The Global Economic Crisis and Developing Countries

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Contents

Summary 4

The limits to resilience 5
Responding to crises 6
Lessons for the future 6
The future: building back better? 7
Scope and methodology 8

1 Impact, resilience, and vulnerability 9

Asia and the Pacific 14
Regional overview 14
Formal productive economy 16
Informal productive economy 18
Migration and remittances 18
Reproductive economy: household impacts 19
Sources of vulnerability and resilience 21

Sub-Saharan Africa 23
Regional overview 23
Financial economy 23
Formal productive economy 24
Informal productive economy 25
Migration and remittances 26
Reproductive economy: household impacts 26
Sources of vulnerability and resilience 27

Latin America and the Caribbean 31
Regional overview 31
Financial economy 31
Formal productive economy 31
Informal productive economy 33
Migration and remittances 33
Reproductive economy: household impacts 34
Sources of vulnerability and resilience 34

2 Responses to the crisis 36

Fiscal and monetary responses 36
Economic policy and job creation 37
Social responses 38
International institutions’ responses 40

Asia and the Pacific 41
Fiscal and monetary responses 41
Economic policy and job creation 42
Social responses 43

Sub-Saharan Africa 46
Fiscal and monetary responses 46
Economic policy and job creation 47
Social responses 48

Latin America and the Caribbean 50
  Fiscal and monetary responses 50
  Economic policy and job creation 51
  Social responses 52

3 Conclusions 54
  After a crisis 56

References 58

Notes 62

Annex 1: Scope and methods of Oxfam research projects 68
Annex 2: Overview of consultation on the draft report 70
Acknowledgements 71
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, waste-pickers, and women working unpaid in the home in large swathes of the world are asking the same question: ‘What hit us in 2009?’ Oxfam’s research on the global economic crisis in 12 countries,1 involving some 2,500 individuals, combined with the findings of studies by a range of universities, think tanks and international organizations, reveals the depth and complexity of the impacts, vulnerabilities, and resilience among poor people and countries worldwide.

The research has sought to drill down to sectoral, individual, and household levels, and the findings challenge some of the macro analysis presented elsewhere. 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 increasing 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 front line of the world’s consumer supply chains have lost their jobs in large numbers. Many others have suffered wage freezes or reductions in work hours, or have been pressured into less secure contracts, as companies have taken advantage of the crisis. Gender norms (the ideas about women and men that shape relations between the sexes) also matter: employers are targeting women first because they view them as only the secondary breadwinners in the family. In households, women have eaten less to provide for husbands and children and have migrated or worked more, without social security or legal protection in the informal economy to prop up the family income.

But if one theme emerges from Oxfam’s research into the impact of the crisis, it is resilience and the multiple ways that countries, communities, households, and individuals have found to weather the storm. ‘Resilience’ here refers to the capacity of peoples, institutions, and systems to resist and absorb shocks, and to reorganize so as to retain or enhance their effective functions, structures, and identities. The research revealed several ‘dogs that did not bark’ – 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; remittances from overseas workers have kept flowing; households have been able to feed themselves from their gardens or farms;

1 Armenia, Burkina Faso, Cambodia, Ecuador, Ghana, Indonesia, Nicaragua, the Philippines, Thailand, Vanuatu, Viet Nam, and Zambia, together with regional research and analysis of Africa, Latin America, South-East Asia, and the Pacific.
most people have kept their jobs, albeit with lower wages, fewer hours, and worse conditions; and families have managed to keep their children in school.

The extent of resilience, and the degree to which it will bolster future development, is determined to a large extent long before any 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 people themselves, their friends and families, and local institutions such as religious bodies 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, thus far, been able to survive much better than those without. Migrants with strong social networks have been able to rely on support locally, or even (in Viet Nam) on reverse remittances from home.

**Economic structures:** Dependence on one or two commodities or on markets alone increases the risk should they go into freefall; the extent 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 their 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.

**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 small-scale agriculture and fisheries has bolstered household survival strategies in countries such as Viet Nam and Sri Lanka.

**Social policies:** Free health care and education and effective social protection systems reduce the vulnerability of poor people to health shocks, avoiding school drop-outs 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 such as 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 it is to design new ones from scratch. Moreover, the chaos generated by a crisis increases the likelihood of hastily introduced social responses being badly designed, or captured by vested interests.

The limits to resilience

However, resilience, whether national or individual, has its limits. It does not take much for coping strategies to become self-defeating. 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 foregone can affect children for their entire lifetimes. It is clear that many women are paying a particular price through their additional unpaid work to support their households.

Public action by governments, aid donors, and international institutions is essential. When they get it right, such action can strengthen and replenish the sources of resilience; when they get it wrong, or fail to show up, lives and life chances can quickly become vulnerable and precarious.
Responding to crises

Many governments have used fiscal policy to stimulate their economies. The focus of stimulus packages and counter-cyclical expenditures\(^2\) has included increasing social spending and infrastructure investment, as well as tax cuts and subsidies to stimulate both consumer and business demand.

Many governments instituted or scaled up social protection to respond to the crisis, but since the majority of developing countries have weak social welfare systems, many have had to use discretionary spending to do so. Oxfam’s research found many instances of individuals or households affected by the economic crisis who were not able to benefit from existing or new government schemes. This raises serious questions about the targeting of new programmes and provides arguments for both improved monitoring and for improving the universality of social protection prior to a crisis striking.

While spending initially held up, poor country revenues slumped, through falling direct and indirect taxes, and lower trade taxes and royalties from commodities such as oil and minerals. Overall, the crisis has left poor countries with a $65bn fiscal hole, and after an initial attempt to defy fiscal gravity, in 2010 that deficit is forcing cuts in health and education spending.

Despite G20 and donor country promises to help poor countries cope with the effects of the global economic crisis, only $8.2bn in grants has made its way to poor countries – plugging only 13 per cent of the fiscal hole. With aid providing just one dollar for every eight lost from poor country budgets due to the crisis, countries that were already failing to meet the Millennium Development Goals on reducing poverty and guaranteeing health, education and other aspects of a decent life, are being pushed further off-track through no fault of their own. If aid donors and international institutions cannot buck the historical trend of cutting aid after a crisis, the prospects for many poor countries look grim.

However, there is also some good news on the international response. In past crises, the policies of international financial institutions have sometimes exacerbated vulnerability, for example by imposing pro-cyclical spending cuts as conditions for their loans. This time, the International Monetary Fund (IMF) has responded by allowing more fiscal space in African countries, and by advising governments to protect social sector spending. As a result, African countries with IMF programmes have been more successful in protecting social spending than those without.

Lessons for the future

**Plan for crises before they occur:** Governments need both to invest in prevention (e.g. via adequate regulation of finance) and to stress-test their economic policy, state institutions, and social policies against possible future crises.

**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.

**Support local-level coping mechanisms:** Governments should build the capacity of families, local civil society, and faith organizations to respond to crises.

**Access to information:** Support during crises can also include providing information on sources of help, and even supporting connectedness and ‘moral messaging’ – e.g. respected local figures calling on citizens to check on the welfare of their neighbours.

**Gender matters:** One near-universal characteristic of responses to date is gender-blindness. Governments have responded to job losses in textiles and garments

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\(^2\) ‘Counter-cyclical’ economic policies are those involving government spending in an economic downturn, and being prudent during an upturn.
industries, largely of women, by channelling fiscal stimuli into construction, which largely employs men. Attempts to inject credit into cash-starved economies too often end up being pounced upon by large enterprises, which employ relatively few workers, rather than benefiting small, labour-intensive firms, or people working in the vast informal economies of the South.

**After a crisis, replenish resilience:** Each crisis depletes the coping capacities, both physical and psychological, of poor people and communities. After the crisis has passed, there is an urgent need to replenish those sources of resilience before the next shock arrives.

**The future: building back better?**

The crisis continues to ebb and flow through the world’s economy, and it is therefore difficult to discern any clear picture of what lasting changes may result. As this report goes to press, the success or otherwise of the €750bn bailout package to support the eurozone single currency bloc looks set to have a significant impact on the next stage of the crisis. One fairly certain feature of the post-crisis world is that many of the nostrums 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, epitomized by the rise of the G20 and its eclipse of the G8. The coming decades could be more about a Beijing Consensus than the Washington version.

But one aspect of the Washington Consensus has been partially vindicated: governments need to run counter-cyclical policies in good times as well as bad. That means building up enough fiscal space during booms to be able to maintain or increase spending when a shock hits. To caricature, in the past some of the more hard-line advice from international institutions has been to cut spending in both good times and bad, while NGOs and others have urged all governments always to increase social spending in times of both boom and bust. While this crisis has shown that spending on health and education certainly increases poor people’s resilience to shocks, so too does fiscal space, which may imply greater restraint in public spending during boom periods. This is a delicate balance, and one that is best struck by accountable national governments rather than imposed by technocrats in Washington, London, or Frankfurt.

The crisis has marked the political coming of age of social protection as a development issue and, more widely, has highlighted 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 in pursuit of improved well-being. 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 are the central tasks of development, then future crises may bring less suffering in their wake.
**Scope and methodology**

The economic crisis that began in 2008 in the financial markets of the rich world has spread, in a variety of ways, into developing countries. As the crisis started to hit developing countries, Oxfam initiated research to inform national and global programme and policy responses to it. The objectives of the research were to assess the human impacts of the crisis and to analyze whether responses by government, civil society, and multilateral and bilateral 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 and additional regional research and analysis in Africa, Eastern Europe, Latin America, and the Pacific Islands. The original research, through focus group discussions, household surveys, and interviews, involved around 2,500 individuals across 12 countries: Armenia, Burkina Faso, Cambodia, Ecuador, Ghana, Indonesia, Nicaragua, the Philippines, Thailand, Vanuatu, Viet Nam, and Zambia. Two additional studies focused on gender analysis of impacts and responses.

While the same core 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). Coverage is also limited by the sectoral focuses of the external research drawn upon.

In November 2009 Oxfam convened a workshop of Oxfam staff and research collaborators including the Cambodia Economic Association, Eurodad, the UK Institute of Development Studies, the International Labour Organization, the World Bank, and the Vietnamese Academy of Social Sciences. The workshop analyzed 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 (including similar country-level research conducted by other organizations). The scope and methods of the country, regional, and thematic studies undertaken by Oxfam International in 2009 are summarized in Annex 1. A full list of reports is contained in the bibliography and can be downloaded from Oxfam's crisis research website.1

This final version of the paper is additionally informed by a month-long public consultation on the draft version (see Annex 2). Over the course of the month we received 32 pieces of written feedback from governments, civil society groups, Oxfam colleagues, academics and researchers, UN bodies, international financial institutions, and members of the public. We also shared and discussed the findings with colleagues across Oxfam International and through round tables and discussions, including an event for civil society in Washington DC, a round table at the World Bank including World Bank and IMF staff, a whole-of-government round table in Australia, and presentations at the UK Department for International Development, the University of Manchester, and the Institute of Development Studies.

