SOCIAL AND ECONOMIC POLICY

WORKING PAPER

INCLUDING CHILDREN IN POLICY RESPONSES TO ECONOMIC CRISES

Lessons from the Past and Policies for a Sustainable Future

UNICEF/ODI 2009 Conference Paper

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unite for children

Including Children in Policy Responses to Economic Crises: Lessons from the Past and Policies for a Sustainable Future

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Executive Summary

Overview

This synthesis paper is motivated by a concern about the effects of the current financial crisis on children and their care-givers, who are often particularly vulnerable when crises strike. Substantial evidence from developing countries associates negative growth with worse human development outcomes, particularly for children. A key reason for concern is that, if children are adversely affected by shocks, this often has lifelong and potentially inter-generational consequences. Inadequate nutrition at a critical time in a child's life, inadequate or absent health care at a critical moment, being withdrawn from school in order to work and/or being denied adequate child care and protection may all have consequences that cannot be reversed later, to say nothing of cases of avoidable infant and child mortality.

As the evidence is still too limited to judge the impact of the current crisis at the micro-level, the approach taken here has been to look at economic shocks in the recent past from a number of geographical regions, to see how these impacted on children and to what extent policy responses succeeded or not in mitigating adverse effects. We consider evidence from four such crisis episodes: the East Asian financial crisis of 1997/98; the experience of transition in former Soviet Republics in the early 1990s (especially Kyrgyzstan); currency crises in Mexico (1995) and Argentina (2002); and (a different type of example) African experiences with agricultural and oil price fluctuations. None of these episodes is directly comparable with the recent financial crisis, but we can still learn a substantial amount from them by learning how children are affected by shocks, and how policy can respond. This in turn enables us to tease out policy implications for the current crisis and support efforts to respond in a timely and nuanced manner.

Conceptual framework

Understanding the links between a crisis that originates at international level and outcomes that affect children at the local level is complex, as the channels of impact are many and often non-linear, operating at different levels. To examine the impacts of different types of crisis, we use a generic framework that sets out the various possible channels of transmission, from an international and macro level through to meso and micro levels. The ways crises operate and impact on children and their care-givers vary: a number of the channels in the framework, in particular the macro ones, may not be applicable in all cases, but nevertheless an important number of commonalities emerge and are of relevance to contemporary debates. How households react to a contractionary environment and possible reduced access to government services as a result of crisis are mediated not only by intra-household power and resource dynamics but also by policy responses. The latter are likely to be shaped by local governance arrangements, relationships between national governments and international financial institutions (IFIs), as well as the relative importance and effectiveness of domestic civil society. Pre-existing basic service infrastructure and social protection systems are also key in influencing the ability of households to cope effectively with economic shocks.

Macro shocks to micro-level impacts and policy responses in four regional cases

Macro-level shocks

The report's four regional cases cover a spectrum of both discrete and interrelated economic shocks in a wide range of social, political and economic contexts. These shocks were often different in nature and played out in very different politico-social contexts, which together influenced their impacts and related well-being outcomes. The 'triggers' for each shock also varied. General effects across regions included significant falls in gross domestic product (GDP) and industrial output, contractions in fiscal space, exchange rate adjustments in many cases and reduced access to external credit. Foreign loans were often replaced by support from the International Monetary Fund (IMF), which shaped recovery trajectories in all regions, to varying extents and with varying spill-over effects. Impacts on migration flows and remittance levels were a feature in all countries, although their levels and importance varied.

Meso-level impacts

In all four regions, the transmission of macroeconomic shocks to the meso level had some commonalities, including increasing under- and unemployment, with women more affected than men overall, and youth unemployment a common feature. Informal sector employment increased across all regions and labour migration was a significant feature of all crises. In most cases, there were decreases in the value of real wages, increasing prices and/or inflation and reduced access to credit, which had variable but common effects. Contracting fiscal space meant cuts in public spending across all regions, with the possible exceptions of Malaysia and Korea, in part because of their healthier initial conditions and stronger safety nets and social services. There were differential effects in rural and urban areas depending on the nature of the crisis and coping options. As such, there were extreme pockets of poverty in remote semi-urban areas of transition countries, whereas in East Asia and Latin America effects were felt first in larger cities.

Violence, particularly within the household, also increased in the wake of crisis, although evidence is limited, in part because of the sensitive nature of the issue. Women arguably bore the brunt, not just in terms of domestic violence but also by experiencing increased crime rates in society and, for those resorting to sex work, the associated dangers. Increases in harmful and degrading forms of adult and child work were also reported across all regions. In some countries, there was an increase in general levels of overall violence in society and criminality associated with crisis. Alongside this, and likely contributing to it, were declines in social capital, exacerbated by general time poverty and lack of opportunity to spend time with and invest in social networks.

Meso- and micro-level poverty effects

The crisis effects translated into increased poverty levels, with significant and potentially under-reported effects on women and children, given data limitations. Micro-level effects were absorbed by households in a number of ways. Crisis effects influenced consumption capacity, including reduced wages and benefits, price increases, loss of employment and lack of access to credit. Households also often reduced consumption of non-essentials and durable goods, as well as transport, educational materials, leisure, clothing, primary health care and donations or transfers, in order to allocate a relatively higher share of their budget to food. In more extreme situations, food consumption was reduced, sometimes by adjusting quality, sometimes quantity.

Meanwhile, many households experience changes in intra-household power relations, relating to an altered locus of economic power, time pressures and knock-on effects related to reproductive responsibilities and increased levels of family stress, and sometimes violence linked to depression and alcohol abuse. Psychological ill-health manifested itself in increased incidence of stress-related mortality and intra-household tensions, and although little discussed is likely to have negatively affected the care, nurture and protection of children.

Impacts on children's rights

Overall the negative impacts on children's right to survival (health, nutrition, water and sanitation) were significant in all regions, although they were perhaps most sustained in the case of transition countries. Effects on the right to development (education and psycho-social well-being) were mixed, both across and within regions, suggesting an income threshold effect and/or that educational deprivations were also shaped by the relative strength and quality of pre-existing basic services and social protection. Evidence on the right to protection (from abuse, neglect and violence) is more limited and fragmented, but it seems that there were important implications for the quality and quantity of care that children received from care-givers, a heightened risk of child abuse and mixed impacts on children's engagement in child labour. Finally, there is little evidence as to how crises impact child and youth right to participation (in decisions that affect their lives). In East Asia, changes in the political system, especially the growing role of civil society, may have opened up new opportunities to realise children's right to participation, whereas in transition countries, opportunities for children's participation appear to have declined overall.

Policy responses

In each of the regions, complex and dynamic factors played an important role in shaping both how deeply the crisis was felt and how quickly and effectively governments were able to respond.

In East Asia, the crisis coincided with and/or exacerbated periods of marked political change, which in some cases (particularly Indonesia, but also Korea and, to some extent, Malaysia), presented opportunities for an opening up of space for civil society activism. In economic terms, Indonesia, Thailand and Korea all implemented IMF reform packages, with Korea recovering the most quickly in terms of GDP growth. Malaysia pursued its own path through various capital control measures, a response that has since been credited with yielding important lessons for tackling macroeconomic shocks. Meanwhile, there were significant tensions between cutting social expenditure and increasing that on social protection (especially in Indonesia and Thailand). Social protection programmes were introduced or expanded in all cases, with aid playing an important role. However, services to address child protection deprivations. Gender-based violence and psychological ill-health were a major gap in the policy response in all four countries.

In transition countries, the situation was complex, given the systemic-level changes countries faced as they transitioned from state-controlled planned economies to market capitalist economies, although this also presented an opportunity for reform in some countries. The effects of crisis have been very long term and, for some countries, are still on-going. Economic policy responses were largely neoliberal in nature, with efforts to 'modernise' social services a part of this reform package. In health and education, a number of important areas suffered under-financing. With regard to social protection policy, in the poorer countries the transition-induced recession not only increased the number of people seeking assistance but also simultaneously eroded the resources available. Donor advice and financial support strongly shaped policy choices, especially in the poorer countries, with priorities shifting from economic (and governance) reforms to include greater attention to the social sectors by the middle of the 1990s.

In Latin America also, the crisis provided important opportunities for a reform-oriented forces. Mexico was much more aligned with IMF prescriptions; by contrast, Argentina's crisis response programme was heavily criticised by the IMF. In both countries, social sector cuts were lower than those in overall spending, and the crises highlighted the importance of strengthening existing social safety nets, with aid playing a significant role. In Mexico, a major conditional cash transfer programme was launched, *Progresa/Oportunidades*, under the creative leadership of a small group of policymakers supported by prominent domestic and international researchers. In Argentina, too, the crisis at least provided some space for progressive social forces to call for the introduction of new measures to mitigate the worst effects on the poor and vulnerable. The government launched a cash for work programme for unemployed household heads, which reduced aggregate unemployment, partially compensated many losers from the crisis and reduced extreme poverty, although the overall poverty reduction impact has been limited.

In Africa, countries have often managed the effects of fluctuations by borrowing internationally, which has longer-term implications for indebtedness. In some countries, extensive provision of food aid has played an important role in helping ensure households have adequate access to food. But probably the most important policy initiative in many countries over the period has been the introduction of various social protection programmes, generally strongly supported by donors.

Current crisis impacts and policy responses

Impacts

Because of its global nature, the current crisis is distinct from the other four crisis episodes reviewed in this paper. Nevertheless, a number of factors at the macro through micro levels resonate with past crises and provide useful guideposts for thinking about some of the impact pathways through which children and their care-givers are likely to be impacted in the short, medium and long terms.

At the macro level, one of the key impacts to date has been declines in trade and commodity prices. Remittance flows, international and internal, are emerging as another significant crisis transmission belt. A third key channel relates to financial flows, and aid constitutes a fourth potential pathway. Combined, these shocks have had a number of important meso-level effects, including increased unemployment and poverty, declining access to credit and rising social malaise, with significant age- and gender-specific vulnerabilities. Despite indications of a rebound in some macroeconomic areas, the effects of crisis are likely to persist over the short and medium term at least.

There is already evidence that the meso-level effects are translating into deprivations for children. With regard to survival, short-term child malnutrition appears to be increasing as a result of a decline in the quantity and quality of food. Although there is still very limited evidence of impacts on infant and child mortality, but Friedman and Schady (2009) estimate that in Africa the crisis could result in approximately 30,000-50,000 excess infant deaths in 2009. Virtually all of these are expected to affect girls more than boys, especially in the case of sharp (rather than modest) contractions in per capita GDP. On the right to development, there is some limited evidence of children being taken out of school, but other evidence suggests that dropout rates are little changed. Increasing difficulty in covering school-related expenses has been reported. Evidence on protection-related deprivations is limited but suggests that children are already suffering heightened risks of abuse and neglect.

Policy responses

Many developing country governments have already initiated a range of economic and social policy responses, suggesting that at least some lessons have been learnt from past crisis episodes. To date, though, there has been little indication of civil society playing a catalytic role similar to that in East Asia or Argentina, although this is an area that requires further research.

In terms of economic policy responses, a significant number of countries have implemented fiscal stimulus packages. However, the extent to which investments in basic services are being protected varies considerably. In Africa, the Middle East and Kazakhstan, public spending on infrastructure and basic needs is increasingly threatened. In Asia and Latin America, a number of countries appear to have learned the value of maintaining expenditure on basic services from the social impacts of past crises. Similarly, in Africa, prudent macroeconomic policies were helpful in providing ample space for some countries to adopt policies to soften the impact of the crisis. In addition, the role of aid in the form of debt relief had a significant effect in reducing sub-Saharan African debt to sustainable levels, lessening the adverse effects of the current crisis.

Although social protection systems are now significantly stronger in most regions, crisis-specific social protection responses have been relatively limited. In Asia, coverage remains relatively low, and measures to support rural households and informal sector workers are limited. In Africa, existing evidence is thin and mixed: in Zambia, the government was reportedly planning to reduce allocations to social protection in 2009 as a result of the crisis; whereas in Ghana, a World Bank loan was used to expand coverage of the new cash transfer and the government committed to increasing social protection expenditures. In some Latin American countries, social protection measures have been more comprehensive and funding significantly increased. In Mexico, the World Bank recently approved a $1.5 billion loan for the purpose of expanding *Oportunidades*.

Conclusions and policy implications

Our brief review of the emerging impacts of this current crisis further emphasises the complexity in regional patterning of crisis impacts and the importance of adopting context-specific responses. Nevertheless, a number of common themes emerge with regard to mitigating child-specific vulnerabilities to deprivations in terms of survival, development, protection and care.

Crisis monitoring initiatives

There is an urgent need to invest in more timely and systematic age- and gender-disaggregated data collection and crisis monitoring, to better inform policy debates on how best to tackle the vulnerabilities children, youth and care-givers face, particularly for rural populations, households dependent on the informal sector and the newly poor. In addition, there is a need to pay attention not just to conventional education, health and nutrition indicators, but also to a series of social vulnerabilities, including intra-household tensions and violence, gender-based violence and trafficking, social capital and social cohesion and mental well-being. More systematic assessments are needed to assess experiences of poverty and vulnerability in crisis contexts and to take appropriate policy and programming action. Often, discussions on child well-being are limited to deprivations in terms of survival and development and fail to include issues of protection and care.

Political economy dynamics

It is essential in the context of the current crisis that we pay more attention to local political economy dimensions so as to be able to design more strategic and policy advocacy approaches that are both pro-poor and sensitive to age and gender vulnerabilities. This also includes better understanding of the potential spaces for civil society to shape policy dialogues and to hold governments accountable for their crisis management efforts.

Creating space for countercyclical policy to invest in quality basic services

Countries need to be able to react to the downturn without having to cut their public expenditure, at least where fiscal institutions are strong, particularly in areas of spending that directly benefit children – education, health and protection – and where deficits for young children create lifelong consequences. In East Asia, child mortality and long-term malnutrition rates were not significantly affected during the 1997/98 crisis, owing in large part to stable investments in basic health services in Korea and Malaysia and targeted social assistance and social health insurance initiatives in Indonesia and Thailand. Care also needs to be taken to ensure that investments are made in supply-side measures, e.g., maintaining quality accessible health care so that demand-side approaches fostered by social protection mechanisms can have a meaningful effect on well-being outcomes.

Social protection

Both pre-existing social protection systems and tailored crisis-specific responses emerged in past episodes as decisive in tackling crisis-induced household and childhood-specific poverty and vulnerability. Countries that had an existing social safety net system were able to expand and scale up sizeable social protection interventions relatively quickly, e.g., Argentina and Indonesia. In Africa, where safety nets were much less developed, the establishment of new programmes was slower, because of both infrastructure deficits and political economy factors, although greatly facilitated by donor support. Given the important role played by informal social protection mechanisms in enabling families to cope during crisis episodes, especially in the short-term, the key will be to foster synergies between formal approaches and the existing informal mechanisms that often come under strain during crisis episodes. Finally, given the importance during historic crisis episodes of international aid in supporting social protection responses, it will be critical to monitor aid flows and the extent they are prioritising social protection initiatives, especially given how much the aid landscape has changed in the past

Care and protection

The extent to which responses addressed issues of protection and care appears to have been very limited. Despite rising intra-household tensions and violence, there was little increased investment in related social services, and there was a marked absence of response to rising rates of mental ill-health and drug and substance abuse in East Asia and transition countries. Similarly, although the gendered effects of under- and unemployment and household poverty were often stark, measures to address women's time poverty and to support women's greater responsibility for care work and domestic responsibilities do not appear to have been factored into programme design. It is therefore critical that crisis responses focus not only on threats to wealth and human capital accumulation, but also to the ability of communities and households to ensure children's adequate care and protection.

Introduction

The recent financial crisis originated in the developed world, notably the US and the UK, as well as elsewhere in Europe. It has had a major impact on the world financial sector, on financial and trade flows and on global growth which, according to World Bank estimates, is expected to contract by 2.9per cent this year (World Bank, 2009a). But while the crisis might have started in rich countries, very few countries have been exempt from its impact. Even in China, which has grown rapidly in recent years, growth fell to 9per cent in 2008 (and perhaps lower in 2009) compared with more than 11per cent in previous years. Growth in India in the second quarter of 2009 was 6.1per cent, down from the 9per cent of a couple of years previously. Even these rapidly growing economic powerhouses have been hit by the impact of the crisis. Elsewhere in the developing world, countries have been hit much more severely. Excluding China and India, developing country growth is projected to decline by 1.6 per cent this year (ibid). For instance, growth in Eastern Europe and Central Asia is estimated to on average decline by 6 per cent. And the full effects of the crisis are probably still to be faced in many developing countries. The recent very tentative recovery in some richer countries (e.g., France, Germany, possibly the US), even if it is sustained, will not significantly reverse the impact of the crisis, for at least a number of years and possibly longer.

At one level, the origin of the financial crisis was the boom in the US housing market from the mid-1990s (or earlier) until about 2006, funded largely by subprime mortgages. Rapidly increasing house prices and easy credit made the situation seem sustainable; banks traded mortgage-backed securities with each other to reduce their individual exposure to risky mortgages. There was a substantial inflow of funds into the US over this period and something very similar was happening in the UK and other European countries at the same time, even if subprime mortgages were perhaps less important. This was an unsustainable situation, which became evident in the US in around 2006 and Europe in 2007. Many banks had to be nationalised; a major international brokerage house, Lehman Brothers, failed; and interbank lending dried up until relatively recently. Governments reacted in different ways, but both the US and the UK put in place substantial expansionary policies, increasing their debt substantially. However, it took more than a year before significant interbank lending began to take place again: only very recently have rates decreased sufficiently to bring them in line with low base rates, and lending volumes are still very low.

Recession in Europe and the US led to declining demand. This had significant impacts on the developing world, mainly through their access to developed country markets and the channels of foreign direct investment (FDI) and official development assistance (ODA). The World Bank (2009a) estimates that private capital flows may have declined from $707 billion in 2008 to $363 billion in 2009. Global trade, which grew at 9.3per cent per year in 2006, is estimated to have fallen by 10per cent in 2008. The Bank also estimates that global gross domestic product (GDP) will have fallen by 2.9per cent in 2009 and industrial production in developing countries by 10per cent. Growth in the developing world, which was 5.9per cent in 2008, is estimated to have slowed to 1.2per cent in 2009; without China and India, developing countries' combined GDP will have contracted by 1.6per cent. This is in dramatic contrast to previous years of impressive growth performance. Although the World Bank suggests that there will be a recovery from 2010, the basis for this is not evident.

At the micro level, the World Bank estimates that the current crisis will push perhaps another 55-90 million people into extreme poverty (below $1.25 per day),[1] which is in addition to the previous impact of high food and fuel prices. There is also substantial evidence for the developing world that negative growth is associated with worse human development outcomes (Arbache and Page, 2007; Baird et al., 2007; Cornia et al., 2008; Ferreira and Schady, 2008). For instance, Baird et al. (2007) calculate that a 1 unit reduction in log GDP is associated with an increase in mortality of between 18 and 44 infants per 1000 children born. Similarly, recession in Peru in the late 1980s caused infant mortality to rise, although recession in Indonesia

[1] See, for instance, World Bank (2009d). Others report different figures, e.g., Chen and Ravallion predict 64 million: www.voxeu.org/index.php?q=node/3520.

during the East Asian crisis in 1997/98 did not; the difference was that health spending was cut in the former case but maintained to a greater extent (in part through donor support) in the latter case (Jones and Marsden, 2009). These studies also find that the impact of changes in income on infant mortality tends to be asymmetric; mortality increases significantly during downturns but recovers much more slowly in periods of positive growth. The extent of the existing food buffer is likely to be an important determinant of outcomes, and there is evidence for Malawi that it may be very low.[2]

Reduced household nutrition can adversely affect the mental development and growth of children and cause malnutrition, as has occurred in Cameroon and Zimbabwe (FAO, 2009). In most cases, households scale down expenditures on health and education, as in Indonesia during the 1997/98 Asian crisis (ibid). Nonetheless, the impact of working mothers not seeking health care for their children or themselves can aggravate the conditions mentioned previously and lead to much worse outcomes for the poor. There is evidence of this in Mexico during the 1995 crisis, where higher infant mortality rates were linked to increased participation of women in the labour market (ibid).

Friedman and Schady (2009), using several demographic and health surveys (DHSs) for countries within Africa, provide an estimate of 28,000-49,000 excess infant deaths in sub-Saharan Africa (SSA) in 2009. They show that a 1per cent reduction in per capita GDP increases infant mortality by between 0.34 per thousand and 0.62 per thousand. Converting these estimates to elasticities, they report an increase in infant mortality of between 0.32 per cent and 0.58 per cent as a result of a 1 per cent decrease in per capita GDP. In addition to increasing infant mortality, the impact of shocks to GDP varies by education and residence of the mother as well as by gender of the child. For boys, the increase in infant mortality is 0.33 per thousand but for girls it is 0.62 per thousand. Meanwhile, the impact is greater for children in rural areas and those born to mothers with less education. Nonetheless, significantly larger shocks to GDP are particular damaging for girls, with no statistically significant effects on boys.[3]

The recent World Economic Outlook (October 2009), along with many other commentators, has suggested that the global recession is ending, although it is still not particularly optimistic about the prospects for a quick and significant recovery (IMF, 2009e). Some industrialised countries (e.g., France, Germany, the US) have returned recently to positive GDP growth. The International Monetary Fund (IMF) projects global growth of 1.25 per cent in 2010, compared with its estimate of a downturn of 3.5 per cent in 2009. China, India and emerging Asia may also increase their growth rates. But other areas in the developing world are expected to continue to grow more slowly (e.g., Africa) or decline (e.g., Central Asia). The seeming recovery is still very fragile, and projections in this period are subject to a greater than usual margin of error. And from the point of view of the developing world, concerns remain about aid and remittances dropping and debt burdens increasing. Even if richer countries and more successful Asian countries do begin to recover, the majority of the developing world will still be in a very difficult situation for the foreseeable future. Even if trade volumes and financial flows do start to recover, benefits to the developing world are likely to suffer from lag effects. The IMF (2009c) emphasises the uncertainty surrounding turnaround for developing countries, generated mainly by the financial effects of the crisis, feedback from the global economic recession and the collapse of commodity prices, which would negatively affect the trade balances of least-developed countries.

This synthesis paper is motivated by a concern about the effects of this financial crisis on children and their care-givers, who are often particularly vulnerable when crises strike. The evidence is still too limited to judge the impact of the current crisis at the micro level. As such, the approach taken in this project has been to look at economic shocks or crises in the recent past from a number of geographical regions, to see how these have impacted on children and to what extent policy responses succeeded or not in mitigating adverse effects. We consider evidence from four such crisis episodes: the Asian financial crisis of 1997/98 (the impacts of which on household poverty have been studied extensively); the experience of transition in

[2] Brinkiman, Chai and Fajth (forthcoming): for more information on this publication, contact UNICEF Policy Department, New York.
[3] Also, the coefficient for females is five times larger than for boys (FAO, 2009).

former Soviet Republics in the early 1990s; currency crises in Mexico (1995) and Argentina (2002); and (a different type of example) African experiences with agricultural and oil price fluctuations.

None of these episodes is directly comparable with the recent financial crisis, the global impact of which has been substantially larger. The current crisis originated in rich countries; the historical cases that we discuss occurred in the developing world. The impacts on global financial flows, trade volumes and growth have been substantially larger in the current case. The impact of the current shock will affect most or all of the developing world, in contrast to the earlier shocks we study, which came about for the most part in particular countries or regions (e.g., FAO, 2009). Other differences include that the current crisis immediately followed a food and fuel crisis (2006-2008) and that developing countries are now more financially and commercially integrated than in the past (ibid).

However, we can still learn a substantial amount from previous crises, the impacts of which in the countries affected were often as significant (or more so) than in the current case, both immediately and in the longer term. By drawing on available qualitative and quantitative research findings, we tease out the impacts on children and attempt to assess the extent to which these effects were mitigated by economic and social policy responses. By learning how children are affected by shocks in these situations, and how policy can respond, we believe we can draw important conclusions for the current crisis, an issue we revisit later in the paper.

A key reason for concern about children is that, if they are adversely affected by shocks, this often has lifelong consequences. Inadequate nutrition at a critical time in a child's life, inadequate or absent health care at a critical moment, being withdrawn from school in order to work and/or being denied adequate child care and protection may all result in consequences that cannot be reversed later in a child's life, to say nothing of cases of avoidable infant and child mortality.[4]

In discussing children, we focus on three key clusters of children's rights: child development, child survival and child protection. Under child development, we are concerned with issues such as the impact of household poverty, education access and quality, children being withdrawn from school and children being denied adequate care. In relation to child survival, we are particularly concerned with issues such as malnutrition, mortality and morbidity, as well as access to water and sanitation. Within child protection, we are concerned with issues such as the effects of adverse shocks on children's involvement in child labour and vulnerability to child marriage, abuse and neglect, and access to drugs.

The structure of the paper is as follows. In the next section, we set out and discuss a framework for understanding the impact of a financial crisis on children. Sections 3, 4 and 5 are the core sections of the paper. Section 3 summarises the overall evidence of the impacts in the four cases at the macro, meso and micro levels, with Section 4 focusing on the economic and social policy responses undertaken by governments and their outcomes for children. Section 5 overviews what is known to date about the impacts of the current 'Triple F' crisis (food, fuel and financial), from the macro through micro levels, as well as policy responses to date, in order to identify similarities and differences with past crisis episodes. Section 6 concludes, highlighting key policy implications.

[4] Evidence from Mali provided by Bibi et al. (2009) indicates that health consultation by children who were ill showed a noticeable difference between boys (60.7 per cent) and girls (61.4 per cent), and significant differences between urban (74.6 per cent) and rural (55.4 per cent) households were observed. These initial figures were affected by the crisis: 1 in 200 sick children were unable to benefit from health services as a result of the crisis. One coping mechanism of rural households was to consult traditional medicine practitioners. This could contribute to increasing infant mortality in Mali.

1. Conceptual framework

Understanding the links between a crisis that originates at an international level and outcomes that affect children at local levels is a complex endeavour, as the channels of impact are many and often non-linear and operate at different levels. Some crises, including the current financial crisis or the impact of commodity price fluctuations, fundamentally originate outside a country; others may be a combination of both internal factors and external dimensions (e.g., the East Asian crisis). Crises will have important macro-level impacts on individual countries, by affecting government revenue or international trade, among others. In addition, at a more micro level they will affect producers, communities and households, although the extent of impacts at these levels can also be shaped by government actions. How a crisis affects households, communities and governments substantially influences its impact on children.

Figure 1 sets out a generic diagram for various possible channels of transmission of the effects of a crisis, from the international and macro level (top of diagram), through the meso level (middle of diagram) to the micro level (bottom of diagram).[5] This diagram is proposed as a general tool for examining the effects of different types of crises, including the different cases we have considered in this project. How important different channels are varies according to the type of crisis considered; the impact of price fluctuations in Africa, for example, operates very differently from the impact of transition-induced macro shocks in Eastern Europe and Central Asia (please see Appendix 1).

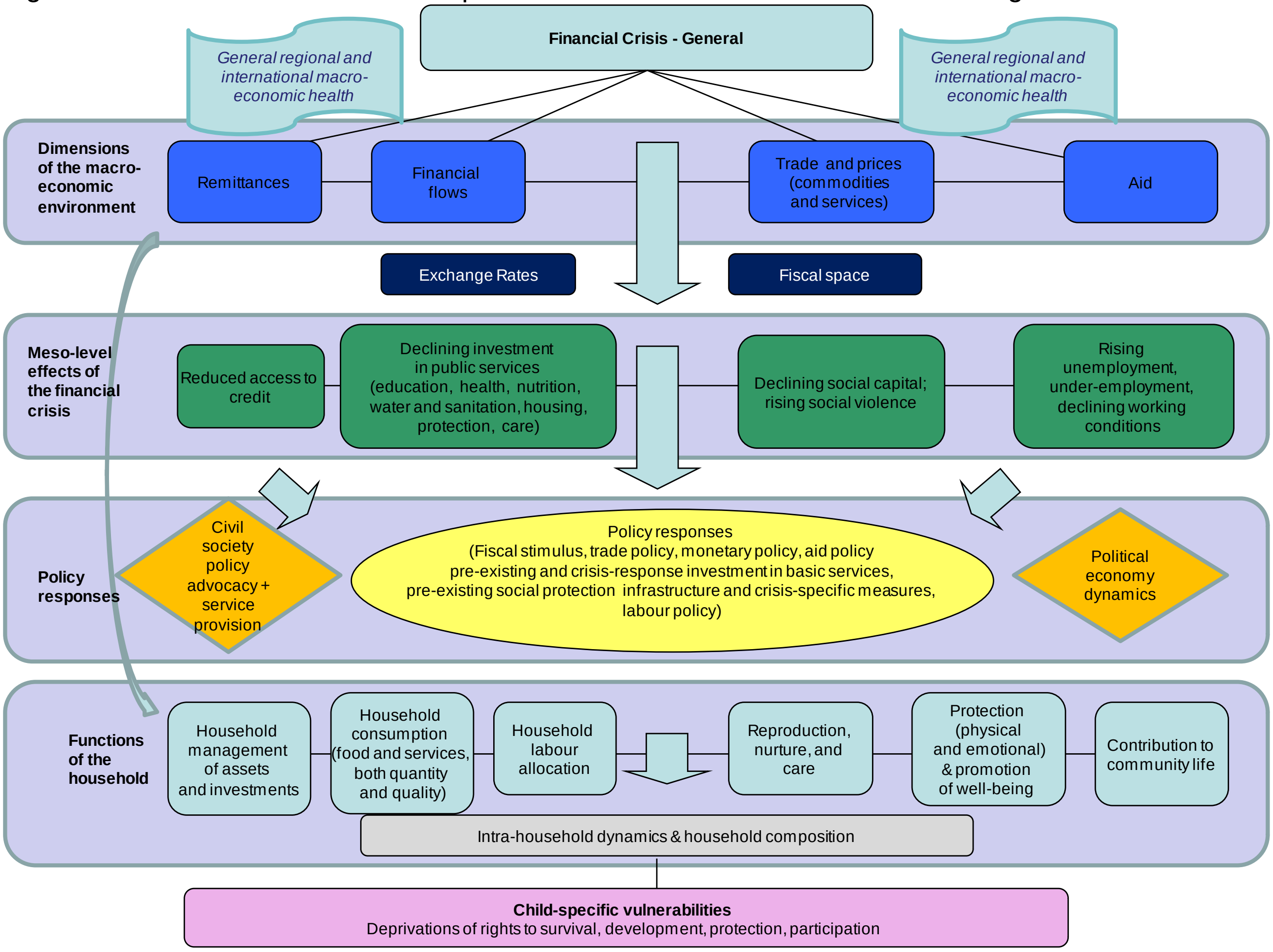
Here, we discuss the diagram in relation to the current financial crisis. First, it substantially changes the international environment, in particular reducing the availability of global finance in the private sector. At a country level, this is perhaps one of the main macro-level impacts: reduced availability of financial flows, at least from the private sector. Direct and portfolio investment flows are expected to be reduced substantially because many investors are likely to be adversely hit by the financial crisis (World Bank, 2009a), while others less directly affected may become more cautious. Short-term capital flows may also dry up, which can be very problematic for countries needing to fund balance of payments deficits. Because government revenue is adversely affected in rich countries, this may result in reduced volumes of aid. In fact, aid increased in 2008 to $119 billion (ibid), above the levels for 2006 and 2007, but some of this was frontloading of existing commitments and real volumes may still have fallen. Aid budgets were cut in previous financial crises (e.g., Finland, Norway and Sweden in 1991) and, in the current crisis, Ireland made a very early announcement that it was cutting its aid budget by 10per cent in 2009, and Italy followed suit. The situation with other donors is less clear cut, but there is a serious risk of aid being cut at precisely the time that poorer countries need it most. In these circumstances, funding from international financial institutions (IFIs) is likely to play an increasingly important role, especially in low-income countries, and may be the only way in which countries can adopt countercyclical policies.[6]

Remittances, a very important financial flow in many countries (often more than aid in aggregate, e.g., in Ghana), may also be adversely affected, for instance because international migrants from these countries resident in richer countries may lose their jobs or face reduced pay or greater job insecurity. Other migrants may be required to return home (creating the additional problem of their reintegration). Within developing countries, once the crisis starts to take hold urban to rural remittances may also slow down, which is of concern given their potential important impact on rural poverty (Bauer and Thant, 2010).

[5] Similar and broadly consistent frameworks have been developed independently by, say, Conceição et al. (2009).

[6] IMF (2009c) also shows that there is little room for countercyclical policy – this essentially again reinforces the need for aid and other packages for developing countries to overcome the shocks of the current crisis.

Figure 1: Framework to understand possible effects of crises on child well-being



The second substantial international impact expected is on trade volumes which, as noted in the previous section, have declined globally by 10 per cent in the past year. This reflects the reduced demand associated with the financial crisis. As many countries produce less, buy less and become more cautious, this will have adverse impacts on all. If there are moves towards protectionism, this is likely to make matters worse (for instance, India's poorer neighbours were adversely affected by the ban on food exports that the Indian government introduced to combat the food price crisis), although so far there have not been significant moves with regard to the use of export bans. In short, there is likely to be a substantial reduction in financial and trade inflows into countries and in foreign exchange earnings. Countries will face greater difficulty in borrowing, which becomes increasingly important as countries become more constrained (see Appendix 2, Figures A2.1-A2.8). These effects have substantial macro-level implications for countries.

It is important then to consider the consequences of these effects for a country's foreign exchange earnings and for government revenue. If it becomes more difficult for countries to borrow internationally, this could limit their ability to import goods, and it is obviously difficult to increase exports to earn more foreign exchange. Some imports may be very important for a country, such as food (for net food-importing countries) and production inputs. Reduced international borrowing would also restrict funding options for government. The IFIs potentially play a more important role for poor developing countries in this environment, and the World Bank in particular has made a significant effort to increase its lending in the crisis situation.[7] Exchange rate adjustments may also take place in response to a crisis: the crisis in Mexico discussed here was a consequence of an overvalued exchange rate, which became unsustainable. Exchange rate depreciations have distributional consequences: those countries that export will benefit, but those buying imports for consumption or use in production will lose out. The effect on net importers of food and fuel is expected to reduce, however, as a result of falling food and oil prices (IMF, 2009c). Nevertheless,

[7] See, for instance, www.worldbank.org/financialcrisis/bankinitiatives.htm.

lower global demand would make a quick recovery and a rise in exports from developing countries difficult (ibid).

The global nature of the current crisis, unlike the previous Asian, Mexican and Argentine crises, makes the exchange rate no longer a useful adjustment mechanism (FAO, 2009). Essentially, in crises restricted to a few countries, it is easier for the affected countries to adjust to shocks by allowing their exchange rates to depreciate (or devalue in the case of fixed exchange rates). This helps ease balance of payments pressures (ibid). However, the global nature of the current crisis makes it impossible for all countries to allow their currencies to depreciate (or devalue) – some currencies would appreciate in value, making the shocks for such countries last longer in the face of macroeconomic imbalances (ibid). Another setback to exchange depreciation is that several developing countries have fixed exchange rates,[8] and thus must rely on fiscal and monetary policy to manage the shocks to their balance of payments resulting from the crisis (IMF, 2009c). It is therefore difficult to tell which countries would experience an appreciation or a depreciation.

Microfinance institutions in Central Asia, Europe and Central America have been hit hard by the current crisis. A contraction of the domestic financial sector is likely to have adverse effects on most domestic businesses and many households because of their need to borrow. This could create a need for cost cutting on all sides, unless the domestic banking sector reacts by allowing temporary increases in money supply, as happened both in many industrialised countries and in Latin America. In relation to microfinance, the Consultative Group to Assist the Poor (CGAP, 2009) sees the sector as having been relatively disconnected from the domestic financial system. Connections between microfinance and the more formal financial sector have become stronger in recent years,[9] but CGAP still sees the sector as having sound foundations and being able to survive the setback of the current crisis. The withdrawal of funding from foreign sources (mostly from advanced economies) has led microfinance institutions to reduce their lending activities (FAO, 2009; IMF, 2009c). This is expected to have a negative impact on the poor, as the poor, especially poor women, constitute the majority of the clients of these institutions[10] (ibid). On the other hand, microfinance institutions raising funds from domestic sources and deposits of locals have been able to withstand the shocks (such as decreased foreign funding) from the current crisis (ibid).

For the most part, the factors identified above are contractionary forces. They can be expected to reduce employment and/or wages, and will reduce credit availability for some (Appendix 2 presents some data on wages). At a more disaggregated level, some manufacturing sectors have experienced a decline in earnings, as reported in the International Labour Organization (ILO) LABORSTA database.. These forces are likely to have adverse effects on consumption for many households, which may in turn react by adapting their consumption bundle, for example buying poorer quality goods and reducing food consumption.[11]

The Food and Agriculture Organization (FAO, 2009) citing a recent US Department of Agriculture (USDA) economic research service project, reports that lack of access to capital, poor infrastructure, limited technology, limited information, few inputs and lack of quality seeds were significant obstacles preventing local farmers from responding to the higher food prices. An implication of this finding is that the higher prices did not translate into higher incomes for farmers. An example is that subsidies for fertiliser and tractors provided by the Ghanaian government targeted at poor farmers were not able to induce farmers to make purchases, since farmers could not afford them. There were therefore no improvements to the welfare of farming households in rural communities.

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[8] The CFA franc zone – French-speaking West and Central African countries pegged to the euro.

[9] See http://crisistalk.worldbank.org/2008/11/microfinance-an.html.

[10] These include the self-employed and smallholder farmers, among others.

