the crisis with an emphasis on creating and maintaining decent work. By far the largest investment announced was a three-year programme of infrastructure investment. The framework aims to extend an Expanded Public Work Programme to 4.5 million people by 2014 and to "pursue the transformation of informal economy activities and its integration into the formal economy". However, the details of this remain hazy and agriculture's contribution to economic growth and poverty alleviation has been overlooked.[165]

In Malawi a significant fertiliser subsidy programme was instigated during the preceding food and fuel price crisis, but as the economic crisis has depressed prices, the government has been able to reduce its subsidy by around a third during 2009. Uganda has increased funding to the agricultural and energy sectors as well as shifted its focus to promoting regional, rather than global, trade, which has helped protect the country from the worst of the crisis.[166] Angola's national plan for 2009, revised in light of the crisis, contains several important initiatives targeting support to the agricultural sector, rural development, and nutritional and food security. It also set out to create 320,000 new jobs in 2009 but this was a pre-existing plan, rather than a crisis response.[167]

Social Policy

Africa is lagging other regions in its use of social protection policies to provide shock absorbers against the impacts of events such as the economic crisis. Many countries have struggled to mobilise additional resources that were already under severe strain from the preceding food price crisis. In most countries, official safety nets are often threadbare or non-existent. By contrast, Botswana's extensive series of safety nets have positioned it well to deal with the country's major socio-economic challenges.[168] In South Africa, though there is a state funded unconditional social assistance programme in place, this found itself short of funds at the beginning of 2009 and the Department of Social Development had to request additional resources to cope with increasing demand.[169]

In Nigeria policy responses have attempted to rein in the widening fiscal deficit by curtailing social expenditures rather than expanding provision. The 2009 budget cut education spending by 16 per cent and health by 29 per cent. Fortunately, along with Uganda, Nigeria's spending on universal primary education is funded by conditional debt relief funds, and so is ring-fenced. Kenya has also struggled to mount much of a response, as its existing commitments to education and other social sectors were proving difficult to meet before the crisis unfolded, largely as a result of unforeseen costs associated with the food price crisis and civil unrest in 2008.

Mozambique, in common with many other countries in the region, has inadequate and ineffective social protection provisions. Its largest programme, a food subsidy initiative for people living in poverty and unable to work, reaches under 150,000 people (out of a total population of 22 million, over half of whom live below the national poverty line[170]). A new social protection strategy is being developed under the leadership of the Ministry of Women and Social Action, but continues to be plagued by obstacles including inaccurate targeting, institutional barriers and funding limitations.[171]

By contrast, the Ghanaian government has attempted to significantly increase its social protection coverage in the wake of the crisis. Ghana's National Social Protection Strategy was designed in 2007, but had not made it through Parliament by the time the crisis hit. In any case components of the programme have already been launched and coverage of a new social grants programme was extended during the food crisis. The 2009 budget committed Ghana to increase social protection expenditure, maintain its school feeding programme, and extend participation in the National Health Insurance Scheme.[172] The Angolan government has also significantly increased social allocations within the budget; social expenditure accounts for 33 per cent of the national total, with nearly 20 per cent going towards social security and health. There are plans to target the most vulnerable sectors of society through measures including basic cost of living support to the elderly, improvements to housing, and food transfers. Uganda, too, is aiming to establish social protection measures for vulnerable groups.[173]

In Zambia there has been a "significant reluctance in the Zambian Government to extend social transfer programmes, in the form of cash, in-kind benefits, bursaries, school feeding or health care costs".[174] This is true both during and prior to the crisis. Zambia's social protection measures, such that they are, afford a high priority (greater than three-quarters of expenditure) to public sector pensions. These have been protected in the wake of the crisis, whilst other social protection contributions have declined.[175]