The feedback we received was detailed, thoughtful and, at times, extremely challenging. While this was very useful in broadening the coverage and sharpening the analysis of the report, some valuable insights were garnered that go beyond the scope of this report. These issues are summarized in Annex 2.
Impact, resilience, and vulnerability

Oxfam’s own research in 12 countries, along with studies from other countries by a range of universities, think tanks, and international organizations, reveals the depth and complexity of the impact of the global economic crisis (henceforth ‘the crisis’) on the lives of poor people and countries worldwide.

A seismic expansion of the financial earthquake that shook the banking centres of Europe and North America, the crisis has been transmitted to the ‘real economies’ of poor countries along a number of fault lines, with each wave of impact having its own rhythm and amplitude. Across the world, some economic plates are already settling, while others are yet to be shaken.

Shocks have been transmitted, impacts have been felt, and responses have been borne across all realms of economic activity, from the financial economy to the formal and informal productive economies, through to the unpaid and paid reproductive (or caring) economy where the labour force is nurtured and reproduced (see Table 1). Oxfam has sought to analyze the crisis with attention to all spheres of the economy, particularly the under-analyzed areas of informal employment and reproductive work undertaken, primarily by women.

Table 1: Framework for analyzing the global economic crisis

<table>
<thead>
<tr>
<th>Economic sphere</th>
<th>Mechanism</th>
<th>Potential transmissions</th>
<th>Potential impacts</th>
<th>Potential responses</th>
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<tbody>
<tr>
<td>Financial economy</td>
<td>Capital flight</td>
<td>Credit squeeze</td>
<td>Fiscal stimulus</td>
<td>Support for banks</td>
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<td></td>
<td>Fall in confidence</td>
<td>Fall in investment</td>
<td>Use of public sector banks to direct credit</td>
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<td></td>
<td>Domestic bank problems</td>
<td>Fall in asset prices</td>
<td>Loans from international financial institutions</td>
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<td></td>
<td>Devaluation</td>
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<td>Reduction in borrowing</td>
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<td></td>
<td>Fall in aid</td>
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<td></td>
<td>Fall in foreign direct investment (FDI)</td>
<td></td>
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<tr>
<td>Productive economy (formal and informal employment)</td>
<td>Fall in (export) demand</td>
<td>Fall in output</td>
<td>Fiscal stimulus</td>
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<td></td>
<td>Fall in gross domestic product (GDP)</td>
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<td>Subsidies and incentives for selected industries</td>
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<tr>
<td></td>
<td>Fall in domestic demand and consumption</td>
<td>Fall in employment</td>
<td>Devaluation</td>
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<td></td>
<td></td>
<td>Fall in enjoyment of rights</td>
<td>Increase in informal paid work</td>
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<tr>
<td>Reproductive (caring) economy (unpaid and paid work)</td>
<td>Fall in remittances</td>
<td>Fall in earnings</td>
<td>Increase in unpaid caring work</td>
<td></td>
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<tr>
<td></td>
<td>Fall in government social expenditure (due to fiscal pressures)</td>
<td>Fall in nutrient consumption</td>
<td>Increase in paid caring work</td>
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<td></td>
<td></td>
<td>Fall in school attendance</td>
<td>Social protection programmes</td>
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<td></td>
<td>Sale of assets or taking on debt</td>
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</table>
The first developing countries to experience the crisis were those with the most globally integrated financial sectors, which rapidly felt the aftershocks from global financial centres such as Wall Street in New York and the City of London. 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 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 the rich world’s financial folly.

This sequence of shocks has overlaid the pre-existing turbulence wrought by the oil and food price spikes of 2007–08. Oxfam’s research found that people tend not to adopt neat conceptual distinctions between the fuel, 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 determine 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 lay-offs in supply chains producing garments and electronics for the world’s consumers, and knock-on impacts into the informal economy. In sub-Saharan Africa and the Pacific Islands, the impact has been mostly via commodity exports and reductions in trade tariffs (as a result of falling trade volumes), 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 has 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 this region.

After several years of progress, per capita output slowed sharply in every region in 2009, and shrank in Latin America, Central Asia, Eastern Europe, and sub-Saharan Africa. Trade slumped and inward investment fell as current and 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 per cent to $317bn in 2009, after a record year in 2008. 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. Unemployment hits poor families hard, regardless of whether it is a man or woman who is laid off. But the chances of a family recovering from this setback are shaped by the different levels of bargaining power that women and men have in the labour market, and their different responsibilities at home.

In the developing world’s garment, electronics, and many 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 informally or as contract workers) or suffer most from deteriorating working conditions, such as wage freezes or reductions of work days or hours. Gender norms (the ideas about women and men that shape relations between the sexes in the household, community, market, and wider society) also matter, as employers often sack women first, arguing that they are only the secondary breadwinners in the family. A household’s heavy dependence on a female wage is usually a sign of greater poverty, fewer choices, and less power to survive a crisis.

Within the home, unpaid and caring work can increase the time burden on women in times of crisis, as domestic responsibilities intensify. Some women may find their time consumed by the need to travel further to source cheap food. Others find themselves processing raw ingredients at home from scratch, rather than purchasing partly processed or ready-prepared foods;8 others may find themselves supporting extended family members as relatives lose jobs and require support. Oxfam’s research found women doing additional paid work in the informal economy, and maintaining or increasing their unpaid, caring work in the home.

The crowded markets of the informal economy 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 informalization and vulnerability. Street vendors in numerous developing countries are suffering from the twin squeezes of increased competition from laid-off 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 piecework, and from being undercut by new migrant entrants to the market.9

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 regulated salaries. This is a major omission in conventional analyses of the crisis.

Oxfam’s research on the impact of the crisis also shows its role as a driver of change, both good and bad. On the positive 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 against the worst effects. 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. In Zambia, mining companies 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.

Yet if one theme emerges from Oxfam’s research into the impact of the crisis, it is resilience and the multiple ways that countries, communities, households, and individuals have found to weather the storm. ‘Resilience’ here refers to the capacity of peoples, institutions, and systems to resist and absorb shocks, and to reorganize so as to retain or enhance their effective functions, structures, and identities.10

Most people living in poverty have relied, whether through choice or otherwise, on their own networks of friends, family, neighbours, religious bodies, or community institutions to weather this crisis. One striking feature of the research findings are the ‘dogs that have not 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 children in school. Family and social networks have shared food and lent each other money.
However, while many countries and households are toughing it out in the short term, it remains an open question as to how sustainable or erosive these coping mechanisms will prove to be in the long run. Individuals’ lack of access to social protection and the consequent reliance on informal coping mechanisms pose a real danger of a significant depletion of their capabilities in the future. It is clear that many women are paying a particular price through their additional unpaid work to support their households.

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

A country’s or community’s resilience to shocks such as this crisis, and the degree to which it will bolster future development, are 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 alone increases the risk should they go into freefall, as shown by oil-producing countries, Botswana (diamonds), and Mexico (the 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 their banking system have been more able to use those banks to channel credit to cash-starved small producers and to small and medium enterprises (SMEs).

**Fiscal policies:** Resilience is enhanced where governments ran counter-cyclical policies during the preceding boom, for example by putting part of the proceeds from high commodity prices aside, or where they entered the crisis with ‘fiscal space’ in the form of budget surpluses and low debt burdens that have enabled them to keep spending even when revenues have fallen. In terms of development there is thus a delicate balance to be struck between increasing spending on health, education, and other public services during good times, and retaining sufficient fiscal space to deal with future shocks. 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 drop-out rates in response to falling incomes, and providing ‘shock absorbers’ against falls in household incomes.

**Social networks:** Most people living in poverty rely not on official structures and institutions, but on their own networks of friends, family, neighbours, faith groups, or community institutions as the first port of call in a crisis. The value of social networks in this crisis cannot be under-estimated, especially where access to formal social protection or other institutional support is not an option, due to geographic or social exclusion.

But resilience, whether national or individual, has its limits. It does not take much for coping strategies to become self-defeating. 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 health care 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 health-care 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.12

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 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 multi-faceted 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 dependants with food, water, shelter, education, and health care, it will threaten well-being 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, as we enter an age of increasing resource scarcity, this crisis 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.13

Across Asia and the Pacific, GDP growth dropped in 2008 and 2009. The most significant falls occurred in Central and South-East Asia, particularly in the ASEAN-5.14 Most economies are forecast to recover in a narrow V-shape, with others flatlining at their current GDP growth rates.15 The recovery has already started in most of the region, driven by China’s rebound (see Figure 1).16

Figure 1: Percentage GDP changes year-on-year


Nonetheless, significant differences exist between countries in the region in terms of both impacts and responses to the economic crisis. A UNDP study17 provides a typology of five groups of countries in Asia, plus China as a unique case:

**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) has proved remarkably resilient 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 counter-cyclical policy. These countries tend to have more extensive social policies than elsewhere in the region.
India, Indonesia, Thailand, Viet Nam, the Philippines, Pakistan, and Sri Lanka: These countries are at lower stages of development, with predominantly poor populations. Their recent export growth (even in the case of India, other than for its 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 were affected by the rise in food prices even before the onset of the financial crisis. These countries faced 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 liberalization has been less extensive than elsewhere. 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. However, the IMF loan to Pakistan does demonstrate shifts under way in the IMF’s practices, with a provision to protect social sector spending. In Sri Lanka, the collapse of some export employment appears to have generated a shift away from industry back to agriculture.

Less developed 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 on 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 ‘Wal-Mart 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 on tourism and capital inflows, especially in the form of foreign aid, as well as reliance on food imports.

In addition, much of Central Asia has been badly hit by the severe slowdown in the Russian economy, on which it relies for exports and remittances. At 50 per cent of GDP in 2008, Tajikistan is the most remittance-dependent country in the world.18

Focusing now on South-East Asia and the Pacific, the impact of the crisis on the financial sector has been less severe than in other regions. Instead, the main impacts have occurred in the formal and informal ‘productive economy’ of manufacturing, services, and agriculture, and the knock-on effects have been felt in the ‘reproductive’ (unpaid and paid) economy. The following sections detail the impacts in the financial, productive, and informal economies and in the household (reproductive economy) in South-East Asia and the Pacific, before examining factors of vulnerability and resilience across the same region.

Financial sector

The impact of the economic crisis on the financial sectors of South-East Asia and the Pacific has been less severe in comparison with both some other regions and with 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;19 second, the region’s financial sector had not incorporated highly complex financial innovations in its business model;20 and third, reforms triggered by the previous crisis provided for greater
financial supervision and prudent risk management. In the Pacific, a few countries were affected by their investments in US financial markets through trust funds, but most countries had little exposure.

Across Asia, capital flows went into sharp reversal in the early days of the crisis, reflecting a flight to safety of finance capital to the US and European markets. This flight was reflected in external reserve movements of Asian countries and exchange rates. Foreign exchange reserves have been built up in Asia based not just on export surpluses (e.g. in the case of China), but also on capital inflows or remittances (e.g. in the cases of Bangladesh, India, Indonesia, and Viet Nam). From mid-2008 until April 2009 these foreign exchange reserves experienced extreme volatility. Commissioned research for Oxfam calculated the fiscal hole created by the crisis for IDA-eligible countries. In East Asia and the Pacific, the average increase in the deficit, excluding grants, in 2009 was 1.2 per cent of GDP. In 2010 this is forecast to deteriorate to –2.2 per cent.