[11] Wodon et al. (2008a) provide empirical evidence that a 50 per cent increase in the prices of selected food items (rice and other cereals) shows up in an average increase in the share of the population in poverty of 2.5-4.4 percentage points. The impacts are even stronger for countries that are net importers of rice and other cereals. Again, the impact on urban areas is larger than that on rural areas (1.1-1.5 percentage points higher). Wodon et al. (2008b) suggest for Ghana that simulations indicate that maize farmers benefit from price increases only if those price increases translate into higher incomes for the farmers and not higher profits for middlemen.

Declining consumption volumes, in conjunction with declining trade flows, are likely to mean significant contractions in government revenue. Consumption taxes and trade taxes are an important source of revenue for many governments. With falling revenues, governments are likely to be forced to reduce their spending, the extent of this depending on their ability and willingness to borrow. There are many different ways in which governments can cut their spending but, in considering the impact on children, what is particularly important is that child-focused expenditures (including, but not limited to, education and health care spending) are strongly protected. This was not always done in the early years of structural adjustment, but strong protection has generally been given to spending in these areas in recent years, in part because of donor support. In reality, estimates of allocations for specific sectors in the budget can be different from the actual amounts spent by government (Mba et al., 2009). For example, in the 2010 budget report for Ghana, poverty reduction allocations for poverty-reducing expenditures in 2009 were not met, except for in the energy sector, where actual expenditure exceeded the budgeted allocation. Total poverty-reducing expenditure was 71per cent of that allocated. With regard to specific poverty-reducing expenditures in the agricultural, primary health care and basic education sectors. Actual expenditures were 68 per cent, 60 per cent and 79 per cent of budgeted allocations, respectively.[12]

The issue then is how households react to the contractionary environment and possible reduced access to government services. An important dimension of this is about labour market responses: some household members may need to work harder or differently. Some adults who did not work previously may be required to; others may need to work longer hours; some may be forced to migrate domestically to another location; and there may also be increases in child labour as households struggle to cope. Children may be withdrawn from school. There is evidence of some of these effects in relation to other crises in Brazil (Duryea et al., 2007), urban Latin America (Moser, 1998), Indonesia (Frankenberg et al., 1999), Tanzania (Beegle et al., 2008) and Ethiopia (Woldehanna et al., 2008), among many others. There are often important gender dimensions to this: it is often women who are forced to work harder, and sometimes they are forced into degrading activities (ESCAP, 2003; Harper et al., 2009; Shin, 1999). Another more desperate coping mechanism that households sometimes use is to sell some of their assets. Even if they help to maintain immediate consumption, distress asset sales create the likelihood of long-term chronic poverty from which households may face considerable difficulty escaping.[13]

These household reactions may have important implications that can adversely affect children. If a parent is forced to migrate, this will adversely affect child care; where an adult member is required to work harder, they will have less time to devote to child care; and where a child is required to work, this can have severe long-term implications, especially if the child is taken out of school. Some children may be more affected by this than others; younger children were more affected than older children in Indonesia during the Asian crisis (Frankenberg et al., 1999). There are often important gender dimensions to this: it may be male family members who migrate, creating costs for the family members left behind, who may have to work harder as a result. Increasingly, though, women are migrating in some countries, for instance in Indonesia (where women represent 80 per cent of total migrant workers) and the Philippines. In general, the pressures on parents to adjust to a more difficult or pressurised work environment are likely to adversely affect both the quality and the amount of time they can invest in child care. And this is without recognising that some forms of work that households might adopt as a coping response, such as commercial sex work, may have serious adverse impacts on the household in general, and on children in particular (Harper et al., 2009; Lee-Rife, 2007).

Children may be adversely affected in other ways. Increased stresses within the household may translate into violence, or may simply cause emotional ill-being within the household, which undoubtedly affects children adversely. Increased pressure on the household budget may translate into reduced consumption

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[12] Budgeted allocations are for the whole year but actual expenditure is for the first three quarters of 2009. In several cases, actual expenditures for the whole year, when they become available, may still show some differences.
[13] Conceição et al. (2009) report evidence of many of these outcomes based on field reports of the effects of the crisis across multiple countries.

levels, for instance of food. Children will certainly be affected by this, perhaps disproportionately (depending on how intra-household dynamics operate), and this in turn will translate into other outcomes, such as greater susceptibility to disease or a reduced ability to learn in school. There may also be gender-specific dimensions to this. Inadequate nutrition *in utero* and in the very first years of life has long-term consequences on child development (notably stunting) that are difficult or impossible to escape and which become long-term disadvantages that children have to bear throughout their lives (World Bank, 2006a). Reduced spending on education or health by government is likely to affect children directly, as would lower government spending in areas such as child protection. One area of particular concern is spending on prenatal and postnatal care, which can have serious consequences for both mothers and their children.

There are therefore major concerns about the impact of financial crises on children, and not just limited to those above and discussed previously. But how serious these impacts are is very much mediated by the policy response. Policy responses are likely to be shaped by local governance arrangements, the balance of power between government agencies and the types of relationships between national governments and IFIs. In addition, a policy response is often shaped significantly by the relative importance and effectiveness of domestic civil society, which can effectively influence government response to a crisis, and in particular advocate for the interests of children to be taken into account.

One level of response is the macro policy response of government: its willingness and ability to implement countercyclical policy by not excessively cutting (or even increasing) its spending; the support it provides to the domestic financial sector; how it manages its exchange rate; etc. In principle, a more expansionary fiscal response by government should reduce the adverse short- to medium-term impact of the crisis.[14] The need to protect government spending in core areas of relevance to children has already been highlighted.

But other issues matter too. Having adequate social protection mechanisms (including social assistance, social insurance and social welfare services) in place is key in helping households cope with the type of adverse shocks that financial crises inevitably involve; again, these need to include the poor or those who could become poor following a shock. Employment creation activities, including food for work, cash for work or cash for training schemes, may be an important part of a public policy response to downturns, although it is important that these schemes do not encourage child labour.

Finally, it is important to note that, for the other types of crises considered in this paper, the ways in which they operate and impact on children and their care-givers are often different. A number of these channels, in particular the macro ones, may therefore not be relevant. For example, in the case of food price fluctuations in Africa, there is no reason for price fluctuations to affect financial flows, including aid and remittances, but they can have substantial impacts on trade volumes. In transition countries, meanwhile, the situation was significantly different because the economic crisis was accompanied by, and indeed arguably partly caused by, major social and political upheaval. This is not the case in the current crisis, or for the other cases considered here. Similarly, the impact on government revenue will vary from case to case. However, many of the issues, in particular the micro issues, are still highly relevant. Moreover, we still suggest that Figure 1 is sufficiently broad to encompass the four cases considered here, although particular channels will not apply in some cases.

2. Tracing macro-level shocks to micro-level impacts

Initial 'triggers'

Our four regional cases cover a spectrum of both discrete and interrelated economic shocks in a wide range of social, political and economic contexts. As outlined earlier, these shocks were often different in nature

[14] The decline in reserves and possibility of a depreciation in developing countries' exchange rates provides further risks for debt sustainability (IMF, 2009c), particularly in developing countries whose public debt has a significant external component (ibid), thereby leading to longer-term consequences in terms of increased future indebtedness.

and were played out in very different contexts, which together influenced their impacts and related well-being outcomes. The 'triggers' for each shock also varied.

Transition,[15] referring to the overall project of creating a market economy, was itself a trigger for crises, although pre-existing economic and structural weaknesses (the fact that the existing *status quo* was no longer sustainable) were clearly central. Moving from command to market economies was a complex process encompassing legal, institutional and governance as well as economic reforms. Countries in transition were grappling with instituting new political systems, often simultaneously trying to generate loyalties to a new polity, and in some cases were embroiled in conflict. They were responding to the economic chaos that resulted from political transformations and the break-up of former economic relationships, such as those of the Council for Mutual Economic Assistance (CMEA). At the same time, they were attempting, very quickly, to put in place new economic systems based on market economies, and to transform state and public institutions and social policies so they were able to serve their new purposes. As the evidence of the social effects of this dislocation started to mount, countries were also attempting to mitigate the poverty and deprivation that had arisen. This differs somewhat from experiences elsewhere, where political and governance reforms were also evident but by and large did not in and of themselves trigger an economic shock; rather, such reforms were either on-going or undertaken as part of a response. However, the political and institutional reform process is an important and common aspect of economic crises and the management of such processes is clearly a central aspect of recovery. This paper focuses in more detail on one specific study, the case of Kyrgyzstan, allowing us to understand particular complexities, while also drawing on some wider regional material, where data are comparable.

The root causes of the financial crisis in East Asia will appear immediately familiar. Abundant liquidity and low real interest rates in the region, combined with financial sector deregulation without sufficiently prudent controls, encouraged a debt-financed bubble in asset prices that eventually collapsed (Goldstein, 1998; Miskin, 1999; Radelet and Sachs, 1998; Wade, 1998). It is generally agreed that the halcyon days of the early and mid-1990s had to varying degrees been built on shaky and unsustainable foundations (Paitoonpong, 2001).

In Latin America, the Mexican Peso Crisis (or the Tequila Crisis) in 1994/95 and the Argentine Convertibility Crisis (2001/02) were more discrete economic shocks in that they were triggered by a devaluation of the national currency. The devaluations resulted from macroeconomic policy weaknesses that made pegged exchange rate regimes unsustainable and undermined investor confidence, with local currencies rendered weak after internal political, economic and financial shocks had caused significant capital flight during the year or two prior to the crises. Sachs (1998) summarises the main stages of emerging market financial crisis as an initial overvaluation of the exchange rate, the defence of this rate then leading to declining reserves, and then devaluation and panic by short-term foreign creditors leading to a currency crisis. In the case of Argentina, the crisis was mainly a macroeconomic story (Blejer et al., 2002). The main causes included loss of competitiveness (increasing unemployment and long recession), macroeconomic inconsistencies (fixed exchange rates versus fiscal expansion), the sudden drying up of capital leading to increased real interest rates and institutional and political weaknesses that prevented fiscal and structural reforms.

The case of our Africa example is somewhat different. The story is not of a crisis episode as such, but of how countries coped or failed to cope with high fluctuations in commodity prices, including for food, export

[15] There has been extensive discussion as to whether transition is an adequate term to capture the systemic changes that post-socialist countries have experienced since the break-up of the Soviet Union and the collapse of the socialist bloc, and whether it misleadingly implies a greater uniformity of reform pathways and post-socialist experiences than in fact has taken place. This paper acknowledges this discussion, and uses the term advisedly. For the purposes of this paper, we use the term transition to refer to the overall project of creating a market economy. This encompasses legal, institutional and governance reforms, as well as economic reforms. It also includes efforts to modernise social services, making them more cost efficient, bringing them in line with international standards and with approaches seen as relevant to market economies and social democratic polities (the latter being an aim of most international agencies and not necessarily that of national political elites).

crops and oil. Commodity price fluctuations are a fact of life, but when they are large in magnitude, countries – and households within them – can face severe difficulties in managing their impacts. Increases in the prices of oil and food have important negative effects in the many countries that are net importers of these commodities, although net exporters benefit in aggregate. In all cases, though, these can have important adverse effects for poor and vulnerable households. Increases in prices for export crops benefit producing countries and households overall, whereas reductions have the reverse effect. The impact of the terms of trade depends on whether the African countries are net exporters or importers of food and fuel. Depending on shares in exports, the net terms of trade could be either positive or negative. However, most African countries have experienced a deterioration in the terms of trade. For example, FAO (2009) provides an example from Burkina Faso, where falling cotton prices (export crop) and rising food prices (imported food) throughout 2009 left the country with deteriorating terms of trade leading to lower real household incomes. For this reason, in the macro section we focus primarily on changes in trade volumes and prices and do not discuss the African case in relation to aid, remittances or financial flows.

Effects on the economy

General effects across regions of the shock to the economy (Africa apart, which did not suffer a shock in the same sense) included significant falls in GDP and industrial output, contractions in fiscal space, exchange rate adjustments in many cases and reduced access to external credit, with foreign loans being replaced with funds from the IMF (in the cases of Thailand and Argentina, for example). The initial economic crisis of transition included the rupture of former trading relationships (especially those of the CMEA), rapid inflation and devaluations and the loss of budgetary support from Moscow in Commonwealth of Independent States (CIS) countries. The (mostly) neoliberal policies put in place to manage these shocks and to effect transformations to dynamic capitalist economies were in themselves policy shocks. Impacts were rapid and profound. In Kyrgyzstan, for example, GDP in 1998 was approximately 55 per cnet of its value in 1989 (UNICEF, 2006). Industrial output fell by around 70 per cent over the first five years of independence, and positive growth rates only re-emerged in late 1995 (Falkingham and Ibragimova, 2005).[16] By 1996, the economies of 21 of the 27 countries in the region were growing, and in 2000 all countries but two recorded growth. However, it is still the case that by the start of 2001 only five countries had surpassed their 1989 levels of GDP (UNICEF, 2001), although it is important to recognise that there are serious questions about comparability of GDP data pre- and post-transition and some issues related to data reliability. Figures 2-4 summarise GDP growth, current account balance and inflation for selected regions. All remaining relevant charts and tables are in Appendix 2.

In East Asia, the crisis resulted in dramatic falls in GDP, significant rises in the price of food and basic commodities and sudden and widespread unemployment. In Thailand, for example, the situation quickly spiralled out of control, with GDP contracting by 1.4 per cent in 1997 and 10.5 per cent in 1998,[17] and food prices and health care costs rose by almost 10 per cent in 1998 (MOC, 1998, in Tangcharoensathien et al., 2000). In Indonesia, GDP fell 13.1 per cent in 1998[18] and the crisis reversed several decades of relatively stable economic growth, low inflation and a stable exchange rate (Friedman and Thomas, 2007). Real wages plummeted sharply across the region, rolling back the significant progress these countries had been making in poverty reduction, with noticeable gender and age dimensions. Overall, Indonesia was most negatively affected (in part because of concurrent political transformations), followed by Thailand, and both countries endured the highest social costs, including sharply decreased remittance flows, and took the longest to recover from the crisis aftermath. In Malaysia and Korea, the stronger pre-crisis macroeconomic health of both countries afforded their governments greater fiscal space within which to intervene and, as a result, their recovery times were considerably shorter, but not without considerable pain.

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[16] Some assessments from the late 1990s and early 2000s suggested that the scale of revenues obtained through gold mining – Kyrgyzstan's main mineral resource – masked otherwise negative or stagnant growth (e.g., Zhukov, 2000). Indeed, it is standard practice in assessments of Kyrgyzstan's economy to analyse growth including and excluding the gold sector (e.g., IMF, 2009a). If the gold sector is excluded, growth levels are substantially lower.

[17] IMF World Economic Outlook Database, data for 1995-2008. Available at**Error! Hyperlink reference not valid.**.

[18] Comparatively, Indonesia experienced the steepest drop in GDP based on purchasing power parity (PPP), followed by Thailand, Malaysia and Korea.

In Latin America, the shocks studied had major impacts on economic growth. During the first year of the crises, GDP fell by 6.2 per cent in Mexico and by 10.9 per cent in Argentina. Both crises took place in a context of relative global economic stability, as a result of which both Mexico and Argentina had opportunities to hedge the impact of the crises through more engagement with international markets, particularly by increasing their exports. These factors, along with the countries' policy responses, were critical in making both crises relatively short-lived, with economic recovery slowly taking place within a year of their onset. The economic crisis of 1995 in Mexico and the 2001 crisis of Argentina were virtually unrelated; that is, one did not happen as a result of economic contagion from the other.[19]

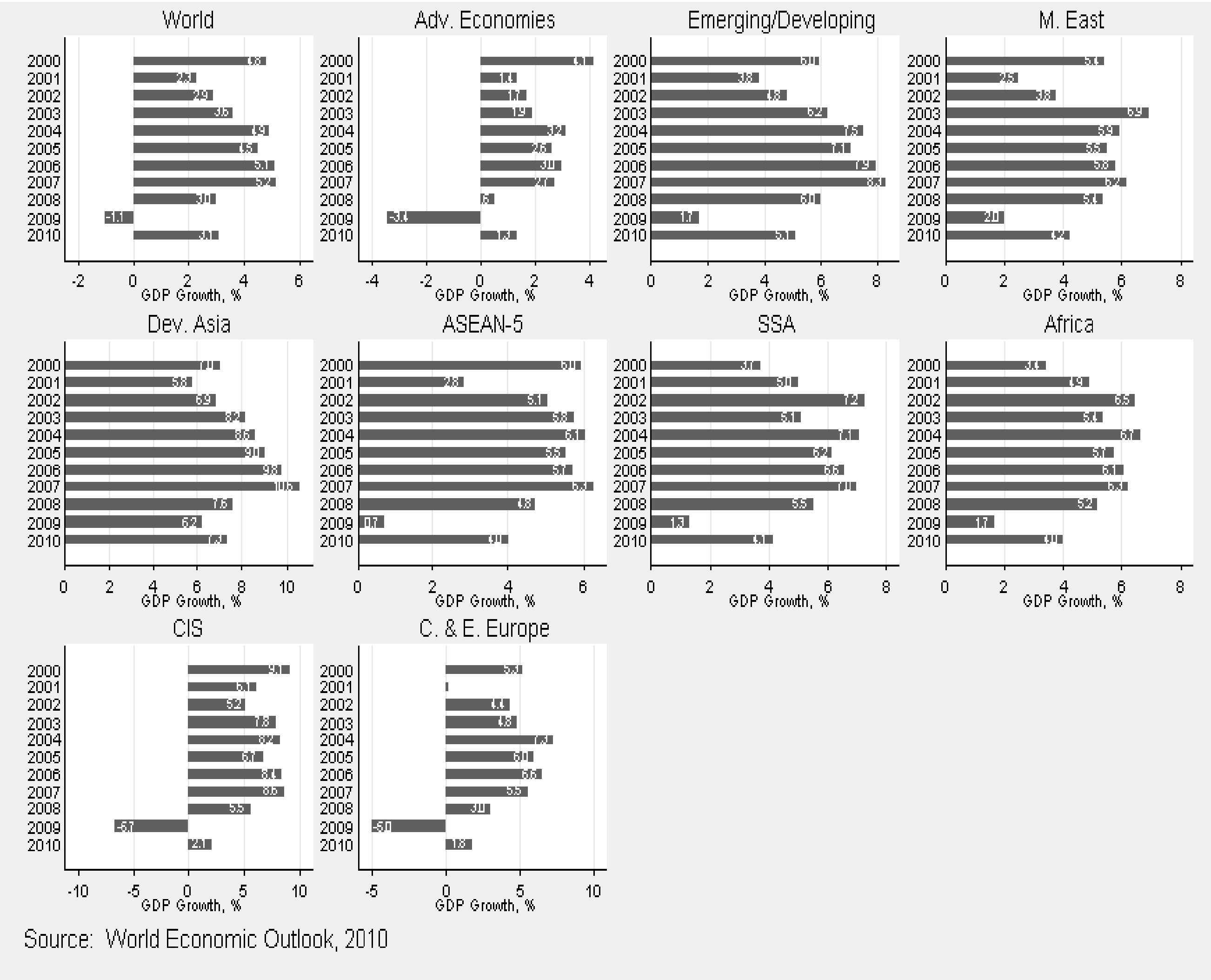
In the case of Africa, as mentioned previously, the situation is not a shock as such but rather one of how governments manage fluctuations in commodity prices. In general, increases in commodity prices have beneficial impacts in countries that produce more of the commodity than they consume and adverse effects in countries that are net importers of the commodity, the reverse applying for commodity price declines. These factors can have important macroeconomic impacts on countries, through trade volumes and foreign exchange rates considerably altering GDP. For example, Tanzania imports all the oil that it consumes. In 2007, this amounted to 28,500 barrels per day (EIA, 2007). This makes the country vulnerable to increasing international oil prices, which can translate into a worsening trade balance; for example, the import bill for oil products, with the physical quantity almost unchanged, increased from $1 billion to $1.7 billion between 2006 and 2007. The trade balance showed an increasing deficit, which reached more than 20 per cent of GDP in 2007 (UNCTAD, 2008). The key issue for countries is to be able to manage these commodity price fluctuations effectively, saving when they experience good fortunes and borrowing or dissaving when fortunes are bad. Unfortunately, many African countries were better at spending when fortunes were bad than they were at saving when fortunes were good.

Looking Ethiopia, world coffee price changes have been felt not only through movements in GDP and foreign exchange earnings but also because of the intimate linkages between the world price and the producer. The world price effectively trebled between 1993 and 1994, fell back sharply in 1996 and then rose again in 1997. By 2001/02, prices had decreased to about one-third of their 1997 peak, but then doubled again by 2007. The effect of world price changes on coffee producer prices is asymmetric; as such, producers in Ethiopia have borne the full cost of price declines but benefit less from price increases. Added to this is the fact that the vast majority of coffee producers in Ethiopia are food-deficit households and need to purchase food for consumption. While they benefit from the increased coffee prices, the sharp increases in food prices in the past two years may mean that many have suffered from worsening household-specific terms of trade.

In all regions, migration and related remittances were an important feature, but countries had varying levels of remittances as well as varying importance of remittances in the economy. In transition countries, labour mobility had been severely restricted, so migration has been a consistently growing trend from this point in time. In East Asia migration is more common. Its particular significance in Malaysia was the way in which the expulsion of migrants cushioned local unemployment. While it was significant in Mexico in terms of remittances, in Argentina migration strategies played less of a role in recovery.

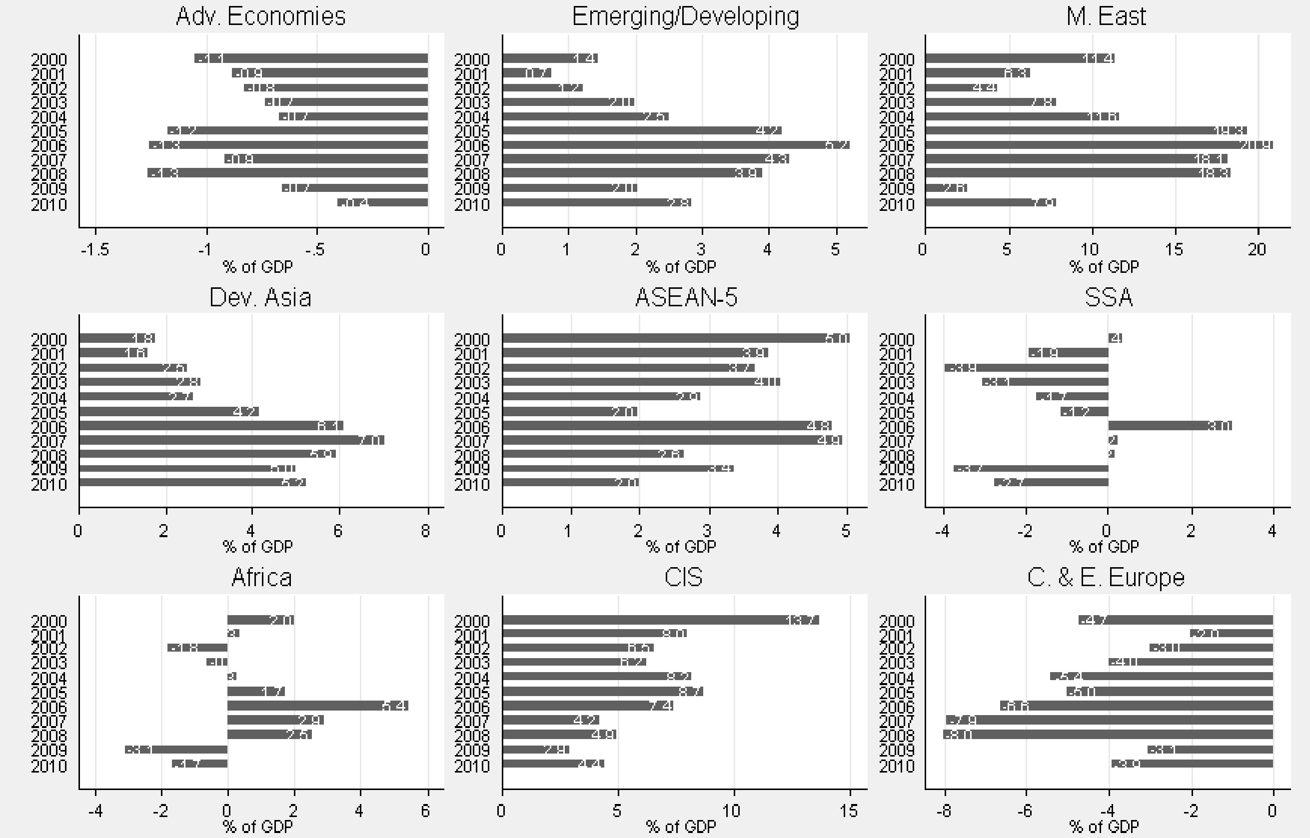
[19] However, some authors argue that the Argentinean economy was weakened by the Tequila Crisis, although Argentina had experienced relative stability in the year or two after that, so the relation between the crises is at least not direct.

Figure 2: GDP growth of selected regions, 2000-2010



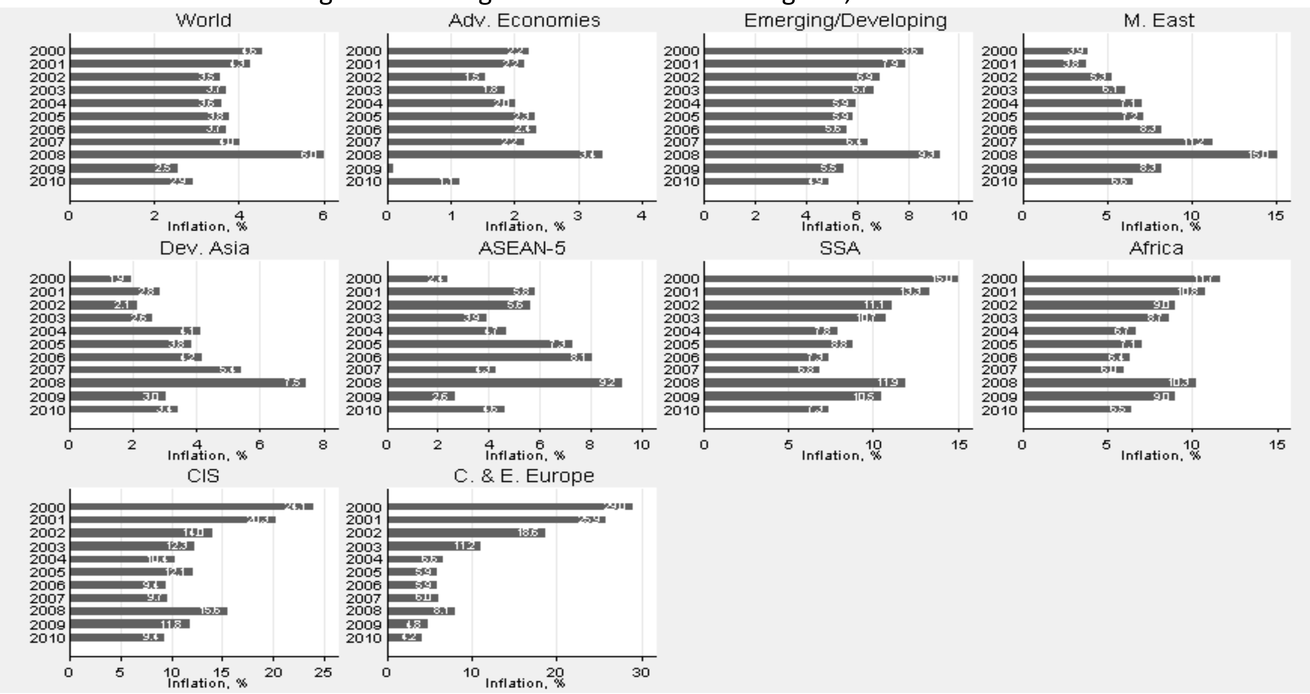
Source: IMF (2010)

Figure 3: Current account balance of selected regions, 2000-2010



Source: IMF (2010)

Figure 4: Average inflation of selected regions, 2000-2010



Source: IMF (2010)

Aid and external support

IMF loans have been an important part of recovery in all regions. In Korea, the newly elected president, Kim Dae-jung, was forced to turn to the IMF for advice and an emergency rescue loan even before his inauguration. An IMF rescue package worth $57 billion was agreed on 3 December 1997 and focused on corporate restructuring, financial and public sector restructuring[20] and market liberalisation (Chomthongdi, 2000).[21] In Thailand, the IMF stabilisation and structural adjustment programme started in August 1997, when the IMF approved a $4 billion loan for Thailand as part of an overall $17.2 billion bailout package with the main objective of bringing back foreign capital (ibid). The package in Thailand focused on fiscal discipline, a tight monetary policy and banking sector restructuring (Hopkins, 2006). Even in Malaysia, President Mahathir, although initially rejecting IFI assistance, eventually agreed to a World Bank loan and IMF conditions for some economic assistance, which was central to it maintaining social investments, although he remained highly critical of IFI approaches (Kukreja, 2000).

In the Latin American case, Mexico requested support from IFIs, which put together a bailout package worth $40 billion by February 1995. Meanwhile, the recently privatised banks were shown to have made a huge number of bad loans during the period prior to the crisis, and the government was forced to step in and shore up the banking system with loan purchases that would eventually cost nearly 20 per cent of GDP, putting strong pressure on public finances. Similarly in Argentina, by early 2003 the government had achieved significant renegotiation of the debt to private creditors as well as reaching an arrangement with the IMF for a $3 billion loan.[22] It started to receive project support loans from the World Bank and the Inter-American Development Bank (IADB), which contributed to financing the new social programmes that the government introduced as a result of the crisis (Grugel and Riggirozzi, 2007).

Among transition countries, Kyrgyzstan's avowed early commitments to democratisation and economic liberalisation were 'rewarded' by donors with a cumulative $1990.3 million in the period 1991-2001 (OECD/DAC, 2003, cited in Marcus and Marshall, 2004). Aid rose steadily as a proportion of gross national income (GNI) in the 1990s and peaked at 24 per cent in 1999. However, much of this was in the form of loans (on both concessional and non-concessional terms), leading to the country becoming 'severely indebted'. External debt represented two-thirds of GDP in 1996, 80 per cent in 1997 and 90 per cent by 1998 (Zhukov, 2000). Since then, the government has pursued debt rescheduling and in 2002 agreed major rescheduling of loans contracted with Paris Club donors; by 2003, both the Asian Development Bank (ADB) and the World Bank were committed to providing a greater proportion of assistance as grants and thus were scaling back lending. However, aid filled only a small proportion of the gap in public finances, although it played an important role in preventing even more serious declines in public service financing and quality, another reminder for donors of the importance of early support to prevent deterioration of services and living standards.

In Africa, the relationship between crisis, recovery and aid is more complex. Aid has been not only a tool for recovery but also a source of economic instability. In the 1990s, structural adjustment, at the behest of key aid players such as the IMF, had crippling effects on the economic stability and household well-being of some African countries. In Zambia, for example, attempts at comprehensive privatisation, although initially successful, did not produce the hoped-for sustained economic recovery. The private sector did not fully take up the space vacated by the subsidised state marketing system. It engaged only in some areas and outlying areas became marginalised; the copper sector declined (affecting the government's ability to carry out public investment); the liberalisation of the maize economy was incomplete; and the government

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[20] The restructuring of the public sector entailed a major downsizing of government bodies followed by privatisation. In July 1998, the government announced that out of the 108 state-owned enterprises (SOEs), 38 would be immediately privatised, 34 would be gradually privatised, 9 would be merged into others or liquidated and 21 would go through restructuring (Chomthongdi, 2000). This dramatically decreased the assets of SOEs (as of November 1999, SOE assets worth KRW 7.3 trillion had been sold).

[21] The Financial Supervisory Commission was established and by April 1999 had 171 financial institutions (including five banks) closed down or suspended. Measures to enhance the transparency of corporate governance and to strengthen accountability were also undertaken (Lee, 2004).

[22] By 2005, the administration had resumed debt payments to IFIs.

abandoned the livestock economy (Chisala et al., 2006). The result was an acute dependence on foreign assistance, which increased from $577.6 million in 1990 to $2010.65 million in 1995.[23]

Nevertheless, Africa is a substantial aid recipient and, while there can be some negative aspects of the degree of aid dependence, aid has been a very important resource inflow for African countries, which typically find it difficult to borrow from private sources. Aid has also played an important role in helping countries to cope more effectively with price fluctuations, for instance through provision of public services and social protection. Many of these protection mechanisms and services have not been the direct result of the price fluctuation itself but have nevertheless proven to be essential for management of the shock.

For example, in Zambia one successful initiative under the Social Action Programme (SAP) was the Urban Self-Help Push. This was effectively a food for work scheme and technical assistance programme. It started before 1990 and was initially funded by the government (given poor donor support for the SAP),[24] but was extended following price liberalisation and adjustment, with considerable support from the World Food Programme (WFP) and CARE International (Graham, 1994; World Bank, 2004). By 1992, it employed 3800 people in Lusaka and Ndola (of whom 95 per cent where women)[25] and was projected to increase to circa 10,000 over the following year, in accordance with an increase in donor food aid (Graham, 1994). The Urban Self-Help Push was an important buffer for households in this region, which was affected by drought, unemployment – in large part resulting from the copper price slump[26] – and for those unable to afford maize given its high price following subsidy cuts and the inefficacy of a tested coupon system (ibid).

Meanwhile, in Tanzania a key mechanism that has protected children from acute vulnerability in the face of oil and therefore food and fuel price fluctuations (particularly since intense price fluctuations commenced in 1999) has been the consistent provision of basic health care[27] and the instigation of the Tanzanian Essential Health Interventions Project. The latter project was made possible by funding from the Canadian International Development Agency (CIDA) and the International Development Research Centre (IDRC) (de Savigny et al., 2008). In Ghana, the government also provided safety nets to help cushion the higher food prices. These included cash transfers to the very poor (started in 2008) and an expansion of the school feeding programmes for basic schools (since 2005) (Brinkman et al., 2009a).

2.1 Meso-level impacts

In all four regions, the transmission of macroeconomic shocks to the meso level had some commonalities, including increasing under- and unemployment and reduced public expenditure (both of which will be a focus of this section, in part because of their widespread and profound impacts and data availability) and, in most cases, decreases in the value of real wages, increasing prices and/or inflation and reduced access to credit, which had variable but common effects. These included, for example: in Korea, reducing the consumption of luxury items while maintaining expenditure on food, health and education;[28] in Argentina,

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[23] Figures presented represent the total disbursements from all donors, recorded in current US$ millions. See http://stats.oecd.org/qwids/.

[24] The SAP received poor donor support for a variety of reasons; the United National Independence Party (UNIP) government failed to comply with structural adjustment conditionalities from April 1991; there was division between donors and the government as to the remit of the SAP; donors also expressed concern that the SAP failed to tackle or consider administrative and logistical problems within Zambia that would limit service efficiency (Graham, 1994).

[25] Urban women and female-headed households were a particularly vulnerable group in Zambia at the beginning of the 1990s; according to one estimate, 72 per cent of those in low-paid unemployment such as food sales were female (Graham, 1994). As such, the programme successfully reached a group that was clearly 'poor and vulnerable: urban women – and indirectly their children' (ibid).

[26] In 1991, the mainstay of the Zambian economy, the mines, clocked a 17.4 per cent drop in production, while imports fell by 11.5 per cent (Burdette, 1992).

[27] Particularly improvements in malaria treatment and vitamin A supplementation (REPOA, 2007).

[28] In Korea, while credit was used to smooth consumption of children's education and medical and child care expenses in pre-crisis years, it was not used as a coping strategy during the crisis, probably because of the credit crunch brought about by stringent monetary policies. Instead, households were more likely to cut back on consumption (Goh et al.,

transferring reliance to the use of informal credit at neighbourhood stores where payment could be delayed; and, as in Kyrgyzstan, significantly high rates of borrowing at likely unfavourable rates from individuals rather than from institutional sources.[29]

In all regions, there were differential effects in rural and urban areas depending on the nature of the crisis and the different coping strategies. As such, there were extreme pockets of poverty in remote semi-urban areas of transition countries, as the lifeline of state support ended, whereas in East Asia and Latin America effects were felt first in larger cities. Inequality also increased in many cases, although in Mexico it initially decreased (because of urban financial sector effects) before rising again from 2002. In East Asia, despite progress on poverty reduction in the preceding decade, a robust body of evidence shows that the crisis resulted in major rises in poverty and inequality across the region (ESCAP, 2003; Stalker, 2000; Tangcharoensathien et al., 2000; Yusoff et al., 2000). Inequality as measured by the Gini coefficient increased in all four case study countries.

Violence against individuals and in society as a whole could also commonly be seen to increase in the wake of crisis, although evidence is limited, in part because of the sensitive nature of this issue. Women arguably bear the brunt, not just in terms of domestic violence but also by experiencing increased crime rates and, for those resorting to sex work, the associated dangers. Increases in adult and child sex work and other child work have been reported, as detailed below, along with issues concerning narcotics (see Section 3.5.4 on child protection). In some countries, there was an increase in general levels of overall violence and criminality associated with crisis. In Indonesia, ethnic tensions were reported, triggered by steep inflation and political instability, with the Chinese community subject to abuse, rioting and looting; reports indicate that up to 400 women were raped (Knowles et al., 1999; Nooteboom and White, 2006). In Kyrgyzstan, increases in criminality are partly related to economic crisis as well as to wider social changes. The UN Children's Fund (UNICEF, 2000) suggests that, where young people have become more involved in crime since transition, this reflects boredom and the decline in leisure opportunities for young people (see also ICG, 2003).[30] Indeed, data from Kyrgyzstan for the 1990s indicate that juvenile crime peaked in 1992 and then declined marginally over the period up to 2000, but remained at essentially similar levels as at the start of the decade (Koichumanova, 2002).