Non-state institutional responses

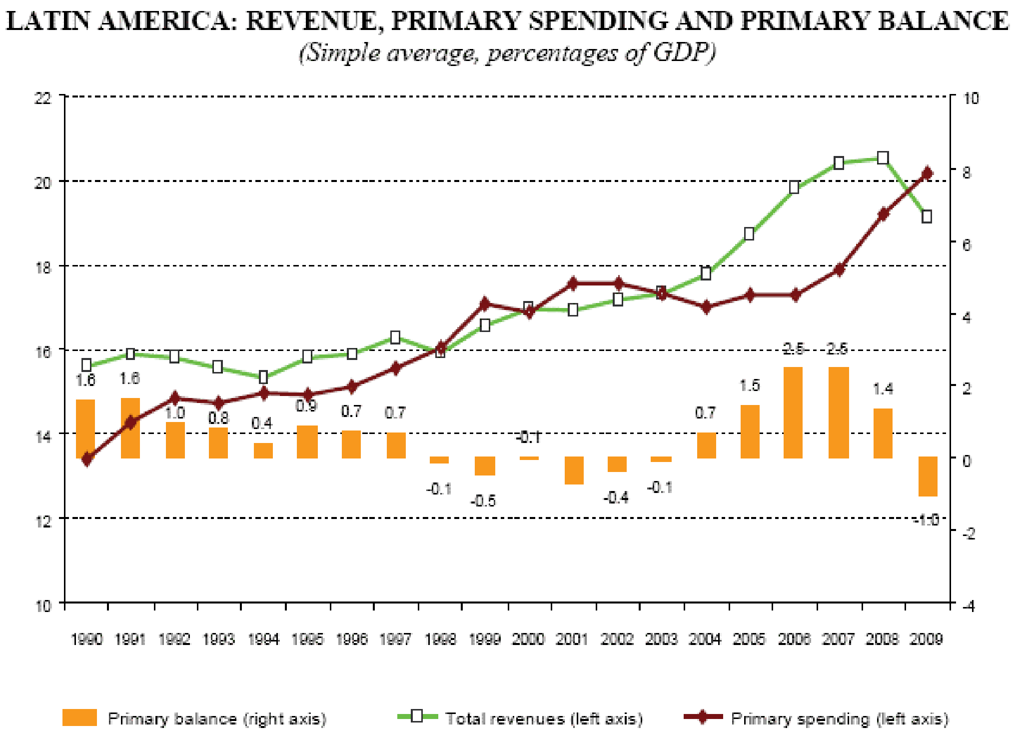
The picture of responses to the crisis in Africa by non-state institutions is a patchy one. In early 2009 the Institute for Development Studies (IDS) conducted a rapid evaluation of responses in Zambia and Kenya to both the food and economic crises. They found that NGOs and religious institutions were playing a fairly significant role in Kenya, mainly through food distribution and feeding programmes, but that they received a more mixed evaluation in Zambia – one international NGO came in for particular flak from the local community for distributing dolls: "These organisations bring dolls for our children! Are we going to eat these dolls? We are hungry and we are only interested in help that will provide us food and fertilizer."[176] Local NGOs and civil society organizations often rely on international sources of funding, including international NGOs and other donors based in the North, which have themselves been hit by the crisis. A survey by Oxfam Novib of 150 partner organizations found that two thirds had seen their funding fall, and that the donor organizations' own financial difficulties were by far the commonest reason given for funding cuts.[177]

Latin America and the Caribbean

Fiscal and Monetary Responses

The region's fiscal surplus of 1.4% of GDP in 2008 turned into an estimated deficit of 1% of GDP in 2009. This reflects both a decline in public revenues and an increase in public expenditures (including both current and capital expenditures), as shown in figure X.

Figure X: Title



Revenues have fallen both because of the slowdown in economic activity (hitting tax receipts) and because of falling commodity prices (in countries where the state receives large royalties from commodity exports). In addition, as part of the fiscal stimulus, a number of governments have introduced tax breaks and rebates for both companies and individuals.

In Mexico, the government chose to increase spending on the Departments for Social Services and Social Development, while cutting the budgets of the Departments for Agrarian Reform and Tourism to help achieve overall spending reductions of some 1.8% of GDP.[178]