Formal productive economy

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 different positions within global supply chains. The textiles and garment industry has consolidated its production into a pool of strategic suppliers – China, Viet Nam, and Indonesia – which constitute the ‘inner critical core on which customers rely for the most important share of their production’. In ‘bad times’ or ‘terrible times’, orders for the strategic suppliers may fall but their overall market share will remain intact, in contrast with 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. Bangladesh has survived well despite its reliance on manufacturing, due to its production of cheap goods, separate to its position in the supply chain.

Cambodia has been hit hard through garments, tourism, and construction: according to the UNDP, 30 per cent of construction jobs disappeared between January and November 2009. The government estimates that as many as 63,000 – mostly female – garment workers, or 18 per cent of the total garment workforce, lost their jobs in the eight months to May 2009.

**Box 1: Ean Chen, Cambodia**

Nineteen-year-old Ean Chen lives in Kompong Speu, Cambodia, and has been working as a garment worker since late 2006. She makes $80 per month, of which she allocates $40 to support five family members back home in the village and spends the balance of $40 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 two other factories, without success. She and her family experienced great hardship while she was unemployed because none of them 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.

Source: Praparpun et al. (2010)

In the Philippines, most lay-offs have been in export processing zones (EPZs), where typically 75 per cent 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.30

Many workers are not dismissed outright, but instead have their wages and hours cut. In Cambodia, a survey found that the earnings of those hanging onto their jobs dropped by 18 per cent in real terms in the year to May 2009, while remittances to their families in rural areas declined by 6 per cent.31 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.32

Trends towards ‘labour market flexibilization’ or informalization did not start with the economic crisis, but some factory owners have taken the opportunity it has presented 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 there for between eight 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.33

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

– Trade union leader, Indonesia34

Age is a critical factor in how labour market shocks are experienced. 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, Indonesia35

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.

In contrast, in Viet Nam there are signs that the crisis has subsequently improved the bargaining power and conditions of workers. Enterprises in Viet Nam have started to recover from the crisis, with orders increasing in the garment and shoe-manufacturing industries and to a slower degree in the electrical, electronic, mechanical, and automotive industries. In the initial slowdown, enterprises reduced workforces and placed a freeze on hiring workers. At that time some migrant workers voluntarily resigned and returned home. As the orders picked up, many enterprises suffered labour shortages in July–August 2009. This has forced some enterprises to provide incentives to attract new workers, including welfare incentives and reducing their age and education requirements. At the same time, migrants are seeking more information before applying for work and many are opting to attend vocational schools.36

The picture is not all rosy – particularly in foreign-invested enterprises, the research in Viet Nam found other enterprises seeking to fulfil the new orders by stretching their existing labour force, including through increased overtime with only small increases in overtime allowances.
Informal productive 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 had recorded 65,200 dismissals by August 2009, but the employers’ association reported 150,000–200,000 lay-offs, once outsourced and daily workers were included. A five-country study by Women in Informal Employment: Globalizing and Organizing (WIEGO) recorded significant impacts on home-based workers producing for global value chains. In Oxfam’s focus groups with home-based workers in Rizal in the Philippines, women reported having to take on second jobs or ‘sidelines’ including cleaning, retail, and piecework for community members.

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

It was a mistake when I erected this five-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 two or three 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 per cent 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) has pushed formal sector workers to take up additional work in the informal economy. In a focus group session just outside 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 their unpaid work in the home.

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.
The overall number of migrants going overseas from Indonesia actually increased by 54 per cent (quarter to quarter) between September 2008 and December 2008, and the Indonesian government has identified increasing migration and remittances as a recovery strategy. The increase in migration has been largely female, as markets for domestic work and service industries have remained strong.40

Nonetheless, across the region remittances have gone down due, in large part, to drops in male migration (for example, in Indonesia and many parts of the Pacific Islands41). For households affected by drops in remittances, this has had a serious impact on their incomes, and consequently on food and other forms of 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, Viet Nam

Unlike in previous crises, internal migrants have not returned en masse to their villages. Those who have lost their jobs have reduced the remittances they were sending home, sought work in the informal economy, 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 children. 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 Viet Nam, 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 City 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 have 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, Viet Nam

**Reproductive economy: 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.42 When food prices soared in 2007–08, households had to eat less or less well, or find new ways to afford their old diet; when the economic crisis hit, food prices went down again in some countries (while remaining high in others), but in countries like Cambodia, where prices declined, 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, Viet Nam

Many households have sold assets or gone into debt in order to cope with their reduced
income. Almost 70 per cent 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 did not 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 school, 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 1,070 households surveyed by Oxfam, only 1.8 per cent
(16 children out of 900, consistent with normal drop-out rates) had dropped out of school
since April, with the highest level of drop-outs from the 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.

In Viet Nam there has not been a significant increase in the number of children dropping
out of school overall, but there has been an increase in the cases of school drop-outs
linked to migration (with roughly equal numbers of boys and girls affected). Migration
increased within Viet Nam in 2009 in response to the crisis. Children accompanied
families and there is an emerging danger of a child labour market as some children are
working in private garment-making or other workshops in Ho Chi Minh City or on
farms in south-eastern provinces to help support their families.

These early indications that there has not been a significant school drop-out rate of
children across South-East Asia need to be monitored as households deal with the
longer-term effects, both of the crisis and of the sacrifices they have made to cope.
Similarly, even if education funding is not cut at national levels, the crisis may set back
plans to achieve educational improvements or reach Millennium Development Goal
(MDG) targets.

For women, the strains of the food and economic crises have increased their unpaid and
caring work – to source cheap food and support extended families, including children
and elderly people. Another alarming effect of the crisis is its role as a trigger for violence
against women in the home. Oxfam’s focus group discussions across South-East Asia revealed increased tension and conflict over income and how to cope with difficult circumstances. In these countries, women already experience significant rates of domestic violence. The crisis provides another 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 undertaken significant fiscal stimuli. In many countries, this was made possible due to surpluses or low fiscal and/or current account deficits. In the Pacific Islands, fiscal space was constrained for most countries in the region, where governments have seen significant drops in revenues from trade tariffs (as a result of falling trade volumes), on which many of them rely to fund their social services. Moreover, the Pacific Islands were hard hit by both the fuel and food crises and many countries had introduced measures with significant budgetary implications, including subsidies and the removal of tariffs to keep food and fuel prices affordable.

Integration and diversification
Undiversified economies are more vulnerable to volatility in global markets. Cambodia was more vulnerable to the crisis due to its reliance on garment exports. Diversification can be pursued by extending the range of both sectors and markets. Within East Asia, intra-regional and South-South trade have been playing an increasingly important role: a majority of Asia’s trade is now with other developing countries, particularly within the region. China’s large monetary and fiscal stimulus had a significant effect on the recovery in the region by boosting imports in the first half of the year.

Land and access to natural resources
In countries such as Viet Nam and Sri Lanka, strong government support for agriculture has provided an important bulwark against the crisis. In Cambodia, Viet Nam, Indonesia, and the Pacific Islands, having land and being able to grow one’s own food, or having access to fishing has boosted resilience both to high food prices and drops in income from the economic crisis, and particularly to the potent combination of one after the other. In China, only half of those who lost jobs in the off-farm rural sector found a new one. The rest moved into subsistence farming. The Pacific Islands combine high rural and subsistence populations, low monetization, and formal employment with being mostly net importers of food, and as such are vulnerable to changes in global commodity prices. While the lowering of commodity prices provided a welcome relief to many Pacific Island countries (aside from commodity exporters such as Papua New Guinea and to a lesser extent the Solomon Islands), prices still remain higher than they were in 2007. Access to land and gardens has been a key source of resilience for Pacific Islands households.

Over-exploitation of natural resources threatens this form of resilience. In Cambodia, households increased their fishing activities in response to food prices and income losses. Now, 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 Mekong river, or their access to it, through the development of large-scale dams.
Previous neglect of agriculture, partly through an excessive focus on industrial export-oriented growth, has undermined resilience in some countries. Similarly, the sale of land to fund migration or small businesses leaves households without a cushion in a time of economic difficulty. Comparing communes in Viet Nam, Oxfam and others’ research found that those areas where households still have ownership of limited areas of land that can provide sufficient food for household needs fared better than areas where families no longer have productive land and are reliant on non-agricultural incomes, predominantly migrant remittances.

**Family and social networks**

Family and social networks, including religious bodies or communities and in some countries (notably Cambodia) community or non-government organizations, have proved to be a key factor in resilience. Social networks are providing support by sharing or borrowing food, loaning money, including via reverse remittances from rural areas to support unemployed or under-employed formal sector workers, and taking care of sick relatives or children. Women are making significant efforts, both through taking on additional formal and informal paid work and through increases in paid and unpaid caring work.

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 on their family, neighbours, friends, and social organizations 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, Viet Nam

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. Moreover, this resilience has relied on enormous efforts and increases in the paid and unpaid work of women, including substituting for paid services supporting households. 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. For the future, this crisis highlights the need to invest in the resilience of countries and households before a shock hits, and to replenish that resilience afterwards.

**Social policies**

Aside from the reliance on family support, access to (or lack of) adequate social assistance, insurance, or services has contributed to the vulnerability or resilience of individuals to the crisis. Across the region, most countries had some form of social insurance and assistance in place. However, most of these schemes were limited to formally employed workers and therefore did not reach informal workers or rural families. Social responses by governments have included the expansion of existing social services or social protection measures alongside the introduction of new programmes. 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 affected people, many of whom are not covered by existing social protection schemes.
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 macro-economic figures suggest a limited impact so far, there are pockets of individuals and communities who are reeling from the consequences of the crisis. The classification of countries by the IMF Regional Economic Outlook provides a useful, if crude, starting point to discuss countries’ various exposures to the economic crisis. The IMF taxonomy is:

- Oil-exporting countries (with oil exports accounting for 30 per cent or more of total exports);58
- Middle-income countries (non-oil exporting, with per capita gross national income of more than $905 in 2006);59
- Low-income countries (per capita gross national income less than or equal to $905 in 2006);60
- Fragile countries (low-income and with Country Policy and Institutional Assessment score of 3.2 or less).61

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 vulnerability 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 a significant proportion 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 factors in determining the poverty consequences of the crisis, are operating on a significant time lag from the more immediate transmission mechanisms; how they develop throughout 2010 will be key determinants of long-term resilience or vulnerability within the region.

Financial economy

Although Africa is not a major recipient of foreign direct investment (FDI) 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.62
Formal 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.  

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 per cent in 2008 – but such shocks can be devastating for people already living on the edge.

Sub-Saharan Africa’s GDP is expected to recover fairly quickly, growing by just over 4 per cent in 2010. However, this is predicated on the rest of the world responding as expected to economic stimuli and financial bail-outs totalling more than $20 trillion globally.