Unemployment

In the aftermath of shocks in all regions under study, unemployment rose, often significantly. Characteristics vary but are commonly strongly patterned by age, gender, ethnicity and location. In all regions there was a rise in overall rates, from large leaps in transition countries – from a very low starting point, rates reached 20 per cent in Slovakia in the early 1990s (Bezemer, 2006) and in Kyrgyzstan, even in the mid-1990s, unemployment rates were still high, averaging 15 per cent to 16 per cent (Falkingham and Ibragimova, 2005; World Bank, 2007a) – to significant increases in East Asia (in Indonesia, unemployment grew from 1.5 per cent in 1996 to 5.6 per cent in 1998, and there was a 30 per cent to 50 per cent drop in real wages in 1998 (Gottschalk, 2004, in Sumner, 2009). In Argentina, while there appeared to be no major aggregate changes in the permanent labour force participation, with 92 per cent of those with permanent employment prior to the crisis maintaining it, 17 per cent of those with temporary jobs saw a transition to unemployment (Fiszbein et al., 2003). Economic conditions were deteriorating, and in 2000 there was a

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2005). The Korean Household Panel Survey (KHPS) also found that, during the crisis, the sale of assets did not increase significantly, as assets declined by only 2 per cent, suggesting that households were reluctant to sell their assets to cope with negative consumption shocks, since land and stock prices declined sharply (Kang and Sawada, 2008). In the study by Goh et al. (2005), there was also very limited evidence of households liquidating their assets during the crisis (only 10 per cent reported this), possibly because land and stock prices declined significantly.

[29] The Kyrgyzstan Integrated Household Survey (a Living Standards Measurement Study) indicates that only 27 per cent of rural households had any current loans, and 85 per cent of these were from individuals rather than institutional sources (World Bank, 2007a; 2007b).

[30] Data from Macedonia, Serbia and Moldova corroborate this, and indicate that youth criminality is generally strongly linked to poverty, child neglect, youth unemployment and alcohol abuse, all of which have increased since transition (World Bank, 2006b).

12.5 per cent rise in unemployment (World Bank, 2003). In the case of Africa, unemployment generated by commodity price fluctuations has not been a major issue, although it is the case that households are often forced to take on additional work or to work significantly longer hours and harder when consumption prices rise. Within and around these figures, the employment story reveals its hidden face.

Women were more affected overall, even where men suffered higher rates of formal unemployment (as was the case in parts of East Asia). In this case, women's formal labour force participation was initially lower and their real rates were thus additionally unaccounted for in informal employment figures. Additionally, women's greater employment in flexible and casual labour and their reproductive work made them more vulnerable during the crisis (Truong, 2000), not least because they cushion the effects of economic contraction by absorbing the costs in a less visible way.[31] The concentration of women in low- or semi-skilled jobs in the services and industrial export-oriented sectors meant that they were especially affected. For example, in Korea there were particularly high levels of job losses in clerical work (-18.4 per cent), and to a lesser extent in the services sector and sales work (manufacturing and retail) (Kelkar and Osawa, 1999). In Kyrgyzstan, the unemployment rate among women in the mid-2000s was one and a half times that of men (UNDP, 2009a), reflecting also in part the collapse of state child care and elder care (World Bank, 2007b). In Thailand, there is evidence that older women were laid off first from Bangkok factories, leaving them especially vulnerable, as they tended to lack skills and have little opportunities to train or retrain (Maskey and Kusakabe, 2005). Similarly, findings from Kyrgyzstan suggest that older and rural people were particularly likely to be long-term unemployed. There is also some evidence in the current crisis of women's unemployment increasing more than that of men (Chai, 2009).

Youth unemployment is a common feature of recession. In Thailand, for example, university graduates experienced a sharp rise in unemployment as they entered the labour market in August 1998. Persons aged below 30 (one-third of the labour force) accounted for 60 per cent of the increase in unemployment, whereas those over 50 experienced little increase in unemployment (Brooker Group, 1999, in Knowles et al., 1999). In Malaysia, the unemployment rate for young people aged 21-24 was much higher than national averages (Baharudin, 2004). Similarly, in Korea the employment impact of the crisis fell heavily on youth: according to Knowles et al. (1999), half of all job losses occurred among workers aged 15-29.[32] Many university students reacted to the job market situation by postponing graduation for as long as possible, often resorting to taking leaves of absence to work part time, travel or enrol in overseas language training. Students' temporary withdrawal rate steadily increased from 24.5 per cent in 1997 to 32.7 per cent in the latter half of 2002 (Hankyoreh, 2001; 2003, in Kim, 2004). An increasing number of graduates also turned to postgraduate studies, partly to avoid being labelled 'unemployed' but also to further their chances of employment (Kim, 2004).

Similar pictures emerge elsewhere. In 2003, urban young people aged under 30 made up 13 per cent of Kyrgyzstan's total labour force, but one-quarter of all unemployed people (World Bank, 2007a). The labour markets with the greatest bias against the young (judged by the ratio of youth to total unemployment rates) are not necessarily the least developed ones: Hungary, Romania, Serbia and Montenegro and Slovenia (UNICEF, 2007a). This may reflect the greater informal opportunities in the poorer countries of the region, and high hidden levels of under- and unemployment. According to a strict definition, youth unemployment rates in the region are 31 per cent, and a relaxed definition, including discouraged youth, 41 per cent (ibid). Given that the mean age of first birth is 22-23 years in Russia, and similar or lower in Central Asia, high rates of unemployment and poor-quality employment in this group are alarming as they increase the risk of children spending their crucial first few years in poverty.

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[31] A mounting body of literature makes the same argument in the context of the current economic crisis. Emerging evidence suggests that women are especially vulnerable because of their high concentration in the majority of temporary, casual, contracted and seasonal work, where significant cutbacks are being made, as well as their responsibilities in the household. See Dejardin and Owens (2009) and Sirimanne (2009) on this and for policy options for engendering macroeconomic and social protection responses.

[32] Employment of those aged 15-19 and 20-29 decreased by 14.9 per cent and 14.1 per cent, respectively (Brooker Group, 1999, in Kim and Voos, 2007).

Informal sector employment[33] increased across all regions. In Mexico, there was an increase in the proportion of workers in enterprises with five or fewer employees and who did not receive any employment benefits such as paid leave, social security plans or medical benefits (Martin, 2000). The large informal sector in Mexico acted as a safety net, helping to explain the lack of a change in official household labour hours during the crisis period despite the collapse in formal employment. Unemployment of adult income earners can lead to labour force participation by young people and children. While there is some evidence of this (see Section 3.5.), local conditions lead to differing effects. Thus, in Mexico there is some evidence that male unemployment did not decrease school attendance or grade advancement of teenage sons, where rates actually rose during the crisis (Martin, 2000; Skoufias and Parker, 2006), but did increase dropout of daughters, who may have taken on additional domestic roles. Increased informal sector activity in East Asia was well documented, especially among women. For example, in Indonesia the informal sector as a share of total employment increased from 62.8 per cent to 65.4 per cent during 1997/98 (Knowles et al., 1999). There are numerous accounts of women entering informal and multiple jobs, often insecure and precarious in nature, as a result of the crisis. In Malaysia, women are known to have entered lesser paid jobs (Islam et al., 2007), which frequently involved long working hours and lacked any form of social security or stability. In Korea, Knowles et al. (1999) reported that the number of unpaid family workers within the informal sector increased by 6.7 per cent during 1997/98 and noted rises among women.[34] In Thailand, retrenchment led many women to take up informal work,[35] including home-based work such as sewing and petty trading outside the household, which entailed long working hours and provided an unstable and insecure income (Maskey and Kusakabe, 2005).

A striking feature of Kyrgyzstan's labour market since independence has also been the rise in informality. Bernabe and Kolev (2003) found that 50 per cent of workers had no labour contract. These workers tended to face poor labour conditions (no social security contributions, no annual paid leave) – this was most common in the agricultural, transport and construction sectors and in the Bishkek labour market. Internal migrants (many of whom migrate to Bishkek) were particularly at risk of poor labour conditions. Overall, the decline in formal sector employment arising from transition has translated into higher unemployment, more people engaged in insecure work and many (around 30 per cent) underemployed.

Spatial effects of unemployment were also significant across regions. Urban areas were affected initially in, for example, Korea and Thailand but, as the impacts deepened, effects spread to rural areas. Again, highly influenced by contextual factors, unemployment rates were very high in small towns in transition countries (around 15 per cent, equivalent to mid-1990s levels) (World Bank, 2007a). These are typically towns that grew up around one industry that is now closed down and where few new sources of employment have emerged.

Labour migration was a significant feature of all crises. In Mexico, remittances increased significantly, with mean transfers from abroad per household nearly doubling from 1994-1996. In fact, there is evidence that, after 1995, migration to the US increased alongside increased diversification of rural incomes (World Bank,

[33] Work in the informal sector generally refers to work that is not included in a country's gross national product (GNP) and which goes largely unmonitored by governments. This can include work in manufacturing, the services industries, agriculture and the care economy, such as domestic work. Economic liberalisation, like that pursued in East Asia prior to the downturn, has been accompanied by reversals in the formal economy which have provided the impetus for greater informalisation through, for example, the search for increased flexibility and by subcontracting labour. Women have become increasingly involved in such work, at a time when there has been a 'feminisation of labour', with women becoming increasing involved in paid work. Jobs in the informal economy generally do not adhere to the labour provisions and laws found in the formal economy, and provide little social protection, such as sick entitlements or maternity leave (Kabeer, 2008).

[34] In 1997, 62 per cent of all female workers were either day labourers or temporary workers, but the rate rose to 65.9 per cent over the course of 1998, 69.5 per cent in 1999, 69.7 per cent in 2000, 66.4 per cent in 2001 and 66.9 per cent in 2002.

[35] Yasmeen (2001), however, takes a more positive view of women's uptake of informal work as street food vendors in Thailand, pointing to how women experienced better working conditions and increased freedom as a result of their self-employment status.

2005a). In Thailand, remittances were an important aspect of coping with reduced employment, with this income being particularly important for households headed by a female (Knowles et al., 1999). In Kyrgyzstan, from a previously low base of labour migration, by 2004 around 300,000 Kyrgyzstanis were working in Russia and between 30,000 and 120,000 in Kazakhstan (Yarkova et al., 2003).

Labour migration has become even more central to the economies of other poor CIS countries, such as Moldova and Tajikistan. It has also become an important means for the newer European Union (EU) member countries to improve their financial positions. What has been less noted was the substantial internal migration within Russia over the 1990s, when around 20 per cent of the population changed its place of residence (Moiseenko, 2004). Migration has led to depopulation of up to 50 per cent in some parts of the north and east of the country, often meaning that older people are left behind in the impoverished countryside, frequently with the responsibility of caring for children.

As will be discussed further below, the effects of changing employment and related income patterns on households and children are wide ranging, including reduced income and consumption capacity, related declines in health and nutrition, increased child labour, increased familial stress and violence and significant care and protection issues.

Public services

Contracting fiscal space typically means cuts in public spending, and this was the case across all regions, with the possible exceptions of Malaysia and Korea. While direct budget cuts inevitably took place, the impacts varied from a virtual collapse of a previously vibrant preschool sector in transition countries[36] to the shelving of plans to extend years of compulsory education in Argentina. There was also some evidence of cuts in health or education being implemented alongside increases in social protection (in Indonesia and Thailand) which, as we discuss further below, is problematic in the sense that many social protection initiatives seek to raise demand for services but, to have a meaningful impact on well-being outcomes, service quality needs to be maintained. At a time when demand for health services in particular is on the increase because of the compounding pressures of reduced living standards and nutrition and increased family stress, cuts in health expenditure can be critical.

In **transition contexts**, unsurprisingly the real value of education spending was strongly associated with overall trends in GDP. Thus, some of the better-off countries managed to protect education expenditure reasonably well, while in the poorer countries it fell catastrophically. For example, real education spending in Hungary and Slovakia was 70 per cent or more of the 1989 figure in 1996, in contrast with 30 per cent or less in Kyrgyzstan, Armenia and Georgia (Pascall and Manning, 2000). Although the share of GDP committed to education tended to fall during the initial transition period (Stewart and Huerta, 2006), several governments in the region subsequently increased expenditure on education to above the Organisation for Economic Co-operation and Development (OECD) average of 4.9 per cent of GDP (UNICEF, 2007b).[37] The same regional pattern was to be found in health spending. Declines were smallest and shortest lived in the Central European and Western CIS countries so that by 1999 public health spending as a percentage of GDP had actually risen in Slovenia, Slovakia, the Czech Republic, Ukraine and Lithuania to over 5 per cent. Spending in Russia had also increased slightly, from 2.8 per cent to 3.2 per cent of GDP. Most other countries in the CIS experienced a steep decline, such as Kazakhstan, down from 5 per cent to 2.2 per cent; Georgia, down from 3.1 per cent to 0.6 per cent; and Tajikistan, down from 3.4 per cent to 0.4 per cent (UNICEF, 2001).

[36] There were also some context-specific meso-level effects. In transition economies, for example, the privatisation process was particularly painful, since the dismantling of SOEs also meant the destruction of what were often also cradle-to-grave social security institutions. Additionally, cuts in public sector spending in some important areas such as housing, water and sanitation and early child development/preschools have frequently been underplayed in accounts of meso-level effects.

[37] Uzbekistan's expenditure on education has increased to more than 9 per cent of GDP, almost as high as in pre-transition days. Moldova, another of the region's poorest countries, also exceeds the OECD average. At the other extreme, Armenia, Georgia, Tajikistan and FYR Macedonia devote less than 3 per cent of GDP to education, among the lowest proportions in the world (UNICEF, 2007a).

In Mexico, following the onset of the crisis in December 1994, social expenditure contracted sharply in 1995/96. Over the decade as a whole, however, social sector expenditure (including health, nutrition, sanitation, housing, social assistance and pensions) increased sharply, but most of the accrued growth took place during the first half of the 1990s. Total social expenditure amounted to about 9.5 per cent of GDP in 2000, compared with 6.1 per cent of GDP in 1990, which suggests an increase of 83 per cent in real terms over the decade. Although the contraction of spend post-crisis is not surprising given the collapse of economic activity, and consequently of fiscal revenues, in addition to the funds channeled by government to bail out the banking system, the implication is that social spending was pro-cyclical during this period, precisely when social programmes and services addressing the needs of the poorest and most vulnerable required more government support. In Argentina, while total spending in constant prices fell by 37.8 per cent between 2001 and 2002, social spending fell proportionally less, by 31.7 per cent. Nevertheless, social protection-related spending (targeted social assistance) increased significantly, growing by 77 per cent during the same period, which suggests an attempt to prioritise social spending during the crisis. However, as in the case of Mexico, the large increase in the numbers of poor people during the crisis meant that real spending per poor person actually declined by 16 per cent (World Bank, 2003).

In East Asia, both Korea and Malaysia were better able to contain cuts in social spending than Indonesia and Thailand, in part because of healthier initial conditions and strong safety nets and social services. Both made cuts, but in Korea's case Kim Dae-jung pushed for a broad range of pro-welfare reform policies, with investments in health and welfare increasing over the course of the crisis, although only marginally in 1998, and with the education budget dropping only slightly. In Malaysia, following the implementation of fiscal stimulus packages and rejection of IMF packages, overall government spending increased from an average of 22 per cent of GDP in 1995-1997 to 30 per cent in 2001, or an average of nearly 25 per cent of GDP during 1998-2001 (Vijayaledchumy, 2003).[38] At the beginning of the crisis, the education budget was cut by 18 per cent, but was later reinstated. In contrast, the Indonesian government was unable to maintain public spending on social services, a direct cost of the IMF-prescribed financial restructuring, which exacerbated Indonesia's national debt. Total public health sector spending declined by 9 per cent in 1997/98 and then by 13 per cent in 1998/99 (ADB, 1999, in Waters et al., 2003). The Indonesian 1998/99 education budget was cut by a huge 27.65 per cent relative to 1997/98. In Thailand, the tight fiscal measures impacted on the government's already limited ability to mitigate the social impacts of the crisis and spending cuts in core services were stark. Health expenditure contracted by 11 per cent in 1998 and then by 6 per cent in 1999 year on year and, although the education budget decreased by only 3.7 per cent between 1997 and 1998 (Kittiprapas, 2002), the impacts on education facilities were marked (Brooker Group, 1999, in Knowles et al., 1999).

In the African case studies, by contrast, fluctuations in prices, which have often been short-lived, have not significantly influenced public spending levels. Governments were also able to rely on international borrowing and aid receipts, which meant that they did not need to change spending levels significantly. Mba et al. (2009), citing Arthur (2006), report that Ghana's total poverty-related spending increased gradually to 8.5 per cent of GDP at the end of 2005. Based on values reported in the budgets for 2008 and 2010, health sector and primary health care spending declined by 6.95 per cent and 4.8 per cent, respectively, between the first three quarters of 2007 and 2009. The other areas of poverty spending (education, agriculture and other poverty spending) experienced increases in actual spending. The IMF (2009d) notes that, although pro-cyclical fiscal policy has declined on average in the world, some African countries had no option but to resort to these, owing to the financial constraints they had. Pro-cyclical fiscal behaviour leaves undesired results, such as high output variation (ibid). Countercyclical policies can be used but, to be successful, these need to be supported by the appropriate institutions as well as the removal of constraints (e.g., financial, technical and administrative constraints) (IMF 2009c). It needs reiterating that countercyclical policies would be difficult for African countries and that, in addition, they would require substantial amounts of aid and concessional lending to lessen the impact of the recent crisis.

[38] Importantly, however, Malaysia's financial liabilities did not exceed its foreign exchange reserves (Paitoonpong, 2001).

2.2 Meso-level poverty effects

The crisis effects as detailed above inevitably translated into increased poverty levels, with significant effects on women and children (who are particularly vulnerable and suffer more from the effects of poverty). In assessing the poverty impacts of economic shocks, pre-existing poverty status is clearly important, as is the availability of good quality data. Where the shock is clearly delineated in time and is significant across large populations, impacts can be more clearly appreciated, as was the case in transition economies. Where the shock is more discrete, such assessments are more problematic. In most regions, the availability of data concerning child well-being is poor; in some cases, it is very poor or non-existent. In all regions, a striking aspect of poverty rises was their enduring nature.

In transitional economies, the scale of the shock was huge. In Kyrgyzstan, for example, up to one-third of all children were in chronic poverty a decade later and only 23 per cent were deemed 'never poor' (Falkingham and Ibragimova, 2005). In Russia over the same period, more than one-quarter were termed 'usually poor' (Notten and Gassmann, 2008). There was, therefore, clearly an enormous rise in poverty across the region, leading to 58 million children living in poverty and 18 million children living in extreme poverty in 1999 (UNICEF, 2001). At the start of the transition, it was optimistically expected that any short-term pain to particular groups in society would soon be outweighed by a quick recovery and the development of dynamic capitalist societies. However, for a whole generation of children this has proved not to be the case. Even in the richest and most developed countries of the region (where recovery was relatively rapid), there were notable impacts on children's rights and developmental opportunities; in the poorest, a significant proportion of children still live in poverty and are chronically deprived in a number of dimensions, and in parts of the region some serious threats to child well-being and protection have emerged (UNICEF, 2001; 2008).

In East Asia, Indonesia saw the most dramatic increase in poverty, with the proportion of the population living under the national poverty line increasing from 15.7 per cent in 1996 to 27.1 per cent in 1999 (Pradhan et al., 2000). In pre-crisis Thailand (1994), 9.8 per cent of the population lived under the national poverty line, but by 1998 this figure had risen to 13 per cent to 14 per cent,[39] with 7.9 million people living in poverty[40] and rising rates of income inequality. In Malaysia, the proportion of the population living under the poverty line climbed from 6.1 per cent in 1997 to 7.0 per cent in 1998 (IMF and World Development Indicators, in Sumner, 2009), a significant rise, even if less than that seen in other case studies. Malaysia sent around 1 million migrants home in 1998, mainly to Bangladesh and the Philippines (ESCAP, 2003), to make room for newly unemployed locals – mainly in the most affected sectors, such as construction (ADB, 2000; World Bank, 2000a). This buffered the rise in unemployment (to lower than that of its neighbours) and poverty in Malaysia, but plunged the evicted migrant workers into poverty (World Bank, 2000a). In Korea, the proportion of the population living under the poverty line increased sharply from 9.6 per cent in 1996 to 19.2 per cent in 1999 (IMF and World Development Indicators, in Sumner, 2009). Poverty is reported to have increased both absolutely and relatively, especially in urban areas (Kang and Sawada, 2008). The crisis pushed Korea into a society of 'haves' and 'have-nots' (Kim, 2004).[41]

In Mexico, extreme poverty increased from 21 per cent of the population in 1994 to 37 per cent in 1996. The increase in poverty caused by the 1994/95 crisis erased the positive poverty reduction achievements of

[39] The 2008 World Development Indicators suggest the rise in poverty was 13.6 per cent, whereas the Indonesian Socioeconomic Survey reports a steeper increase (Kakwani and Pothong, 1999, in Tangcharoensathien et al., 2000). According to the latter, there were 17.9 million people living in poverty in 1988, while the number increased from 6.9 million in 1996 and 7.9 million in 1998: a 14.5 per cent increase that pushed more than 1 million people into poverty.

[40] Of these, 54 per cent were defined as ultra-poor and 46 per cent marginally poor. The crisis had particularly adverse effects on the ultra-poor, which saw their number swell by 16.2 per cent, whereas the ranks of the marginally poor increased by 12.5 per cent, and of the non-poor by 2.5 per cent (Kakwani and Pothong, 1999, in Tangcharoensathien et al., 2000).

[41] For example, the top quintile of urban households earned 4.49 times more than the bottom quintile in 1997, but by the end of 1999 the top quintile earned 5.49 times more than the bottom (4.4 million won compared with 820,000 won) (National Statistical Office, 2003, in Kim, 2004). This wide income gap persisted into 2000, 2001 and 2002 (Kim, 2004).

the previous decade, with poverty rates only returning to pre-crisis levels by 2001/02 (World Bank, 2005a). Both rural and urban poverty increased dramatically; however, the effect was particularly strong in urban areas (ibid). This was partly the result of Mexico's urban population being particularly vulnerable to macroeconomic instability and labour market adjustments; high inflation in consumer goods; and limited access to credit. Rural households were better able to hedge the impact of rapidly rising inflation by relying more on self-consumption.

As a result of the crisis in Argentina, by 2002 45 per cent of households (equivalent to 58 per cent of the population) in urban areas were living under the national poverty line, and one-quarter of all households had incomes below the value of the basic food basket. Children and youths have been shown to be particularly affected, with 75 per cent of those aged 18 and under living under the poverty line in 2003. This figure increased to 80 per cent when taking into account children living in households where the household heads had low levels of education (UNICEF and ECLAC, 2006).

In the case of Africa, fluctuations in the prices of commodities have had significant impacts on poverty in the short to medium term, although extrapolating the effects on poverty of purely the commodity price change from other contextual factors like drought or political transformation can be difficult. In general, urban poverty is more responsive than rural poverty, but both can be significantly affected. Spatial poverty effects are largely determined by the level of household dependence on the production or consumption of that commodity; in Ethiopia, the coffee price collapse in the early 1990s resulted in a direct increase in poverty in coffee-growing areas (Pereznieto and Jones, 2005). In Zambia over the period 1992-1998, the percentage of overall poverty increased from 70 to 73 per cent (according to calculations by McEwan, 2003). However, disaggregation of the data by rural and urban populations shows that, during this period, the percentage of rural poverty declined slightly (most likely as a result of price increases positively benefiting some of the producing population), whereas the percentage of urban poverty increased (potentially because of their lower purchasing power and higher dependence on purchased staple goods). However, the apparent decrease in rural poverty appears to mask increasing differentiation within the rural population. For example, the percentage of commercial farmers below the poverty line decreased, whereas the percentage of small-scale farmers below the poverty line remained relatively stable over the period. Provincial disaggregation of poverty data also shows that, while overall levels of rural poverty among small-scale farmers may have remained stable between 1991 and 1998, in Luapula and Western provinces total poverty increased from 73 to 82 per cent and from 85 to 89 per cent, respectively (McEwan, 2003).[42]

Changing poverty rates in the three countries studied here suggest trends not only across regions but for specific groups of people and subject to strong gender dimensions; for example, in Zambia the largest number of urban poor are in the informal sector, and it is particularly common for these to be female-headed households (Graham, 1994). Meanwhile, 72 per cent of those in low-paid employment, such as food sales (which is particularly sensitive to commodity price fluctuations) are also believed to be women (ibid). Given that the poor in urban locations are more dependent on the purchase of foodstuffs, this group (alongside the acutely poor in rural locations – who also depend on the purchase of staple foods) are the most vulnerable to the food price fluctuations.

2.3 Micro-level poverty effects

Micro-level effects are absorbed by households in a number of ways. Most affected households cut their consumption capacity to varying degrees. Many experience changes in intra-household power relations,

[42] Further evidence of the correlation between poverty and price change is provided through simulation models. According to one modelling study, increasing the price of maize by 10 per cent would raise poverty in Zambia and Malawi by 0.8 per cent and 0.5 per cent in rural areas, 0.2 per cent and 0.3 per cent in urban areas and 0.5 per cent nationwide in both cases (Ivanic and Martin, 2008, drawing on data from 1998). Meanwhile, in a simulation, drawing on household survey data, it was estimated that a 50 per cent increase in maize prices (which is in line with the actual surge in prices in Zambia in the 1990s) could result in a rise from 40 per cent to 43 per cent of overall poverty (Caracciolo et al., 2009).

especially, but not exclusively, gender relations, usually when the main income earner changes or when women (in particular) are exposed to new opportunities. It is widely reported that individuals commonly experience psychological problems of mental ill-health and that this can lead to increases in family breakdown and violence. All of these affect the care, nurture and protection of children, as does the very specific, but little accounted for, increased demand on parental, and especially women's, time, both in additional reproductive responsibilities and in increased time spent in employment.

Consumption capacity

Several crisis effects influence the consumption capacity of households, including reduced wages and benefits, price increases, loss of employment and lack of access to credit. Commonly, households reduce consumption of non-essentials and durable goods, and also transport, educational materials, leisure expenses, clothing, primary health care and donations or transfers, in order to allocate a relatively higher share of their budget to food. In more extreme situations, food consumption is reduced, sometimes by adjusting quality, sometimes quantity. In transition contexts, where heating is vital, cuts in this area were common. The most drastic measure was reducing consumption by sending children to state institutions or to stay (or work) with relatives.

In Mexico, household expenditure fell by 15 per cent, with reductions in the core areas identified above. Nevertheless, poorer families were unable to continue consuming a balanced diet, which could have had important implications on the nutritional status of children and pregnant or lactating women.[43] Among the other items on which a lower share of resources was spent was primary health care (McKenzie, 2001). Analysis of the impact of the crisis on health outcomes in Mexico (Cutler et al., 2002) found very clear evidence that the economic crisis was associated with higher mortality among vulnerable populations, specifically children and the elderly, which has been linked to falling household incomes and thus lower demand for health services, compounded, of course, by reductions in public spending in the sector.

In Argentina, switching to cheaper goods was a more common strategy than cutting back consumption, although lower-income groups were less successful at this. Some of the cuts included utility services and transport. The poorest households faced significant problems in affording even basic services.[44] Poor households with children experienced a larger decline in income than the average, making them more vulnerable (Corbacho et al., 2003). Almost 72 per cent of households reduced consumption of school supplies, and 37 per cent of households with children under the age of 12 took their children for medical check-ups less frequently (Fiszbein et al., 2003). Poor groups also increased homemade production for self-consumption. Approximately 12 per cent of individuals experienced some change in health insurance coverage, with more than 60 per cent of these, mainly in the lowest-income groups, losing their coverage altogether. Similarly, there is evidence of families having cut back on health services as a result of the economic crisis, with almost 23 per cent of households reporting that at least one member had been unable to gain access to health services at some time; three-quarters of them gave the reason as a 'lack of money' to pay for medicines.

In East Asia, the purchasing power of households across the four countries studied was significantly reduced as a result of increased prices of consumer goods and reduced wages. Data from the 1997 and 1998 Indonesian Family Life Survey (IFLS) show that real per capita expenditures declined by 24 per cent (34 per cent in urban areas and 14 per cent in rural areas) (Frankenberg et al., 1999). In Korea, total household expenditures also dropped significantly (29 per cent) during 1997/98 (Goh et al., 2005), but lower income translated into less household consumption of luxury goods, while health and education

[43] There were no specific surveys looking at the nutritional status of the population as a result of the crisis, so this is difficult to assert. However, the 1999 National Nutritional Survey found evidence of malnutrition in children, including, for example, a lack of iron and zinc in urban children (INSP, 2001).

[44] The first quintile was estimated to be spending 22 per cent of its income on water, energy and telephone calls, while about 20 per cent to 25 per cent of these households reported having been disconnected from electricity and telephone as a result of non-payment.

spending was largely protected.[45] In Malaysia, per capita household expenditures decreased by 12.3 per cent during 1997/98, but the urban–rural difference was less dramatic than in Indonesia, as expenditures declined by 11.4 per cent for urban households and by 10.8 per cent for rural households (Islam et al., 2007). There were also significant differences across Malaysia. For example, in Peninsular Malaysia (where modern sectors such as manufacturing, construction and the services sector were prevalent) households experienced more severe negative impacts on expenditures: 12.0 per cent compared with 8.6 per cent in Sabah (Hassan, 2004; Islam et al., 2007). Thailand saw a 12.1 per cent decline in real per capita household consumption between 1996 and 1998 (Gottschalk, 2004, in Sumner, 2009).

In all cases, the food share of total expenditure rose disproportionately, and this was especially the case in urban areas. According to the annual national Susenas (Indonesia) survey, the proportion of households spending more than 65 per cent of total expenditure on food more than doubled between February 1997 and February 1999, from 18 per cent to 39 per cent in urban areas (an increase of 21 percentage points) and from 92 to 96 per cent in rural areas (an increase of 4 percentage points) (Dhanani and Islam, 2002). Although food spending was relatively well protected, households tended to switch to less nutritious and less diverse foodstuffs, with concomitant reduction in energy consumption in nearly all developing regions between 2006 and 2010 (Brinkman et al., 2009b). In Thailand, food spending as a proportion of total expenditure also increased significantly across all income groups, rising from 52.4 per cent in 1996 to 55.4 per cent among the poorest (Tangcharoensathien et al., 2000). In Korea, the proportion of household expenditures devoted to food increased from 28 per cent in 1997 to 31 per cent in 1998, but consumption of food dropped by 15 per cent (Goh et al., 2005).

Overall, household spending on health was critically affected, more so in rural areas. For example, in Indonesia between 1997 and 1998, the share of medical expenditure as a share of total expenditure declined by 14 per cent among urban households and by 40 per cent among rural households (Frankenberg et al., 1999). In Thailand, the Socio-Economic Surveys in 1996 and 1998 showed that household real expenditure on medical care declined dramatically, by 41 per cent (35 per cent in urban and 46 per cent in rural settings), and involved all income groups (Brooker Group, 1999, in Knowles et al., 1999).[46] Additionally, many households in all countries cut back on visiting health services, relying on self-diagnosis and treatment and traditional practitioners (Islam et al., 2007; Knowles et al., 1999).[47] Investment in education tended to be more protected but was still affected. Cutbacks in expenditure on education (primary and secondary) are a common coping mechanism adopted by households during crisis (Islam et al., 2007). This includes reducing expenses for education, stopping children from going to school, stopping children from pursuing higher education and applying for scholarships or loans. Overall, household education budgets do appear to have been relatively well protected, with parents protecting educational expenditure more in an environment of falling incomes. Nevertheless, some cuts were made. In Indonesia, for example, households struggled with paying some education costs, such as fees, uniforms and transport, and some withdrew children, usually those at elementary level and older siblings, especially girls (Knowles et al., 1999). In Thailand, there was a move to lower priced schools (for fee payers) and a shift from urban to less expensive rural schools (Kittiprapas, 2002).[48] Despite all this, according to the Socio-Economic surveys in Thailand, real expenditure on education in fact rose during the crisis although, notably, higher

[45] Urban households showed a larger decrease in the consumption of food and in expenditure on children's education and luxury and durable goods than in rural areas (Goh et al., 2005).
[46] This decline occurred with respect to the 'medical services' sub-category of medical care, and there was no change in balance on drug expenditure.
[47] However, by 1998 the change towards private providers was accounted for by children in high-income groups. The poorest children were least likely to use private care, and there was more chance that children from low- and middle-income households would move out of private care between 1997 and 1998. This move from public to private among the relatively better-off perhaps suggests a decline in the quality of public services, relating to government budget cuts.
[48] Dropping out of school tends to mirror income levels across Thailand (World Bank, 1999, in Ablett and Slengesol, 2001).

education institutions accounted for more 80 per cent of the increased expenditure (World Bank, 1999, in Ablett and Slengesol, 2001), related also to youth unemployment.

In transition countries, similar patterns emerge. Once non-essentials have been reduced, reducing food consumption is the remaining alternative. Across the region, reducing food intake has been a common response. Lokshin and Yemtsov (2004) found that almost two-thirds of people in the bottom quintile and one-third of people in the top quintile had reduced food consumption after the Russian crisis.[49]

As in East Asia, food expenditure as a proportion of household spend rose in Kyrgyzstan, to 60 per cent of average household expenditure, up from 40 per cent in 1989 (Bauer et al., 1998).[50] Other consumption cuts included reduced heating (undertaken by 51 per cent of respondents in a study in Kyrgyzstan: Ablezova et al., 2004)[51] and clothes (Howell, 1996).

Health expenditure also fell. Surveys from 2001 and 2004 found that one-sixth of people had avoided seeking medical care because the costs were too high (Baschieri and Falkingham, 2006) and there were increases in self-medication and the use of traditional healers (Ablezova et al., 2004). Finally, and most drastically, some households have sought to reduce overall expenditure by reducing the number of mouths to feed. Ablezova et al. (2004) found some evidence of children being sent to live with other relatives (almost 10 per cent of households had done so).[52] Sending children to live in institutions quickly became another strategy of last resort in a context where institutionalisation of children with family problems or other difficulties (e.g., disabilities) was a common social policy response. In the early 1990s, the numbers of children living in state residential institutions rose, both as a direct response to poverty (as a way of reducing the numbers of mouths to feed) and because of families breaking up under the stress of the transition.

In Africa, increases in prices of consumption goods invoke similar responses. Where there are price increases in consumed goods, such as maize, food consumption is commonly reduced; although this is a short- to medium-term response to a price increase, there is a serious risk where young children are deprived of nutrients that this may have long-term consequences. On the contrary, FAO (2009) and Brinkman et al. (2009a; 2009b) find that households cope with high food prices by substituting expensive foods in their consumption basket for cheaper alternatives (in Malawi and Indonesia). Again, these have implications for nutrition and health, as discussed in Brinkman et al. (2009a; 2009b) and have to be emphasised owing to their impact on well-being and productivity, especially of children. However, in Bamako, households are able to substitute their consumption with millet and rice that are high in calories, hence they absorb the price increases by reducing their purchases of non-food items, thereby maintaining their nutritional levels (Bibi et al., 2009). This was a special case for Bamako: the remaining rural communities were not able to make significant substitutions (ibid).

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[49] For some groups, even where the overall economic situation has improved, poverty and nutritional problems have continued well into the economic recovery of the 2000s. In a survey in 2004, the majority of Roma in southeast Europe (53 per cent) reported going hungry in the previous month, compared with only 9 per cent of the non-Roma population. This is a contributory factor in low birth weight, rates of which were double the national average among Roma and the poorest quintile in Serbia, for example (UNICEF, 2007c).

[50] Throughout the 1990s and continuing into the mid-2000s, poor households sought to reduce the costs of food by buying cheap, low-quality foods, generally those high in carbohydrate and fat, and reducing consumption of protein foods, particularly meat; by selling or consuming wild foods; by selling foodstuffs that they might previously have eaten, such as dairy products; and by substituting expenditure as far as possible through intensive cultivation of household plots (Howell, 1996; Klijn, 1998; Stellrecht, 2001).

[51] With temperatures falling to -30 Celsius in the winter, this contributes to illness and increased labour, as 38 per cent had cut down wood for fuel and 8 per cent had gathered coal.

[52] Often, such children become domestic servants for their relatives, sometimes able to attend school, sometimes not.

Meanwhile, a recent study that used Zambian household survey data to analyse the possible effects that a food price surge could have on poverty and overall welfare[53] has predicted that a 50 per cent increase in maize prices could reduce average household consumption by 17 per cent (Caracciolo et al., 2009). This hypothesised surge is approximately in line with the actual price increase of the 1990s. Similarly, a study of cereal and energy price fluctuations in Ethiopia highlights the effects of lower household consumption, even over the short term, on children. A 25 per cent increase in cereal prices, which is not at all uncommon, even within the time span of one year (owing to droughts, international price fluctuations, etc), could increase the prevalence of child malnutrition by 3 per cent to 4 per cent (World Bank, 2005b).

Bibi et al.'s (2009) simulations of food and non-food budgetary shares for households in Mali reveal that a larger share of the household budget is spent on food and these shares increased after the crisis. The increase in household shares for food after the crisis was much larger for urban areas compared with rural areas (6.4 percentage points for urban areas and 0.6 percentage points for rural areas), with Bamako experiencing an increase of 9.4 percentage points. This substitution of non-food expenditures for food expenditures is much easier for urban dwellers because of the large share of non-food expenditures in their expenditure (48.3 per cent) before the crisis compared with rural dwellers, who have lower initial non-food expenditure (34.4 per cent).