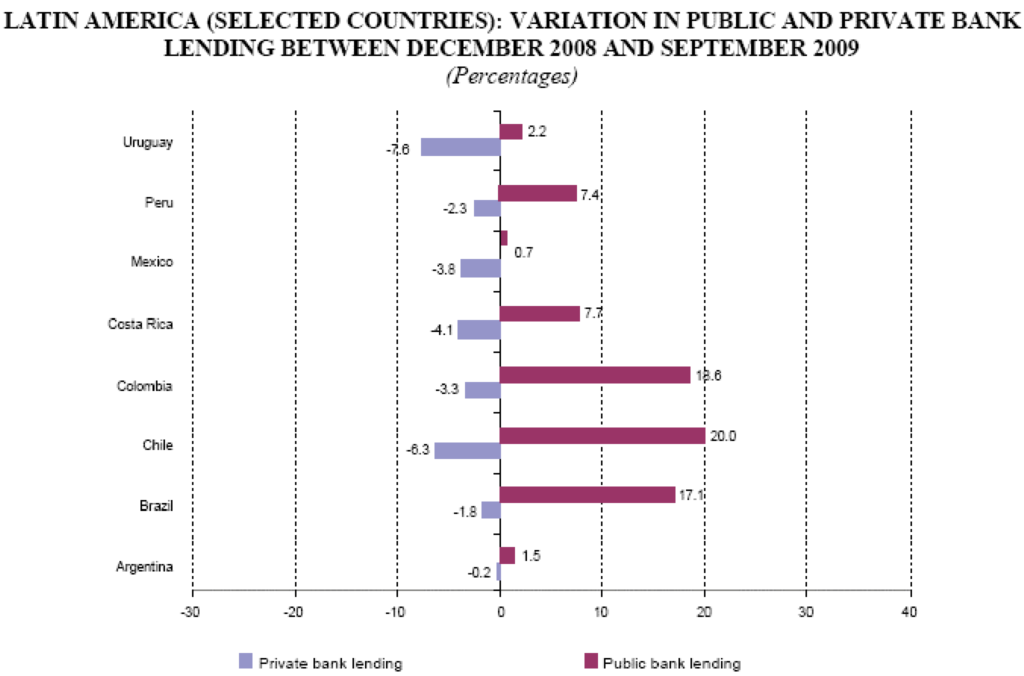
Oxfam's case studies in Ecuador and Nicaragua demonstrate how both countries are facing up to their fiscal dilemmas. Ecuador decided, prior to the crisis to implement the first step of a redistributive fiscal reform, which has meant that even with the crisis, tax collection increased in 2009 by $1bn. However, Ecuador's dependence on oil prices for 30% of its revenue makes its spending highly vulnerable to price shocks, both positive and negative. The Government had to dip into its reserves in late 2008 as well as receiving international public financing of $1.5bn from the Inter-American Development Bank and the Fondo Latinoamericano de Reservas and Corporación Andina de Fomento. It is also expected to enter into a billion dollar oil purchase agreement with China. Ecuador is also counting on a US$348m windfall for its reserves from the IMF's 2009 SDR issue, but is not seeking other loans from the IMF and World Bank, with which the country has no relation.

In contrast, Nicaragua´s regressive tax collection and public spending system remains in place and the reforms that the country agreed to in its letter of intent with the IMF[179] (valid until summer 2009) have resulted in only very limited progress. The increase in tax collection will be under 1% and most of the prior exemptions and exonerations will not be tackled, in a negotiating process conducted up to now exclusively between national authorities and private large entrepreneurs, with no participation by wider society.

Although many central banks lowered interest rates to try and reflate the economy, inflation fell back even faster, undoing their efforts. As in the North, the private banking sector has failed to respond to state support by increasing its lending, and many governments in the region have turned to the remaining public banks instead, with some success. Public bank lending has been particularly important in Brazil, where it provides around 35% of total credit. Countries like Mexico, which sold off virtually all its state banks during various periods of structural adjustment, did not have this option and saw credit dry up (see chart).

The very particular case of Ecuador, which has the US dollar as its national currency and so cannot use exchange rate policy to respond to balance of payments problems, has pushed the Andean country to adopt protectionist measures against imports from neighbouring countries that devalued their currencies. Those measures allowed Ecuador to almost close its trade deficit (from $7.5 to $0.5 billion) and gave opportunities to the textile and shoe sectors, boosting production and employment in certain regions in the country in the middle of a crisis.