Mineral and agricultural commodity exporters have been particularly hard hit, with reduced demand (and in some cases reduced 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 50 per cent in 2009 as demand for diamonds in particular slowed. Mozambique’s principal export, aluminium, has been its greatest casualty of the crisis. Kenya has been affected by both domestic political turmoil and by consequent falling tourist arrivals. Its horticultural industry has been hit by exchange-rate fluctuations that are blamed for flower exports falling by 35 per cent. Although only around 1,200 jobs out of three million in the horticulture industry had been cut by the middle of 2009, more are likely to follow. Small-scale farmers in Africa who have pursued the higher returns often associated with export agriculture are now suffering the concomitant risks (see Box 2).

Box 2: Jonas Banda, Malawian cotton farmer

Jonas Banda is a cotton farmer in Malawi. Last season he produced ten bales of cotton, each weighing 110kg. 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 price is $0.23. This 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.’

Source: EJN (2009)

Countries reliant on a single export commodity have been hard hit: Burkina Faso’s economy is built around cotton, supporting one million households and accounting for two-thirds of export revenues in 2005. As the global price for cotton plummeted by 40 per cent, Burkina Faso’s economy experienced a downturn, and households dependent on cotton production had to cope with another wave of crisis on top of their experience of the fuel and food crises of recent years.

Producers have been forced to sell their livestock or crops because they couldn’t get any credit. People have been forced to sell things as they get poorer and poorer.

– Issouf Sonde of the National Union of Cotton Producers of Burkina Faso

I’m hearing about families where the head of the house who used to be employed as a labourer can’t find work. They get up in the morning, go to the site, but are told that
there isn’t any work for them any more. Several times people have come to see me to borrow 1,000 CFA because they’ve been out all week looking for daily work and haven’t found any, while the rest of the family, especially children, go to sleep hungry.

– Halidou Kabore, 34, Burkina Faso

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 previous value. They have since recovered (by December 2009) to three-quarters of their July 2008 value. In Zambia, where copper accounts for 70–80 per cent of exports, this rollercoaster fluctuation has hit hard. The most immediate social impact has been 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 while 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 9 per cent to the government’s domestic revenue collection, but some of its 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, in the remaining five months of 2009 alone that would have generated approximately $50m in revenue, enough to expand the national health budget by 14 per cent.

While affected by cotton prices, Burkina Faso’s GDP has been bolstered by growth in the country’s gold mining sector. Similarly to Zambia, however, the country is not set to benefit from this growth in the near future: so desperate has it been to encourage investors that the terms of those investments are massively skewed in the favour of companies and away from the government. Most mines have a ten-year concession with a seven-year tax holiday, meaning that they generate very little tax revenue for the country to allocate to its health and education budgets.

Ghana has escaped the worst of the global market collapses; not because it is not involved in them, but because it was lucky: the world market price for its 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.

Informal productive economy

When formal sectors linked to world markets suffer shocks, the repercussions are also felt by informal economy workers such as street vendors, as one South African trader whose business is located near 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.’ Informal workers are also affected by increased competition from laid-off 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.’

Unskilled workers seeking employment in the Ghanaian construction industry have also suffered: demand for work 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.
Migration and remittances

In 2008, remittances accounted for only 2 per cent of sub-Saharan Africa’s GDP (though in Lesotho the figure was as high as 27 per cent). Remittance flows to the region are holding up better than originally forecast (see Figure 2).

Figure 2: Remittance inflows in sub-Saharan Africa

Despite their limited regional significance, there are pockets where remittances comprise an important part of household income (see Box 3). In Mozambique, thousands of people depend on monies remitted from the estimated 50,000 migrants working in South African mines. In Ghana, where remittances experienced a sharp drop in the first half of 2009 (according to focus group participants in 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.

Box 3: Nathaniel Vakor, resident of Monrovia, Liberia

Fifty-four-year-old Nathaniel Vakor lives in Monrovia and supports 11 people, including nine of his own children and two dependants. His mother and sister are in the USA 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.’

Source: Interview with Oxfam Liberia, August 2008

Reproductive economy: 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
by downgrading the quality of school attended or pulling them out altogether. In reality, some of these 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 Ghana’s capital, 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.

In Burkina Faso, the impacts of the economic crisis are compounding the difficulties of households stretched by food price inflation. While international food prices have fallen from their peak, in Burkina Faso prices remain high: they have dropped only 5 per cent since the beginning of 2009, and in July 2009 they increased again because food stocks were running low. UNICEF is currently carrying out a study on the impact of high food prices on the well-being of the population: initial findings show that all households have seen a 10–18 per cent decrease in their purchasing power (with the poorest households at the higher end of that range).

“Among neighbours, I’ve noticed that it’s not easy to have enough to eat. Everyone’s trying. No one can help out anyone else. Often it’s really hard to earn 100 CFA and buy a sachet of maize flour to make tô [polenta-like substance made from maize]. Today you can scratch around to get hold of 100 CFA, but tomorrow, nothing is certain.”

– Aminata Sorgo, 30, Burkina Faso

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

“Is it possible ... that families have broken up because of food? Of course, there are many men who 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.”

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

Sources of vulnerability and resilience

Public finances and fiscal space

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 dramatically 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 $3bn to a deficit of $64.4bn – i.e. a $67.4bn hole has opened up in government finances. Fiscal balances and changes therein vary considerably with the characteristics of each 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 those of 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 that 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 that they had more fiscal space with which to respond. In most countries, government expenditure (as a proportion of GDP) increased in 2009 (see Figure 3).

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, which raises 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 recognizes 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.

Overseas development assistance (ODA) is a major source of financing within Africa, and is particularly important for many countries’ social spending. After some initial optimism, there are worrying signs that aid donors are failing to rise to the challenge. According to a forthcoming research report for Oxfam by Debt Finance International, G20 and donor grants to help low-income countries, many of them African, cope with the fiscal holes caused by the crisis have so far amounted to $8.2bn, or just 13 per cent of their revenue gap. Governments wishing to keep up social spending are being forced to borrow the rest, much of it on domestic markets at much higher rates.

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). A review of past banking crises in donor countries gives little cause for optimism: data from 24 donor countries between 1977 and 2007 show that banking crises are associated with a substantial fall in aid flows, in most cases by an average of 20–25 per cent (relative to the ‘counter-factual’ – what would probably have happened in the absence of a crisis). Aid flows typically bottom out approximately a decade after the banking crisis hits. This year’s aid update from the OECD’s Development Assistance Committee (DAC) found that aid had barely risen at all, and over half of all DAC donors’ aid levels had fallen, a worrying signal that suggests that considerable effort is required to prevent history repeating itself.
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 solely on oil and diamonds for 95 per cent of its export revenues and 78 per cent of its fiscal revenues.

Low-income countries have been less vulnerable because they are less well integrated into these markets, although some, especially South Africa’s neighbours, have suffered the knock-on consequences of contractions in other, middle-income economies. 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 whose economies are heavily reliant on agriculture, the climate can be just as important a determinant of resilience as the state of the global economy. Outside East Africa, weather shocks on the continent during most of 2009 were relatively mild and good harvests have bolstered the fortunes of many agrarian communities. In Malawi, good rains produced an excellent harvest in 2009, helping agricultural output to grow 12 per cent in 2009, compared with less than 2 per cent in...
However, since the end of the year scarce and irregular rains in West Africa and rising food prices have been posing a serious additional threat to communities in the region.

**Family and social networks**

People integrated into strong social groups have fared better than those without support networks. In Nairobi, Kenya, some signs of tension have emerged between groups that have and groups (and individuals) that have not, especially among Christians in relation to a feeding programme for practising Muslims. One participant in research carried out by the Institute of Development Studies 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.

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Latin America and the Caribbean

Regional overview

In recent years, the economies of Latin American and the Caribbean have become more diverse in a number of 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 boom in commodity prices has also led much of South America into increased dependence on raw material exports.

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

Financial economy

While the effects of the crisis were felt in the financial economies of the region, a pattern from past crises was broken, as no banking crisis emerged. However, the region experienced a sharp drop in foreign direct investment. FDI was expected to shrink by 37 per cent in 2009, the sharpest regional fall for 30 years. Financial contagion directly affected the financial systems of Brazil, Peru and, particularly, Chile. Nonetheless, banking systems did not go into crisis themselves, due to improved regulatory and supervisory standards and improved risk assessment in a number of large banks in the region.

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 per cent in the year to June 2009 (and consumer credit fell by 13 per cent). In rural areas, co-operatives depending on international financing have felt this contraction severely and there has been a sharp increase in loan defaults by farmers.

I am overwhelmed by a $1,600 debt I cannot repay; two out of my five kids now work collecting coffee because I can no longer pay for pickers. So it is less employment for these workers and my sons doing the job instead of attending school. We are desperately working to repay and meanwhile need new loans that are now expensive and unaffordable to improve the harvest and feed my family properly. I am in a credit trap and see no way out.

– Guadalupe, a small farmer in Matagalpa province, Nicaragua

In Ecuador, the impact on the private banking sector is similar: lower credit availability and high interest rates – though not to the same extent. Co-operative farmers in Ecuador have reverted to tradition as a way of coping with the crisis.

‘We have moved back to our traditional ways of producing and have a weekly market to sell what exceeds our needs. Our problem is to buy rice and other basics such as oil, which are still very expensive. We have opted to improve our production with agro-ecological techniques, and this has brought us better health and uses less money in medicines. It is our way to respond to the crisis.’

– Balbina, a communal farmer in Southern Ecuador

Formal 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 per cent in 2009 (-2.9 per cent 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 per cent growth
in 2010.\footnote{ECLAC (2009)}

The impact on growth has varied significantly between countries (see Table 2). The
regional GDP growth rate fell by 7.5 per cent from 2007–09. Three major economies saw
their growth rates fall by more than 10 per cent, with the bulk falling between 5 and 10
per cent. No economy escaped unscathed.

### Table 2: The growth collapse in Latin America and the Caribbean in 2009

<table>
<thead>
<tr>
<th>Negative change in GDP growth rate, 2007–09</th>
<th>Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above 10%</td>
<td>Mexico, Paraguay, Venezuela; Antigua and Barbuda</td>
</tr>
<tr>
<td>5–10%</td>
<td>Argentina, Brazil, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Panama, Peru, Uruguay; Cuba, Dominica, Dominican Republic, Granada, St Kitts and Nevis, St Vincent and Grenadines, St Lucia, Trinidad and Tobago</td>
</tr>
<tr>
<td>0–5%</td>
<td>Bolivia, Ecuador, Nicaragua; Bahamas, Belize, Guyana, Haiti, Jamaica, Suriname</td>
</tr>
</tbody>
</table>

*Source: calculated from ECLAC (2009).*

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. The export-diversified
economies of Brazil, Costa Rica, Chile, and Peru have fared better.\footnote{ECLAC (2009)}

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 pre-eminent 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 value of total exports from Latin America and the Caribbean in 2009 fell 24 per cent
in comparison with the previous year, thanks to a combination of falling volumes (-9 per
cent) and prices (-15 per cent). Mining and oil fared the worst, with a slump in exports of
over 40 per cent. Oil-dependent Venezuela was the hardest-hit country, with a fall in
exports of 42 per cent.\footnote{ECLAC (2009)}

One piece of good news is that the slump in demand and fall in global prices have halved
regional inflation rates (to 4.5 per cent 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 1994–95
financial crisis.\footnote{O’Brien and Sandoval (2008)}

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 per cent to 8.3 per cent. The improvements under way in
recent years in job quality have stopped as the creation of waged jobs in the private
sector and of formal employment in general has slowed considerably.\footnote{O’Brien and Sandoval (2008)}

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 that they were afraid of unemployment and were willing to accept lower wages and worse working conditions to avoid it, while those already dismissed are now competing in the informal market. The most visibly affected sector in Nicaragua, that of 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 women. Since each *maquila* worker supports an average of four people, this means 120,000 people directly affected and an increasingly overcrowded informal economy, as women compete for work in areas such as cleaning, street selling, washing, and ironing.