In Mali, 1 in 80 schoolchildren aged 6-14 quit school because of the crisis. Bibi et al. (2009) point out that poverty and caloric insufficiency increase with the number of children living in the household. Moreover, an estimated 10.3 per cent of Malian children aged 0-14 were observed to have encountered a food deficit. Caloric insufficiency hits children in rural areas harder: 11.1 per cent compared with 2 per cent in urban areas (again, the substitution of non-food for food expenditures may have led to the lower estimate for urban children and this must have been a way of coping with the higher food prices). Simulations also reveal the strengths of school feeding programmes in reducing caloric insufficiency among children aged 6-10 and 11-14, increasing their attendance at school, and their lower costs compared with other interventions, such as the cash transfer. (Errors of targeting, including missing out on poor households and targeting non-poor households because of similar characteristics, increase the costs of a cash transfer programme (Bibi et al., 2009). The cash transfer did, however, reduce the dropout rate in their simulations.) Since such a programme targets children, it is preferred to a cash transfer to households where the funds are not necessarily spent on providing nutrition for children but tend to be used for other vital household consumption needs.

Similarly, Wodon and Zaman (2010) report that higher food prices led to increased poverty and a reduction in nutrient-rich foods. The issue of fiscal costs makes it difficult for SSA countries to use subsidies to lessen the impact of crisis. On the other hand, a reduction in taxes and import tariffs on essential imports was prevalent in the countries surveyed by Wodon and Zaman. In stimulating pro-poor growth, they advocate for long-term initiatives to boost food production.

In Tanzania, an increase in oil prices can have an important impact on household consumption and welfare. Households more likely to be adversely affected are the urban poor, because they are likely to be net consumers of food products and to consume more oil-related products. In a simulation of the welfare impact of the 2006-2008 global commodity (agricultural and oil commodities) price shock, Dessus (2008) finds that this entails a welfare loss in the short term that is equivalent to 4 per cent of pre-shock total disposable income.[54] Poor households suffer less from the shock in relative terms than urban households, reflecting the fact that rural households generate their income mainly by agricultural activities and consume less imported goods such as oil.

[53] Note that this paper uses a demand system which addresses two flaws usually encountered in this type of application: one is the possible selection bias owing to non-consumption of a particular staple among households, the other is the difference between the quantity used for estimation (typically logarithm) and the quantity of interest (level) (see Caracciolo et al., 2009).

[54] Note this simulation uses computable general equilibrium (CGE) model for Tanzania (Dessus, 2008).

In the case of exported and produced commodities, such as coffee, a price decline also has a significant impact on household consumption. Lower producer prices mean lower household incomes and therefore the need to reformulate household expenditures, often at the expense of the quality and quantity of household food or by limiting access to basic services. Nevertheless, when coffee prices are high, the impacts on households and children involved in the retail and wholesale trade of coffee are very positive. Male and female traders emphasised that, compared with other members of their community, they were better able to provide food, clothes, school fees and school supplies, save for future emergences and invest in household assets (Pereznieto and Jones, 2005). The close correlation between household consumption and coffee prices is well documented in the Ethiopian Rural Household Survey; in 1994, real consumption by households that produced only coffee was the equivalent of 70 birr per month; by 1997 it was 89 birr; but by 1999 it had fallen again to 67 birr (World Bank, 2005b).

Intra-household effects

Economic stress alters gender relations, but evidence is often fragmentary. Generally, changes are to do with an altered locus of economic power, time pressures and knock-on effects related to reproductive responsibilities and increased levels of family stress, and sometimes violence linked to depression, alcohol abuse and other factors within a household. All these changing dynamics have implications for children, including changes in the amounts of care and protection and increased exposure to family stress.

- While there is some evidence that women experienced more power and control within the household in such crisis periods, based on their relative income earning status compared with men's (in Korea and Java, for example, where women reportedly had more status and more say in household matters: Hancock, 2001; Kim, 2004), it is unclear whether this reflects systemic change. In fact, there is more evidence that women absorb the crisis impacts to a far greater degree than men.
- In Thailand, between 1996 and 1998 per capita income declined in female-headed households (-0.8 per cent) but increased in male-headed households (4.9 per cent). However, per capita expenditure increased in the former and declined in the latter, a trend most pronounced in rural areas (Knowles et al., 1999), indicating that female-headed households were less able to save and so more vulnerable to distress sales (e.g., borrowing or pawning/selling assets to help maintain consumption levels (ibid)).
- Moreover, there is also evidence that women in male-headed households were more vulnerable to distress sales. Government campaigns also reverted to 'traditional values', urging women to support their husbands, sacrifice their jewellery and savings and 'perform their wifely and motherly duties' (Kelkar and Osawa, 1999, in Maskey and Kusakabe, 2005). Similar media campaigns operated in Korea (Kim and Finch, 2002). Effects related to women's autonomy are therefore mixed.
- Some evidence from Argentina suggests that women's participation in government work schemes enriched their social networks and community involvement and improved access to services (which may have had an effect on reducing spousal abuse, school dropout rates, drug abuse and related crimes), and provided new opportunities for them in terms of employment and skills development (Tcherneva and Wray, 2005).
- Also in Argentina, the pressure on gender relations was seen in some cases seen to be so strong that it triggered increases in women's activism (Borland and Sutton, 2007). However, other effects include increases in domestic violence and, in extreme cases, individual and family suicides, related to the psychological impacts of the crisis, as discussed further below.

Psychological impacts

Global research on adult mental health problems and child well-being suggests that stressful events and the psychological health of parents can impact on children's emotional and behavioural well-being (Conger et al., 1992[55]; Kahn et al., 2004[56]). This issue is little discussed in the literature on the impacts of economic crises on vulnerable groups, but it emerged across most regions as an important one, manifesting itself in rising rates of mental illness, increased incidence of stress-related mortality and rising intra-household tensions. In Argentina, for instance, there was a doubling in emergency consultations regarding mental illnesses. Stress, depression, phobias, suicides and drug and alcohol addictions grew and an increased sense of fear and impotence was recorded, especially among youths during the crisis and recovery periods (World Bank, 2003).

In Indonesia, there were also significant increases in the prevalence of psychological distress among both male and female adults after the onset of the crisis owing to unemployment and financial instability (Friedman and Thomas, 2007). Women were more likely to report being sad, anxious, suffering from sleep difficulties and being in poor general health than males, while all of these conditions worsened for both genders throughout the crisis years. In addition, females were found to be more likely to transit between states of poor psychological or physical health (in either direction) and to remain in poor health. A link was also identified between poor mental health and lowered labour force participation (especially for women) (ibid). In Thailand, there were a number of indicators of heightened stress levels: it was found that there was a 30 per cent jump in complaints related to the muscular/skeletal system, increased requests for psychological counselling, as well as increased drug use. In one survey, almost two-thirds of facilities and nearly half of households reported that drug use had risen significantly in the community since the crisis (Knowles et al., 1999). In Malaysia, telephone surveys undertaken by the Mental Health Department revealed a high proportion of severe stress, suicidal ideation and feelings of hopelessness about the future among the unemployed and the employed, although it was higher among the former. Determinants of severe stress were: unemployment; separate marital status; and financial dependence and indebtedness (Tangcharoensathien et al., 2000).

Another indicator of rising stress levels is mortality rates, which for men seem particularly affected, with notable rises in Russia and the Western CIS countries in the early 1990s, in Malaysia and in Thailand (Lotrakul, 2006). Some of this is attributed to the stress associated with unemployment and related suicide (Hopkins, 2006). Similarly, in Kyrgyzstan between 1989 and 1996, death rates from external causes (suicide, homicide and accidents, injuries and poisoning) rose, with the greatest rise occurring in the period 1991-1995 (WHO, 1999). Koichumanova (2002) observes that suicides are the most significant external cause of death among young people. In Korea, suicide surged in conjunction with the financial crisis, again especially among males. Suicide mortality rates (for ages 34-64) increased in 1998 (climbing 68 per cent for men, from 26.4 per 100,000 in 1996 to 44.3 in 1998) (Khang et al., 2005).[57]

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[55] Conger et al. (1992) found a correlation between the impact of economic hardship from loss of income and/or unstable income on parental emotional and psychological health and the development and adjustment of early adolescent boys (the focus of the study), in terms of self-confidence, emotional distress, outward behaviour and relationships with peers.

[56] In the study by Kahn et al. (2004), impacts of mental health symptoms among parents on the emotional and behavioural well-being of their children included ‘external’ indicators, such as: sudden changes in mood or feeling; disobedience; nervousness; trouble getting along with other children; restless or overactive behaviour, and ‘internal’ indicators, including: feelings of worthlessness and inferiority; unhappiness and sadness; fearfulness and anxiousness; and being easily confused. These impacts on children’s emotional and behavioural well-being were greater if a child had two parents with psychological problems.

[57] Khang et al. (2005), reporting on Korea, describe suicide as ‘the most important cause of death plausibly linked with the economic crisis’. Some of the increase in mortality from ‘accidental drowning’ (age 35-64) and falls (age 65-79) during the economic crisis is suggested to be attributable to the avoidance of assigning suicide as the cause of death. Importantly, in 1998, when the economic crisis first started, the greatest rise in the rate ratio was found in males aged 35-64 (rate ratio = 1.68). Unemployment may have played a great role in this rise. However, the suicide mortality rate returned to 1996 levels in 2000 among both sexes aged 35-64 and 65-79, but rose again in 2002. The resurgence in 2002 was most prominent among ages 65-79, while there was no increase among those aged 15-34. This is understood by the fact that elderly people tend to kill themselves for different reasons, such as to escape from the torments of suffering and loneliness, compared with adolescents. It is thought that, in Korea, the resurgence of suicide

Increased stress and mental ill-health can also heighten tension within a household and lead to increased domestic violence and increased divorce rates. In Korea, the divorce rate increased during 1970-1996 but it rose more conspicuously in subsequent years to become among the highest in the world. The number of respondents specifically citing financial problems as a contributory factor rose from 3.0 per cent in 1995 to 10.8 per cent in 2000, 11.6 per cent in 2001 and 13.6 per cent in 2002, the latter representing more than a four-fold increase in just seven years (National Statistical Office, 2003, in Kim, 2004). In fact, Kim suggests that financial strain was a much more common reason than these numbers suggest. In Thailand, during 1997/98 (Knowles et al., 1999), domestic violence increased and in itself was found to be a common cause of stress among women (Lotrakul, 2006). Similar reports of increased domestic violence have also come from Indonesia (Suharto, 2007), Malaysia (where the Welfare Department reported an increase in the number of cases of domestic violence – 507 cases in August 1998 compared with 603 in all of 1997: Knowles et al., 1999) and Korea (ibid). In the latter case, power struggles over resources appear to have been particularly acute. Between 1997 and 1998, crimes of patricide, lineal ascendant assault and injury increased by 65.2 per cent, 46.3 per cent and 16.1 per cent, respectively. Counselling services for divorce also increased by 18.2 per cent in 1998, compared with an increase of only 0.2 per cent in the previous year (Knowles et al., 1999).

A similar triggering of increased domestic violence was reported in Mexico (Olivera, 2006). Importantly, such issues are rarely formally reported and information tends to be elicited through specific surveys and qualitative research. The Mexican case, for example, does not show up in national data, nor do reported increases in violence against women and children in Russia and the Western CIS countries. Such intra-household crimes are linked to mental health problems, such as anxiety and depression, and rates of alcoholism.

The decline in the quality of nurture, care and protection as a result of psychological ill-health has widespread consequences. While the routes by which children and young people are affected are complex, evidence from a range of contexts indicates that parental (or carers') depression can negatively affect children's development. Some evidence from qualitative studies also suggests that parental depression can be one of the factors involved in children becoming street children and/or becoming involved in crime.

Care, nurture and protection

All of the above mentioned micro-level impacts affect the care, nurture and protection of children, through reduced time available, increased household stress and resulting family break-up or violence, reduced consumption, reduced services or reduced household and societal capacity to share in the raising of children.

It is widely agreed in the literature that economic crises generally result in greater care burdens for women. Where parents are working long hours or are under stress, their physical and emotional presence may be compromised. Where they also cannot call on other adults for help, children are often left alone. Alternatively, they may be left in the care of older children (UNDP, 2009a). This may be one reason for child mortality, as children are insufficiently able to protect younger siblings from accidents. The incidence of children being left home alone is widespread and largely unreported, as recent research has identified (Ruiz-Casares and Heymann, 2009).[58]

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mortality among the elderly might be related to worsening old-age poverty associated with neoliberal structural adjustment after the economic crisis.

[58] Although quantitative evidence relating to hours of care is hard to come by, a study of child neglect in Botswana, Mexico and Vietnam highlighted that this problem was most acute in Botswana, where limited support networks, inability to afford child care and intensifying labour hours led to staggering numbers of preschool and school-age children being left at home alone or neglected. In a representative sample of working families (the study interviewed 537 working care-givers attending government health clinics in Botswana, Mexico and Vietnam), half of families in Botswana, over one-third in Mexico and one-fifth in Vietnam left children at home alone regularly or occasionally.

There is good evidence that the demands on women's time increase under conditions of economic crisis. While additional employment clearly holds financial and other incentives, there are also costs. Women coffee farmers in Ethiopia enjoyed the income, independence and increased decision-making powers, but acknowledged that the quantity and quality of their time with their children suffered, including breastfeeding and feeding older children after school (Pereznieto and Jones, 2005). Where employment of women increased (as it did in Argentina from 2002), there remained little change in women's domestic and social reproductive responsibilities (MacDonald et al., 2005), ultimately decreasing the time they could spend on care and nurture. In Indonesia, the 1997/98 IFLS survey shows that unpaid work increased for men by 1.3 per cent and for women by 7 per cent, providing an informal safety net during the crisis (Elson, 2008). Silvey's (2001) study in South Sulawesi, Indonesia, reports that returning young female migrants (reverse urban–rural migration) faced greater care burdens that privileged men and the elderly. Young female migrants experienced heavier domestic burdens in terms of household chores and caring for children and elderly relatives. In Kyrgyzstan, Yarkova et al. (2003), reporting on research on migration, found that, while 8 per cent of parents in rural areas felt they did not spend sufficient time with their children, this rose to 22 per cent among migrants to the Bishkek and Osh *novostroiki* (new suburbs).

Despite this knowledge, there appear to be few alternatives for parents, and for women in particular. Indeed, some government responses have been inadequate, such as the Programme for Unemployed Household Heads (PJJHD) social protection programme in Argentina, which demanded four hours work per day but provided no child care provision (Esquivel, 2006). Where absolutely no other child care can be found, some families in Kyrgyzstan have resorted to leaving children in the care of state institutions (orphanages or boarding schools). More commonly, the absence of adult care and guidance can be a push factor for children to leave home to live and work on the streets, and for older children to turn principally to peer networks for social and emotional support, perhaps becoming involved in criminal activities or substance abuse.

Thus, despite the contraction in time available for parents to care for children, providing alternatives is rarely a state priority. Child care service provision in many countries is inadequate. Transition countries experienced a sharp decline in service provision, with the closure of most preschool facilities and the practice of charging fees adopted almost ubiquitously.

Care capacity is also a feature of wider society, where informal provision and exchange of care, nurture and protection is a day-to-day activity. However, this notably declines under conditions of economic stress.

Social networks – of family, neighbours and friends – represent a crucial asset for both poor and better-off people, one which poor households actively manage as a means of getting by. In Kyrgyzstan, it was noted that, while poor people rely heavily on their social networks, these have tended to become more 'horizontal' (i.e., mostly with other poor people), as the lives of poor and better-off people have diverged. As a result, the help they can provide is limited – mostly food and second-hand clothes (Ablezova et al., 2004).

Networks have to be serviced, and the burden of doing so can be overwhelming in times of economic strain. Contributing to the cost of ceremonies and celebrations (such as weddings, celebrations of a baby's birth, circumcision ceremonies and funerals) is expected but can be debilitating for poor households, which may have to sell assets or get into debt to make their customary contributions. Other vital networks can also be affected. Also from Kyrgyzstan, evidence from the late 1990s found poor people increasingly unable to afford even the modest cash contributions needed to participate in rotational savings clubs (Kuehnast and Dudwick, 2002). As with contributing to celebrations, many poor households would prioritise this over other expenditure to maintain social connections (Berg, 2001; Stellrecht, 2001), with the expectation that 'what we give will return in the future' (Klijn, 1998). Even so, the difficulties that poor households face in

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Moreover, 52 per cent of families leaving children home alone relied on other children to help with childcare (Ruiz-Casares and Heymann, 2009).

maintaining contributions of these kinds, and even in being able to lend a neighbour foodstuffs when asked, have meant that some poor households have become increasingly isolated. Additionally, the rising costs of transport and communications meant that people's opportunities to maintain connections through travel, and even by phone or letter, declined. The social isolation that poor households increasingly experience is one of the factors contributing to the emotional and mental health stresses on parents and children.

Children are affected in several ways by these pressures on social relationships – in terms of their families' access to material resources, their opportunities for participation in cultural and social activities and the way their development is affected by the kinds of caring and social relationships available to them. In extreme cases, lack of protection can result in their exploitation and abuse.

2.4 Impacts on children's rights[59]

The documented impacts of the regional crises under analysis on children's rights to survival (health, nutrition, water and sanitation) and development (education and psycho-social well-being) are considerable. Overall, though, the available evidence, especially with regard to children's right to protection (from abuse, neglect and violence) and participation (in decisions that affect children's lives), and differences among children by gender, ethnicity and (dis)ability status, is limited.

Right to survival

Overall, the negative impacts of crisis on child health and nutrition were significant in all regions, although they were perhaps most sustained in the case of transition countries. In East Asia, infant and child mortality rates were largely protected throughout the crisis years, and downward trends in malnutrition rates also continued. However, there was an increase in short-term malnutrition in Indonesia. Here, mothers buffered the impacts of the crisis from their children, but increased prevalence of anaemia among pregnant women (rates rose from 9 per cent in 1997 to 12 per cent in 1998) impacted on infants' micronutrient deficiency (Block et al., 2004). In terms of health-seeking behaviour, overall there was a decline in the use of child health services (e.g., by 10 per cent in Indonesia and 8.5 per cent in Korea), with the exception of Thailand, where private service usage shifted significantly towards public services. Uptake of immunisation services for under three-year-old children also decreased in Indonesia (Frankenberg et al., 1999), and there is some evidence of increased morbidity during the crisis years from both Indonesia and Thailand (Sumner, 2009; Waters et al., 2003).

In Latin America, there were notable impacts on both infant mortality and infant and child malnutrition rates. In the case of Mexico, Cutler et al. (2002) found a clear link between the crisis and a rise in infant mortality rates: between 1995 and 1996, rates increased from 5 to 7 per cent, reversing a decreasing infant mortality trend up to 1994, and they fell again after 1997. Tentative evidence further suggests that these effects are directly related to the magnitude of the economic shock, possibly as a result of lower spending on health care: the areas where mortality rose the most were those where more women took up paid employment in order to meet basic consumption needs – a sign of greater economic need (ibid).[60] In Argentina, severe malnutrition and rising child mortality rates were also reported in the country's northern provinces. In Tucumán, almost 20,000 children were diagnosed with malnutrition in 2002, as shown by studies undertaken by the provincial health service. This situation has been linked to the rise in food prices as well as to the collapse of health services in the region resulting from the crisis (IFRC, 2002). Risks of permanent harm were especially high owing to malnutrition during pregnancy (Iglesias-Rogers, 2002). The

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[59] This paper does not discuss duty bearers' obligations in relation to upholding rights, although this is clearly an important principle for rights-based advocates, bearing also in mind that the UN Convention on the Rights of the Child (UNCRC) allows for progressive realisation of rights within the capability of governments. Further discussion of this can be found in Harper and Jones (2009) and Harper et al. (2009b) .

[60] The analysis ruled out the contribution of the 'care' effect of women leaving the house to join the workforce, with stronger evidence of the income effect.

Ministry of Health also noted a decline in immunisation service uptake, exacerbated by vaccination programmes facing irregular supplies (Schwab and Uribe, 2002).

In **Africa**, there is similarly a growing body of evidence showing that commodity price fluctuations are resulting in significant negative effects on infant mortality and infant and child malnutrition. Baird et al. (2007), drawing on DHSs in 59 countries, highlight the strong negative association between changes in per capita GDP and infant mortality. Likewise, a study of cereal and coffee price fluctuations in Ethiopia suggests that an increase in cereal prices of 25 per cent, which is not at all uncommon even within the time span of one year (subject to droughts, international price fluctuations etc.), could increase the prevalence of child malnutrition by 3 per cent to 4 per cent (Christiaensen and Alderman, 2004).

Among **transition countries**, infant mortality rates increased in the immediate aftermath of transition and did not start to fall until 1995, having subsequently fallen to below 1989-1991 levels. However, children's opportunities for survival have diverged between the better-off regions and the poor (remote, rural) regions. In Russia, for example, in 1990, while infant mortality rates in St. Petersburg were 18 per 1000, they were 33.1 per 1000 in Tuva (eastern Russia). By 2003, the infant mortality rate had fallen to 8 per 1000 in St Petersburg but had only fallen to 28.6 per 1000 in Tuva (UNICEF, 2006), highlighting the longer-term poverty impacts of the transition-induced crisis for children.

Children's nutritional well-being also suffered, evidenced by a rise in the rate of babies born with low birth weight in the early 1990s. Data for Russia, for instance, show a very strong link between economic fluctuations and the nutritional status of children under five, with notable rises in the early 1990s and again after the 1998 crisis (Stillman, 2003). Some micronutrient deficiency diseases, such as anaemia, have worsened since transition as a consequence of reduced consumption of iron-rich foods, such as meat.

New health challenges are also confronting children and young people in parts of the region, as some previously eradicated or controlled diseases (e.g., tuberculosis) have re-emerged, and as HIV/AIDS has spread to the region (with particularly serious consequences for children in parts of Russia). In addition, the greater availability of narcotics, and the alienation of a significant group of young people with limited job prospects because of the problems of youth employment in parts of the region, has resulted in rising rates of drug use among young people. Rates of alcohol use have also risen (Strebkova, 2004; UNICEF, 2001; Zbarskaya, 2001).

Right to development

The effects of crisis on children's right to development is mixed, both across and within regions, suggesting that there is perhaps an income threshold effect working and/or that educational deprivations are also shaped by the relative strength and quality of pre-existing basic service and social protection systems.

In **East Asia**, evidence suggests that the impacts of the 1997/98 crisis had rather mixed consequences for children's education, with increases in enrolments at some levels but declines in others, and a shift away from private to public school facilities, with potential implications for educational quality. Household spending (although constrained) and government safety nets appear to have protected children's right to education relatively well, while fewer working opportunities encouraged greater enrolments. Aggregate national data show that attendance at primary and secondary level stabilised or improved in Indonesia (e.g., from 80 per cent in 1997 to 82 per cent in 1999 for primary school level, and from 69 per cent to 70 per cent at lower secondary level) and Thailand, while in Malaysia and in Korea there was a slight decline in enrolments at the primary level (from 96.7 per cent in 1995 to 95.2 per cent in 1998 In Malaysia, and from 98.6 per cent in 1997 to 98.3 per cent in 1998 in Korea) and middle school level (from 98.6 per cent in 1997 to 98.3 per cent in 1998 in Korea) but a more marked increase in high school (from 68.8 per cent in 1997 to 74.3 per cent in 1998 in Korea) and tertiary (from 29.2 per cent in 1997 to 35.7 per cent in 1998 in Korea) enrolments (Knowles et al., 1999). At the sub-national level, however, there is evidence of increased dropout rates, especially among the poor. For example, the dropout rate in Thailand among the poor was double that among the non-poor during the 1998/99 school year (Ablett and Slengesol, 2001). Among the urban poor in Bangkok and in the central region, enrolment rates fell by 6.3 per cent, compared with an increase of 1.3 per cent in rural areas (ibid), indicating longer-term opportunity costs for human and economic development. Indonesia and Thailand also saw more movement from private to public schools (approximately 10 per cent of private school students moved to public school facilities (TDRI, 1998)), which may indicate costs in terms of education quality.

The impacts of transition on children's access to education have also varied across the region, with especially negative consequences for children in the poorest countries of Central Asia and for preschool services more generally. CEE countries largely managed to protect school enrolments, but in poorer CIS countries basic school enrolment rates declined by about 10 per cent to 15 per cent in the early 1990s. Although they subsequently rose, seven countries are still at risk of not meeting Millennium Development Goal (MDG) 1 (universal primary education) (UNICEF, 2007a). Upper secondary school enrolment rates have fallen substantially in poorer countries,[61] as have those in vocational education, indicating a cohort of older children and young people receiving little public investment.

The effects of the transition on the preschool sector in Central Asia and the Caucasus have been particularly dramatic.[62] In contrast with the Soviet era, fees and the lack of availability of places mean that fewer than 10 per cent of children of the relevant age group now attend, compared with up to 50 per cent before transition (Stewart and Huerta, 2006).[63] Attendance rates in Russia are still below 1991 levels (ibid).

The effects of commodity-related economic shocks on children's right to development in the **African** case studies under analysis also appear to have been quite mixed – there is evidence from Ethiopia, Tanzania and Zambia to suggest that rising prices are linked to higher dropout rates (Beegle et al., 2008; del Ninno and Marni, 2005; Woldehanna et al., 2008), but the intensity of impacts in rural and urban areas appears to differ notably. In Ethiopia, Young Lives survey data suggest that, in rural areas, income shocks may mean that parents have to work longer hours and/or increase production. In such incidences, children's labour may be required at the expense of their educational attendance; if not subject to manual labour, children may be required to spend longer hours undertaking household chores or caring for younger siblings – again at the expense of their daily school attendance or their homework time. Households involved in labour-intensive agricultural and petty trading activities are particularly likely to recruit children into labour activities (Woldehanna et al., 2005). By contrast, research in Zambia into the impact of shocks more broadly (including macroeconomic instability) found that household coping strategies that involved pulling children out of school were most common within poor households in urban areas (del Ninno and Marni, 2005). This may result from the fact that a large proportion of the urban poor are net buyers of staple goods such as maize and so, when there are price increases, additional income is required to afford basic goods (Balat and Porto, 2005).

By contrast, the impacts of crisis on children's education in Latin America appear to have been minimal. In the Mexican case, while some studies (e.g., McKenzie, 2003; Skoufias and Parker, 2006) find that school attendance rates for children of both sexes were unchanged for many ages, they actually increased for some age groups. In particular, both male and female children aged 15-18 had higher school attendance rates in 1996 than in 1994. Indeed, overall school attendance for children aged 5-16 years increased for both rural and urban areas, and for all levels of education of the household head, continuing the upward

[61] The enrolment rate in upper secondary education is still below 50 per cent in eight countries (Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, Kyrgyzstan, Moldova, Tajikistan and Turkmenistan), and almost 12 million children of (lower and upper) secondary school age were estimated to be out of school in the region in 2004 (UNICEF, 2007a).

[62] By contrast, most CEE countries managed to maintain enrolments.

[63] In the Caucasus and Central Asia, rates have fallen sharply: in Kazakhstan, from over 50 per cent enrolment to 12 per cent, taking it from the country with the best preschool provision in the region to among the worst (Stewart and Huerta, 2006). This decline reflects a collapse in state funding (the share of education spending allocated to preschools dropped from 7 per cent to 3 per cent between 1997 and 2003) and fees, putting kindergartens beyond the reach of all but the highest earners (ibid).

trend from 1992.[64] In Argentina, the picture is relatively similar. There is no evidence of increased dropout rates for children in the 6-12 or 13-15 age brackets. For the 16-18 age bracket, the estimated dropout rate was about 2 per cent of the age group; over half (54 per cent) of this latter group was found to come from the lowest quintile. However, a large portion of households (71.9 per cent) did reduce expenditure on school supplies (Fiszbein et al., 2003), and some poor school children also suffered from the discontinuation of scholarship programmes (World Bank, 2003). The limited evidence of children dropping out as a result of the crisis could indicate that families tried hard to protect what they saw as the most important investment they could make for their children even under difficult circumstances. In addition, with reduced opportunities in the labour market, the opportunity cost of leaving children in school decreased significantly. An additional incentive was that the school meal programme was strengthened throughout the crisis, so children going to school had at least one meal a day (World Bank, 2003).

Right to protection

The evidence on the effects of the crisis on children's right to protection is more limited and fragmented, but existing evidence suggests that there were important implications for the quality and quantity of care that children received from care-givers, a heightened risk of child abuse and mixed impacts on children's engagement in child labour.

In East Asia, in terms of care, the number of children living on the streets increased in Indonesia and Thailand, and these children were at increased risk of sex work, drug use and crime (ADB, 2006; Knowles et al., 1999; Suharto, 2007). There was also an increase in child abandonment and numbers of children taken into care in all four countries (ADB, 2000; Kim, 2004; Tangcharoensathien et al., 2000). Increasing time poverty among women in general (Elson, 2008), and rising rates of female migration in Indonesia in particular (Silvey, 2001), suggest that there may have been additional impacts on care time and quality. However, this is an area that requires further research.

Another area of significant concern, but about which there was no evidence regarding the direct impacts on children, is the implications of the rising incidence of mental ill-health as a result of the crisis in the region, especially among men but also among women.[65] Evidence from other contexts (e.g., Kahn et al., 2004) suggests that parental mental ill-health can have serious negative implications for child well-being, and this is therefore an area that should also be monitored in the context of the current crisis.

In terms of violence against children, there is very little evidence of rising rates of child violence *per se*. However, there is more ample evidence about rising rates of gender-based conflict and violence (e.g., ADB, 2000; Kim, 2004), and it can therefore be hypothesised that these dynamics are likely to have had negative physical and psychological spill-over effects on children.

Evidence of the impacts on child labour is mixed, most likely because of data constraints. In Indonesia, older children appeared to have shouldered the burden by working longer hours, especially girls in terms of unpaid domestic work, while the number of children in work or looking for work declined overall (Cameron, 2000).

Among the transition countries, the huge increase in poverty and the collapse of many social services and under-financing of others,[66] coupled with the reduction in social cohesion and a declining ethic of

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[64] After controlling for age and cohort effects, the change in time allocation effects over 1994-1996 is insignificantly different from the 1992-1994 change for girls, and marginally higher for boys. The increase in school attendance for males aged 15-20 concurs with the drop in labour force participation for this group, and suggests that the opportunity cost of schooling fell during the crisis owing to the decline in available jobs (McKenzie, 2003).

[65] While women were more likely to report feelings of poor mental health, suicide rates among men escalated more sharply than among women (e.g., in Korea, there was a 68 per cent increase in male suicides in 1998 compared with a 34 per cent increase for females (Khang et al., 2005).

[66] Yarkova et al. (2003), reporting research on migration, found that while 8 per cent of parents in rural areas felt they did not spend sufficient time on their children, this rose to 22 per cent among migrants to the Bishkek and Osh

responsibility for children, have meant that the capacity of the state and families to protect children from a rising range of threats has declined (UNICEF, 2009a). This has resulted in some children being exposed to dangerous, exploitative and even life-threatening situations, and many others to ongoing abuse and neglect (Carter, 2005). 'At the same time, the acute fiscal pressure on the government and a willingness at policy level (if not always at "street level") to try new social policy models has, in some areas, opened up space for more community-based and child-centred approaches' (Marcus, 2009).

While child care and protection concerns, such as the conditions of street children or de-institutionalising children (a specific issue for the region where institutional care was an important aspect of social policy) (UNICEF, 2009a), have often received strong moral and emotional approval from government and donors, the accompanying budget lines have often been insufficient (Committee on the Rights of the Child, 2004). More recently, in many countries reforms of the child protection system have stalled and rates of institutionalisation of children have increased (IRIN, 2009).[67] This reflects in part a continued faith in institutional upbringing by both the state and families and in part the abandonment of children to state care by families unable to cope with stresses of poverty, uncertainty and social dislocation, both in the transition period and in the current crisis.

Among the other key child protection challenges emerging from transition are children living and working on the streets, particularly in the poorer CIS countries and, more generally, hazardous and exploitative child labour in agriculture, mining and more visible activities such as market trading, urban services (e.g., car washing) and begging (ILO, 2001). All countries have also seen an increase in the commercial sexual exploitation of children and, in parts of the region, also trafficking of children for both sexual exploitation and begging (Tiurukanova, 2006).[68]

A less-noted impact of economic crisis has been the increase in the proportion of young children left without adult supervision while their parents or carers are working.[69] This reflects both the high levels of poverty experienced in parts of the region for much of the past 15 years and the collapse of state-provided childcare and early education, particularly in the poorest, most fiscally challenged countries. This lack of adult supervision may be a contributory factor in rising child mortality from accidents observed in some countries (e.g., Kyrgyzstan) (UNDP, 2009a).

In Latin America, evidence of impacts on children's right to protection is particularly thin. There are mixed research findings about children's increased participation in the workforce in Mexico. Some data show evidence of a rise by 4.2 percentage points in the labour force participation of 12-14 year olds in households in the bottom quintile, reaching 19.8 per cent between 1994 and 1996, whereas the participation rate of children in non-poor households remained constant, at around 6 per cent (Lustig, 2000). This indicates that some poor households used children as a source of labour to generate additional income. This finding is at odds with McKenzie (2003), who finds that there was little effect on labour

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novostroiki. Where absolutely no other care can be found, some families have resorted to leaving children in the care of state institutions (orphanages/boarding schools).

[67] By 2001, a decade after the start of the reforms, even higher numbers of children (approximately 1.5 million across the region) were living in out-of-home care than in 1989-1991, representing a rise of 150,000 since the start of the decade (UNICEF, 2001). While the numbers of children in public care declined in southeast Europe and the Caucasus over this period, they rose in all other parts of the region, with the greatest rise in the Baltic States, Central Europe and the Western CIS countries.

[68] Tiurukanova (2006) notes that children are trafficked from Russia and the CIS for all the following purposes: commercial sexual exploitation, including child prostitution and the production of pornography; labour exploitation**,** in manufacturing, service industries, agriculture and domestic service; begging**,** either directly or renting out infants for the purpose of begging; organ and tissue transplants; and illegal adoption.

[69] UNICEF (1997) indicates that in Poland in the mid-1990s 1 in 10 7-9-year-old children were left without adult care – a 'several fold increase over the beginning of the decade'. Multiple Indicator Cluster Survey (MICS) data from Serbia in 2006 indicate that Roma children were twice as likely to be left without adult care, or in the care of another child (under 10 years old) as compared with the population as a whole (UNICEF, 2007c), reflecting very low income in Roma communities and the constant struggle to get enough money for food and basic needs.

participation by teenage boys and girls as a result of an unemployed household head, with mothers instead bearing the burden. This might be the result of analysis of different datasets and different segments of the population, which suggests that teenagers in the poorest households did increase their participation in the labour force, even in cases where their fathers continued to work, possibly in the informal sector. Overall, however, those children who did join the labour force – mainly teenagers – did so in the informal sector, with lower wages and poor working conditions (Pereznieto, 2009). This did not, however, seem to have an impact on schooling, which increased during the period of the crisis, as discussed above.

In Africa, although specific evidence linking the effects of price-related shocks to child protection outcomes is very limited, broader evidence on income shocks points to some important linkages. For instance, using four rounds of household panel data from the Kagera region of Tanzania, Beegle et al. (2008) show that transitory income shocks (as measured by accidental crop loss) lead to significantly increased child labour. In the region, households use almost no purchased inputs and very rudimentary technology, and their use of wage labour is very limited. When hit by a shock, households tend to increase their use of child labour, typically by having children substitute for adults in household activities, such as gathering firewood and water. Subsequent disaggregated analysis of this same region after 10 years suggests that a one-standard-deviation (5.7 hours) increase in child labour leads to a loss of approximately one year of schooling and to a substantial increase in the likelihood of farming and of marrying at a younger age.

While there has not been an explicit correlation established between declines in maize production and increasing child labour, Harland (2008) has demonstrated through qualitative interviews in Zambia the high prevalence of women and children working in the mining sector in the copper-rich northwest, near the border with the Democratic Republic of Congo (DRC). It was established that, while the formal employees listed on the company books were adult men, many of these did not even go to the mine. Rather, managers allowed anyone in the area, including women and young children, to sell their daily services: 'The practice was confirmed by the local school head teacher, who complained that many children had dropped out of school since the mine owner had allowed this practice to develop'. Given that many households seek to augment their household income during price shocks with additional off-farm forms of labour, such unregulated opportunities offer a potential avenue.

Other protection deprivations, such as child marriage, trafficking and engagement in hazardous forms of work (such as the sex trade), are barely documented in each of three focus countries here studied. However, given that child marriage lowers the number of dependants within a home and is often seen as a means by which to forge social capital networks – and in some cultures it is the bride's parents who receive the dowry – it seems likely that desperate families would increasingly subscribe to such behaviour during income strain (Espey and McKay, 2009). One longitudinal study in Tanzania provides evidence to support the correlation between shocks to crop production and early marriage: using shocks to crop production as an instrumental variable for child labour (tracing consequences of a 10-year horizon), they suggest that crop shocks lead not only to an increase in agricultural work for boys but also to an increase in chore hours for girls and younger ages for marriage (Beegle et al., 2008). Although the shocks here examined are predominantly crop destruction, drought and pest control, the price received by the producing household is equally important for determining the rate of production and the household income level, thereby suggesting that this too may induce earlier marriage.

Right to participation

Little evidence, with the partial exception of transition countries, has been identified as to how the financial crises impacted on the ability of children and youths to participate in social, political and economic life, and in the community decision making surrounding issues and policy solutions which affect them. In the East Asian case, Plan (2008) suggests that, given the greater cultural emphasis placed on the responsibilities of the individual towards family, community and society in the region, understanding of children's civil rights may still be limited. Changes in the political systems in Korea, Indonesia and Thailand which happened simultaneously to the crisis, especially the growing role of civil society on the political stage, may, however, have opened up new opportunities to realise children's right to participation. This appears to be an area worthy of further investigation.

In transition countries, in comparison with the Soviet period, opportunities for children and young people to participate in social and leisure activities have declined overall since transition. Organised children's and youth movements, such as the Young Pioneers and the Komsomol, have gone, and with them the infrastructure used for recreational activities, such as summer camps (Marcus, 2009). Children's opportunities to engage in culturally valued activities, such as socialising at feasts and celebrations, are also limited by poverty and, in the poorer countries and rural areas, the need to work (Ablezova et al., 2004).