Figure X: Title



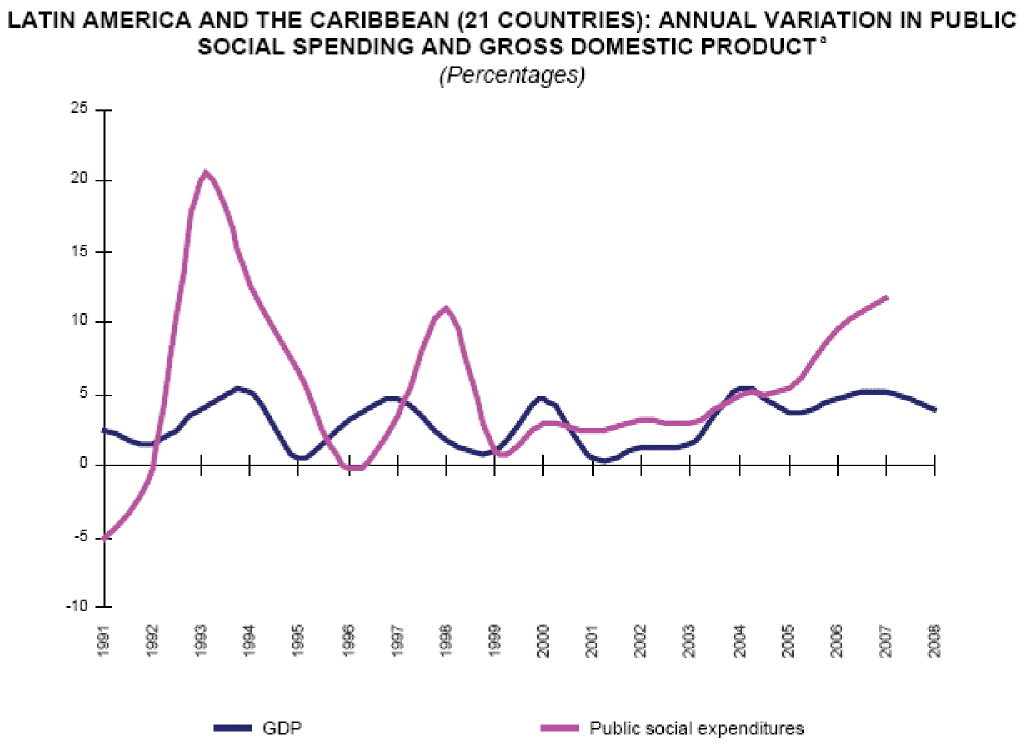
Social Policy and Job Creation

Latin American and Caribbean governments have introduced a combination of consumption subsidies and support for poor families. Consumption subsidies cover fuel, food, transport and electricity. Support for poor families has mainly helped vulnerable groups with housing, health care and education.

In South America and Mexico, most of the measures announced involve support for poor families while in Central America and the Caribbean close to half of the measures are for consumption subsidies (and the other half for family support).This difference may reflect disparities in institutional capabilities for carrying out social policies. Targeted policies tend to be more effective during crises, since they reach those who need them directly, but they make greater demands on institutions. By contrast, consumption subsidies are relatively simple to implement, but less effective because they are spread across the entire population and may even be regressive insofar as their benefits may accrue more to those who consume most.[180] This use of countercyclical spending by governments is all the more noteworthy because in previous crises social spending has been broadly pro- not counter-cyclical (see fig).

In this crisis, cash transfer programmes (CTPs) such as Brazil's renowned Bolsa Familia scheme have been particularly prominent and have proved their usefulness in responding to shocks, as governments in Brazil, Mexico and Chile, among others were able to rapidly expand existing schemes, both by paying more to existing beneficiaries, and by spreading the scheme to new households. CTPs have multiplied since the mid-1990s and by their very nature are more progressive than other types of transfers. They are now operating in 17 countries in Latin America and the Caribbean and involve over 22 million families, in other words around 100 million people (17% of all Latin Americans, and half of the total population living below the $2 a day poverty line). On average, however, they represent only 2.3% of total public social expenditures and 0.25% of regional GDP in the region. In the countries with the more established programmes, Brazil and Mexico, spending on CTPs is above the regional average (0.41% and 0.43%, respectively).[181]

Figure X: Title



A breakdown by ECLAC of government responses to the crisis up to 31 August 2009 found widespread use of both social policies (labour and social programmes) and sectoral policies (support for housing, Small and Medium Enterprises (SMEs), agriculture, tourism and industry).[182] A sample of the kinds of programmes being implemented is given below.