**Box 4: Maria, resident of Ciudad Sandino**

Maria lives in Ciudad Sandino, near Managua, is 42 years old, and is a single mother in charge of three children. She states that the situation today ‘is desperate, it is difficult to eat properly – for months since I lost my job in the *maquila* we have had no chicken or meat in our diet. I have even begun to grow a small vegetable garden to try and provide a minimum diet’. The sparse income she now gets from informal work – cleaning and ironing – leaves her with money only for a basic diet of beans and cheese. Her eldest son has abandoned university due to the lack of money and the next child, her 12-year-old daughter, is not attending school regularly in order to help her mother in the informal sector, trying to increase their basic income. Every cent is used to improve their very poor diet; there is no money left over for clothes or shoes, or for books or medicine.


**Informal productive 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 out a living in the sector, and at the same time a fall in both prices and demand, putting a serious squeeze on living standards. Respondents reported that both the volume and quality of waste available for collection have 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, Bogotá, Colombia

[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, Bogotá, Colombia

Many newly unemployed workers, as well as some employed individuals, such as cleaners, guards, and others strapped for cash, are now recycling waste to make ends meet. These new waste-pickers are mostly unorganized, and are not part of any local recycling co-operative or association. In Chile, they are referred to as ‘flyers’. 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. The study concluded that ‘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.

**Migration and remittances**

Latin America and the Caribbean is a major region of origin of net labour migration and receives the highest level of remittances per capita of any region. The crisis precipitated initially sharp drops in remittance flows to many countries, particularly Mexico (-15 per cent), Ecuador (-13 per cent), and Colombia (-18 per cent). These drops reflect a reliance on destination countries – particularly the USA and Spain – badly
affected by the crisis. By the end of 2009 remittance flows were beginning to bottom out (see Figure 4).

Figure 4: Remittance flows to Latin America and the Caribbean

There are no data indicating a massive return of Latin American and Caribbean migrant workers to their home countries due to the crisis. A more significant effect is seen in the reduction of emigration, for example a sharp reduction in emigration from Mexico to the United States, due to less certainty in employment. Intra-regional migration is not likely to abate, with continuing demand for labour for traditional export products such as coffee, sugar, and bananas.

Reproductive economy: household impacts

The economic slowdown and job losses have taken their toll on wealth. ECLAC estimates that the economic crisis will return to poverty around a quarter of the 41 million people who have made their way out of it since 2002. Mexico and Venezuela have been worst affected.

The impacts have flowed through to household food consumption and children’s education. Women who have lost hours or jobs in Nicaragua’s maquilas have cut their food intake to two meals a day; one interviewee and her four children had not eaten any meat in four months. In Oxfam’s focus groups, over 70 per cent of women dismissed from their jobs had drastically 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 who are no longer affordable.

Sources of vulnerability and resilience

Public finances and fiscal space

ECLAC’s analysis of the crisis and its impact on Latin American and the Caribbean 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.\textsuperscript{112}

The region went into the crisis in better condition than in previous downturns, thanks to its prior efforts to reduce outstanding debts, build up international reserves, and curb inflation. According to ECLAC, 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, which partly explains their better social and economic performances. A modelling exercise by the IMF concluded that these better preparations allowed the region to ‘save’ about 4 per cent of GDP during the crisis.\textsuperscript{113}

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 below).

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

\begin{quote}
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.\textsuperscript{114}
\end{quote}

Integration and diversification

Mexico is both the country with the highest concentration of trade with a single country (80 per cent of exports are directed to the USA) and the region’s worst-affected economy, with a negative growth rate of over 7 per cent in 2009.\textsuperscript{115} By contrast, the diversified economies of Brazil, Chile, and Peru fared much better. Similarly, commodity-dependent economies were hit harder by volatility in prices, compared with countries with diversified exports.\textsuperscript{116} Diversification – of products and partners – played a role in the vulnerability or resilience of economies to this crisis.

Social policies

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.’\textsuperscript{117}

The contrasting prior situations in Nicaragua and Ecuador helped to determine the depth of vulnerability in each country. Since 2007, Ecuador has followed a policy of strong public investment, progressively introducing free and universal education and health care, and guaranteeing minimum incomes to all socially excluded sectors. These policies have helped to 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 poor and vulnerable people, their only real resources are family and social networks. The struggle of Nicaragua’s government to curb its 4 per cent budget deficit has had only a minor impact on public finances as a whole, but has done disproportionate damage to health and education spending.

2 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 formal institutions, to see themselves through the crisis (these community responses are considered in the previous section on impact, resilience, and vulnerability).

This is not to suggest that institutional responses are irrelevant; indeed, without the significant bail-outs 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, following decades of under-investment in social sectors, sometimes due to misplaced government priorities, but also often due to funding constraints resulting from IMF and World Bank conditions. Although labelled ‘coping strategies’, the means that people, often women, find to respond to such crises are frequently unsustainable, and are 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 the financial ability of governments to respond, the best responses should 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.118

One universal failing in responses has been to ignore the gendered impact of the crisis, for example focusing on the formal waged economy, rather than considering how governments can support non-monetised and unregulated sectors where women’s existing marginalisation can place them in particularly precarious positions. Similarly, social protection has rarely been extended to informal economy workers, migrants, or to people not in work – again, those already in the weakest position have received the least support.

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 (developed and
developing) on which the UN Department of Economic and Social Affairs (UN-DESA) has data were worth 4.7 per cent of these countries’ GDP, or $2.6 trillion. Countries with sufficient fiscal space (i.e. not entering the crisis with an already large debt or fiscal deficit) or with access to sustainable or concessional financing have been in a better position to respond.

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, although Zambia has given a massive tax break to its mining industry (more as a result of abandoning proposed reforms out of desperation rather than as a positive stimulus). By contrast, Ecuador has managed to see through its own fiscal reforms, increasing tax collection by $1bn in 2009. Unable to devalue due to its dollarized economy, Ecuador has also introduced trade restrictions to curb imports from neighbouring countries with devalued currencies. Although many African nations have responded in a similar fashion in previous crises, this time many appear to have eschewed trade restrictions.

To find out more about the fiscal impact on low-income countries, Oxfam commissioned a survey of the budgets of some 56 low-income countries. The report will be published later this year, but the initial findings are striking.

The financial crisis reduced the budget revenues of the low-income countries surveyed by more than $52bn in 2009, and $12bn in 2010, compared to 2008, resulting in a fiscal hole of $65bn. For half of all low-income countries analyzed, revenues will still be below 2008 levels by the end of 2010.

In 2009, countries responded to the fiscal hole by borrowing, or running down reserves so as to maintain or increase spending. They also managed to mobilize some additional grants, however the amounts were wholly inadequate (see below).

Moreover, due to lack of aid and concerns about debt levels, many countries are having to cut vital spending in 2010.

The international community is providing only $8.2bn of additional grants in 2009 and 2010, which plugs just 13 per cent of the $65bn fiscal hole. Even including loans, total external financing is estimated to have filled less than one-third ($20 billion) of this fiscal hole. To cover the remainder, LICs resorted to domestic borrowing, which is far more expensive, threatening to create a domestic debt crisis. In effect, poor countries are being forced to bail themselves out, at huge economic and human cost.

Despite G20 and donor country promises to help poor countries cope with the effects of the global economic crisis, only $8.2bn in grants has made its way to poor countries – plugging only 13 per cent of their revenue gap.

Since grants have not provided enough funds, three-quarters of LICs were forced to borrow more in 2009, and half will do so again in 2010. Most of the response to the crisis has come from multilateral development banks and non-OECD governments, who prefer loans to grants. Most of these external loans are given at concessionary interest rates, so there is little risk of any new external debt crisis. Indeed most LICs could afford to borrow considerably more. However, domestic borrowing far exceeded external borrowing in 2009, because the international community’s response to the crisis was slow – and it is far more expensive, threatening to create a domestic debt crisis.

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. While it is important to maintain infrastructure spending (to create jobs, to prevent costly repairs to neglected hardware in the future, and to maintain market and information access for people living in remote areas), such spending needs to directly benefit affected communities. 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 National Programme for Community Empowerment (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 7 per cent.

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 informality of employment. 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 (those of Indonesia 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 the economy away from an export-led focus by generating greater domestic demand.

Social responses

Social responses here refer to all aspects of social policy and social protection broadly defined as public or publicly mandated actions – carried out by the state or privately – that enable people to deal more effectively with risk and vulnerability and help tackle extreme and chronic poverty. Social protection includes delivery of essential services, promotion of free health and education, as well as more short term social assistance.

As vulnerability has not been entirely predictable, countries with universal social services or flexible social protection have been better able to direct responses to where they are most needed. Examples include Brazil’s Bolsa Familia, which has expanded its coverage by almost one million households to a total of 12 million.

Adequate social protection based on a good gender and vulnerability analysis of people living in poverty is necessary even in good times. For some people, vulnerability to lack of food and other basic needs arises from the constant struggle to cope with chronic poverty, but shocks such as the crisis can compound existing vulnerabilities. The crisis merely serves to highlight the ongoing necessity for social protection that both helps to tide people over particularly traumatic periods in their lives and continues to support those sections of the population who need support to survive day to day.

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 social protection mechanisms. In contrast, Botswana’s extensive series of safety nets has proved invaluable, and South Africa’s state-funded unconditional social assistance programme is helping, though coming under funding pressure. The ability of families to keep children in school in Indonesia, Thailand, Viet Nam, and Cambodia has been supported by school fee support programmes or by the lack of school fees at primary level.

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 stabilizers’ such as unemployment insurance, which kick in immediately without requiring new government decisions. The absence or limitations of these automatic stabilizers in many low-income countries...
have resulted in many of the most vulnerable women and men (including those working in the informal economy and migrants) falling through the cracks in official responses.

The strong social support networks of the Pacific region provide resilience to food or economic crises. These informal or traditional structures co-exist with social services that do not always reach all communities or provide adequate access to health care and education. There are currently very few formal social protection mechanisms in Pacific countries, and appropriate social protection is highly context-specific. The development of social protection would be reliant on consultation with communities and civil society over what forms of social support might be required to work alongside existing traditional systems in cases where they are not meeting current needs, particularly the needs of women and young people.

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.

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’. 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 long-term social protection systems.