On a more positive note, some non-governmental organisation (NGO) activities are creating new opportunities for young people to participate in leisure and cultural activities. Many of these give young people opportunities to use computers, aiming to increase their access to information. That said, as for young people elsewhere, there is a clear digital divide between better-off and worse-off, and urban and rural areas (Ablezova et al., 2004). Some NGOs and international organisations have experimented with activities that aim to promote children's involvement in governance, including supporting young journalists, involving children in consultations on environmental issues and HIV/AIDS, etc. Despite some efforts to involve children and young people from a range of backgrounds, these are often effectively limited opportunities for elite participation in one-off processes rather than meaningful participation in children's family, community and school lives (Marcus, 2009).

3. Policy responses

In this section, we begin with a brief overview of the broader political landscape in each region at the time of the crisis in order to explore the role of political economy drivers in shaping policy choices adopted, including the relative influence of civil society actors. We then turn to a discussion of economic policy responses, including the role of development aid in shaping this process. This is followed by an analysis of social policy responses, subdivided into a discussion on investment in basic services and a more detailed discussion on social protection measures, both general and child-focused.

3.1 Political economy drivers

In each of the regions under analysis, complex and dynamic political economy drivers shaped the reform process and played an important role in shaping both how deeply the crisis was felt and how quickly and effectively governments were able to respond.

In East Asia, the economic crisis coincided with and/or exacerbated periods of marked political change, especially in Indonesia, but also in Korea, Malaysia and Thailand. In Indonesia, the crisis fuelled political discontent with the Suharto regime that had been building for some years, triggering rioting and social violence and ultimately leading to the resignation of long-time authoritarian leader President Suharto in May 1998. The new government was faced with the daunting challenge of designing a new budget and policy responses to the crisis from scratch as well as simultaneously coping with the devastating effects of the El Nino drought. However, the change in power arguably created a new space to put in place more comprehensive social protection infrastructure and to protect the poor from the worst effects of the crisis (Pritchett and Sumarto, 2002).

In Korea, the crisis hit the country around the same time as a tightly contested presidential election, which had resulted in the election of Kim Dae-jung, a former democracy activist, and the first transfer of power to an opposition party following the end of the dictatorship in 1988. Kim had come to power on a strong social reform platform and with significant civil society support. However, although this meant that the impetus for cushioning the social impacts of the economic crisis was strong, it also generated significant sociopolitical tensions and mass protests, given the tight fiscal constraints that the new administration was forced to operate under.

Similarly, in Thailand the crisis also precipitated some degree of political instability, with a change of government, but in contrast with Thailand's past, and indeed more recent history in the 2000s, this was largely peaceful and did not involve any significant threat from the military. Civil society also played a key role in calling attention to the urgent need for poverty alleviation and a scaling up of social protection measures to counter the harmful social impacts of the financial crisis (Naruemon, 2002, in Croissant, 2004; Krongkaew, 2002).

The political economy dynamics in Malaysia were somewhat distinct – domestic political instability resulted from tensions within the ruling party as to whether to follow the IMF's neoliberal crisis recovery prescriptions or to take an independent stance but risk international isolation. Moreover, while the crisis context did lead to some expanded political space for civil society actors to voice their demands, it was a 'tentative development' at best (Abidin and Ahmad, 1999). Indeed, decision making in the Office of the Prime Minister remained highly centralised (Nesardurai, 1998).

In the case of transitional CIS countries and Southeast Europe, the intersection of economic crisis with political and social change was even more complex, given the systemic-level changes that countries in the region were facing as they transitioned from state-controlled planned economies to market capitalist economies. However, as in East Asia, the crisis also presented an opportunity for reform. Decimated public sector budgets forced changes in policy and institutional structures, with the potential to develop services that were more suited to the new challenges facing the country. How far countries in the region were able to make use of this opportunity in the transition period has, however, varied between sectors and depended on the relative political influence of different social groups, as well as the power and agendas of external forces, such as donors and political-economic groupings such as the EU (particularly for the countries that have joined since 2004 or aspire to do so). As discussed in further detail below, there was a move away from universal child grants towards more targeted child-focused social assistance programmes.

Nevertheless, in much of the region the efficacy of targeting was limited, with substantial numbers of poor children excluded, and the real value of transfers declined significantly over the course of the transition period.[70] For the poorer CIS countries especially, this was in part a result of contracting fiscal space, but it was also influenced by the relative political weakness of children's rights advocates[71] as compared with, for instance, pensioner groups, which saw pension benefits rise in many countries during the same period (Kanji, forthcoming). Whereas social and political norms according high priority to child well-being and development had been institutionalised in late Soviet policy,[72] the decline in children's opportunities as

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[70] Impact of family benefits on child poverty levels and poverty gaps

	Child poverty rate % (poverty line $2.15)		Average poverty gap (% $2.15 threshold)	
	Before family benefits	After family benefits	Before family benefits	After family benefits
Albania (2002)	28.4	26.8	24.8	22.3
Bulgaria (2001)	14.7	12.8	40.4	30.6
Moldova (2003)	56.7	55.6	35.0	33.3
Russia (2003)	17.8	16.7	32.8	27.6

Source: UNICEF (2006).

[71] In Kyrgyzstan, for example, there was no such organised constituency with financial resources at its disposal in either the state or civil society advocating for child-sensitive policies in the 1990s. A National Plan of Action for Children and Secretariat, New Generation were developed in the early 2000s, but these lacked the resources or any formal teeth to press for child-sensitive change across government, and its ambitious programme, although formally linked in with country development strategies, has brought limited change for children.

[72] Specific child-oriented services included milk kitchens, kindergartens, summer camps and special support for gifted children as well as broader social services.

reflected in substantially lower political, institutional and budgetary commitments to children and a much more narrow focus on children in 'particularly difficult circumstances' is deemed to be one of the least reparable losses of post-Soviet transition (Yarkova et al., 2003).

In Latin America, the crisis also provided important opportunities for reform-oriented forces within government, especially in Mexico but also in Argentina.[73] In Mexico, the creative leadership of a small group of policymakers supported by prominent domestic and international researchers was able to make the connection between equity enhancement and growth and garner sufficient political support to operate new strategies with the crisis as motivation. Officials from the Ministry of Finance in particular argued, on the basis of the research results on existing programmes, that existing generalised and targeted food subsidies were neither cost effective nor adequate to protect the poor during the crisis. Policymakers instead set out to design a rapid short-term response to the crisis using existing instruments, while setting the basis for a medium-term strategy which, aside from protecting the poor from the transitory shock, could foster a more sustained increase in living standards, resulting in the introduction of the now world-famous best practice model *Progresa/Oportunidades* of conditional cash transfers (see discussion below). Given the politicised nature of social policy reforms in the Mexican context at the time, crucial innovations of the programme, included its evidence-based targeting process that minimised leakages to non-poor household, as well as a rigorous monitoring and evaluation component, allowed programme implementers regular opportunities not only to improve its design but also to provide solid evidence of its impact (Skoufias, 2005).

In Argentina, advances were more modest, given that the 2001/02 crisis took place following the retrenchment of the welfare state during the 1990s as a result of neoliberal reforms. While analysts have argued that the social outcomes of the crisis would have been less severe in the absence of such reforms, which had eroded prior policies of universal coverage of social benefits and progressive distribution of income (Barbeito and Goldberg, 2003), the crisis at least provided some space for progressive social forces to call for the introduction of new measures to mitigate the worst effects on the poor and vulnerable. The types of social protection responses developed during the crisis were significantly influenced by a participatory government-sponsored series of consultations called *Mesa de Diálogo*, which included a range of society-based actors including labour, business, NGOs, *piqueteros* (those who had participated in the picketing), social movements, political parties and religious groups (Barnes, 2005).

In Africa, the political economy drivers are complex and vary significantly across countries. Here the situation discussed in the background paper is not one of a crisis, but rather about how governments manage commodity price fluctuations. This is a fact of life, one which governments, households and individuals need to try to manage. In some countries, extensive provision of food aid has played an important role in helping to ensure households have adequate access to food. But probably the most important policy initiative in many countries over the period has been the introduction of various programmes of social protection, as seen in all three case studies discussed here, a policy that has generally been strongly supported by donors. This issue is discussed in more detail later, and does not necessarily imply significant political economy changes in the countries concerned.

3.2 Economic policy

In all the regional crises under analysis, the considerable diversity of the nature, depth and breadth of the crises in each region notwithstanding, economic policy responses were heavily shaped by international actors, especially the neoliberal policy approach of the IFIs, which reached a high point during the 1990s.

[73] It should be noted, however, that Argentina has been criticised for not taking advantage of the opportunity to strengthen its social protection infrastructure in the wake of Mexico's Tequila Crisis and thus found it harder to respond effectively and in a timely manner to the 2002 crisis (Pastor and Wise, 2004).

And in all cases, neoliberal recovery approaches were highly contested on the domestic stage by policymakers and civil society actors alike.[74]

In the case of East Asia, Indonesia, Thailand and Korea implemented IMF reform packages, which generally involved restructuring through strict monetary policies, fiscal discipline and a move towards privatisation. The timing and intensity of the reform measures and the extent to which governments were able to rely on the pre-existing macroeconomic health of their economies was, however, distinct. Moreover, the relative effectiveness of these interventions remains contested by analysts. While Korea recovered the most quickly in terms of GDP growth, for Indonesia and Thailand it is argued by some that the reform process prolonged the negative impacts of the crisis (Chomthongdi, 2000; Hart-Landsberg and Burkett, 2001). By contrast, Malaysia, which was less directly hit by the crisis, made a controversial stand and resisted the prescriptions of the IMF and foreign investors through pursuing its own path of curbing the financial crisis through various capital control measures. GDP recovered relatively quickly and Malaysia's response has since been credited with yielding important lessons for tackling macroeconomic shocks (Kaplan and Rodrik, 2001; Khor, 2004).

In the transition countries, the economic policy responses adopted to manage a series of interrelated shocks – the rupture of former trading relationships (especially those of the CMEA), rapid inflation and devaluations, the loss of budgetary support from Moscow in CIS countries and the 1998 Russian financial crisis – and to achieve transformation to dynamic capitalist economies were largely neoliberal in nature. Measures included macroeconomic stabilisation by constraining central bank lending to the government and the banking system; liberalisation of prices and quantities of goods on all markets; opening of the economy to international trade; and privatisation of state-owned enterprises, particularly in the industrial and agricultural sectors (e.g., Falkingham and Ibragimova, 2005). Efforts to 'modernise' social services, i.e., to make them more cost-efficient and bring them into line with international standards,[75] were also included as part of this reform package.

In Latin America, Mexico and Argentina represent contrasting approaches in terms of the extent to which they followed IFI recommendations. In the Mexican case, the government was much more aligned with IMF prescriptions, both prior to the crisis and in post-crisis responses, and this was rewarded by a substantial support package from the IMF as well as additional support from the US government. Policy measures undertaken included a monetary policy approach geared to contain inflationary pressures and reduce exchange rate volatility; the development of a Dollar Liquidity Facility to stop and eventually reverse the run on the external liabilities of commercial banks; and incentives for banks to remain sound by offering to acquire a portion of their loan portfolios. Debtors were also supported by the introduction of an interest rate subsidy programme (World Bank, 2001). Fiscal policy was oriented towards increasing public savings and reducing the deficit, and included hikes in the general rate of value added tax (VAT) (from 10 per cent to 15 per cent) as well as in prices and tariffs of goods and services provided by the public sector (ibid).

By contrast, in Argentina the government's approach was much less aligned with IMF policy. Although pre-crisis Argentina was receiving IMF support and given recommendations, it largely failed to comply with these in terms of management of macroeconomic and fiscal policy. Moreover, the country's crisis response programme was heavily criticised by the IMF, but the government persevered nevertheless and was partially helped by the depreciated currency which, despite creating a widely felt economic shock, generated an important 'bounce back effect' in terms of exports, which in turn stimulated the productivity

[74] In the transition countries, tensions were arguably particularly acute. In Kyrgyzstan, for instance, although the country was propelled into independence, following the break-up of the Soviet Union in 1991, rather than actively seeking it, for many it was not unwelcome. The new political elite had a number of neoliberal-inclined reformers, with strong connections to and influence on the president, Askar Akaev (Anderson, 1998). These framed the transition as part of the necessary challenges involved in nation building. There were also strong constituencies resisting change which would have preferred to restore the Soviet *status quo*, meaning that the country's political forces were deeply divided.

[75] These included treatment protocols in the health sector and curricula in education.

of competitive tradable goods, aided by high prices internationally for exports, especially agro-industrial goods (e.g., soybeans, wheat and oil). The government introduced additional policy measures, such as price controls to encourage consumption and prevent inflation, and a 20 per cent tax on export earnings from export of agricultural commodities and hydrocarbons, the income from which was to serve in part to finance the Emergency Social Programme (see discussion below) (Gerchunoff and Aguirre, 2004). Inflation was kept down in the short term mainly through government-led negotiations with supermarkets and producers for 'voluntary' price controls, which meant a constant process of monitoring, exhortation and warnings by the government of the danger of pushing prices up (Grugel and Riggirozzi, 2007).

In Africa, some countries have often had to try to manage the effects of fluctuations in food, export crop or petroleum prices, and the implications of these for foreign exchange earnings and government budgets. This is more easily managed when governments can borrow internationally, and many governments have done this, but it has longer-term implications for indebtedness. In some cases, such as Tanzania, the government has sought to use trade policy and exchange rate management to moderate the effect of increased import prices, although this is likely only to be a short-term response.

3.3 Social sector reform and investment in basic services

Social policy is a key part of a country's response repertoire to the adverse effects of a crisis, but it is often an area where resources – both financial and human – are most scarce. A key cleavage in crisis policy response debates, therefore, is whether investment in basic services should be pro-cyclical or countercyclical, i.e., whether to cut social spending in light of fiscal constraints or to maintain or even increase expenditure on basic services in order to mitigate the effects of macroeconomic shocks on the population. What is feasible depends on fiscal resources and the ability to borrow, as well as political economy factors. Accordingly, it is critical to consider not just the magnitude but also the composition of social spending, including the role of social protection spending. See Table A2.5 in Appendix 2 for further details.

On this latter point, in East Asia the literature suggests that government responses involved significant tensions between cutting social expenditure on basic services and increasing that on targeted social protection. In particular, Indonesia and Thailand had a more limited resource base and greater debts when the financial crisis struck, hampering their ability to protect these spheres and so significant cutbacks in basic services were made (including in the short term in crucial areas such as reproductive health and preventative health care measures in Thailand). For example, in Indonesia total public health sector spending declined by 9 per cent in 1997/98 and 13 per cent in 1998/99 (ADB, 1999), whereas in Thailand it fell by 11 per cent and 6 per cent, respectively (Kittiprapas, 2002), with particularly harsh cuts in reproductive health (12 per cent) (Tangcharoensathien et al., 2000) and the National HIV/AIDS programme (25 per cent) (Knowles et al., 1999). By contrast, as discussed in more detail below, targeted social protection packages were later scaled up (Thailand) and designed largely from scratch (Indonesia), with the help of external funds, in order to mitigate the worst effects on the poor.

Malaysia and Korea instead had a greater resource base and fiscal space, allowing them greater freedom to protect spending on health and education. Malaysia actually increased its social sector spending, allowing the government to build on its already comparatively strong social service structures and programmes. Korea too was able to largely maintain social spending, with some slight dips in crisis years, although combined with a push towards privatisation of the health system (Hart-Landsberg and Burkett, 2001; Kim, 2004).

In Latin America, the focus of social sector crisis responses was principally on targeted social protection, although governments also made some efforts to strengthen basic social services (World Bank, 2003). Despite a fall in overall social spending in the wake of the crisis, cuts in this sector were lower than those in overall spending in both Mexico and Argentina (UNICEF and ECLAC, 2006). More specifically, thanks to a joint World Bank and IADB loan for $500 million, the Programme of Essential Social Services (PROSSE) was agreed in 1995, consisting of five components: 1) basic education services; 2) basic health services; 3) retraining and employment generation; 4) an integrated nutrition programme for vulnerable groups; and 5) monitoring and evaluation of social sector programmes.

Changes in social sector spending as well as service delivery modalities underwent dramatic reforms as a result of the macroeconomic shocks associated with transition in the former socialist region. This region had previously enjoyed much more extensive state support to children and families through a broad range of social services and employment and social protection policies that guaranteed minimum living standards.[76] However, in the early 1990s, state social services budgets fell substantially. In the health sector, for instance, while core curative and some preventative health services were maintained, a number of important areas have suffered from under-financing. For instance, sanitary-epidemiological services were cut (resulting in a sharp spike in communicable diseases in the region (Figueras et al., 2004)), antenatal care, including screening, was reduced and immunisation services have been primarily financed by donors (Cornia, 2005).

Moreover, emerging evidence concerning spatial inequalities suggests that the prioritisation of 'republican-level' hospitals continued throughout the 1990s and into the 2000s. For example, in Kyrgyzstan in 2005, national medical institutions in Bishkek consumed 50 per cent of the health budget (World Bank, 2005c). In the case of the education sector, significant cuts have also been made. Preschool education services have been decimated by a triple loss of funding, infrastructure and practitioners; even significant donor funding, as in Kyrgyzstan for example, has been unable to extend preschool education beyond a very small percentage of children. And in the poorer countries of Central Asia and the Caucasus, school enrolments at both primary and, in particular, upper secondary level had not returned to or exceeded 1991 levels by the mid-2000s (UNDP, 2002, cited in Yarkova et al., 2003).

In addition to spending cuts, service delivery modalities have also undergone significant shifts in transition countries, reducing service availability. The social service functions that trade unions and state-owned enterprises previously provided have been removed altogether. Although in theory these were supposed to be transferred to local authorities, in practice under-financed local authorities, particularly in the poorer countries such as Kyrgyzstan, could often not afford to run them and infrastructure such as kindergartens and leisure facilities was sold off or closed (Stewart and Huerta, 2006).

3.4 Social protection

In response to the highly visible surge in poverty and vulnerability in the context of the regional crises under analysis, as well as the often vociferous demands of civil society actors for governments to help support the new poor as well as those whom the crisis had pushed into deeper poverty, governments across all regions introduced a range of social protection measures. Many of these were targeted at the household in general, although some were specifically child focused. Overall, while evaluations suggest that pro-poor targeting and scale of coverage could be significantly improved, in all cases interventions did make important inroads into cushioning many of the poor and vulnerable from the worst effects of the crisis, and also in establishing a foundation from which to subsequently strengthen national social protection infrastructure (ADB, 2006; Cruces et al., 2008; Levy, 2006a; Pritchett and Sumarto, 2002; Vijayaledchumy, 2003). Nevertheless, it is important to point out that in many instances informal social protection mechanisms through family and community links were reported to have proved critical in shielding the poor from negative crisis impacts, especially in the immediate aftermath of the crisis before

[76] The revenue crisis of the early to mid-1990s led to significant reductions in health sector spending. On the whole, declines were smallest and shortest-lived in the Central European and Western CIS countries, so that by 1999 public health spending as a proportion of GDP had actually risen in Slovenia, Slovakia, the Czech Republic, Ukraine and Lithuania to over 5 per cent of GDP. Spending in Russia had also increased slightly from 2.8 to 3.2 per cent of GDP. Most other countries in the CIS experienced a steep decline, such as Kazakhstan, down from 5 per cent to 2.2 per cent, Georgia, down from 3.1 to 0.6 per cent, and Tajikistan, down from 3.4 to 0.4 per cent (UNICEF, 2001).

formal social protection programmes were brought in or scaled up, and especially so for those without access to these (Paitoonpong, 2001; Sumarto, 2006). However, informal mechanisms also came under threat in some contexts as social capital and social cohesion eroded, reflected in rising rates of crime and violence, homelessness, drug abuse and declining community participation (Kuehnast and Dudwick, 2002; Olivera, 2006; Strebkova, 2004).

In East Asia, a range of targeted social protection programmes were introduced or expanded in all four countries, although largely aimed at the household rather than children specifically. In Indonesia and Thailand, the primary investments were in social assistance programmes and social health insurance. In Indonesia, a new Social Protection Sector Development Programme (SPSDP) was introduced, including a rice subsidy programme, educational scholarships and health cards. In Thailand, resources were directed towards the Thai Help Thai through Social Assistance programme, a poverty alleviation initiative for community development, as well as an expansion of social health insurance for the poor, through two targeted health card programmes – the Voluntary Health Card Scheme and the Low Income Card. In Korea and Malaysia, there was a stronger focus on employment-related interventions, including public works and retraining programmes, which, although generally positive, overall appear to have failed to tackle the gendered inequalities of the labour market (Lee, 2004; World Bank, 2000a). Crucially, however, services to address child protection deprivations and gender-based violence appear to have been a major gap in the findings on policy responses in all four countries.

In Latin America, the crises faced by Mexico and Argentina highlighted the importance of strengthening existing social safety nets, which were ill-equipped to cushion the impacts on different vulnerable population groups. In the Mexican case, crisis response social protection mechanisms were introduced in a phased manner. Initially, several short-term measures were introduced to tackle the surging unemployment rates, such as the temporary cash for work programme (PET), which targeted low-skilled workers in urban areas in order to initially cope with the larger unemployment impact of the crisis in urban areas, but which was subsequently expanded to help rural workers cope with seasonal employment fluctuations (Corbacho and Schwartz, 2002), and *Piloteo*, a programme to provide paid training opportunities for the self-employed. Several other existing mechanisms were also scaled up, including the Programme for the Training of the Unemployed (PROBECAT), which programme evaluations have found to have been particular advantageous to women (given limited alternative opportunities) (Calderon-Madrid and Trejo, 2002), and the Programme of Direct Resources for Agriculture (PROCAMPO), an income-support programme for agricultural producers, been designed and approved prior to the crisis in response to anticipated income shocks to agriculture resulting from NAFTA (Sadoulet et al., 2001).[77]

The second phase of social protection reforms, which were launched two years after the onset of the crisis but designed to offset many of the negative impacts of the crisis still affecting the Mexican population, involved the launching of a major conditional cash transfer, *Progresa* (Levy, 2006a). In contrast with other social protection mechanisms that had previously dominated Mexico's social policy landscape, such as employment generation programmes or food subsidies for poor households, *Progresa/Oportunidades* was seen as a more robust and comprehensive way to tackle poverty while investing in human capital by directly supporting children's health, nutrition and educational development, making it the condition of the monthly cash grant that mothers would receive. The integrated nature of the programme reflected a belief that addressing all dimensions of human capital simultaneously has greater social returns than their implementation in isolation (Barrientos and De Jong, 2004).

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[77] PROCAMPO provides subsidies to agricultural producers on the basis of acreage under production for 12 crops most likely to be affected by the North American Free Trade Agreement (NAFTA) but the compensatory payments are regressively distributed as they are proportional to the area that had been planted in these crops, with larger landowners receiving a higher compensation than smaller ones: 45 per cent of producers with farms smaller than 5 hectares thus receive only 10 per cent of the total PROCAMPO transfer (Corbacho and Schwartz, 2002). Nevertheless, it is estimated that, had there been no PROCAMPO, household income would, on average, have declined by 3.9 per cent.

In Argentina, the crisis also provided an important opportunity for a social dialogue on how to best develop an integrated and sustainable social protection system (Cruces et al., 2008). The government launched a Social Emergency Programme in 2002 as a response to the fallout of the crisis, of which the flagship programme was the PJJHD, a cash for work programme that provided a payment of 150 pesos[78] per month to unemployed household heads with dependants under the age of 18 or with disabled individuals of any age. To be eligible, programme beneficiaries needed to be engaged in either a training programme, work for the community for up to 20 hours per week (which would be defined and verified locally) or work for a private company which received an employment subsidy (Alperin, 2009). Findings show that the programme reduced aggregate unemployment (although it attracted as many people into the workforce from inactivity as it did the unemployed), partially compensated many losers from the crisis and reduced extreme poverty (Jalan and Ravallion, 2003). The overall poverty reduction impact has, however, been limited, given the provision of a fixed benefit independent of the number of children in the household, the programme's failure to address the situation of low-wage workers, which has been identified as a primary cause of poverty (Barbeito and Goldberg, 2003), and limited attention to the gendered nature of poverty and vulnerability.[79] Besides PJJHD, there was a range of other social assistance programmes included in the Social Emergency Programme package, including food assistance and financing for community soup kitchens, Income for Human Development (IDH), a conditional cash transfer programme modelled on Mexico's *Oportunidades* (World Bank, 2003), education support measures for poor families, including provision of basic learning materials, student scholarships and school meal programmes under the *Acciones Compensatorias en Educación* initiative and subsidised medicines for the poor under a health plan called *Remediar*.

For transition countries, social protection policy dynamics were somewhat distinct, as they marked a transition from universal to targeted approaches. Countries in this region started transition with cash transfers for families already an established part of the policy jigsaw. The richest CEE countries, such as Hungary, the Czech Republic and Slovakia, were able to rely on the existing family allowance system to deliver resources to families affected by the transition-induced economic crisis. As a result, the proportion of GDP in these countries spent on family allowances rose, although World Bank analysis suggests that these were often very poorly targeted and there were significant errors of inclusion and exclusion (World Bank, 2000b). However, in the CIS the transition-induced recession not only increased the number of people seeking assistance but also simultaneously eroded the resources available for social protection. For example, by the late 1990s the real value of child allowances in Armenia and Moldova had fallen to less than 20 per cent of 1991 levels (Andrews and Ringold, 1999). Similarly, in 2002, Kyrgyzstan's Unified Monthly Benefit (UMB) represented an average of 15 per cent of recipients' income, rising to 18 per cent in the poorest quintile. Qualitative studies indicate this income to be appreciated but insufficient to reduce reliance on ultimately harmful coping strategies.

In Africa, there have been many important social protection initiatives, having been largely absent until a few years ago. Ethiopia's Productive Safety Net Programme (PNSP) is an important example, including a substantial food for work component. Evidence in relation to the impact of social protection schemes is still not that well developed, although in relation to Ethiopia's PSNP there is evidence of positive impact. for example of households maintaining their assets in the face of shocks, whereas they might otherwise have sold their assets, a response that is likely to push them into chronic poverty (Sharp et al., 2006).

Overall, it is important to note that countries that had an existing social safety net system were able to expand and scale up sizeable social protection interventions relatively quickly, for instance, Argentina's introduction of its flagship public works initiative, PJJHD. In cases such as Indonesia and SSA, where social

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[78] In 2002, 150 pesos was equivalent to three-quarters of the minimum wage at the time, or the cost of a basic consumption basket for an adult.

[79] While 71 per cent of the beneficiaries are women and 60 per cent of those are women heads of households (McKenzie, 2004), the programme has not helped to provide women with formal sector and stable jobs; to enhance child care facilities; or to break down gender stereotypes in social policy design, whereby men and women are assigned to different employment and employment training opportunities (Esquivel, 2006).

safety nets were much less developed, the establishment of new programmes was slower, because of both infrastructure deficits and political economy factors, although greatly facilitated by donor support (as seen for instance in the introduction of Ethiopia's PSNP and Indonesia's rice subsidy and cash transfer programmes). Nevertheless, investments made in response to earlier crises have borne fruit in responding to the recent Triple F crisis, as highlighted in the case of Indonesia and Thailand (see especially Arif et al., 2010). See Table A3.2 in Appendix 3 for further details.

3.5 Aid policy

As discussed in Section 3, international bailout loan packages played an important part in enabling governments to develop an immediate crisis response programme but often came with arduous conditionalities. However, governments' aid policies also played a key role in facilitating the development of targeted social protection programmes to cushion vulnerable population groups from the worst impacts of the fallout of the macroeconomic shocks. Appendix 2 presents data on ODA and FDI inflows for selected countries and regions, as well as an overview of the impacts of the crisis on expenditure (Table A2.5).

In East Asia, international aid played an important role in the expansion of social safety nets in Malaysia, and especially in Thailand and Indonesia. In Malaysia, a World Bank loan helped to finance the Development Programme for the Poorest (PPRT), which focused on poverty reduction in the poorest areas through income-generating activities such as the production of cash crops, as well as provision of microcredit assistance to petty traders and hawkers in urban areas (ESCAP, 2003).[80] In Thailand, foreign aid enabled the government to introduce four economic stimulus packages in 1999 to help mitigate the social impacts of the crisis (Maskey and Kusakabe, 2005), including $300 million from the World Bank for a 'social investment project'; $500 million from the ADB for a 'social sector programme loan' and $1450 million from the Miyazawa Plan for three programmes focused on 1) employment schemes; 2) restructuring of the agricultural sector; and 3) industrial credit (Chomthongdi, 2000). In addition, a further ADB loan in 1998 and 1999 facilitated the development of an emergency budget for the Student Scholarship Fund (1998),[81] which targeted students from poor families in pre-elementary to high schools and covered education fees and expenses. Loans from the World Bank and the ADB also allowed the government to scale up two health care initiatives (see discussion above) by 39 per cent between 1997 and 2000 (Pongsapich, 2001; Tangcharoensathien et al., 2000). In the Indonesian case, international loans totalling $300 million helped to finance the SPSDP, which targeted about two-thirds of Indonesia's poor (ADB, 2006). However, the influx of foreign aid after the crisis, and especially in light of Indonesia's new status as a fledgling democracy, brought some new challenges, especially with regard to the proliferation of NGOs and issues of coordination and accountability (Blomquist et al., 2001). Often, 'instant' NGOs simply tried to take advantage of aid and loans from government or private donors (local and foreign) (Azis et al., 2001). As a result, the Community Recovery Programme, which channelled foreign and other funds to NGOs, delayed disbursements until the viability and direction of applicants could be more reliably determined (Blomquist et al., 2001).

In Latin America, ODA also played a critical role in supporting the Mexican and Argentine governments' post-crisis responses. In Mexico, total ODA disbursement grew very rapidly, from $96.55 million in 1989 to a peak of $424.14 million in 1994 and then $384.14 million in 1995, and then fell rapidly in the years following the crisis as the Mexican economy began to stabilise, to $104.77 million by 1997 and just $36.03 million by 1999.[82] Throughout the crisis period, Mexico maintained its engagement with IFIs, which included an important $500 million joint loan by the World Bank and the IADB to support essential social

[80] The government allocated RM300 million of a World Bank loan to this initiative, including RM100 million to the NGO AIM (World Bank, 2000a).
[81] The budget allocation for student scholarships for 1998 was 886.20 million baht, which decreased for 1999 to 520 million baht (Pongsapich, 2001).
[82] http://stats.oecd.org.

services and social safety nets, including through PROSSE (see discussion above).[83] In Argentina, the increase in social spending was largely reflected in the implementation of the Social Emergency Programme (see discussion above), which was supported by a World Bank loan as well as important budget commitments from the government (Galasso and Ravallion, 2003).[84]

Donor advice and financial support strongly shaped policy choices in many transition countries, with donor priorities shifting from a very strong emphasis on economic (and governance) reforms in the early 1990s to include greater attention to the social sectors from the middle of the decade. However, national political agendas and differing initial institutional and social conditions meant that specific constellations of policy responses varied from country to country. In the poor CIS countries, such as Kyrgyzstan, a structurally unfavourable economic position meant that it made strategic sense to embrace the reforms urged by donors and IFIs and to take advantage of the aid resources available for transformation. During the 1990s the Kyrgyzstani government actively 'played the aid game', instituting what appeared to outside observers as 'an island of democracy' (Anderson, 1998); became a pilot country for various international initiatives, such as the Comprehensive Development Framework (CDF); produced ambitious poverty reduction strategy papers (PRSPs); and acceded to international conventions. These early commitments to democratisation and economic liberalisation were 'rewarded' by donors with a cumulative $1990.3 million in the period 1991-2001 (OECD/DAC, 2003, cited in Marcus and Marshall, 2004). Aid rose steadily as a proportion of GNI in the 1990s, and peaked at 24 per cent in 1999. However, much of this was in the form of loans (on both concessional and non-concessional terms), leading to the country becoming severely indebted. External debt represented two-thirds of GDP in 1996, 80 per cent in 1997 and 90 per cent by 1998 (Zhukov, 2000), although by 2001 it had fallen to 13.8 per cent, reflecting efforts to reduce Kyrgyzstan's substantial external debt. Since then, the government has pursued debt rescheduling and in 2002 agreed major rescheduling of loans contracted with Paris Club donors, while by 2003 both ADB and the World Bank were committed to providing a greater proportion of assistance as grants and thus were scaling back lending.

4. Current crisis impacts and policy responses

In order to assess the extent to which lessons can be drawn from past crises to inform our understanding of the current crisis and policy responses that are most likely to be pro-poor and child and gender sensitive, it is important to review briefly what we know about the contours of the current crisis and its impacts at macro, meso and micro levels in different regional contexts. In this section, we draw on desktop reviews about the patterning of the Triple F crisis in Africa, Asia, Latin America and the Caribbean (LAC) and the Middle East and North African region (MENA),[85] as well as primary research undertaken in Kazakhstan in August and September 2009.

4.1 Impacts of the crisis

The first general point to emphasise is that, because of the global nature of the current crisis, and in particular its origins in the developed rather than the developing world, it is distinct from the other four crisis episodes reviewed in Sections 3 and 4 of this paper. In the case of the Asian economic crisis, Asia was at the epicentre of the 1997/88 crisis, but it still had the option of an export-led recovery approach because the crisis was regionally specific (Gavirolvic et al., 2009). In the case of Africa, the commodity price shocks were cyclical so, while they impacted on specific population groups, the impact was not nationwide or region wide. In Latin America, the Tequila Crisis and the Argentine Convertibility Crisis were nationally

[83] By early 2003, the government achieved significant renegotiation of the debt to private creditors as well as reaching an arrangement with the IMF for a $3 billion loan and starting to receive project support loans from the World Bank and the IADB, which contributed to finance the new social programmes that the government introduced as a result of the crisis (Grugel and Riggirozzi, 2007). By 2005, the administration had resumed debt payments to IFIs.
[84] By 2003, funding for the PJJHD programme reached 3055 million pesos.
[85] More detail of our detailed review of possible crisis effects in the MENA region can be seen in Jones et al. (2009a).

discrete and took place in the context of broader international economic stability. The transition-induced crisis experienced in Central Asia, the Balkans and Eastern Europe was also markedly different, but in large part because (as discussed above) it intersected with major socio-cultural and political upheaval on an arguably unprecedented scale.

Nevertheless, if we return to the analytical framework presented in Section 2, there are a number of factors at the macro through micro levels that resonate with past crises. These provide useful guideposts for thinking about some of the impact pathways through which children and their care-givers are likely to be impacted, not only in the short term but also in the medium and longer terms, by the fallout of the present global economic crisis.

Macro-level impacts

At the macro level, one of the key crisis impacts to date has been declines in trade (significantly affecting countries that have heavily export-dependent economies) and declines in commodity prices (especially oil, gas and minerals). In Southern Africa, for instance, the mining sector has taken a major hit, and oil exporters across the continent have been severely affected. The expected shortfall in export revenues is estimated at $250 billion in 2009 (AfDB, 2009a), while trade balances are likely to deteriorate in most countries. South American countries are facing similar contractions in fiscal revenues owing to a predicted 30 per cent fall in primary commodity prices and the disappearance of trade surpluses (de la Torre, 2009; IMF, 2009b; World Bank, 2009b). In Asia and the MENA region, the impact has been more mixed, given the high variability in levels of integration into the global economy. For instance, India has been relatively sheltered from the impacts of the crisis to date, whereas Cambodia, which has followed international recommendations regarding trade liberalisation, is already suffering significantly, including in the textile industry, which is highly dependent on US markets (Rahman et al., 2009). In the MENA region, countries such as Bahrain, the United Arab Emirates (UAE) and Qatar have very high levels of dependence on exports. Others, such as Lebanon, the Occupied Palestinian Territories (OPT) and Sudan are poorly integrated into export markets. Some countries, such as Yemen, have been heavily hit by changes in terms of trade (terms of trade losses for Yemen exceeded 5 per cent of GDP in 2008) (World Bank, 2009b).

Remittance flows are emerging as another significant crisis transmission belt. Among many SSA, South and Southeast Asian and Latin American (especially Central American) countries, remittance declines have been marked as a result of weakening economies in the West as well as in more advanced economies in their respective regions. Remittances to SSA are expected to decline by 8 per cent in 2009, and by 4 per cent to 8 per cent in Latin America. Without a global recovery in 2010, a significant number of Latino migrant returnees are anticipated, with especially significant impacts on poverty in countries such as Guatemala and Honduras, with up to 3.4 million additional people in the region potentially falling into poverty (Demombynes et al., 2009). In MENA, while wealthy Gulf States host large numbers of migrant workers (largely from Asia), others such as Egypt, Jordan, Lebanon, Morocco, Sudan and Yemen are heavily reliant on remittances, with Jordan's dependence as high as 21.7 per cent of GDP in 2007 (World Development Indicators 2007). In Asia, the pattern is rather similar: Asian tigers such as Malaysia and Taiwan are major labour importers, while migrant workers from poorer South and Southeast Asian countries are facing expulsions from richer neighbours (e.g., Malaysia) and Gulf State countries (e.g., Saudi Arabia) (Daily Star, 2009; te Velde et al., 2009) and/or declining labour market conditions, as the construction and manufacturing sectors in particular contract across the broader region. There are also fears that returning migrants to countries such as Nepal, Bangladesh, Indonesia and the Philippines will aggravate rising job shortages and/or depress wages if the number of returnees is substantial (Sward, 2009). Potential readjustments to household roles and decision making are also likely, given the absence of one spouse for extended periods of time abroad or in urban centres (UNDP, 2009b).