Housing: Uruguay introduced a new policy of state-subsidized mortgage loans for housing purchases and/or construction.

SMEs: The Mexican Government will make at least 20% of its purchases from small or medium-sized enterprises in 2009

Agriculture: Brazil has allocated US$ 6.47 billion in support for the agricultural sector, including US$ 2.19 billion in advances of resources from the state bank, Banco do Brasil and US$ 2.41 billion increase in the resources that banks earmark for the agricultural sector

Industry: Argentina's government has agreed loans for financing sales of motor vehicles and consumer durables, prefinancing of exports and working capital. They have announced credit lines targeting these activities worth US$ 3.68 billion, to be financed from official funds.

Labour: El Salvador has announced a 'comprehensive counter-crisis plan' that will provide support for the creation of 100,000 direct jobs in the next 18 months. The temporary employment programme will take the form of a scheme to extend and upgrade public services, utilities and social housing.

Social Programmes: Bolivia began the Juana Azurduy Mother-and-Child bonus, distributed to pregnant women and mothers of children under the age of 2.

The range and extent of responses shows that the region has come a long way since the slash and burn days of the 1980s, when governments, often under pressure from donors and international institutions, routinely cut spending in a pro-cylcical response to crises. Across the political spectrum, governments have shown a new understanding of the role of the state in cushioning both national and household economies against shocks.

Conclusions

Any general conclusions on both the impact of and response to the GEC must begin with a large health warning. At the risk of stating the obvious, the developing countries of the world, their patterns of resilience and vulnerability, and the lives of poor women and men within them are simply too diverse to permit easy generalizations. Moreover the GEC has moved (and is still moving) across the world through transmission channels of different speed and intensity. Finally, the GEC has interacted with other crises, notably those of food and fuel prices, in complex ways.

But if one word emerges from Oxfam's research into the impact of the GEC, it is resilience. Of countries, communities, households, and individuals. At a household level, such resilience is to a large extent, built on the agency of poor people themselves, their friends and families, and local institutions such as churches or community groups. More broadly, a community or household's resilience to a shock such as the GEC is to a large extent determined long before the crisis actually strikes. Pre-crisis factors that have strengthened resilience on this occasion include:

Economic Structures: Dependence on one or two commodities or markets increases the risk should they go into freefall; the degree and nature of integration with the global economy, particularly of the financial sector, has also proved a source of vulnerability. Countries that retain state control over a portion of the banking system have been more able to use those banks to channel credit to cash starved small producers and SMEs. Countries with effective systems of domestic taxation in place reduce their vulnerability to sudden losses of trade taxes or foreign capital inflows. Building regional trade links can offer a bulwark against slumps in global markets.

Role of the State: Resilience is enhanced when governments have entered the crisis with 'fiscal space' in the form of high reserves, budget surpluses and low debt burdens. Effective state bureaucracies capable of responding rapidly to the crisis with fiscal stimulus measures have also shown their worth. Well-designed and implemented labour laws are needed to deter employers from taking advantage of the crisis to attack workers' rights, while support for agriculture has provided families with the ability to subsistence farm as a buffer against both high food prices, and loss of alternative sources of income.

Social Policies: Countries with free health and education, and effective social protection systems, have proved more resilient, reducing the vulnerability of poor people to health shocks, reducing school dropout rates in response to falling incomes, and providing 'shock absorbers' against falls in household incomes. More generally, automaticity is beneficial in a crisis: if automatic stabilizers such as unemployment insurance, or demand-driven public works schemes like India's National Rural Employment Guarantee Schemeare already in place, they can respond immediately to a crisis rather than wait for decisions by hard-pressed governments fighting the crisis on several fronts. Cash transfer programmes such as Brazil's lauded *bolsa familia* scheme were already catering to 100 million poor people across Latin America, and it is far easier to scale them up to inject cash into poor communities, than to design new schemes from scratch. The 'fog of war' generated by a crisis also increases the likelihood of emergency responses being badly designed, or captured by vested interests.