Work on developing a social protection floor has already been initiated in a few regions, yet at present social protection measures that cover informal economy workers and the self-employed exist in only a third of all developing countries. Recent research by the 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.

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. The ODI found little evidence of interventions to address the poverty consequences of the crisis on any significant scale, with people in formal employment, especially government employees, receiving a disproportionate level of support.

The ILO, however, draws more positive conclusions than the ODI, perhaps because it focuses more on announced plans than on 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.135

Oxfam’s research found many instances of individuals or households affected by the economic crisis who were not able to benefit from existing or new government schemes. This raises serious questions about the targeting of new programmes and provides arguments both for improved monitoring and for improving the universality of social protection prior to a crisis striking.

International institutions’ responses

In past crises, the policies of international financial institutions have sometimes exacerbated vulnerability, for example by imposing pro-cyclical spending cuts and other inappropriate policies as conditions to their loans. This time, the IMF has responded by allowing more fiscal space in African countries, and by advising governments to protect social sector spending. Although this has resulted in fewer cuts in education and health spending in Africa than might have been expected, the fiscal hole is likely to lead to cuts in 2010, while in other regions, and in other areas such as agriculture and infrastructure spending, potentially damaging cuts are already visible.136 Oxfam’s analysis of the responses to the crisis in 40 of the poorest countries shows that the IMF has in many ways responded well in its low-income country work. The countries that were best able to implement a fiscal stimulus and protect social sector spending during the crisis were sub-Saharan African countries with an IMF programme. Of course, credit should also go to African governments for convincing the Fund that it was possible to implement a stimulus, and for using that space to increase health, education, and agriculture spending.

Unfortunately, the IMF is now re-tightening the targets in its loan programmes, meaning that countries’ ability to spend their way out of the crisis will be limited in the near future. In addition, requirements that governments impose new taxes that are likely to be regressive continue to appear in loan documents for countries such as Pakistan, Jamaica and the Kyrgyz Republic.

Donor countries have increased the resources available to the IMF to $750bn, 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.

The World Bank has channelled significant amounts to middle-income countries affected by the crisis. Its middle-income arm, the International Bank of Reconstruction and Development (IBRD), lent $33bn in fiscal year 2009, compared with $14bn the previous year.137 However, in spite of some frontloading of funds, it has not been 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 G8 and G20 to strengthen social protection and address food supply issues in the poorest countries. In recognition of this, the Bank’s board has recently approved a new ‘crisis window’ for its low-income arm, the International Development Association (IDA). 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.138

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 crisis, 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, and 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 had to rely mainly on their own resilience and social networks to withstand the crisis.

The Pacific Islands governments initially took a less proactive response to the crisis, in part due to the time lag in it 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. ASEAN has taken a lead on regional dialogue in the region in response to the crisis. A key response has been the 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 $120bn billion currency swap facility. This idea has been around since the 1997–98 Asian financial crisis, but required the current crisis to bring it to fruition.

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. Of the 76 projects listed under the ADB’s crisis response from September 2008 to December 2009 (as of 22 July 2009), 28 (37 per cent) were for macroeconomic or financial sector support, 25 (33 per cent) were for infrastructure financing, eight (11 per cent) were for social support through health and education, and the remaining 15 projects (19 per cent) were distributed in the areas of governance, SME support, emergency assistance, agriculture, and renewable energy.

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 percentage points, five times more than in previous recessions. 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 crisis. 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.

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

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% 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.\textsuperscript{145}

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 in the Solomon Islands most government-funded development spending has been deferred.\textsuperscript{146} To date, only the Marshall Islands and Samoa are making efforts to prioritise essential expenditures in order to reduce the impact of spending cuts.\textsuperscript{147}

Economic policy and job creation

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 or are engaged in the informal economy.\textsuperscript{148}

Infrastructure investment has been the most common way to create jobs.\textsuperscript{149} Cambodia, Viet Nam, the Philippines, Indonesia, the Cook Islands, Fiji, the Solomon Islands, Timor-Leste, and India have received loans from the ADB to fund infrastructure development, predominantly roads and water infrastructure.\textsuperscript{150} 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.\textsuperscript{151} 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 suffered 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, ongoing scrutiny is required to analyze the real environmental and social impacts of purportedly green investments.\textsuperscript{152}

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 projects 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, it has already benefited some 30 million households, and just over half the participants have been women.\textsuperscript{153}

Governments have also funded a range of productive projects. In the Philippines, Thailand, and Cambodia this has included increased investment in agriculture.\textsuperscript{154} In Thailand, the stimulus package focused on farmers and poor people by funding projects that could spend money within a year. The Philippines has undertaken the Comprehensive Livelihood and Emergency Employment Programme (CLEEP), which called upon departments to propose projects ‘to protect the most vulnerable sectors – the poor, hungry, returning expatriates, workers in the export industry, and out-of-school youth – from threats and consequences of reduced or lost income as a consequence of the global economic crisis’.\textsuperscript{155} As of 25 September 2009, official figures showed that more than 300,000 jobs had been created (70 per cent of the planned number).\textsuperscript{156} However, while 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.\(^{157}\)

Governments have provided tax breaks to businesses and individuals, and given subsidies and loans to keep enterprises afloat. Business support within Viet Nam’s stimulus package has been used predominantly by large enterprises, attracted by the low-interest government loans on offer.\(^{158}\) 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.\(^{159}\) 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.\(^{160}\) Enterprises at this scale have also exhibited significant resilience to the crisis.\(^{161}\)

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 $7.5m to retain laid-off workers for one to four months, and then provided micro-credit for them to establish small businesses. Sixty per cent of trainees (29,250 individuals) were garment workers, of which the majority were women. In all, 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 $1 a day offered by the scheme and had to find other work to support their families.\(^{162}\)

Governments have largely not rolled back labour laws,\(^{163}\) but may be enforcing them inconsistently, particularly in regards to the informalization of the workforce.\(^{164}\)

Social responses

Almost all countries in Asia have in place some kind of social insurance system and social assistance. 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 per cent of elderly people receive pensions, and only 20 per cent of the unemployed and under-employed 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 per cent 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.\(^{165}\)

The strong social support networks of the Pacific region provide resilience to food or economic crises. These informal or traditional structures exist alongside social services that do not always reach all communities or provide adequate access to health care and education. There are currently very few formal social protection mechanisms in Pacific countries (exceptions are the Cook Islands, Fiji, and Timor-Leste).\(^{166}\)

Social responses by governments have included the expansion of existing social services or social protection measures alongside the introduction of new programmes. 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 have had flexible targeting are better able to 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 and to maintain or extend programmes:

- The Indonesian health insurance scheme Jamkesmas targets poor people for free services delivered through integrated health service posts. The funding for this has been increased, as planned prior to the crisis. Indonesia has previously implemented an unconditional cash transfer (Bantuan Langsung Tunai, or BLT) and is piloting a conditional cash transfer (Program Keluarga Harapan, or PKH). The government is also planning to channel additional funds in the form of block grants through the PNPM programme, targeting the communities (not households) most affected by the crisis.\textsuperscript{167}

- In Cambodia, 30 per cent of households surveyed by Oxfam reported receiving some form of official aid from government or NGOs since the crisis began. Of those, 35 per cent received free health care or medicine from government. The government-supported programmes were targeted to the poorest rural villages and some other rural villages, but did not cover the urban poor. The NGO programmes, in contrast, focused on poor people in urban areas.\textsuperscript{168}

- 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 aged 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.\textsuperscript{169}

- Viet Nam 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.\textsuperscript{170}

- 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.\textsuperscript{171}

- Existing programmes 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.\textsuperscript{172}

- Families have 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, and uniforms, and by some schools collecting ‘voluntary’ contributions.\textsuperscript{173}

In some cases, governments have gone further and introduced new programmes in response to the crisis. Commune authorities in Viet Nam extended a ‘student loans for the poor’ scheme to all households, helping to keep students in education.\textsuperscript{174} 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.\textsuperscript{175} This is particularly significant considering the low levels of existing social protection and access to social services across the region.\textsuperscript{176}

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 Viet Nam, migrant workers, their service providers, households depending on remittances, and returning fired workers said that they had not received any official aid apart from the general assistance given to all poor households. Internal migrants across South-East Asia remain ineligible for cash transfers or other social
programmes, 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.177

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 major role in the informal economy, and their role in providing additional care in the reproductive economy. The infrastructure projects that have dominated fiscal stimuli have mainly created jobs for men. Despite the vulnerability of informal economy 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 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.178

The 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.179
**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. African governments have done their best to protect public spending and those with IMF programmes have had more success in this due to the extra resources available. However, forthcoming Oxfam research\(^\text{180}\) shows that in 2010, half of African low-income country (LIC) governments (and three-quarters of LICs in other continents) are planning spending cuts.

By sector, health has been most protected, with increased spending as a proportion of GDP in 87 per cent of low-income countries (mostly in Africa) between 2008 and 2010. Only 60 per cent of countries will manage to increase education spending over that time, and fully three-quarters of them will cut social protection spending. Overall, two-thirds of the 24 countries for which social spending details are available are cutting one or more of the priority social sectors of education, health, agriculture and social protection.\(^\text{181}\)

Social protection programmes or stimulus packages have been limited and not always well targeted. The vast majority of Africa’s people lie beyond the reach of such official responses, relying on their own social and informal networks to get by.

Overall, however, the parlous state of government finances across Africa means that in the absence of a sharp increase in aid, governments will be forced to choose between cutting vital spending or running up heavy debt burdens based on expensive domestic borrowing.

**Fiscal and monetary responses**

South Africa’s stimulus package was the largest in the region in absolute terms ($4.2bn, 1.5 per cent of national GDP) and has positioned the country to sustain domestic demand.

The situation in low-income countries is more worrying. Despite promises by the G20 and donor countries to help poor nations survive the crisis, just 13 per cent of the $65bn fiscal ‘black hole’ created by the crisis has been filled by grants.\(^\text{182}\) Given this failure, poor countries have been forced to resort to expensive domestic borrowing to finance spending. In effect, the poorest countries in the world are being expected to bail themselves out of a problem that has been caused by the rich countries.

Nevertheless, the IMF remains sanguine about Africa’s prospects. Once signs of recovery become more evident, the Fund 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.

The IMF believes that improving the effectiveness of those counter-cyclical fiscal policies which have been adopted depends, among other things, on reinforcing automatic stabilizers (instruments of the welfare state that do not 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 improved public sector efficiency and effectiveness.\(^\text{183}\)

Between January and August 2009, the IMF itself committed roughly $3bn of new concessional lending to countries in sub-Saharan Africa (compared with $1.1bn in 2008
and $0.1bn in 2007). Countries’ use of such loans will depend on their decisions as to whether first to make changes to planned spending or to draw down on generally healthy international reserves. Uganda, in particular, has been cautious not to take on new borrowing.

IMF member countries also have the option of using the new quota of ‘special drawing rights’ (SDRs) issued in August 2009, worth $250bn globally and $11.8bn 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 $630m 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.’

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 its surrender of potential tax revenue from the mining sector, but in any case it has appeared to lack urgency or particular interest in addressing the poverty consequences of the crisis. 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’. This was true both during and prior to the crisis. Zambia’s social protection measures, such as 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, while other social protection contributions have declined.