International remittance flows are not the only ones under threat. Internal remittances from urban to rural areas in Africa and Asia are already reported to be declining as a result of growing numbers of retrenched workers in industrial zones (e.g., Hossain et al., 2009; Nguyen et al., 2009). Hao (2009) notes that in

Vietnam, for example, retrenched workers in the footwear and leather industries have had to cut remittance payments by almost 55 per cent.

A third key channel of impact at the macro level relates to financial flows. Here, the effects across regions have differed markedly. In Africa, FDI has continued to grow but at a slower pace than in the first half of 2008; in Latin America, similarly, while net FDI has remained relatively consistent, portfolio flows have slowed markedly, and in some cases reversed entirely, resulting in financial account deficits (Calderon and Didier, 2009; IMF, 2009b). In the MENA region, owing to relatively limited exposure (an average of 3.69 per cent for the most recent five-year period with available data (i.e., 2003-2007)), countries are relatively less vulnerable than in most regions. However, in some countries, such as Jordan and Lebanon, FDI average levels reached 12 per cent of GDP during the same period, suggesting that, although declining global levels of FDI during the current crisis are not expected to impact the region as dramatically as in other regions, they could nevertheless have significant effects on some MENA countries and should be monitored carefully (Jones et al., 2009a). In Asia, the tightening of international credit markets and lower investor appetite for risk have affected capital inflows, depressed local asset prices and reduced investment.

Aid constitutes a fourth potential impact pathway. However, while some analysts have warned that the outlook for aid volumes received by low-income countries is bleak, in part because of recent current devaluations, which may affect the value of aid (The Economist, 2009), a recent Overseas Development Institute (ODI) crisis monitoring initiative in 10 developing countries suggests that 'there has been little evidence of a pull-out of aid, with several country reports suggesting that donors are engaged in long-term commitments (e.g., Zambia). Nonetheless, there have been recent declines in aid in Uganda and Bangladesh, although it is too early to associate these with the global financial crisis' (te Velde et al., 2009).

This said, declining aid has been felt in some sectors, including humanitarian crisis funding and several global health financing initiatives. In MENA, agencies such as the UN Relief and Works Agency (UNRWA) and the UN High Commissioner for Refugees (UNHCR) have been faced with a dual challenge: on the one hand, soaring inflation has meant more people are in need of their assistance; on the other hand, the economic downturn climate has translated into decreased funding, and available funds now have significantly less purchasing power (Jones et al., 2009a). This shortfall in funding for humanitarian organisations has so far prevented humanitarian actors from stemming increased vulnerability, particularly for children and women. In countries with pre-existing high levels of poverty, insecurity, violence and governance failures (i.e., Sudan and Yemen but also Somalia and Djibouti), and the lack of international support risk exacerbating existing tensions. In Sudan, such tensions threaten to further undermine the already fragile North–South peace agreement. The shortfall may also precipitate a humanitarian crisis in parts of the country if the harvest fails in 2009 as feared. There is an urgent need for the international community to help close the funding shortfall to address the immediate and longer-term needs of these populations (ibid.).

Another key area where international funding shortfalls have been marked is that of international health financing initiatives, such as the Global Fund to Fight HIV/AIDS, Malaria and Tuberculosis, the Global Alliance for Vaccines and Immunisation (the GAVI Alliance) (which focuses on immunisation coverage in the developed world) and the US President's Emergency Plan for AIDS Relief (PEPFAR), the US Agency for International Development (USAID) multi-million dollar HIV/AIDS treatment and prevention initiative. Movements in exchange rates have worked against the Global Fund and reduced the overall amount available for the 2008-2010 period by 5 per cent, or $0.7 billion (Global Fund, 2009). PEPFAR has similarly revealed a flat budget allocation for the next six years as a result of the US government's declining resources.[86] This suggests not only that funding of existing programmes will be at risk, but also that scaling

[86] In June 2008, the US Congress passed an optimistic bill authorising the spending of $48 billion over five years for PEPFAR and the Global Fund, but since then support for such funding has fallen sharply in the US government. In fact, only $5.8 billion was appropriated for 2009, which is $9 billion less than the initial target made in June of that year. In addition, the government asked for only marginally more for the subsequent year, 2010 (ICSS, 2009).

up of existing programmes or launching of new programmes to keep apace with rising vulnerabilities will not be feasible.

Meso-level impacts

Combined, these macro-level shocks have had a number of important meso-level effects, including increased unemployment and poverty, declining access to credit and rising social malaise. While there are some indications that there is a rebound in some macroeconomic areas, these effects are likely to persist over the short and medium terms at least.

Unemployment has risen sharply, especially among urban populations and in specific sectors, including construction, manufacturing, textiles and mining, with marked gender and age dynamics. In Africa, the ILO predicts that unemployment could increase to 8.5 per cent in 2009, representing an additional 3 million unemployed, while the proportion of vulnerable jobs could increase from 77.4 per cent to 82.6 per cent in 2009, implying an additional 28 million vulnerable jobs in Africa (AfDB, 2009b). The mining sector has been particularly hard hit because of a collapse of commodity prices, especially in the DRC, where more than 350,000 jobs have been lost in Katanga province.

In East Asia and also in Kazakhstan there has been a sharp increase in urban unemployment, especially in the construction and manufacturing sectors. While men have been especially affected in the construction sector, women, who are typically concentrated in unskilled or semi-skilled, labour-intensive export-oriented industries, have been among the worst hit since the global economic downturn.[87] In Vietnam, for instance, female-intensive merchandise export sectors have faced a decline of 31.5 per cent over the past year (Nguanbanchong, 2009). A similar pattern is being experienced in Central America; in Nicaragua's *maquila* sector, women are experiencing the bulk of layoffs.[88] However, the effects on real wages in the rest of the LAC region have been relatively benign; Brazil and Chile show growing real earnings, while in Mexico real wages for blue-collar manufacturing have remained steady, although earnings are falling in retail commerce.

In MENA, unemployment is rising across the region, having reached 10 per cent in Saudi Arabia (27 per cent for women). In Egypt, job creation fell by 30 per cent in December 2008 and unemployment now stands at 8.8 per cent, while in Jordan unemployment has risen to 13 per cent. Age dynamics are also emerging as a significant variable; in Egypt, 1.6 million youth are out of work – at 17 per cent, this is double the national unemployment rate. Of these, 95 per cent have a secondary education or higher, indicating a disconnect between expectations and job availability.

Another especially vulnerable group comprises refugees and internally displaced persons (IDPs), many of whom live scattered among large urban populations in, for example, Jordan, Egypt and Sudan. Refugees are not allowed to work and the majority resort to finding employment in the informal sector, where they are at high risk of exploitative practices and abuse (IOM, 2008; UNHCR, 2009). In Jordan, for instance, the influx of Iraqi refugees has peaked at a time when food and fuel prices have risen and when large numbers of Jordanians have started to return from Gulf States, adding to the thousands looking for scarce jobs and creating hostility towards refugees among Jordanians (UNHCR, 2009).

Rising poverty levels are a second important meso-level effect of the crisis. The World Bank estimates that the proportion of workers in Africa earning less than $2 per day will increase from 82.2 per cent in 2007 to 86.6 per cent in 2009 (Mark and Varghese, 2009), resulting in 27 million new poor people in 2009. Similar projections in Latin America suggest that an additional 8 million Latin Americans will be pushed into poverty by the crisis. Elevated poverty is being manifested in distress sale of assets, including the sale of food donations by people living with HIV/AIDS in Kenya (Hossain et al., 2009); a decline in the quantity and

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[87] Work by Sugarda and Tambunan (2009) on the furniture industry in Indonesia, for instance, reveals that employers are most likely to lay off women workers first because they have lower skill levels and are thus more expendable.

[88] www.unifem.org/news_events/story_detail.php?StoryID=901#.

quality of food consumed (Holmes et al., 2009); and increasing rates of overcrowded housing and an inability to pay escalating rental prices in Kazakhstan (Gavrilovic et al., 2009). In Asia, the ILO (AfDB, 2009b) has argued that most displaced workers 'may be too poor not to work' and that instead an overcrowding of the informal sector was likely. Indeed, studies by the NGO the Self-Employed Women's Association (SEWA, 2009) in India have found that sectors such as recycling of waste, construction, home-based work in garments and handwork and small factories, all located within the informal economy, have been hit by the ongoing financial crisis. Waste collectors and rag pickers (from lower castes, and often women and children) have faced a 50 per cent (or more) drop in income, while in Ahmedabad women construction workers' monthly earnings have dropped by 25 per cent and days of work by 30 per cent.

Access to credit is another key variable to consider. Work by CGAP (2009) suggests that, globally, the microfinance sector may be more insulated from the effects of the global financial crisis than many traditional sources of credit, given its strong savings base and lower dependence on international debt and equity. By the same token, there is a general recognition that microfinance institutions are now more integrated into the global economy than in past crises. Indeed, opinion surveys in SSA revealed that 68 per cent of microfinance institutions faced liquidity constraints in the six months of the crisis preceding March 2009. Impacts affecting capacity to repay included the increasing share of income spent on food, lower remittances inflows and decreasing savings capacity. The impacts are likely to be especially challenging for poor women, who typically have little access to formal banking systems and rely on microcredit to finance their businesses and to smooth consumption during difficult times (Chrandran, 2008).

A fourth meso-level effect, which is already emerging in different guises across regions, is that of impacts on social capital and social cohesion. In East Asia, Hossain et al. (2009) have reported signs that the social practices that had previously cemented the social capital between groups were declining. This included declining participation rates in rotating savings schemes and weekly group recitations from the Koran in a rural Indonesian site, and a decrease in the number and scale of major social events such as weddings and anniversaries in Bangladesh. 'Together with the reported decline in private and informal charity in some contexts, these changes in social behaviour signal a growing inability to finance the rituals and practices that bind societies together'.

Significant age- and gender-specific social vulnerabilities are also emerging. Among youth, Hossain et al. (2009) have found reports of rising rates of alcohol abuse, and in Kazakhstan, given that the country already suffers from the highest suicide rate for young people in CEE/CIS countries, there are concerns that limited opportunities in the context of the crisis may exacerbate this (Gavrilovic et al., 2009). In the case of intra-household tensions, in Indonesia Hossain et al. (2009) found that women denied that there had been a rise in domestic violence, but noted that arguments between husbands and wives had increased. In Bangladesh, pressure over scarce resources in the household have had unintended negative effects, including increased fights between couples, especially as women seek to negotiate greater food allocation for their children, and, in urban areas, abandonment of the elderly. SEWA (2009) has also found that, in the context of increasing unemployment stemming from the financial crisis, household-level frustration and tensions have increased owing to pressures to sustain minimal living requirements, resulting in intra-household violence and increased addictive behaviours, such as chewing tobacco and consuming alcohol, with adverse health effects. In some cases, men have abandoned their families as they could not cope with the lack of employment opportunities with which they were confronted. Similarly, survey data from Kazakhstan suggest that the crisis is already exacting a toll in terms of heightened stress levels and declining emotional well-being (Gavrilovic et al., 2009).

Micro-level effects

At the micro level, there is already evidence, albeit fragmented, that the meso-level effects outlined above are translating into deprivations to varying degrees of children's rights to survival, development and protection.

In terms of survival (the right to nutrition, health, water and sanitation), across all regions existing research suggests that short-term child malnutrition is increasing as a result of a decline in the quantity and quality of food consumed (Holmes et al., 2009; Gavrilovic et al., 2009; Hossain et al., 2009). FAO (2009) projects that undernourishment will grow by 8 per cent in LAC, and in MENA there are already reports that in Iraq and Jordan refugees and IDPs are cutting out nutritious food. Indeed, because of funding shortages, UNHCR announced that it was being forced to reduce the calorific content of food packages from about 1300 calories per person per day to 1100 (Seeley, 2008). In Asia, UNICEF (2009b) warns that, if unaddressed, the current crisis could increase rates of maternal anaemia by 10 to 20 per cent and prevalence of low birth weight by 5 to 10 per cent, while rates of childhood stunting could increase by 3 to 7 per cent and wasting by 8 per cent to 16 per cent.

Overall, there is still very limited evidence of impacts on infant and child mortality, but Friedman and Schady (2009) estimate that in Africa the crisis could result in approximately 30,000-50,000 excess infant deaths in 2009. Virtually all of these excess deaths are expected to affect girls, not boys. Moreover, they argue that 'these asymmetries in the impact of the crisis by gender are particularly apparent for sharp (rather than modest) contractions in per capita GDP – a finding that is important if the current growth projections were to be revised further downward'. Similarly, the World Bank (2009a) has identified 33 developing countries where women and girls in poor households are particularly vulnerable to the effects of the global economic and food crises. Of these, 15, all in SSA except for Afghanistan, are likely to experience high female infant and child death rates as well as low participation in schooling, further exacerbating women's and girls' precarious situation.

The effects on children's right to development (education) do not appear to be as pronounced yet. Hossain et al. (2009) found some limited evidence of children being taken out of school as a result of declining finances, as did Jones et al. (2009b) in Egypt, Sudan and Yemen, but other studies suggest that dropout rates are little changed. In Africa, Mark and Varghese (2009) argue that decisions to make cuts in public expenditure are not expected in the short term, and only 4 out of 11 respondent countries will see a decline in public education expenditure measured in US dollar terms in 2009 as compared with 2008 or 2007. Similarly, among 10 LAC countries, only 2 will experience declines in public spending on education as a percentage of GDP, while the rest will remain stable or even increase (ibid). Nevertheless, increasing difficulties in covering school-related expenses were reported in East Asia (e.g., Horn, 2009); Kazakhstan, especially on items such as uniforms, textbooks and shoes (Gavrilovic et al., 2009); and the Caribbean (Hossain et al., 2009).

Evidence on protection-related deprivations is limited, but suggests that children are already suffering from heightened risks of abuse and neglect. In Africa, Hossain et al. (2009) reported rising levels of family tension resulting from an inability to adequately feed household members in Nairobi, as well as either new or increasing forms of hazardous child work, such as involvement in waste recycling, drug peddling and sex work in Nairobi and agricultural piece work in Zambia. In Asia, they also found evidence of increasing child labour, as did SEWA (2009) in the informal sector, where children are reportedly being taken out of school in order to help their mothers cope in an ever more competitive informal sector labour market, especially in the case of waste collection. In Kazakhstan, child labour is also on the rise, especially in the tobacco and cotton industries in South Kazakhstan. In addition, there are reports of growing abandonment of children, increased institutionalisation, rising rates of domestic violence and diminished quantity and quality of time as a result of greater income-generating pressures on parents, including children being left at home in the care of older siblings (Gavrilovic et al., 2009).

4.2 Policy responses

Although, as discussed, the current economic crisis hit the developed world first, and developing countries are generally experiencing second-round effects somewhat later, many developing governments have already initiated a range of economic and social policy responses, suggesting that at least some lessons have been learned from past crisis episodes. Please see in particular Appendix 3 for a regional overview of policy responses to the food crisis. It is important to note, however, that while civil society actors played a major role during the Asian financial crisis in strengthening pro-poor policy responses[89] and also during the Argentine Convertibility Crisis (Friedman and Hochstetler, 2002), to date there has been little indication of civil society playing a similar catalytic role, although this is an area that requires further research.[90]

In terms of economic policy responses, a significant number of countries have implemented fiscal stimulus packages, in all regions (Köhler, 2009; McCord and Vandemoortele, 2009; Mehrotra, 2008; te Velde et al., 2009), including tax cuts or benefit and subsidy increases for vulnerable populations and significant investments in agriculture, housing and small and medium-sized enterprise (SME) support. And in the case of Kazakhstan, having learned difficult lessons about the pain of economic restructuring during the transition-induced shocks of the 1990s, the government early on launched a $19 billion fiscal stimulus package, larger than that of many countries in the OECD (Gavrilovic et al., 2009).

The extent to which investments in basic services are being protected varies considerably across regions. In the case of SSA, the AfDB warns that public spending on infrastructure and basic needs is increasingly threatened (AfDB, 2009a), and in Nigeria the federal government has already announced that it intends to significantly reduce public expenditure on the social services, with the 2009 budget proposal indicating a 16 per cent cut in education allocations and 20 per cent in health. In MENA and also in Kazakhstan the prognosis also looks relatively bleak, with few indications to date that spending on basic services would be increased in response to rising crisis-induced vulnerabilities. In MENA, spending on health has already been low and has been declining relative to GDP growth in most countries over the past decade (Jones et al., 2009b). Similarly in Kazakhstan, despite very strong economic growth over the 2000s, spending on social housing, education and health has remained very low both vis-à-vis GDP and as a percentage of GDP by comparison with the country's regional peers (Gavrilovic et al., 2009).

By contrast, in Asia and Latin America, the outlook is arguably more positive, with a number of countries in both regions appearing to have learned the value of maintaining expenditure on basic services from the social impacts of past crises. For instance, in Thailand the health budget has been protected through a Special Act (whereas during the 1997/98 crisis preventative health budgets in particular suffered from significant declines (Jones and Marsden, 2009)), while in China a $123 billion package was introduced in January 2009 to improve the health care system. In Latin America, there are also a number of examples of countercyclical spending. In Chile, countercyclical fiscal policy provisions were included in the 2009 budget law, with a real increase of 5.7 per cent in total spending and a 7.8 per cent increase in social spending, which represented 69 per cent of total spending. Likewise in Costa Rica, spending on housing and education has been increased, and in the Dominican Republic family health coverage was extended within the contributory social security scheme and investment in urban social housing was augmented to help address rising urban poverty rates (ECLAC, 2009).

Similarly, in Africa, the IMF (2009c) suggests that prudent macroeconomic policies pursued by SSA countries were helpful in providing ample space for these countries to adopt policies to soften the impact of the crisis in some cases. In terms of fiscal policy, some of the SSA countries allowed automatic stabilisers to function as well as adopting countercyclical policies to arrest the decline in their economies (IMF, 2009c; 2009d). The budget surplus (including grants) for all SSA countries dropped from 1.25 per cent of GDP in 2008 into a deficit of 4.75 per cent of GDP in 2009 (IMF, 2009c). Nevertheless, the role of aid in the form of debt relief (for example, Heavily Indebted Poor Countries (HIPC) relief) had a significant effect in reducing SSA debt to sustainable levels (ibid). This reduction in debt was a much-needed respite for these countries as it provided them with fiscal resources to lessen the adverse effects of the current crisis (ibid).

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[89] The Asian financial crisis was 'the catalyst for the emergence of a new embedded-relational governance model, which emphasises the social and environmental dimensions of the welfare state, while relying on decentralised civil society initiatives and business self-regulation in implementing corporate social responsibility' (Loftus and Percell, 2008).

[90] See also: www.psiapyouthnetwork.org/tag/young-people/.

In the case of social protection, although social protection systems are significantly stronger in most regions since the crisis episodes discussed in preceding sections, crisis-specific social protection responses have been relatively limited (McCord and Vandermoortele, 2009). In Asia, Jones et al. (2009b) argue that, despite significant improvements in social protection infrastructure, coverage remains relatively low and, while a number of measures to help formal sector industry-based workers have been introduced since the onset of the crisis, these have tended to be relatively *ad hoc*. Moreover, measures to support rural households and workers clustered in the informal sector have been scarce. In MENA, responses have been similar. Overall, social protection systems in the region were generally inadequate and poorly targeted pre-crisis, and crisis-specific responses – such as public sector salary hikes in Egypt and cash payments to widows, orphans and other vulnerable groups in a number of countries – have been largely short term. However, refugees and IDPs, who are arguably among the most vulnerable, have been excluded from such measures (Jones et al., 2009a). In Africa, existing evidence is very thin, but in Zambia the government is reportedly planning to reduce allocations to social protection in 2009 as a result of the crisis (AfDB, 2009a). In Ghana, a $20 million World Bank loan was used to expand the coverage of the new cash transfer programme, Livelihood Empowerment Against Poverty (LEAP), to 15,000 households, and the government has committed to increasing social protection expenditures to include expansion of the education capitation grant, the National Health Insurance Scheme and the school feeding programme (Jones et al., 2009c).

In a number of Latin American countries and also Kazakhstan, social protection measures have been more comprehensive and funding significantly increased. In Mexico, for instance, the World Bank has recently approved a $1.5 billion loan to the government for the purpose of expanding the conditional cash transfer programme, *Oportunidades*, to assist 25 million people in the 5 million most vulnerable households nationwide. Similarly, in Bolivia, in May 2009 the Juana Azurduy Mother and Child bonus started to be distributed to pregnant women and to mothers of children under the age of two years; Costa Rica is offering children's meals at weekends in child care centres in the country's 37 poorest districts; Argentina has doubled funding for public works programmes since 2008; and Colombia has also increased funding for social programmes by 40 per cent (ECLAC, 2009). In Kazakhstan, measures have included the introduction of public works and training programmes and youth internships, as well as higher salaries for public sector workers (who make up a significant percentage of especially the rural workforce).

In Africa, protection measures have included national health insurance, targeted cash transfers, school feeding programmes and youth unemployment programmes in Ghana (Brinkman et al, 2009a; FAO, 2009; Mba et al, 2009) and increased education, health and agricultural spending in Zambia (FAO, 2009). Other policy measures include price controls sometimes complemented by subsidies (Benin, Burkina Faso, Cameroon, Congo, Niger and Senegal) and reduction of tariffs on imported food items (including Benin, Burkina Faso, Cameroon, Niger Mali, São Tomé and Príncipe, Senegal and Togo) (Bibi et al., 2009). There have also been cases of export bans in Burkina Faso, Guinea and Niger (ibid). The cash transfer and school feeding programme and other social spending have been crucial in softening the impact of the crisis. The same cannot be said of the export bans, which can actually discourage farmers from increasing their farm output (FAO, 2009).

In Mali, a simulation of the policies of the government (that is, consumer subsidies and tariff exemptions on products such as rice, cooking oil and milk powder) compared with cash transfers and other policies not implemented at the time showed that government policies were weak in their effects on the poor (Bibi et al., 2009). The main reason attributed to the weak impact was the broad nature of the intervention, which targeted both the poor and the non-poor (ibid). This limited and reduced the impact on the poor, who were more vulnerable than the non-poor. Of interest, and discussed in Bibi et al. (2009), is the fact that interventions should be carefully targeted at the poor using easily observable identification of characteristics of the poor to make a larger impact in terms of reducing the impact of shocks on poor households. It is therefore important for African countries to weigh the options of interventions using cash transfers and make such transfers in a cost-effective way to reduce any excess and unnecessary costs of intervention as well as political interests in making allocations.

5. Conclusions and policy implications

Overall, this paper has highlighted the complex pathways through which children are likely to be affected by macroeconomic crises. Our review of four quite distinct crisis episodes in diverse geographical regions underscores not only the importance of assessing the effects of macro-level shocks on child well-being outcomes but also the variability in impacts on different groups of children. Part of this diversity has to do with the nature of the shock itself and the particular circumstances of the broader regional and global economy at the time, but it is also heavily shaped by divergent pre-existing policy infrastructures and crisis-specific policy responses from governments and donors, including the relative strength of pro-poor civil society advocates.

Our brief review of the emerging impacts from this current crisis further emphasises the complexity in regional patterning of crisis impacts and the importance of adopting context-specific responses. Nevertheless, a number of common themes do emerge across the historic and current crisis episodes, with regard to mitigating child-specific vulnerabilities to deprivations in terms of survival, development, protection and care. These include the following:

Crisis monitoring initiatives: Given the fragmented nature of evidence on the child-specific effects of crises, both historic and present, there is an urgent need to invest in more timely and more systematic age- and gender-disaggregated data collection and crisis monitoring initiatives so as to better inform policy debates on how best to tackle the vulnerabilities faced by children, youth and care-givers. While a number of innovative crisis monitoring initiatives are underway at the global and country levels, systematic attention to gender and age variables appears to be relatively limited; this urgently needs to be addressed. This is particularly the case with rural populations (where the effects of the economic crisis are perhaps less visible to date), households dependent on informal sector-based livelihoods and the newly poor, who may not be included in existing targeted social programmes. In addition, there is a pressing need not just to pay attention to conventional education, health and nutritional indicators, but also to address a series of social vulnerabilities, including intra-household tensions and violence, gender-based violence and trafficking, social capital and social cohesion and mental well-being. While social vulnerabilities emerged as important effects of past crisis episodes according to generally small qualitative studies, more systematic assessments are needed to assess these experiences of poverty and vulnerability and to take appropriate policy and programming action. Too often, discussions about effects on child well-being are limited to deprivations in terms of survival and development, and fail to include issues of protection and care.

Political economy dynamics: Our regional studies also highlighted that country-specific responses to the same crisis episode were often quite divergent owing to differing political economy drivers. It is essential in the context of the current crisis that we also pay more attention to political economy dimensions so as to be able to design more strategic policy advocacy approaches that are both pro-poor and sensitive to age and gender vulnerabilities. This also includes better understanding of the potential spaces for civil society to shape policy dialogues and to hold governments accountable for their crisis management efforts.

Creating space for countercyclical policy to invest in quality basic services: Like richer countries, poorer countries need to be able to react to the downturn without having to cut their public expenditure, at least in Asia, where fiscal institutions tend to be strong.[91] This is particularly important in relation to areas of

[91] Generally, fiscal policy in developing countries is pro-cyclical, while in OECD countries it is countercyclical (Alesina et al., 2008). The pro-cyclical nature of fiscal policy leads to bad fiscal decisions and, as noted by Alesina et al (2008), is suboptimal and leads to macroeconomic instability over the budget cycle – huge debts and starving off credit to the private sector. The evidence presented in the paper shows that pro-cyclical fiscal policy is the immediate policy reaction by government during booms rather than recessions. The explanation is that the electorate in these countries (especially where governments are corrupt) demand tax cuts and provision of social spending in times of booms to

spending that directly benefit children: education, health and protection. Deficits in these areas for young children create lifelong consequences and must be avoided at all cost.

For instance, in East Asia child mortality and long-term malnutrition rates were not significantly affected during the 1997/98 crisis. This owed in large part to stable investments in basic health services in Korea and Malaysia and targeted social assistance and social health insurance initiatives in Indonesia and Thailand. Care also needs to be taken to ensure that investments are made in supply-side measures, e.g., maintaining quality accessible health care, so that demand-side approaches fostered by social protection mechanisms can have a meaningful effect on well-being outcomes. This argument may apply less in countries with weak fiscal institutions, if spending does not effectively benefit children but fiscal deficits still grow. The strength of fiscal institutions, and in particular their ability to deliver effective services, is clearly of critical concern.

Social protection: Both pre-existing social protection systems and tailored crisis-specific responses emerged as decisive in tackling crisis-induced general household and childhood-specific poverty and vulnerability. For instance, scholarship programmes and social health insurance initiatives in East Asia, cash transfers in Latin America and public works in Latin America and Africa all played a key role in minimising the effects on child educational, health and nutritional outcomes. Countries that had an existing social safety net system were able to expand and scale up sizeable social protection interventions relatively quickly, e.g., Argentina. In Indonesia and Africa, where safety nets were much less developed, the establishment of new programmes was slower, because of both infrastructure deficits and political economy factors, although greatly facilitated by donor support. Nevertheless, investments in response to earlier crises have borne fruit in responding to the recent crisis, in particular in Indonesia and Thailand. Informal social protection mechanisms also played a key role in enabling families to cope during crisis episodes. As such, it will be important to foster synergies between formal social protection approaches and the existing informal mechanisms that often come under strain during crisis episodes. Finally, given the vital role that international aid played in supporting social protection responses (whether it be transition countries, East Asia, Africa or LAC), it will be critical to monitor aid flows and the extent to which they are prioritising social protection initiatives, especially given how significantly the aid landscape has changed over the past five years.

Care and protection: However, Overall the extent to which policy and programme responses addressed issues of protection and care appears to have been very limited. Despite evidence of rising intra-household tensions and violence in crisis contexts, there is little evidence of increased investment in related social services, and a marked absence of any systematic response to rising rates of mental ill-health and drug and substance abuse in East Asia and transition country contexts. Similarly, although the gendered effects of unemployment and underemployment and household poverty were often stark in the cases studied, measures to address women's time poverty and to support women's greater responsibility for care work and domestic responsibilities, for instance through subsidised child care services, do not appear to have been factored into programme design. This is an area that requires urgent attention if longer-term effects on children, resulting from the constraints care-givers will face in terms of the quantity and quality of caring time available, are to be minimised.

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curb any rents corruption might induce. With the right institutions in place and institutional checks on corruption, one would expect developing countries to make progress in their fiscal policy decisions. This argument, however, does not displace earlier arguments in the public finance literature that pro-cyclical policies owe to 'malfunctioning credit' markets and credit constraints, but rather provides a way of explaining why countries cannot save during good times for bad times (Abdih et al., 2010 and Alesina et al., 2008 provide evidence of pro-cyclical policies being stronger in booms than recessions for the MENA, Caucasus and Central Asian regions). To make good use of fiscal policy in recessions, overcoming problems of borrowing by limiting excessive deficits during booms by building reserves during booms (especially commodity price booms) and using up those reserves during recessions cannot be overlooked.

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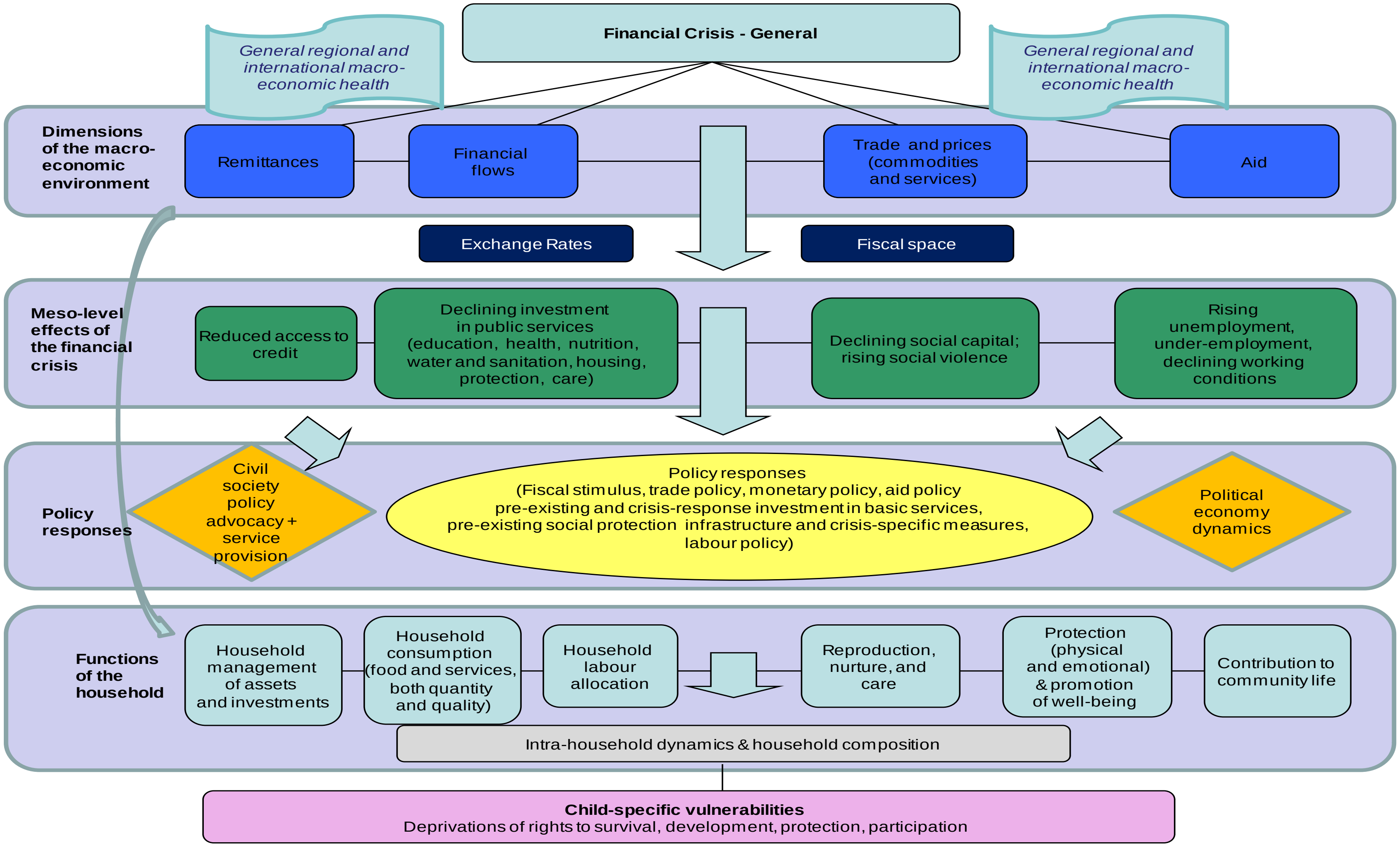
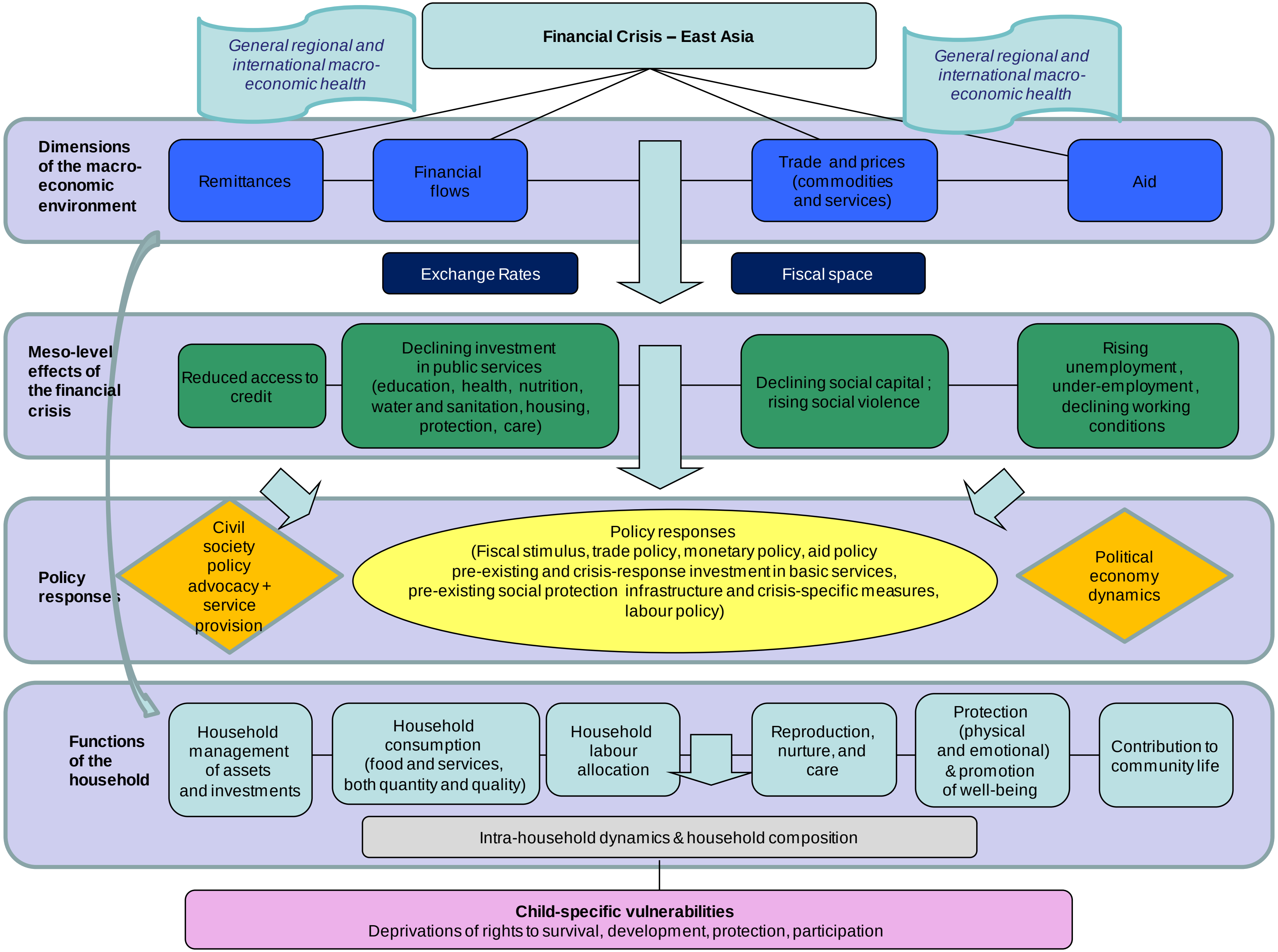
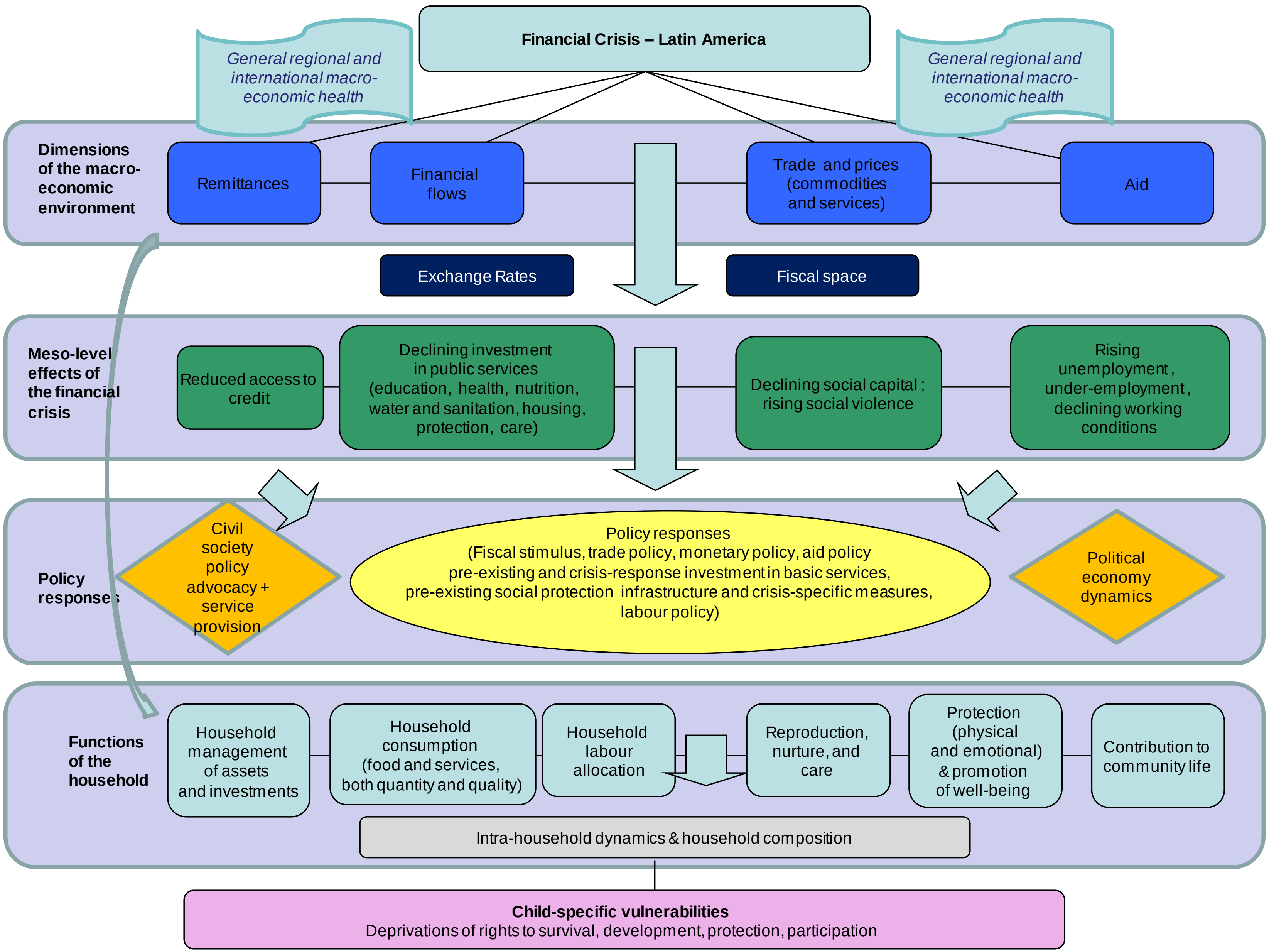
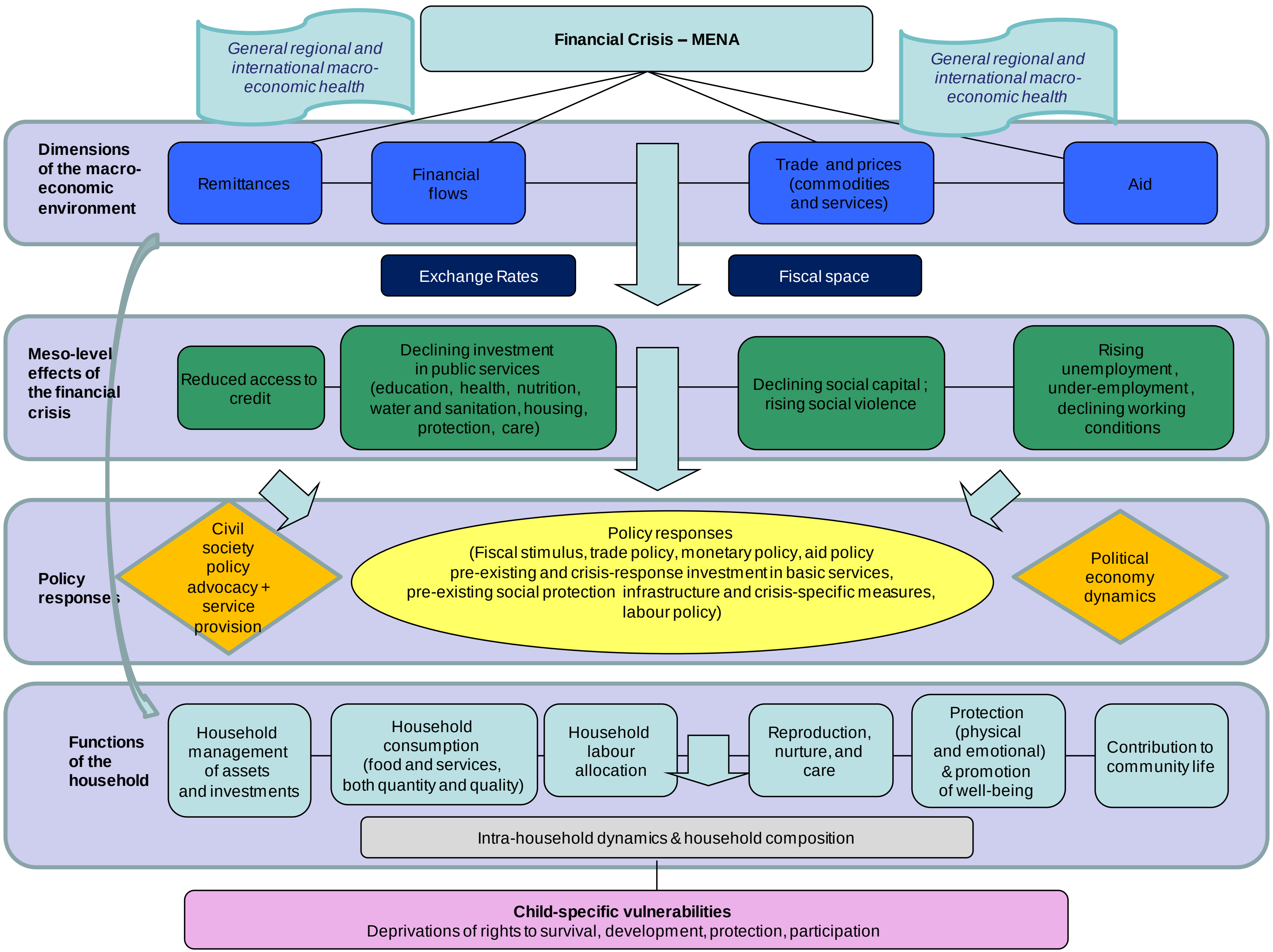
Appendix 1: Framework for understanding crisis impacts on children and regional variations