This focus on resilience appears somewhat at variance with the 'big numbers' routinely quoted by development organizations (including Oxfam) in discussions of the crisis, for example that 50-100m more people (depending on the source) were driven into extreme poverty in 2009 due to the crisis. These numbers are extremely rough and ready, based on either the predicted fall in economic output and the 'poverty elasticity of growth' at regional or national levels, or on predicted changes in consumption levels (assumed to be distributionally neutral within country). It will be some time before household surveys provide a genuine picture of the poverty impact of the crisis, but our research suggests the final figures may well fall short of these numbers.

But resilience, whether national or individual, has its limits. Assets once spent take years to recoup; working extra hours in second or third jobs leaves a legacy of exhaustion; loans taken on to finance consumption accumulate into crushing debt burdens. When they get it right, governments, aid donors and others can strengthen and replenish the sources of resilience. What lessons can be learned for future crises?

At a minimum, keep spending (in the medium term). Governments in most countries entered the crisis in a better fiscal position than in previous crises, and have largely kept to their spending commitments, avoiding the kind of pro-cyclical cuts that have aggravated recessions in past crises. In so doing, many have gone into fiscal deficit, and it remains to be seen whether they can maintain such commitments until the economy picks up again. Especially in low income countries in Africa and elsewhere, much will depend on aid donors sticking to their promises to increase aid, despite their renewed fiscal constraints.

Monitor the impact and talk to people: The best responses have involved on the ground, real-time monitoring of the impact of the crisis, and genuine dialogue with affected communities about the best way to respond.

Make sure the right people benefit from responses: One near-universal characteristic of responses to date is gender blindness. Governments have responded to job losses in textiles and garments industries, largely of women, by channelling fiscal stimuli into construction, which largely employs men. Big capital intensive infrastructure projects in any case create far fewer jobs than the local level public works exemplified by the NREGS. Attempts to inject credit into cash-starved economies too often end up being pounced upon by large enterprises, who employ relatively few workers, rather than benefiting small, labour intensive firms, or people working in the vast informal economies of the South.

The future: building back better?

The crisis continues to ebb and flow through the world's economy, and the extent and nature of the eventual recovery remains unclear. It is therefore difficult to discern any clear picture of what lasting changes may result. One fairly certain feature of the post crisis world is that the nostra of 'Anglo-Saxon capitalism' and its accompanying Washington Consensus policies are damaged goods. On a global scale, the crisis has precipitated a massive and seemingly irreversible shift in the geopolitical centre of gravity from West to East, epitomised by the coronation of the G20 and its eclipse of the G8. The coming decades could be more about the Beijing Consensus than the Washington version.

This shift contains some positives for developing countries, including a stronger recognition of the critical role of the state in development, and the importance of regional and domestic markets, as healthy counterweights to excessive reliance on global trade. It may also lead to a greater degree of caution over the potential pitfalls of liberalized financial and capital markets, although the rebound of the 'bonuses are back' cultures of Wall Street and the City suggest that battle is not yet over.

The crisis has driven home the centrality of resilience and vulnerability in the lives of poor people. While economists prefer to talk about stocks and average flows, it is volatility and shocks that can inflict sudden catastrophe, if people, communities and countries are not prepared for them. The GEC has marked the coming of age of social protection as a development issue and more widely, the importance of managing risk and volatility at all levels. It is not enough to pursue economic growth now, and social welfare later – the two must come together.

So much for the good news, but the response to the GEC has also contained serious flaws. Even those countries that are adopting improved social protection systems seldom extend them to migrants or those working in the informal economy, both of which have been significantly hit by the crisis. Elsewhere, governments have sleepwalked their way through the GEC, giving little evidence of even being aware of, let alone seeking to grapple with the crisis.

At a broader level, the crisis response has had only a tenuous connection with the other great development issue of the last few years: climate change and the need to move rapidly to a low carbon economy. Fiscal stimuli in the rich countries have largely squandered the opportunity to introduce a 'Green New Deal', a failing mirrored in most developing countries, with, perhaps, a few exceptions in East Asia.

Poverty is not just about income, it is about fear and anxiety over what tomorrow may bring. This crisis is not the last, but if one of its lessons is that reducing vulnerability and building resilience is the central task of development, then future crises may bring less suffering in their wake.