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. 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.

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 that 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.

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.’

**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 their 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.\(^{193}\)

In Malawi a significant fertilizer subsidy programme was instigated during the preceding food and fuel price crisis, but as the economic crisis has depressed fertilizer and fuel prices, the government was able to reduce its subsidy by around a third during 2009.\(^{194}\) Uganda has increased funding to the agricultural and energy sectors as well as shifting its focus to promoting regional, rather than global, trade, which has helped to protect the country from the worst of the crisis.\(^{195}\) Angola’s national plan for 2009, revised in light of the crisis, contained 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.\(^{196}\)

**Social responses**

Africa is lagging behind 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 mobilize additional resources that were already under severe strain from the preceding food price crisis. In most countries, official safety nets are threadbare or non-existent. By contrast, Botswana’s extensive series of safety nets has positioned the country well to deal with its major socio-economic challenges.\(^{197}\) 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.\(^{198}\)

In Nigeria, policy responses have attempted to rein in the widening fiscal deficit by curtailing social expenditures. The 2009 budget cut education spending by 16 per cent and health spending 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 maintain existing spending, 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 fewer than 150,000 people (out of a total population of 22 million, over half of whom live below the national poverty line\(^{199}\)). 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.\(^{200}\)

By contrast, the Ghanaian government has attempted to significantly increase its social protection coverage in the wake of the crisis. The country’s National Social Protection Strategy was designed in 2007, but had not made it through Parliament by the time the crisis hit. Components of the programme had 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.\(^{201}\) The Angolan government has also significantly increased social allocations within its 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.²⁰²

The picture of social 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. It 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 organizations 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.’²⁰³ 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 most common reason given for funding cuts.²⁰⁴
Latin America and the Caribbean

Fiscal and monetary responses

The region’s fiscal surplus of 1.4 per cent of GDP in 2008 turned into an estimated deficit of 1 per cent 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 5.

Figure 5: Latin America – revenue, primary spending, and primary balance (simple average, percentages of GDP)

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.

The region broke with the past in the introduction of counter-cyclical monetary and, to a more limited degree, fiscal policies. Due to a move away from pegging exchange rates, most central banks allowed exchange rates to depreciate with capital inflow reversals, and then instituted counter-cyclical monetary policies by lowering interest rates. Chile and Peru undertook significant fiscal stimulus measures and Brazil undertook fiscal expansion. Chile’s Economic and Social Stabilization Fund (FEES) had allowed the government to save in the ‘good times’ and increase expenditures during times of crisis. In the years prior to the crisis, Chile had run a structural fiscal surplus based on high...
copper prices and growing output. During the crisis, it was able to run a fiscal deficit financed by savings under the FEES.208

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 per cent of GDP.209

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 per cent 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 counting on a $348m windfall for its reserves from the IMF’s 2009 SDR issue, but is not seeking other loans from the IMF or 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 (valid until summer 2009) have resulted in only very limited progress.210 The increase in tax collection will be under 1 per cent 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 large private entrepreneurs, with no participation by wider society.

Many central banks in the region have reduced interest rates to try and reflate the economy, but 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 per cent 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.211

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 $7.5bn to $0.5bn) and gave opportunities to the domestic textile and shoe sectors, boosting production and employment in certain regions in the country in the midst of the crisis.

Economic policy and job creation

Governments in Latin American and the Caribbean have attempted to stimulate the economy and job creation through infrastructure, support to enterprises, and employment programmes.

Overall, the most significant investment in response to the crisis has been in infrastructure. As noted previously, the labour intensity (or lack of it) of infrastructure is critical in addressing the employment gaps created by the crisis. The World Bank has calculated that $1bn spent on infrastructure in Latin America can yield upward of 200,000 direct jobs; by contrast, spending the same on labour-intensive rural projects can yield up to 500,000 direct jobs.212 Some governments have employment criteria or strategies to ensure labour intensity: in Argentina $68bn will be allocated using a
combination of large enterprises and SMEs, and local infrastructure will be built using labour-intensive techniques.\textsuperscript{213}

Direct financial support to enterprises has included a procurement clause in Mexico’s stimulus package requiring at least 20 per cent of government procurement to be made from small and medium companies, and a similar increase of $50m in public purchases from SMEs in Peru. Argentina provided new credit facilities for low-interest loans of up to $300,000 for SME investment and Brazil increased the credit resources of the national development bank by 85 per cent in 2009.\textsuperscript{214}

Countries have introduced a range of other programmes to support employment, including:

- Increased targeting of employment programmes to poor people: Uruguay (long-term and older unemployed people), Peru (low-income youth), Mexico (poor regions), Chile (regions of high unemployment), and Dominican Republic (low-income households);
- Expanding training and employment measures for youth: training programmes in Argentina, Colombia, and the Dominican Republic and employment programmes in Peru.\textsuperscript{215}

Chile adopted a ‘socially responsible employment policy’ in 2006, which determines that if unemployment exceeds 10 per cent, a contingency fund is automatically activated to finance emergency employment measures.\textsuperscript{216}

Social responses

Governments in the region 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 in so far as their benefits may accrue more to those who consume most.\textsuperscript{217} This use of counter-cyclical spending by governments is all the more noteworthy because in previous crises social spending has been broadly pro- rather than counter-cyclical (see Figure 6).

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. Governments in Brazil, Mexico, and Chile, among others, have been 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 transfer. 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 per cent 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 per cent of total public social expenditures and 0.25 per cent of regional GDP. In the countries with the more established programmes, Brazil and Mexico, spending on CTPs is above the regional average (0.41 per cent and 0.43 per cent of GDP respectively).\textsuperscript{218}
A breakdown by ECLAC of government responses to the crisis up to 31 December 2009 found widespread use of both social policies (labour and social programmes) and sectoral policies (support for housing, SMEs, agriculture, tourism, and industry). A sample of the kind 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 planned to make at least 20 per cent of its purchases from SMEs in 2009.

**Agriculture:** Brazil has allocated $6.47bn in support for the agricultural sector, including $2.19bn in advances of resources from the state bank, Banco do Brasil, and a $2.41bn increase in the resources earmarked by banks for the agricultural sector.

**Industry:** Argentina’s government has agreed loans for financing sales of motor vehicles and consumer durables, pre-financing of exports, and working capital. It has announced credit lines targeting these activities worth $3.68bn, 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. The temporary employment programme will take the form of a scheme to extend and upgrade public services, utilities, and social housing.

**Social programmes:** Bolivia has introduced the Juana Azurduy mother-and-child bonus, which is distributed to pregnant women and mothers of children under the age of two.

The range and extent of responses shows that the region has come a long way since the slash-and-burn days of 1980s austerity, when governments, often under pressure from donors and international institutions, routinely cut spending in a pro-cyclical 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.

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*Source: ECLAC (2009b) ‘Social Panorama of Latin America’.*
3 Conclusions

Any general conclusions on both the impact of the crisis and responses to it must begin with a large health warning. At the risk of stating the obvious, the world’s developing countries, 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 crisis has spread (and is still spreading) across the world through varying transmission channels, at different speeds and intensities. Finally, the crisis has interacted with other crises, notably those of food and fuel prices, in complex ways.

But if one theme emerges from Oxfam’s research into the impact of the crisis, it is resilience and the multiple ways that countries, communities, households, and individuals have been finding to weather the storm. 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 religious bodies or community groups.

However, although the research has found, to a surprising degree, that many people are toughing it out in the short term, it remains an open question as to how sustainable or erosive these coping mechanisms will prove to be in the long run. Individuals’ lack of access to social protection and the consequent reliance on informal coping mechanisms pose a real danger of a significant depletion of capabilities in the future. It is clear that many women are paying a particular price through their additional unpaid and paid work to support their households.

It is here that the international community has a central role in ameliorating the combined impact of the succession of shocks (food prices, global slowdown, fuel prices) of recent years. While the poorest countries may not have suffered the direct impact as badly as some larger economies, they are sharing in the fiscal hangover, but have far fewer resources with which to respond. So far, aid has failed to rise to the challenge, providing just one dollar for every eight lost from poor country budgets due to the crisis. Countries that were already off-track in terms of meeting the Millennium Development Goals on reducing poverty and guaranteeing health, education and other aspects of a decent life, are being pushed further off-track through no fault of their own. If aid donors and international institutions cannot buck the historical trend of cutting aid after a crisis, the prospects for many poor countries look grim.

The extent of a community’s or household’s resilience to a shock such as the crisis, and the degree to which it will bolster future development, is to a large extent determined long before the crisis actually strikes. Pre-crisis factors that may have strengthened resilience on this occasion include:

**Economic structures:** Dependence on one or two commodities or markets alone 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 their 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. Diversifying economies through 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 care and education, and effective social protection systems, have proved more resilient, reducing the vulnerability of poor people to health shocks, reducing school drop-out 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 Scheme 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. Cash transfer programmes such as Brazil’s lauded Bolsa Familia scheme were already catering to 100 million poor people across Latin America before the crisis struck, and it is far easier to scale up such projects 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 social responses being badly designed, or captured by vested interests.

The extent to which resilience is thus far being sustained appears somewhat at variance with the approximate poverty projections routinely quoted by development organizations (including Oxfam) in discussions of the crisis – for example, that 50–100 million more people (depending on the source) were driven into extreme poverty in 2009 due to the crisis. These projections are 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 a given country – i.e. that rich and poor people are affected equally). It will be some time before household surveys provide an accurate picture of the poverty impact of the crisis, but our research suggests that the final figures may well fall short of these dire prognostications.

But resilience, whether national or individual, has its limits. It does not take much for coping to become self-defeating. Once spent, assets 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; when they get it wrong, or fail to show up, lives and life chances can quickly become vulnerable and precarious.

What lessons can be learned for future crises?

Plan for crises before they occur. Governments need both to invest in prevention (e.g. via adequate regulation of finance) and to stress-test their economic policy, state institutions, and social policies against possible future crises, as described above.

When a crisis hits, 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 tried to avoid the kind of large-scale pro-cyclical cuts that have aggravated recessions in past crises. In so doing, many have gone into fiscal deficit. It remains to be seen whether governments can maintain their MDG spending and commitments until their economies pick 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.

Support local-level coping mechanisms. Research on both the food and financial crises has shown that most poor people turn to their family, friends, faith organizations, and other local institutions for help, long before the state. The state should recognize this in its approach to crises, for example by building the capacity of local civil society and religious organizations to respond to crises.

Support during crises could also include providing access to information on sources of help, and even supporting connectedness and ‘moral messaging’ – e.g. respected local
figures calling on citizens to check on the welfare of their neighbours. More generally, governments and donors could play a role in supporting asset prices – people sell low during a shock (lots of sellers, no buyers) and then buy high, which can act as a serious obstacle to getting back on their feet.

**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.

**Gender matters.** 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. Even where responses have addressed the gendered symptoms thrown up by the crisis itself, seldom have they sought to go beyond and address the underlying systemic issues that perpetuate gender inequalities. Big capital-intensive infrastructure projects in any case create far fewer jobs than the local-level public works exemplified by the NREGS in India. 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.