Financial Crisis – East Asia
General regional and international macro-economic health
General regional and international macro-economic health
Dimensions of the macro-economic environment
Remittances
Financial flows
Trade and prices (commodities and services)
Aid
Exchange Rates
Fiscal space
Meso-level effects of the financial crisis
Reduced access to credit
Declining investment in public services (education, health, nutrition, water and sanitation, housing, protection, care)
Declining social capital ; rising social violence
Rising unemployment, under-employment, declining working conditions
Policy responses
Civil society policy advocacy + service provision
Policy responses (Fiscal stimulus, trade policy, monetary policy, aid policy pre-existing and crisis-response investment in basic services, pre-existing social protection infrastructure and crisis-specific measures, labour policy)
Political economy dynamics
Functions of the household
Household management of assets and investments
Household consumption (food and services, both quantity and quality)
Household labour allocation
Reproduction, nurture, and care
Protection (physical and emotional) & promotion of well-being
Contribution to community life
Intra-household dynamics & household composition
Child-specific vulnerabilities
Deprivations of rights to survival, development, protection, participation


Financial Crisis – Latin America
General regional and international macro-economic health
General regional and international macro-economic health
Dimensions of the macro-economic environment
Remittances
Financial flows
Trade and prices (commodities and services)
Aid
Exchange Rates
Fiscal space
Meso-level effects of the financial crisis
Reduced access to credit
Declining investment in public services (education, health, nutrition, water and sanitation, housing, protection, care)
Declining social capital ; rising social violence
Rising unemployment, under-employment, declining working conditions
Policy responses
Civil society policy advocacy + service provision
Policy responses (Fiscal stimulus, trade policy, monetary policy, aid policy pre-existing and crisis-response investment in basic services, pre-existing social protection infrastructure and crisis-specific measures, labour policy)
Political economy dynamics
Functions of the household
Household management of assets and investments
Household consumption (food and services, both quantity and quality)
Household labour allocation
Reproduction, nurture, and care
Protection (physical and emotional) & promotion of well-being
Contribution to community life
Intra-household dynamics & household composition
Child-specific vulnerabilities
Deprivations of rights to survival, development, protection, participation


Financial Crisis – MENA
General regional and international macro-economic health
General regional and international macro-economic health
Dimensions of the macro-economic environment
Remittances
Financial flows
Trade and prices (commodities and services)
Aid
Exchange Rates
Fiscal space
Meso-level effects of the financial crisis
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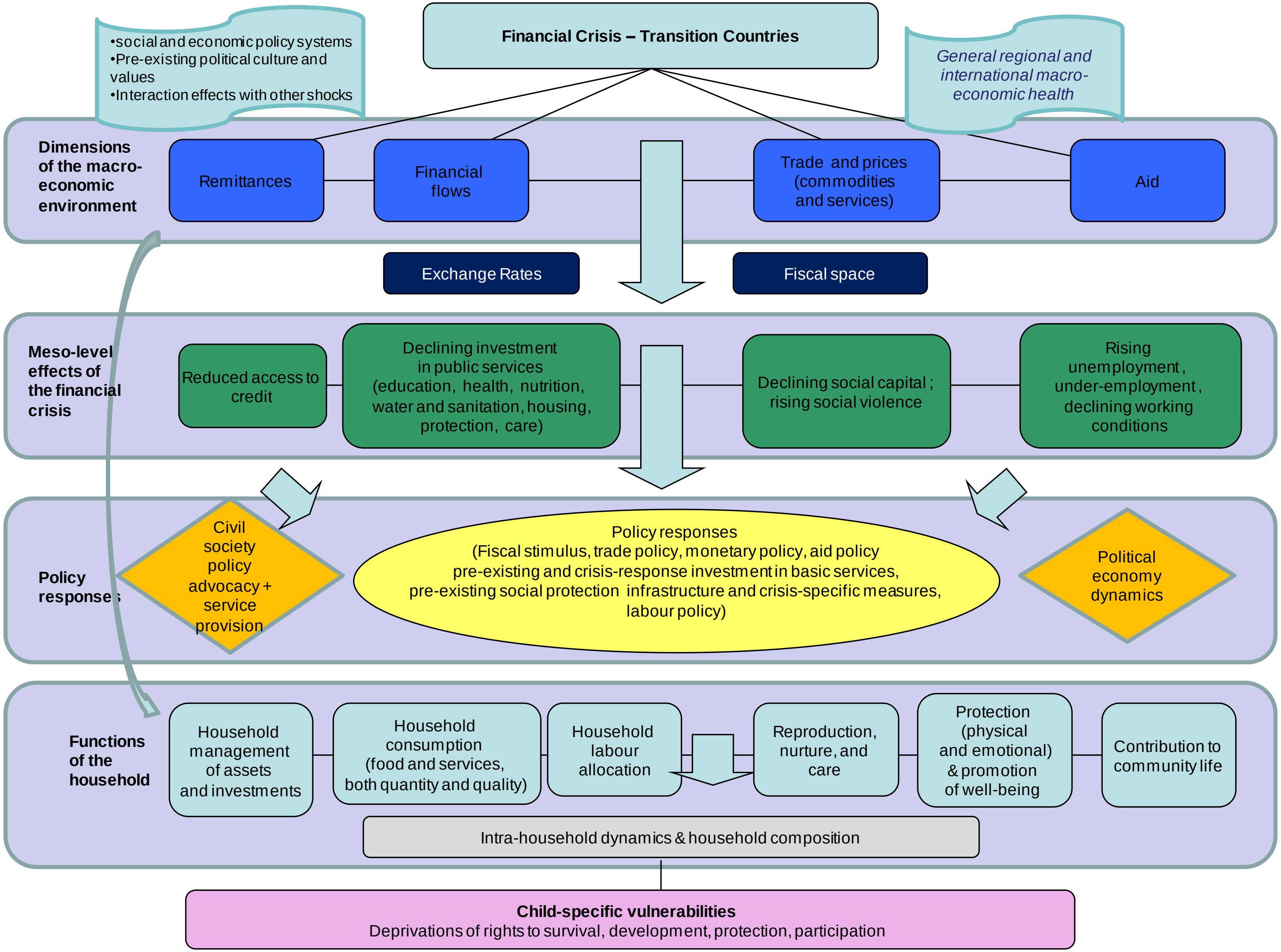

•social and economic policy systems
•Pre-existing political culture and values
•Interaction effects with other shocks
Financial Crisis – Transition Countries
General regional and international macro-economic health
Dimensions of the macro-economic environment
Remittances
Financial flows
Trade and prices (commodities and services)
Aid
Exchange Rates
Fiscal space
Meso-level effects of the financial crisis
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Appendix 2: Regional impacts of the Triple F crisis

Table A2.1: Overview of regional impacts of the Triple F crisis

	Africa	East Asia	LAC	MENA	Kazakhstan
Macro					
Aid	Global Fund, GAVI Alliance, PEPFAR: Already marked impact. African Development Bank (AfDB): March 2009 proposal – through an Emergency Liquidity Facility to provide in exceptional cases financial support beyond anticipated levels to the Bank's eligible clients. Funds disbursed under this facility to United Bank of Africa (UBA) in Nigeria (at 22 July 2009 deal) amounted to $150 million.[92] IMF: To date, no African country has accessed conditionality-free financing under the Fund's new Flexible Credit Line (FCL).[93] World Bank: Crisis response has involved two programmes under the Vulnerability Financing Facility: the Global Food Crisis Response Programme (GFRP) and the Rapid Social Response	Does not yet appear to have emerged as significant variable.	No data on aid. However, Economic Commission for Latin America and the Caribbean (ECLAC) suggests that a sizeable number of countries are turning to multilateral financing as part of their crisis response.	Insufficient to cope with humanitarian crisis, especially affecting refugee populations and IDPs.	Not significant.

[92] www.afdb.org/en/news-events/article/african-development-bank-invests-up-to-usd-150-million-to-support-the-united-bank-of-africa-uba-4929/.

[93] See Weisbrot et al.'s recent paper (October 2009) for detail on IMF-supported policies during the crisis period for nearly 20 African nations, in which the authors find numerous examples of pro-cyclical conditionalities.

	Africa	East Asia	LAC	MENA	Kazakhstan
	Programme (RSR).				
Financial flows	Continued to grow but at a slower pace than in the first half of 2008.	FDI flows to emerging Asia declined by one-third (China, the main emerging market FDI recipient, had a decline of 18%).	Net FDI has remained relatively consistent, but portfolio flows have slowed markedly and in some cases reversed entirely, resulting in financial account deficits.	FDI – relatively limited exposure – less vulnerable than in most regions.	Tightening of international credit markets and lower investor appetite for risk, which is affecting capital inflows, depressing local asset prices and reducing investment. Important because of banks' high exposure to external financing.
Remittances	Remittances to SSA to decline by 8% in 2009 as a result of weakening economies in West and in African advanced economies. Internal remittance flows in Zambia also declining (Hossain et al., 2009).	Major declines in international and urban-to-rural remittances. Returning migrants aggravating job shortages.	Remittances (one of the leading foreign currency earners in region) will decline by 4% to 8% in 2009. Likelihood of significant number of Latino migrant returnees in 2010 if global recovery does not materialise. Declines overall could see 3.4 million additional people in the region fall into poverty. Poverty impacts significant in Guatemala and Honduras.	For some countries this is a major concern, especially for female-headed households (e.g., in Morocco and Jordan).	Not significant.
Trade and prices	Major impact on commodity prices/mining sector. Expected shortfall in export revenues is estimated at $251 billion in 2009. Oil exporters will take the biggest hit. Trade balances will deteriorate in most countries.	Mixed among countries – e.g., Bangladesh and Vietnam doing okay because of competitive strategies; Cambodia is hard hit.	South American countries have been affected largely by the fall in primary commodity prices, which has lowered their export and fiscal revenues. Significantly lower demand for exports from the West is leading to falling exports and disappearance of trade surpluses. A 33% drop in commodity prices is predicted for 2009.	The relative importance of exports to national GDP varies widely between countries with very high levels of dependence on exports (Bahrain, UAE and Qatar) to countries poorly integrated in terms of export markets (Lebanon, the OPT and Sudan). The dependence of many MENA countries on commodity exports is obviously a source of concern.	The fall in oil and gas prices has had a major impact. Contraction of global demand for exports.
Meso					

	Africa	East Asia	LAC	MENA	Kazakhstan
Unemployment	ILO predicts unemployment could increase to 8.5% in 2009, i.e., an additional 3 million unemployed. Proportion of vulnerable jobs could increase from 77.4% to 82.6% in 2009, i.e., an additional 28 million vulnerable jobs in Africa (AfDB, 2009a). Mining has been hard hit by a collapse of commodity prices – especially in the DRC, where more than 350,000 jobs have been lost in Katanga province. Apparel and textile industries, which provide jobs for poor women, are suffering from the crisis – significant employment losses.	Rising unemployment in urban areas, especially industrial parks; strong gender dynamics; growing vulnerabilities among informal sector workers; women entering into degrading and risky occupations.	Some short-term increase in unemployment of 0.5% to 1% in most countries. In Central America, female unemployment is suffering most – e.g., in Nicaragua's maquila sector women are experiencing the bulk of layoffs. Mixed impacts on real wages: • Brazil and Chile show growing real earnings. • Colombia shows a decline. • Mexico shows steady real wages for blue-collar manufacturing but falling earnings in retail commerce.	Major concern, especially in countries with a high youth bulge. Also major concern for migrant workers – very vulnerable.	Rising urban unemployment; construction and manufacturing sectors especially hard hit.

	Africa	East Asia	LAC	MENA	Kazakhstan
Social capital/ cohesion	Evidence of increasing risky sexual behaviours (case studies by Hossain et al., 2009). 'With more and more dependent mouths to feed, household food stores are now inadequate. To survive, some are engaging in high risk activities increasing their risk also of exposure to HIV' – one rural woman's observations.	Increased intra-household arguments, youth alcohol abuse. More participation in commercial sex work (Cambodia). Decline of *arisan* (rotating savings scheme) in the rural Indonesian site affected attendance at *yasinan* (weekly group recitation from the Koran). Social participation changes not noted in Jakarta site – people managed to contribute to funeral costs, borrowing from family members if necessary. In rural Bangladesh, decrease in number and scale of major social events – weddings or *milads* (prayer and sermon sessions to mark anniversaries or important events). Reported decline in private and informal charity in some contexts (Hossain et al., 2009).	Jamaica: Rising levels of alcohol abuse, hustling and signs that social practices that previously cemented social capital between groups were declining (Hossain et al., 2009). In Jamaica, the crisis was felt to have led to a worsening of neglectful behaviour by parents, with the worst impacts on children (Hossain et al., 2009).	Economic crisis is exacerbating conflict.	Already highest suicide rate in CEE/CIS region among young people, concerns that limited opportunities in context of crisis may exacerbate this. Already survey data showing negative impacts on stress and emotional well-being from crisis.
Poverty	World Bank estimates that the % of workers earning less that $2 per day will increase from 82.2% in 2007 to 86% in 2009 in Africa – 27 million new poor people in 2009. Distress sale of assets, including those with HIV/AIDS selling food donations.	UN (mid-2009) estimates that regionally the greatest increase in numbers in poverty will be in East and South Asia (56.4 million, around half of whom are in India alone).	World Bank projections from summer 2009 estimate the number of additional Latin Americans pushed into poverty by crisis at 8 million. Jamaica: Families are spending a larger share of income on food; reductions in quantity and quality of food purchased (Hossain et al., 2009).	Highly varied in region, but exacerbating situation in countries with already high levels of poverty – Sudan, Yemen and Djibouti.	Rising poverty, especially in urban and informal sector and agriculture; overcrowded housing; rental prices increasing. Inflation at 20% in mid 2008. Child poverty already higher than adult poverty. Migrants and vulnerable groups already face higher poverty levels.

	Africa	East Asia	LAC	MENA	Kazakhstan
Credit	Work by CGAP suggests the microfinance sector may be more insulated from the effects of the global financial crisis than many traditional sources of credit because of its strong savings base and lower dependence on international debt and equity. However, opinion surveys in SSA revealed 68% of microfinance institutions faced liquidity constraints in the six months of the crisis preceding March 2009. Impacts affecting capacity to repay included the increasing share of income spent on food, lower remittances inflows, decreasing savings capacity.	Impacts on microcredit are still unfolding. Poor women with little access to formal banking systems rely on microcredit for financing their businesses and smoothing consumption during difficult times. Early evidence suggests that, because microcredit institutions depend on commercial banks through aid, commercial banks in most developing countries, faced with a global liquidity crisis, have significantly cut down on lending across the board. Microcredit institutions in South Asia are being affected (Chrandran, 2008).	Credit to governments, firms and households shrank rapidly in the second half of 2008 (IADB, 2009b). Private sector has been largely forced to turn to domestic sources. Microcredit is more affected than in past crises as microfinance institutions are more integrated into global economy; more vulnerable than other regions; but savings deposit base suggest much more secure than commercial banks.	Does not emerge as a significant variable.	Does not emerge as a significant variable.
Micro					
Survival	Decline in quantity and quality of food consumed; poor in Nairobi are eating as little as one meal a day (Hossain et al., 2009) Estimated approximately 30,000-50,000 excess infant deaths in Africa in 2009, virtually all girls. These asymmetries in the crisis impact by gender are particularly apparent for sharp contractions in per capita GDP – a finding that is important if the current growth projections were to be revised further downward (Friedman and Schady, 2009).	Significant impacts on malnutrition in low-income countries, especially Bangladesh (see our food crisis paper). If unaddressed, the current crisis could increase rates of maternal anaemia by 10% to 20% and prevalence of low birth weight by 5% to 10%. In addition, rates of childhood stunting could increase by 3% to 7% and wasting by 8% to 16%. Trend data suggest that overall under-five child mortality in severely affected countries in the region could increase by 3% to 11% (UNICEF, 2009b).	FAO (2009) projects that undernourishment will grow by 8% in LAC. Jamaica: Mixed evidence as to whether children's food consumption is prioritised over adults.	Significant concerns about food insecurity and acute malnutrition – especially in Sudan, Yemen and Egypt	Reduced consumption in terms of quality and quantity of food; no evidence yet on health impacts, however.

	Africa	East Asia	LAC	MENA	Kazakhstan
Development	Children being taken out of school as a result of declining finances; lack of food deterring children from travelling long distances to school; similarly, with end of WFP emergency operations in Uganda, expected 0.25 million children in Karamoja may drop out of school (Hossain et al., 2009). No decisive cuts in public education expenditure in SSA as % of GDP or of domestic revenue. However, it may be a question of time. Among the 11 respondent countries, public education expenditure, measured in US$ terms will decline in Cameroon, DRC and Sudan in 2009 as compared with 2008 and it will be lower in 2009 than in 2007 in Kenya (UNESCO, 2009).	Difficulty in paying school fees, and some respondents reported that their children had to drop out of school. However, there is limited evidence of dropping out of school as a result of the crisis, which might be a reflection of efforts of families, under difficult circumstances, to protect an important type of investment – namely, their children (Horn, 2009).	Some families are not prioritising investment in children's education and are putting their own spending preferences first. Public spending on education as % of GDP will remain stable or even increase in 10 LAC countries surveyed, with exception of Mexico and St. Vincent, which will be lower in 2009 than 2007. But others estimate that primary school completion rates will decline.	Children dropping out of schools in Egypt, Sudan and Yemen.	No evidence yet of dropout from school, but families are having to cut back on school expenditure – such as uniforms, textbooks, shoes.

	Africa	East Asia	LAC	MENA	Kazakhstan
Protection	Rising levels of family tension owing to inability to feed family, vis-à-vis both spouses and children (Nairobi – Hossain et al., 2009). Specific forms of children's work that were identified as new, increasing in magnitude or specific responses to crisis included (Hossain et al., 2009): • Involvement in waste recycling (Nairobi and Dhaka). • Sex work (Nairobi). • Drug peddling (Nairobi). • Agricultural piecework (Zambia).	Growing cases of dropout from school and of child labour – Bangladesh and Indonesia (Hossain et al., 2009). Inability to pay school fees and other expenses for education has resulted in dropout from school and children being involved in waste collection and other low-paying, mainly home-based work, such as sticking bindis or cutting threads (SEWA, 2009).	No data available	No direct evidence, but dropout from school means children are more vulnerable to practices such as child labour, early marriage and domestic labour.	Growing abandonment of children; increasing institutionalisation; reported rise in domestic violence; diminished quantity and quality of time owing to more income-generating pressures on parents; children left at home in care of older sibling. Also, some indication of increasing rates of child labour in tobacco and cotton industries in South Kazakhstan.
Policy responses					
Economic	Some countries have implemented fiscal stimulus packages: Mauritius, Liberia, Nigeria, South Africa, Senegal, Tunisia, Uganda.	Major investments in fiscal stimulus packages.	Economic policy measures have included tax cuts or benefit and subsidy increases. Significant investments in agriculture, housing and SME support. Chile – countercyclical fiscal policy in 2009 budget law – real increase of 5.7% in total spending – social spending up 7.8% (69% of total spending).	Significant investments in fiscal stimulus packages, protecting employment and the export sector. Some countries seeking to stabilise food prices.	Major fiscal stimulus package – larger than many in OECD.

	Africa	East Asia	LAC	MENA	Kazakhstan
Basic services	Public spending on infrastructure and basic needs is increasingly threatened (AfDB, 2009b). Nigeria: The federal government intends to significantly reduce public expenditure on the social services sector, with the 2009 budget proposal indicating a 16% cut in education allocations and 29% in health.	The Thai government has protected the health budget through a National Assembly Act and has simultaneously set up a Health Intelligence Unit to monitor the health impact of the crises (WHO, 2009a). Many stimulus packages not only aim to protect spending in social sectors (especially on education and health), but also take steps to increase these; e.g., China introduced a $123 billion package in January 2009 to improve its health care system.	Costa Rica: Rise in spending on housing and education. DRC: Family health coverage was extended within the contributory social security scheme. El Salvador: Investment in urban social housing.	Already very low and declining investments in health despite rising levels of GDP.	Underinvestment in social housing pre-crisis and situation exacerbated with rising prices in context of crisis; also, general decline over past decade in spending on education and health in relation to GDP, remains low. Very low public expenditure as % of GDP on regional terms.

	Africa	East Asia	LAC	MENA	Kazakhstan
Social protection	Ghana: Pending approval of the National Social Protection Strategy (NSPS); key components of it have been initiated, e.g., LEAP programme was launched in March 2008 and reached 8000 households with social grants by the end of 2008. During the food crisis, LEAP was used as an emergency programme with an additional $20 million from the World Bank for an extension of coverage to an additional 15,000. Government commitment in 2009 budget to increase social protection expenditures by increasing the capitation grant; extending participation in the National Health Insurance Scheme (NHIS); continuing school feeding programme and extending LEAP. Zambia: The government is planning to reduce allocations to social protection in 2009.	In a significantly better situation than in 1997/98, but coverage is still generally quite low; limited crisis-specific responses to date, especially for rural poor; responses seem to be relatively ad hoc in nature (see Vietnam example).	Mexico: World Bank approved $1.5 billion loan to the government to expand *Oportunidades* and help 25 million in 5 million most vulnerable households. Bolivia: In May 2009 the Juana Azurduy Mother and Child bonus started to be distributed: • To pregnant women, i.e., four payments of $17 each for attending four antenatal check-ups + one payment of $17 for having the baby delivered at one of the designated institutions + one post-partum check-up. • To mothers of children under two, i.e., payments of $18 each for taking the infant to bimonthly check-ups (up to a maximum of 12) (ECLAC, 2009). Costa Rica: Weekend children's meals in child care centres in the 37 poorest districts. Increase in the number of beneficiaries of the *Avancemos* programme, more grants for young people (ECLAC, 2009). Argentina: Expansion of public works programme – double funding in 2009 cf 2008. Brazil: Funding for *Bolsa Familia* to be maintained. Colombia: Social programmes are estimated to grow by 42% over 2008.	Generally inadequate and poorly targeted pre-crisis, although some responses to address growing crisis-linked vulnerabilities, e.g., increased public sector salaries, cash payments for pensions, widows, orphans and other vulnerable groups. But nothing for refugees or IDPs.	Some crisis-specific responses – including public works and training programmes; youth internships; higher salaries for public sector workers (which make up a significant % of especially rural workforce); support for SMEs.

	Africa	East Asia	LAC	MENA	Kazakhstan
Political economy dynamics	Excessive specialisation in minerals has proven to be even more disastrous for countries with poor governance and weak state institutions (e.g., DRC and the Central African Republic (CAR)). Lower demand and prices for commodities are compounded by high economic and political uncertainty. Risk aversion has induced investors to relocate to lower-risk countries, resulting in a sharp decline in FDI. The combination of falling export revenues, weak governance capacity and prolonged retrenchment in investment aggravates already widespread poverty and threatens the stability of these fragile states.	Important lessons learned from 1997/98 crisis, especially for social protection, so better prepared; but invisibility of informal sector workers, rural workers and gender dynamics in crisis monitoring initiatives.	No data available		Not as severe as transition-induced crisis; government has taken strong measures through Road Map; limited publicly available monitoring information and general stance of government is that crisis is under control; supported heavily by large Oil Fund reserves.

	Africa	East Asia	LAC	MENA	Kazakhstan
Civil society	No data available	Some evidence vis-à-vis informal sector – SEWA and Women in Informal Employment: Globalizing and Organizing (WIEGO) – ActionAid, Oxfam, in terms of monitoring, but generally limited. The Asian financial crisis was 'the catalyst for the emergence of a new embedded-relational governance model, which emphasises the social and environmental dimensions of the welfare state, while relying on decentralised civil society initiatives and business self-regulation in implementing corporate social responsibility' (Loftus and Percell, 2008).	Argentina: Civil society played a major role in prompting government action in earlier crisis.	Generally weak in the region but food riots in Yemen and Egypt have prompted government action	Relatively weak, but important source of gap-filling service provision.

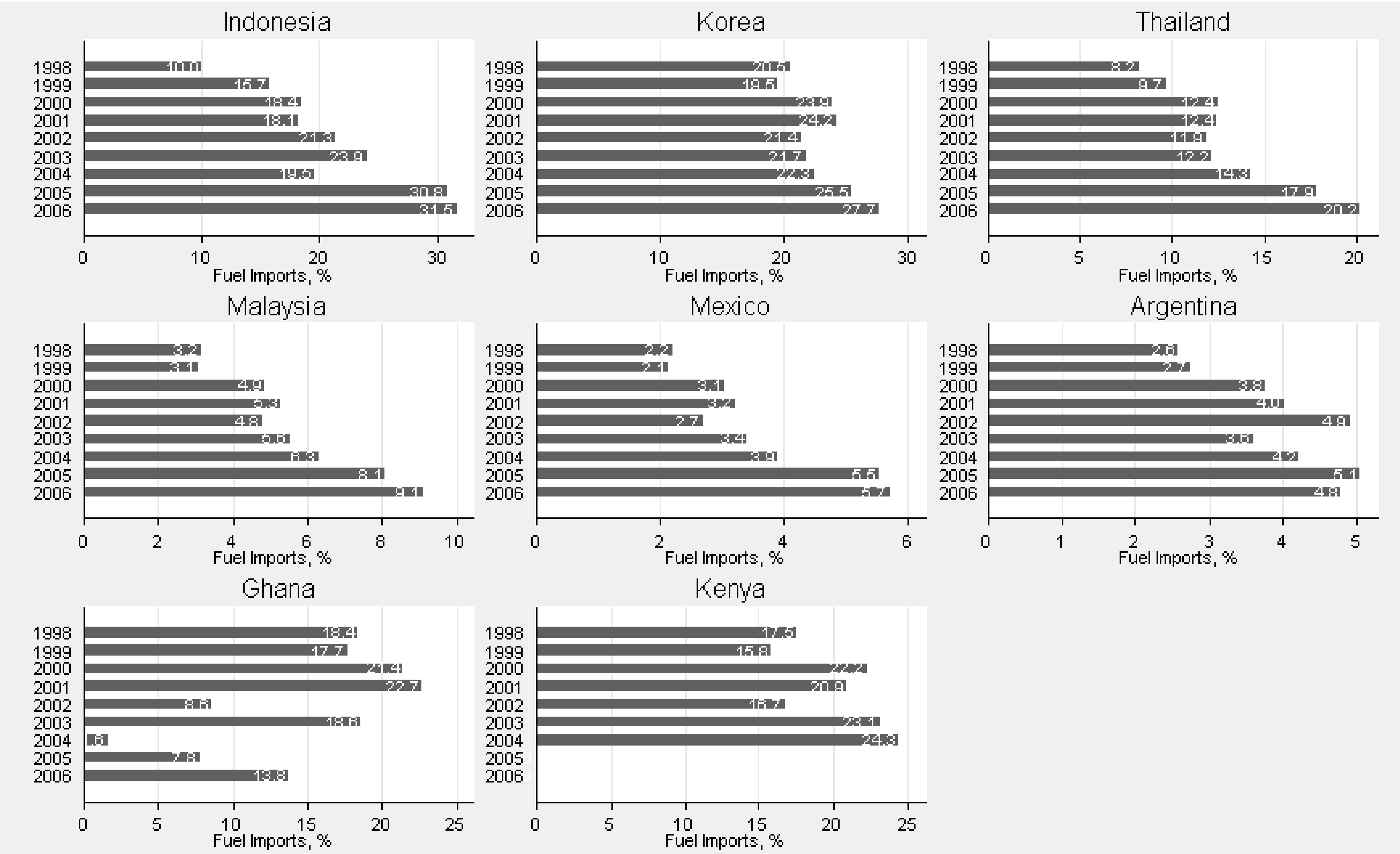
Table A2.2: Selected poverty reduction allocations and actual expenditure for Ghana, 2009 (million cedi)

Expenditure item	**Planned Jan-Dec 2009 (A)**	**Actual Jan-Sep 2009 (B)**	**Ratio of actual to budgeted expenditure (B/A)**
Total government expenditure	7203.00	4750.86	0.66
Total poverty reduction expenditure	1791.95	1272.77	0.71
Education sector	1470.85	1309.99	0.89
Basic education	870.34	690.96	0.79
Health sector	762.42	452.56	0.59
Primary health care	373.45	224.26	0.60
Agricultural sector	63.95	43.70	0.68
Poverty-focused agricultural sector	56.04	38.28	0.68
Works and housing	69.43	26.30	0.38
Rural water	55.96	6.60	0.12
Roads and transport	218.61	110.05	0.50
Feeder roads	46.81	43.49	0.93
Energy sector	57.98	59.51	1.03
Rural electrification	55.46	33.89	0.61
Other poverty expenditure	333.89	235.30	0.71

Note: Even though actual expenditure reported is for the first three quarters of the year, it is unlikely that budgeted allocations will be achieved when data for the final quarter are incorporated.

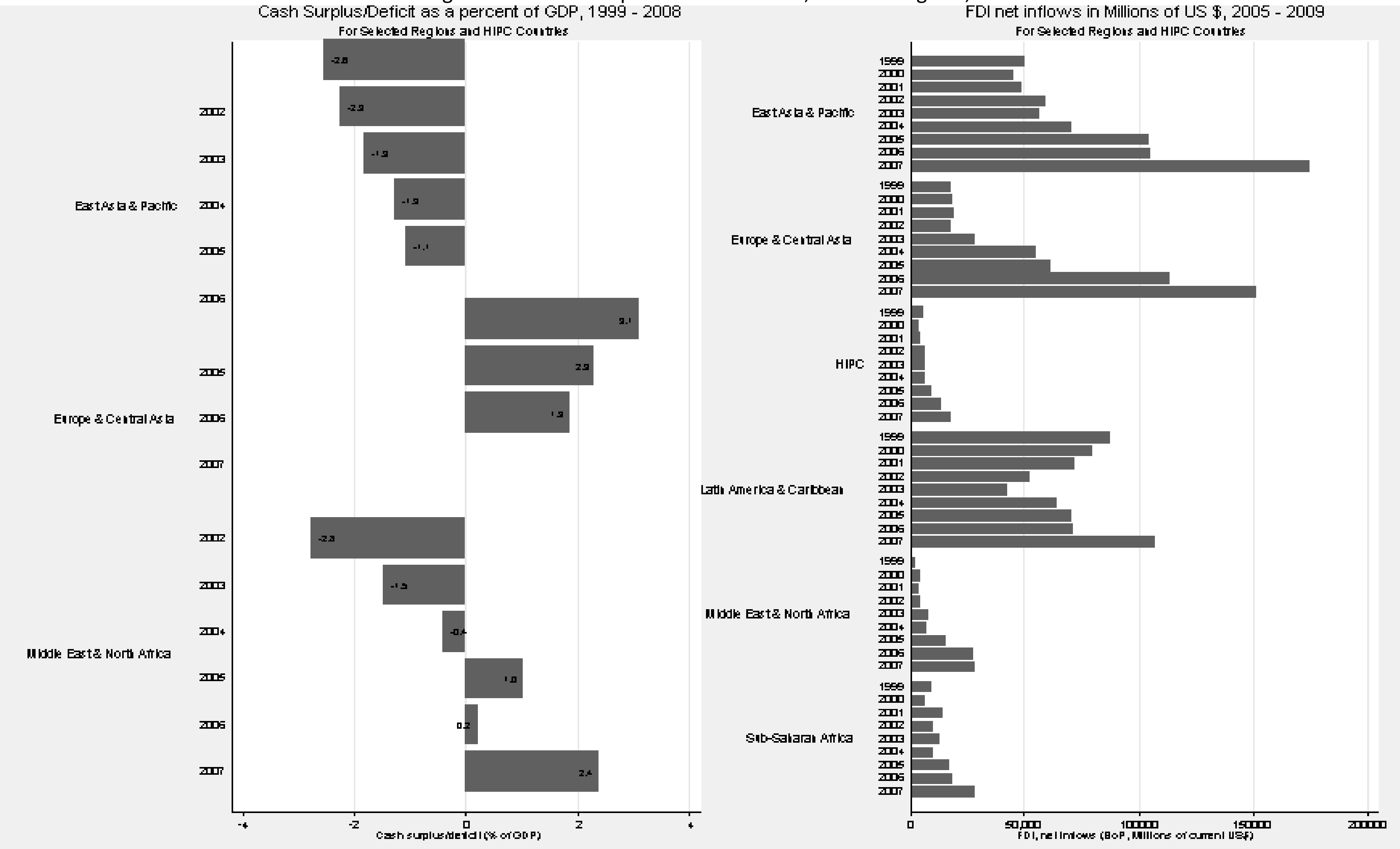
Source: Republic of Ghana (2010, Appendix 9).