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Annex 1: Scope and methods of Oxfam research projects

The table below summarises the scope and methods of Oxfam International's research projects on the economic crisis in 2009.

Table X: Title

Geographic focus	Scope and Methods
Armenia	Examining the impact of the crisis through analysis of official and secondary data plus a small sample of key informant and community member interviews.
Cambodia	Comparing the impacts of the economic crisis on households across 15 villages, to the impacts of the food crisis on the same villages. Surveys of 1070 households representing 4000 households in 15 communities. 14 out of the 15 communities were previously surveyed in June 2008 on high food prices. Additionally, 30 Focus group discussions – focused on vulnerable groups in each village. Accompanied by a review of macro-economic data, findings of other reports and secondary data and c onsultations with govt agencies, NGOs.
Ecuador	Focused on the impact of the economic crisis on urban workers, agricultural producers and Indigenous women. Conducted key informant interviews including 3 Government Ministers; bilateral donor, International Financial Institution and International Organisation staff, and civil society experts; and conducted 6 Focus groups: 3 urban workers in North Quinto; 2 women producers in the south; and 1 of Indigenous women in poorest province in Central Ecuador.
Ghana	Examined the impacts on Ghana through analysing macro-economic data, secondary sources and key informant interviews with international donors, government, civil society, researchers and journalists.
Indonesia	Two pieces of research were conducted: one study of the gendered impact of the crisis based on 20 key informant interviews with business, trade unions, civil society, Government, bilateral donor and International Financial Institution officials and researchers; and a series of focus groups in and around Jakarta with women, alongside analysis of macro-economic and official data and other secondary sources. Secondly, a study of the impact in the Eastern Islands with a focus on migration and gender. Two months field work were conducted in each province involving focus groups with families without and without migrants, and separate focus group discussions with women; key informant interviews with 39 informants from government, community leaders, and civil society and analysis of secondary sources and official data.
Nicaragua	Focus on the impact of the economic crisis on agriculture and manufacturing through 18 key informant interviews of Government, International Financial Institutions, Bilateral Donors, Civil Society and three focus groups with industrial and agricultural workers.
The Philippines	Analysed the gendered impact through focus group discussions with women and men across three geographic areas, 6 in-depth

	interviews with women, key informant interviews with business and analysing official data and secondary sources.
Thailand	Analysed the gendered impact through macro analysis of secondary sources and official data, and focus group discussions with dismissed workers across two factory sites.
Vanuatu	Scoping study involving analysing macro data and a small sample of key informant and randomly sampled community interviews.
Vietnam	Regular monitoring project to understand the impacts of the crisis, from February 2009 until 2010. The study has been undertaken in stages involving: Feb-Mar 2009: qualitative study using semi-structured interviews and participatory rural appraisal with 105 participants across three sites i) Hanoi's mobile labour market; ii) 2 craft villages; iii) industrial park. April 2009: rapid qualitative survey using semi-structured interviewing and participatory rural appraisal with 403 participants across 6 provinces in i) provinces receiving flows of unemployed workers; ii) urban industrial zones attracting workers; iii) export processing zones. July-Aug 2009: indepth interviewing and focus group discussions with 315 participants across 5 sites (2 from April, 3 new).
Zambia	Analysing the impact of the crisis and the Government response through analysis of macro-data and secondary sources; series of interviews of international donors, government officials, economists and civil society organizations. Undertaken March 2009 and revised December 2009.
Africa	Impact of the crisis: secondary and official data analysis plus story gathering in Sierra Leone, Liberia, Tanzania and Mali.
Asia	Analysis of the Asian Development Bank response using available documentation.
Latin America	Analysis of regional impacts and responses using secondary analysis and key informant interviews.
Pacific Islands	Analysis of regional impacts and responses through analysing macro-economic and social data available, literature and key informant interviews.
South East Asia	Analysis of gendered impact of the economic crisis across the region. Commissioned and drew on 5 countries studies; convened a workshop to analyse findings and incorporated a literature review and analysis of secondary data.
Global	Analysis of gendered impacts through: - secondary data analysis; - story gathering; - workshops with academics and researchers, Oxford, September 2009 - online forum for discussion of gender and the economic crisis.

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