**After a crisis**

**Learn lessons and replenish resilience.** Each crisis is different, and provides different lessons for governments, civil society organizations, and aid donors alike. But each crisis also depletes the coping capacities, both physical and psychological, of poor people and communities. These buffer stocks need replenishing as soon as possible to reduce people’s immediate vulnerabilities to the daily hazards of poverty; but after the crisis has passed, there is an urgent and particular need to top-up these sources of resilience and to reorganise so people retain or enhance their ability to deal with the next large shock before it arrives.

**The future: building back better?**

The crisis continues to ebb and flow through the world’s economy, and it is therefore difficult to discern any clear picture of what lasting changes may result. As this report goes to press, the success or otherwise of the €750bn bailout package to support the eurozone single currency bloc looks set to have a significant impact on the next stage of the crisis. One fairly certain feature of the post-crisis world is that many of the nostrums 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, epitomized by the rise of the G20 and its eclipse of the G8. The coming decades could be more about a Beijing Consensus than the Washington version.

But one aspect of the Washington Consensus has been partially vindicated – governments need to run counter-cyclical policies in good times as well as bad. That means building up enough fiscal space during booms to be able to maintain or increase spending when a shock hits. To caricature, in the past some of the more hard-line advice from international institutions has been to cut spending in both good times and bad, while NGOs and others have urged all governments always to increase social spending in both boom and bust. While this crisis has shown that spending on health and education certainly increases poor people’s resilience to shocks, so too does fiscal space, which may imply greater restraint in public spending during boom periods. This is a
delicate balance, and one that is best struck by accountable national governments rather than imposed by technocrats in Washington, Frankfurt, or London.

These shifts contain 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 of London suggest that the 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. Escaping monetary poverty is not just about increasing average incomes, it also involves being able to smooth consumption patterns. This is of particular importance to women, who are responsible for putting food on the table each day. The crisis has marked the political coming of age of social protection as a development issue and, more widely, has highlighted 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 in pursuit of improved well-being.

So much for the good news, but the response to the crisis has also contained serious flaws. Even those countries that are adopting improved social protection systems seldom extend them to people working in the informal economy or the unpaid caring economy, both of which have been significantly hit by the crisis. 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.

At a broader level, the crisis response has had only a tenuous connection with the other great development issue of the past 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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1 www.oxfam.org.uk/economiccrisis

2 Armenia, Burkina Faso, Cambodia, Ecuador, Ghana, Indonesia, Nicaragua, the Philippines, Thailand, Vanuatu, Viet Nam, and Zambia, together with regional research and analysis of Africa, Latin America, South-East Asia, and the Pacific.

3 Elson (2009).

4 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). Home and pieceworkers in the garment sector, waste-pickers, street vendors, and domestic workers all form part of the informal economy.

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7 King and Sweetman (2010).

8 Horn (2009).

9 Ibid.

10 Definition modified from Evans et al. (2010).

11 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).

12 Oxfam interview, Armenia, December 2009.

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

14 The ASEAN-5 are the Philippines, Indonesia, Malaysia, Singapore, and Thailand.

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20 Kawai (2008).

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24 ‘Fiscal hole’ refers to the reduced fiscal balance as a result of the crisis. The World Bank’s International Development Association (IDA) lends money on highly concessional terms to the poorest countries. This means that IDA credits have no interest charge and repayments are stretched over 35–40 years, including a 10-year grace period. The IDA also provides grants to countries at risk of debt distress. IDA-only countries do not borrow from other parts of the World Bank, such as the IBRD, and are usually the poorest countries.


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50 Feeny (2010); and Praparpun et al (2010).
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59 Botswana, Cape Verde, Lesotho, Mauritius, Namibia, Seychelles, South Africa, Swaziland.
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63 IMF (2009a).
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Table 3: Oxfam International research projects on the economic crisis in 2009: a summary of scope and methods

<table>
<thead>
<tr>
<th>Geographic focus</th>
<th>Scope and methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>Examined the impact of the crisis through analysis of official and secondary data, plus a small sample of key informant and community member interviews.</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>Small-scale survey work to examine micro impacts. Key informant interviews with international donors, government officials, economists, and civil society organizations in Ouagadougou.</td>
</tr>
<tr>
<td>Cambodia</td>
<td>Compared the impacts of the economic crisis on households across 15 villages with the impacts of the food crisis on the same villages. Surveys of 1,070 households representing 4,000 households in 15 communities. Fourteen 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 consultations with government agencies and NGOs.</td>
</tr>
<tr>
<td>Ecuador</td>
<td>Focused on the impact of the economic crisis on urban workers, agricultural producers, and indigenous women. Conducted key informant interviews including three government ministers; bilateral donor, international financial institution, and international organization staff, and civil society experts; and conducted six focus groups: three with urban workers in North Quinto, two with women producers in the south, and one with indigenous women in the poorest province in Central Ecuador.</td>
</tr>
<tr>
<td>Ghana</td>
<td>Examined the impacts on Ghana through analyzing macro-economic data, secondary sources, and key informant interviews with international donors, government, civil society, researchers, and journalists.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>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 of field work were conducted in each province involving focus groups with families with 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.</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>Focus on the impact of the economic crisis on agriculture and manufacturing through 18 key informant interviews with representatives of government, international financial institutions, bilateral donors, and civil society, and three focus groups with industrial and agricultural workers.</td>
</tr>
<tr>
<td>Country</td>
<td>Methodology and Study Details</td>
</tr>
<tr>
<td>------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>The Philippines</td>
<td>Analyzed the gendered impact through focus group discussions with women and men across three geographic areas, six in-depth interviews with women, key informant interviews with business, and analysis of official data and secondary sources.</td>
</tr>
<tr>
<td>Thailand</td>
<td>Analyzed the gendered impact through macro-analysis of secondary sources and official data, and focus group discussions with dismissed workers across two factory sites.</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>Scoping study involving analyzing macro data and a small sample of key informant and randomly sampled community interviews.</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>Regular monitoring project to understand the impacts of the crisis, from February 2009 until 2010. The study was undertaken in stages involving: February–March 2009: qualitative study using semi-structured interviews and participatory rural appraisal with 105 participants across three sites – i) Hanoï’s mobile labour market; ii) two craft villages; iii) industrial park. April 2009: rapid qualitative survey using semi-structured interviewing and participatory rural appraisal with 403 participants across six provinces in i) provinces receiving flows of unemployed workers; ii) urban industrial zones attracting workers; iii) export processing zones. July–August 2009: in-depth interviewing and focus group discussions with 315 participants across five sites (two from April, three new).</td>
</tr>
<tr>
<td>Africa</td>
<td>Impact of the crisis: secondary and official data analysis plus story-gathering in Sierra Leone, Liberia, Tanzania, and Mali.</td>
</tr>
<tr>
<td>Latin America</td>
<td>Analysis of regional impacts and responses using secondary analysis and key informant interviews.</td>
</tr>
<tr>
<td>Pacific Islands</td>
<td>Analysis of regional impacts and responses through analysing macro-economic and social data, available literature, and key informant interviews.</td>
</tr>
<tr>
<td>South-East Asia</td>
<td>Analysis of gendered impact of the economic crisis across the region. Commissioned and drew on five country studies; convened a workshop to analyze findings and incorporated a literature review and analysis of secondary data.</td>
</tr>
<tr>
<td>Global</td>
<td>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.</td>
</tr>
</tbody>
</table>
Annex 2: Overview of consultation on the draft report

The draft version of this report was released for a month of public comment and discussion on 27 January 2010. Over the following month we received 32 pieces of written feedback, including from governments, civil society groups, Oxfam colleagues, academics and researchers, UN bodies, international financial institutions, and members of the public.

We also shared and discussed the findings with colleagues across Oxfam International and through round tables and discussions, including an event for civil society in Washington DC, a round table at the World Bank including World Bank and IMF staff, a whole-of-government round table in Australia, and at events at the University of Manchester and the Institute of Development Studies.

The feedback we received was detailed, thoughtful, and at times extremely challenging. We extend our thanks to all the individuals, organizations, and institutions that have engaged with our findings and contributed to this final report.

We have attempted to address and incorporate feedback where we can, and have in particular refined our approach to formal, informal, and reproductive economies and paid greater attention to the unpaid work of women in the home. We have nuanced our analysis of resilience, which we think we originally overstated, to highlight the costs of how well households are currently coping with this crisis and the long-term implications of the choices they are making now.

In other areas, we have not been able to fully address the issues raised within the scope of this report. Some of these issues we hope to address in the course of future planned research into the resilience of households to multiple shocks and the relative effectiveness of different social protection schemes. This future research will be able to more rigorously test our conclusions about what builds resilience.

We acknowledge the historical and macro-economic limits of our analysis, which has been based, predominantly, on qualitative fieldwork. As such, we have not attempted to put the report in a stronger historical context or to add substantially to the macro-economic context. We see the contribution of this report as a complement and, in part, as a challenge to the macro-economic commentary and analysis that exists of the crisis. Instead, the primary purpose of this report is to highlight the complex and heterogeneous impacts of the crisis between and within countries, and at a household level, behind the macro-economic figures.
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This report was co-authored by Duncan Green, Head of Research at Oxfam GB, Richard King, Economic Justice Researcher at Oxfam GB, and May Miller-Dawkins, Research Manager at Oxfam Australia.

This report was made possible by the participation of over 2,500 women and men across 12 countries who generously shared their experiences with Oxfam staff and research collaborators.

We acknowledge the work of Oxfam staff and researchers across the 12 countries in designing and undertaking this research. Crucially we acknowledge the contributions of Le Kim Dung, Steve Price-Thomas, Hoang Xuan Thanh, Nguyen Tam Giang, Dinh Thi Thu Phuong and Truong Xuan team members, Raja Siregar, Roy Abimanyu, Mimmy Kowell, Chris Wangkay, Simon Feeny, Nurul Widyaningrum, Indrasari Tjandraningsih, Sarah Hermaniar, Jati Mahatmaji, Irwansyah, Sophal Chan, Sophoan Phean, Pichadaroot Ly, Sothath Ngo, Emily Alpert, Eguardo Santos, Jaime Atienza, Cherian Mathews, Caroline Pearce, Nishant Pandey, Anahit Khachatryan, Aphitchaya Nguanbanchong, Sochivy Khieng, Nguyen Thu Phuong, Kristina Gaerlan, Marion Cabrera, Patricia Samia, Edgardo L. Saintall, Srawooth Paitoonpong, Nipanan Akkarakul, Sujitra Rodsomboon, Hoang Lan Huong, Dinh Huong Thuy, Jasmine Burnley, Muyatwa Sitali, Elizabeth Stuart, Caroline Sweetman, Pamela Gomez, James Enor, Bernice Romero, Celine Chervariat, and all others who contributed. A list of Oxfam research used for this report, both published and unpublished, is contained in the references section. Texts of these reports can be accessed at www.oxfam.org.uk/economiccrisis.

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72  The Global Economic Crisis and Developing Countries, Oxfam International Research Report, May 2010