Figure A2.1: Fuel imports as a per cent of imports, selected countries, 1998-2006



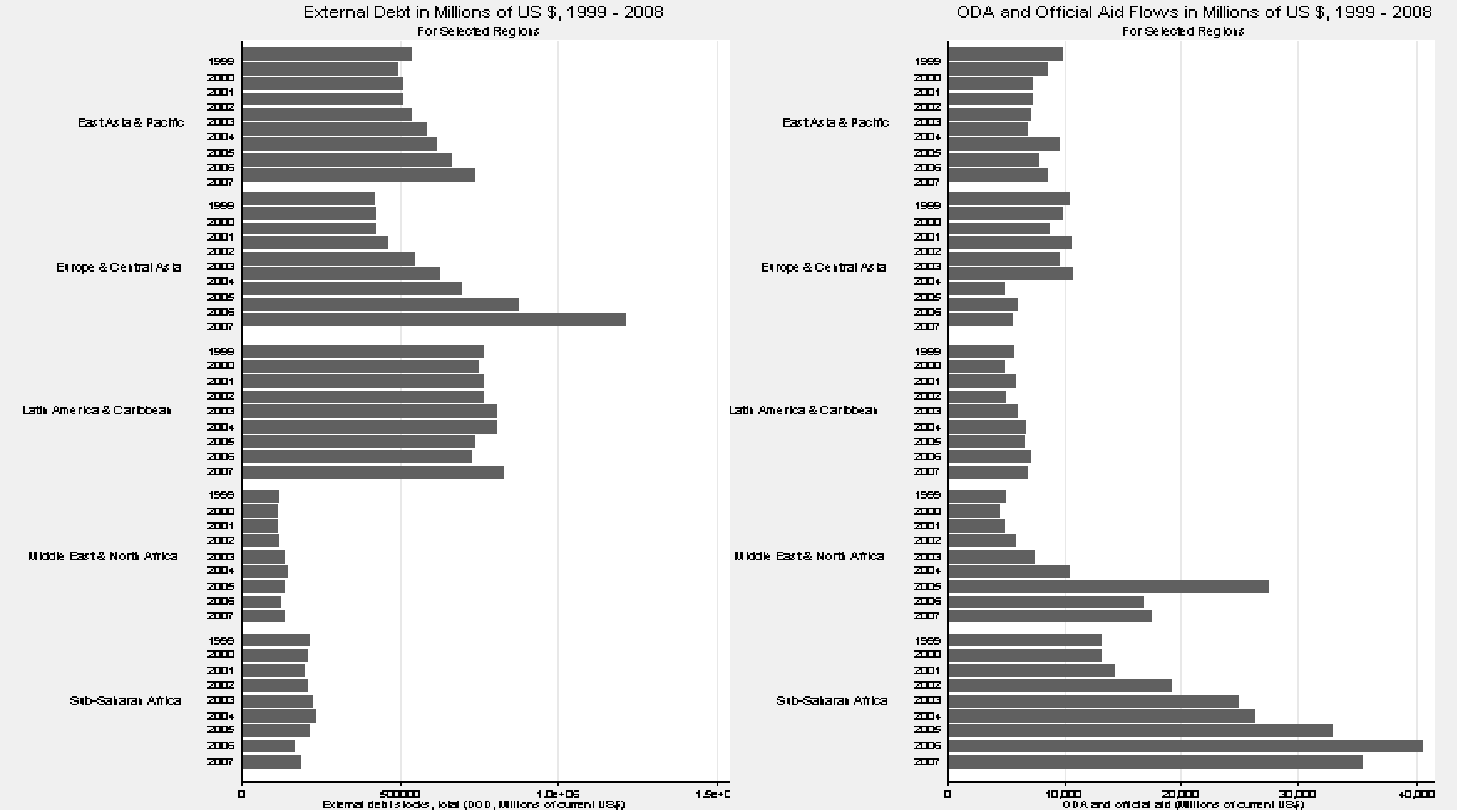
Source: World Bank World Development Indicator (WDI) database at http://data.worldbank.org/data-catalog/world-development-indicators

Figure A2.2: Cash surplus and FDI inflows, selected regions, 1999-2008



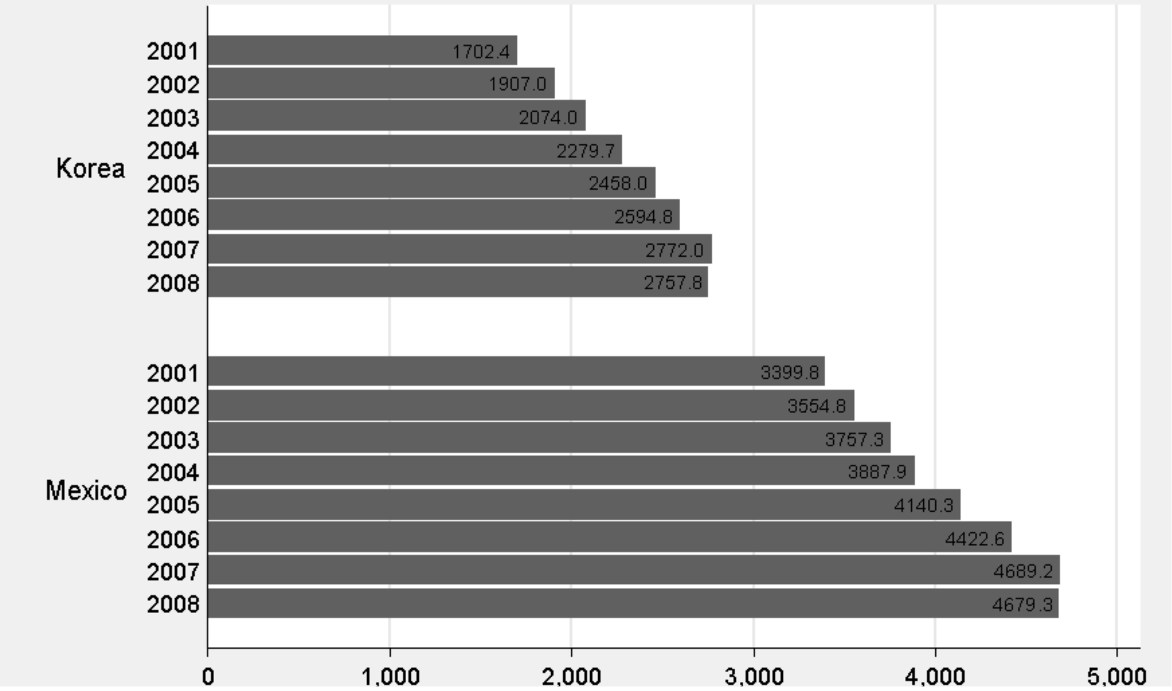
Source: World Bank WDI database at http://data.worldbank.org/data-catalog/world-development-indicators.

Figure A2.3: External debt and ODA trends, selected regions, 1999-2008



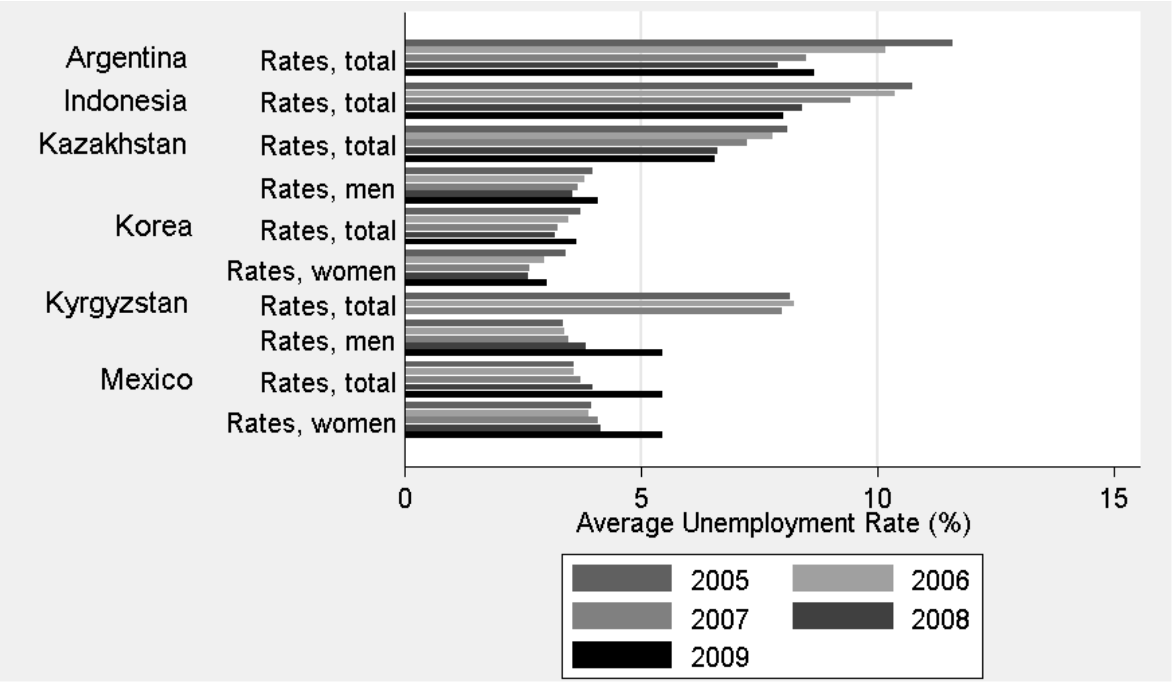
Source: World Bank WDI database at http://data.worldbank.org/data-catalog/world-development-indicators.

Figure A2.4: Employees' monthly earnings in manufacturing, Mexico and Korea, 2001-2008



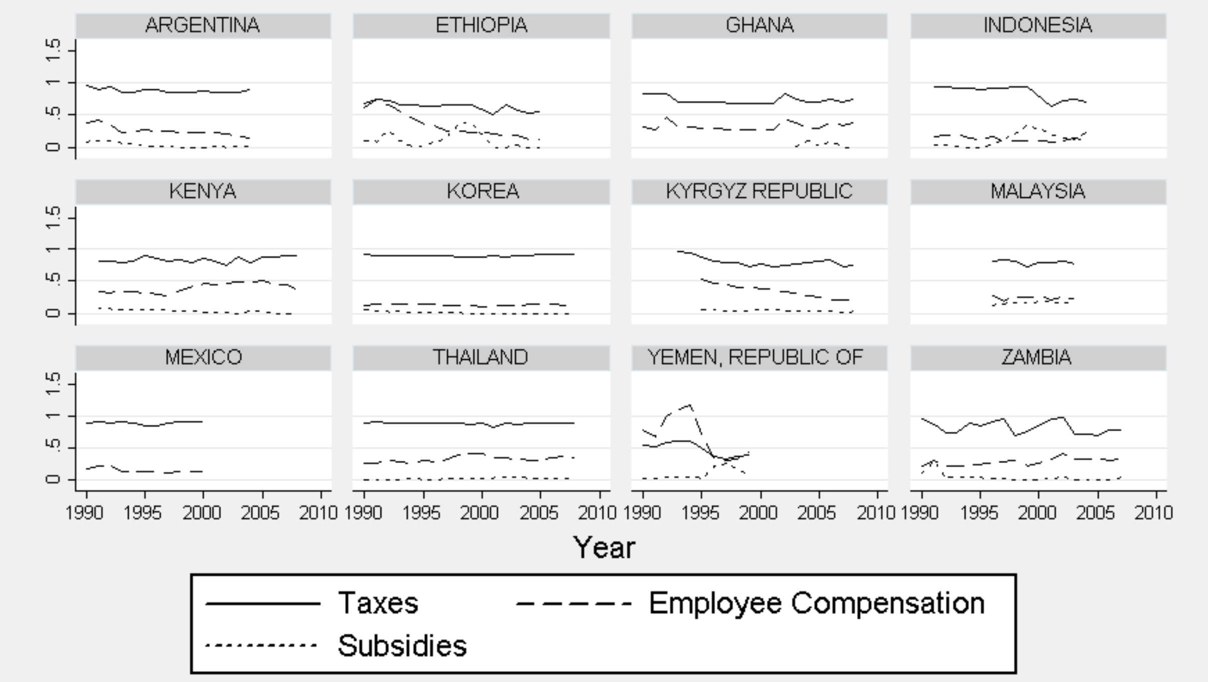
Source: ILO LABORSTA labour statistics database at http://laborsta.ilo.org/.

Figure A2.5: Average unemployment, selected countries, 2005-2009



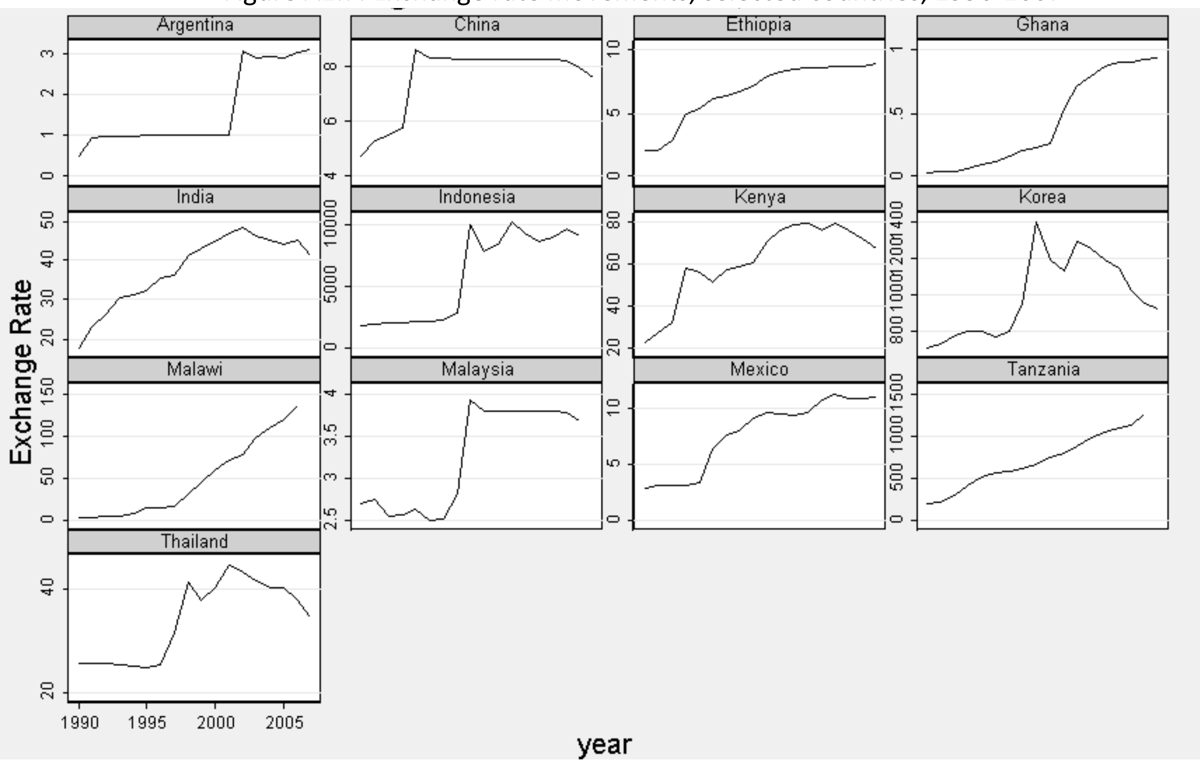
Source: ILO LABORSTA labour statistics database at http://laborsta.ilo.org/.

Figure A2.6: Taxes, employee compensation and subsidies, selected countries, 1990-2009 (% of revenue)



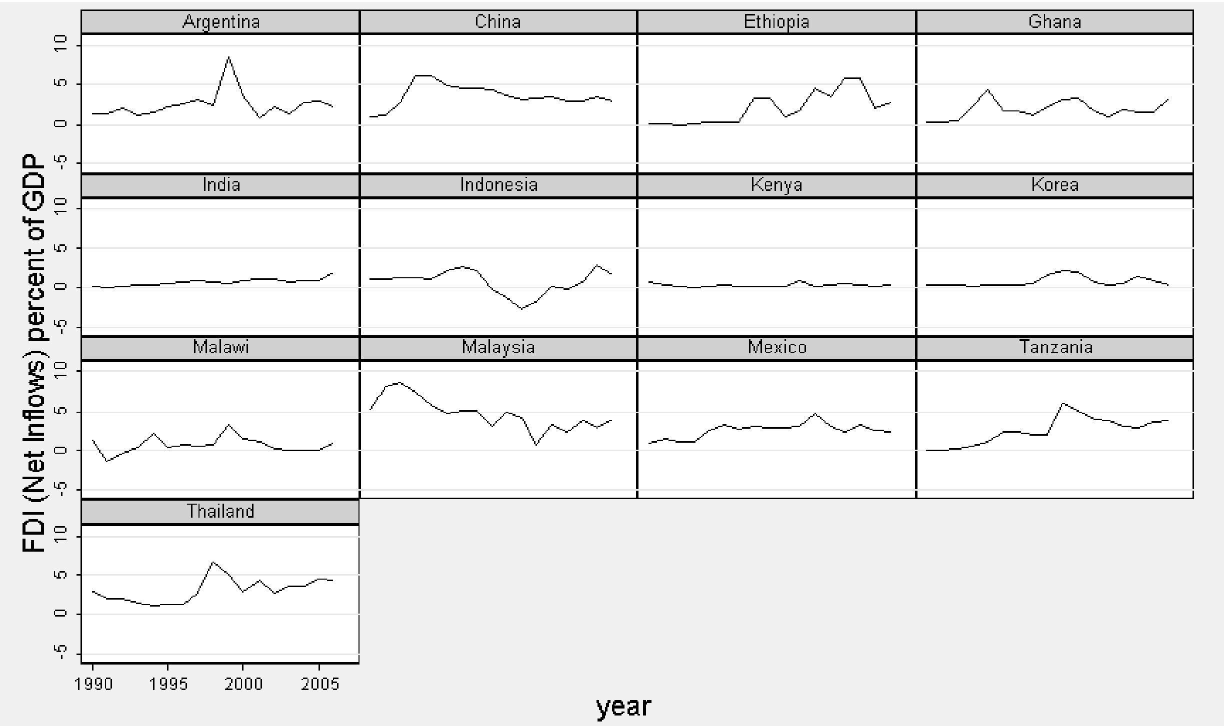
Source: IMF Government Finance Statistics (GFS) database.

Figure A2.7: Exchange rate movements, selected countries, 1990-2007



Source: World Bank WDI database at http://data.worldbank.org/data-catalog/world-development-indicators.

Figure A2.8: FDI, net inflows, selected countries, 1990-2007 (% of GDP)



Source: World Bank WDI database at http://data.worldbank.org/data-catalog/world-development-indicators.

Table A2.3: Hourly compensations costs in manufacturing,
Argentina and Mexico, 1996-2007 (annual % change)

Country	1996-2007	1996-2000	2000-2007	2004	2005	2006	2007
Argentina	0.8	2.4	-0.1	23.1	22.1	20.6	21.4
Mexico	4.9	5.7	4.4	-0.7	7.1	4.2	4.9

Source: ILO Key Indicators of the Labour Market (KILM) 6th edition database at kilm.ilo.org/KILMnetBeta/default2.asp.

Table A2.4: Selected wage indices, Malaysia, Mexico and Thailand, 1990-2007

Country	Base year	Year	Sex (a)	Sex (d)	Wages and salaries (national currency)	Nominal manuf. wage indices	Consumer price index	Real manuf. wage indices
Malaysia	1995	1990	M	Male	885	71.3	82.4	86.5
Malaysia	1995	1990	F	Female	443	61.6	82.4	74.8
Malaysia	1995	1991	M	Male	952	76.7	86	89.1
Malaysia	1995	1991	F	Female	495	68.8	86	80.1
Malaysia	1995	1992	M	Male	1037	83.5	90	92.7
Malaysia	1995	1992	F	Female	558	77.6	90	86.2
Malaysia	1995	1993	M	Male	1082	87.1	93.3	93.4
Malaysia	1995	1993	F	Female	612	85.1	93.3	91.3
Malaysia	1995	1994	M	Male	1161	93.5	96.7	96.7
Malaysia	1995	1994	F	Female	677	94.2	96.7	97.4
Malaysia	1995	1995	M	Male	1242	100	100	100
Malaysia	1995	1995	F	Female	719	100	100	100
Malaysia	1995	1996	M	Male	1343	108.1	103.5	104.5
Malaysia	1995	1996	F	Female	842	117.1	103.5	113.2
Malaysia	1995	1997	M	Male	1449	116.7	106.3	109.8
Malaysia	1995	1997	F	Female	912	126.8	106.3	119.3
Mexico	2000	1991	M	Male	1124.1	34.1	22.8	149.7
Mexico	2000	1991	F	Female	558.9	21.1	22.8	92.7

Mexico	2000	1993	M	Male	1122.3	34	28.9	117.9
Mexico	2000	1993	F	Female	750.1	28.3	28.9	98.2
Mexico	2000	1995	M	Male	1352.1	41	41.7	98.4
Country	**Base year**	**Year**	**Sex (a)**	**Sex (d)**	**Wages and salaries (national currency)**	**Nominal manuf. wage indices**	**Consumer price index**	**Real manuf. wage indices**
Mexico	2000	1995	F	Female	917.3	34.7	41.7	83.2
Mexico	2000	1996	M	Male	1519.5	46.1	56	82.3
Mexico	2000	1996	F	Female	1099.3	41.5	56	74.2
Mexico	2000	1997	M	Male	1807.4	54.8	67.6	81.1
Mexico	2000	1997	F	Female	1291.4	48.8	67.6	72.2
Mexico	2000	1998	M	Male	2304.8	69.9	78.3	89.2
Mexico	2000	1998	F	Female	1629.6	61.6	78.3	78.6
Mexico	2000	1999	M	Male	2681.5	81.3	91.3	89
Mexico	2000	1999	F	Female	2259.4	85.4	91.3	93.5
Mexico	2000	2000	M	Male	3297.6	100	100	100
Mexico	2000	2000	F	Female	2646.1	100	100	100
Mexico	2000	2001	M	Male	3789.6	114.9	106.4	108
Mexico	2000	2001	F	Female	2714.7	102.6	106.4	96.5
Mexico	2000	2002	M	Male	3988.9	121	111.7	108.3
Mexico	2000	2002	F	Female	2911.7	110	111.7	98.5
Mexico	2000	2003	M	Male	4176.6	126.7	116.8	108.4
Mexico	2000	2003	F	Female	3114.6	117.7	116.8	100.8
Mexico	2000	2004	M	Male	4273.8	129.6	122.3	106
Mexico	2000	2004	F	Female	3217.5	121.6	122.3	99.4
Mexico	2000	2005	M	Male	4625.6	140.3	127.2	110.3
Mexico	2000	2005	F	Female	3217.5	121.6	127.2	95.6
Mexico	2000	2006	M	Male	4839.5	146.8	131.8	111.4
Mexico	2000	2006	F	Female	3628.3	137.1	131.8	104.1
Mexico	2000	2007	M	Male	5242.5	159	137	116
Mexico	2000	2007	F	Female	3651.1	138	137	100.7
Thailand	1995	1991	M	Male	4728	75.8	83.6	90.7
Thailand	1995	1991	F	Female	3016	71	83.6	84.9
Thailand	1995	1992	M	Male	5159	82.8	87	95.1
Thailand	1995	1992	F	Female	3329	78.3	87	90
Thailand	1995	1993	M	Male	5145	82.5	89.9	91.8
Thailand	1995	1993	F	Female	3558	83.7	89.9	93.1
Thailand	1995	1994	M	Male	5205	83.5	94.5	88.3
Thailand	1995	1994	F	Female	3715	87.4	94.5	92.5
Thailand	1995	1995	M	Male	6234	100	100	100
Thailand	1995	1995	F	Female	4250	100	100	100
Thailand	2001	2001	M	Male	7112.7	100	100	100
Thailand	2001	2001	F	Female	5122.4	100	100	100
Thailand	2001	2002	M	Male	7449.2	104.7	100.7	104
Thailand	2001	2002	F	Female	6143.7	119.9	100.7	119.1
Thailand	2001	2003	M	Male	7344.8	103.3	102.5	100.7
Thailand	2001	2003	F	Female	5538.8	108.1	102.5	105.5

Source: ILO KILM 6th edition database at kilm.ilo.org/KILMnetBeta/default2.asp.

Table A2.5: Overview of impacts of crisis on expenditure, selected countries

Country/ region	Cuts in level of expenditure	Changes in composition of social expenditure	No cuts in social expenditure	Notes
Ethiopia		As in many other parts of the world, food prices across Ethiopia have increased significantly since mid-2007. Recent food price inflation led to a preference in many households to receive transfers of food rather than cash, prompting the government to increase the value of the cash transfer by a third in 2008. Ethiopia is considered among those countries identified as most vulnerable by the FAO, owing in part to its high dependence on imports of fuel (100%) and grains (22%) (Fairtrade Foundation, 2009).		
Zambia		Zambia does not have a system of unemployment insurance or proactive labour market policies, like assistance for job search or training. In the context of the current global economic crisis, it is important to seek creative ways to implement 'countercyclical' measure that will increase social investments as a means of strengthening individual and community capacity to weather and overcome economic difficulties.		No evidence of cuts but rather evidence of continuing fragmentation and underfunding.
Indonesia	In particular, Indonesia (and Thailand) had a more limited resource base and greater debts when the financial crisis struck, hampering their ability to protect these spheres and so significant cutbacks in basic services were made. In Indonesia, total public health sector spending	Later, targeted social protection packages were designed largely from scratch, with the help of external funds, in order to mitigate the worst effects on the poor.		

Country/ region	Cuts in level of expenditure	Changes in composition of social expenditure	No cuts in social expenditure	Notes
	declined by 9% in 1997/98 and 13% in 1998/99 (ADB, 1999).			
Thailand	In particular, Thailand (and Indonesia) had a more limited resource base and greater debts when the financial crisis struck, hampering their ability to protect these spheres and so significant cutbacks in basic services were made. In Thailand, it fell by 11% and 6%, respectively (Kittiprapas, 2002), with particularly harsh cuts in reproductive health (12%) (Tangcharoensathien et al., 2000) and the National HIV/AIDS Programme (25%) (Knowles et al., 1999).	Later, targeted social protection packages were later scaled up, with the help of external funds, in order to mitigate the worst effects on the poor.		
Malaysia			Malaysia actually increased its social sector spending, allowing the government to build on its already comparatively strong social service structures and programmes.	
Korea			Korea was able to largely maintain social spending, with some slight dips in crisis years, although combined with a push towards privatisation of the health system (Hart-Landsberg and Burkett, 2001; Kim, 2004).	
Mexico &			Despite a fall in	

Country/ region	Cuts in level of expenditure	Changes in composition of social expenditure	No cuts in social expenditure	Notes
Argentina			overall social spending in the wake of the crisis, cuts in this sector were lower than those in overall spending in both Mexico and Argentina (UNICEF and ECLAC, 2006). More specifically, thanks to a joint World Bank and IADB loan of $500 million, PROSSE was agreed in 1995, consisting of five components: 1) basic education services; 2) basic health services; 3) retraining and employment generation; 4) an integrated nutrition programme for vulnerable groups; and 5) monitoring and evaluation of social sector programmes.	
Former socialist region	Cuts were significant in a number of core sectors. In health, while core curative and some preventative health services were maintained, a number of important areas have suffered from under-financing. For instance, sanitary-epidemiological services were cut (resulting in a sharp spike in communicable diseases in the region: Figueras et al., 2004); antenatal care, including screening,	Emerging evidence concerning spatial inequalities suggests that the prioritisation of 'republican-level' hospitals continued throughout the 1990s and into the 2000s. For example, in Kyrgyzstan in 2005, national medical institutions in Bishkek consumed 50% of the health budget (World Bank, 2005c). Service delivery modalities have also undergone significant shifts in transition countries, reducing service availability. The social service functions that trade unions and state-owned enterprises previously provided have been removed altogether.		Centre column is regional differences and modality alterations.

Country/ region	Cuts in level of expenditure	Changes in composition of social expenditure	No cuts in social expenditure	Notes
	was reduced; and immunisation services have been financed primarily by donors (Cornia, 2005). Preschool education services have been decimated by a triple loss of funding, infrastructure and practitioners and, even significant donor funding, as in Kyrgyzstan for example, has been unable to extend preschool education beyond a very small percentage of children. In the poorer countries of Central Asia and the Caucasus, school enrolments at both primary and, in particular, upper secondary level had not returned to or exceeded 1991 levels by the mid-2000s (UNDP, 2002, in Yarkova et al., 2003).			

Appendix 3: Policy responses

Table A3.1: Food shock policy responses, by region

Asia

Country	**Trade-based policy measures**					**Safety nets**			**Production supports**			
	Domestic market-based solutions			**Trade policy measures**		**Safety nets (increased or introduced)**		**Increase disposable income**	**Non-market based**			**Market based**
	Released food stock at subsidised prices	**Suspension or reduction of VAT and other taxes**	**Price controls or private trade restrictions**	**Reduction of tariffs on imports**	**Restricted or banned exports**	**Cash transfer**	**Food assistance**		**Production support programmes**	**Productive safety nets**	**Fertiliser and seeds**	
	Bangladesh Cambodia China India Iraq Jordan Lebanon Malaysia Nepal Pakistan Philippines Rep. Korea Thailand Vietnam Yemen	Azerbaijan China Indonesia Jordan Mongolia	Bangladesh Jordan Malaysia Pakistan Rep. Korea Sri Lanka	Azerbaijan Cambodia China Indonesia Iran Jordan Lebanon Pakistan Philippines Rep. Korea Saudi Arabia Turkey Yemen	Bangladesh Cambodia China India Iran Jordan Kazakhstan Lebanon Myanmar Nepal Pakistan Syria Vietnam	Bangladesh China India Indonesia Jordan Pakistan Saudi Arabia Yemen	Afghanistan Bangladesh Cambodia India Indonesia Iraq Jordan Rep. Korea Saudi Arabia	Bangladesh Cambodia Jordan Iraq Lebanon Saudi Arabia Syria Yemen	Azerbaijan Bangladesh China Indonesia Malaysia Mongolia Myanmar Pakistan Rep. Korea Syria Tajikistan	Bangladesh Indonesia Iraq Philippines	Pakistan Philippines	Afghanistan Bangladesh China India Lebanon Nepal Pakistan Turkey Yemen
	15 of 26 in region	**5 of 26** in region	**6 of 26** in region	**13 of 26** in region	**13 of 26** in region	**8 of 26** in region	**9 of 26** in region	**8 of 26** in region	**11 of 26** in region	**4 of 26** in region	**2 of 26** in region	**9 of 26** in region
Bangladesh	The Public Food Distribution System stabilised prices but did not create income to replenish stocks.			Great difficulty obtaining enough rice owing to India's export ban and Myanmar's cyclone-induced		Cash transfer programmes were expanded.	The Public Food Distribution System offered food to the poor. NGOs also stepped up food distribution.		Farmers subsidised for fertiliser, seed and irrigation costs.	Procurement price raised.		

Country	Trade-based policy measures					Safety nets			Production supports			
	Domestic market-based solutions			Trade policy measures		Safety nets (increased or introduced)		Increase disposable income	Non-market based			Market based
	Released food stock at subsidised prices	Suspension or reduction of VAT and other taxes	Price controls or private trade restrictions	Reduction of tariffs on imports	Restricted or banned exports	Cash transfer	Food assistance		Production support programmes	Productive safety nets	Fertiliser and seeds	
				poor harvest.								
India	Public stock released to stabilise prices.			Removed a 36% tariff on wheat flour.					Fertiliser subsidised. 2008 budget included plan to increase agricultural credit, boost irrigation projects and fund crop insurance.	Raised price supports. Cancelled debt of small farmers.		
Indonesia				Eliminated duties on wheat and soybeans.								
Lao PDR							Food assistance expanded.					
Malaysia			Imposed ceiling on prices.							Raised the guaranteed minimum price for growers.		
Pakistan			Enacted laws to prevent milling more than 1 month supply of		Banned exports to boost domestic supply.							

Country	Trade-based policy measures					Safety nets			Production supports			
	Domestic market-based solutions			Trade policy measures		Safety nets (increased or introduced)		Increase disposable income	Non-market based			Market based
	Released food stock at subsidised prices	Suspension or reduction of VAT and other taxes	Price controls or private trade restrictions	Reduction of tariffs on imports	Restricted or banned exports	Cash transfer	Food assistance		Production support programmes	Productive safety nets	Fertiliser and seeds	
			flour. Limited inter-provincial shipment to flour rather than grain.									
Philippines			Created anti-hoarding task force with strict enforcement capabilities.	Increased imports to ensure 30-day supply.								

Africa

Country	Trade-based policy measures					Safety nets			Production supports			
	Domestic market-based solutions			Trade policy measures		Safety nets (increased or introduced)		Increase disposable income	Non-market based			Market based
	Released food stock at subsidised prices	Suspension or reduction of VAT and other taxes	Price controls or private trade restrictions	Reduction of tariffs on imports	Restricted or banned exports	Cash transfer	Food assistance		Production support programmes	Productive safety nets	Fertiliser and seeds	
	Algeria Benin Cameroon Egypt Eritrea Ethiopia Kenya Malawi Mauritania Nigeria Senegal Sierra Leone Togo	Burkina Faso Congo Djibouti Ethiopia Ivory Coast Kenya Lesotho Madagascar Morocco Mozambique Senegal Sudan Uganda	Benin Cape Verde Djibouti Ethiopia Ivory Coast Malawi Morocco Senegal Sudan Togo	Benin Burkina Faso Cameroon Cape Verde Gambia Ghana Guinea Ivory Coast Kenya Liberia Libya Madagascar Mauritania	Cameroon Egypt Ethiopia Guinea Kenya Malawi Tanzania Zambia	Burkina Faso Egypt Ethiopia Liberia Mozambique South Africa	Angola Ethiopia Liberia Madagascar Nigeria	Cameroon Egypt Ethiopia Libya	Algeria Benin Burkina Faso Central African Republic Ghana Liberia Libya Madagascar Nigeria Senegal Seychelles Tunisia	Guinea Kenya Liberia Madagascar Tanzania Tunisia	Burkina Faso Nigeria Tunisia Zambia	Algeria Egypt Ethiopia Tunisia

Country	Trade-based policy measures					Safety nets			Production supports			
	Domestic market-based solutions			Trade policy measures		Safety nets (increased or introduced)		Increase disposable income	Non-market based			Market based
	Released food stock at subsidised prices	Suspension or reduction of VAT and other taxes	Price controls or private trade restrictions	Reduction of tariffs on imports	Restricted or banned exports	Cash transfer	Food assistance		Production support programmes	Productive safety nets	Fertiliser and seeds	
				Morocco Niger Nigeria Rwanda Senegal								
	13 of 33 in region	**14 of 33** in region	**10 of 33** in region	**18 of 33** in region	**8 of 33** in region	**6 of 33** in region	**5 of 33** in region	**4 of 33** in region	**12 of 33** in region	**6 of 33** in region	**4 of 33** in region	**4 of 33** in region
Burkina Faso				Suspended import tariffs on 4 foods.					Smallholder agriculture being supported by USAID.	Burkina Faso		
Congo		Reduced VAT from 18% to 5%.										
Ethiopia	Sold nearly 200,000 tons of wheat to stabilise prices.	Removed VAT and turnover tax on grain and flour.				Increased the size of cash transfers to compensate for higher prices. Wage rates rose 33% for PSNP participants.	PSNP recipients began to prefer food to cash as prices rose. In 2008, % of families receiving food only rose from 20% to nearly 70%. NGOs vastly expanded their food distribution.		Too little support in addressing drought and land degradation.			
Ghana									Smallholder agriculture being			

Country	Trade-based policy measures					Safety nets			Production supports			
	Domestic market-based solutions			Trade policy measures		Safety nets (increased or introduced)		Increase disposable income	Non-market based			Market based
	Released food stock at subsidised prices	Suspension or reduction of VAT and other taxes	Price controls or private trade restrictions	Reduction of tariffs on imports	Restricted or banned exports	Cash transfer	Food assistance		Production support programmes	Productive safety nets	Fertiliser and seeds	
									supported by USAID.			
Kenya		Removed VAT (16%) on rice and bread.										
Madagascar		Reduced VAT from 20% to 5%.					School feeding programme nearly tripled, to 150,000.					
Malawi			All sales mandated to take place, at a fixed price, through the Agricultural Devt and Marketing Corporation.		Banned maize exports except to Zimbabwe.						Beginning in 2006/07, the government distributed hybrid seeds and fertiliser at a 75% subsidy. Subsidies were increased for some smallholders to 100% and maize production rose by a quarter.	
Nigeria				Tariffs reduced from 100% to 2.7% on rice.								
Sierra Leone						Rapid rollout of cash for work programme that						

Country	Trade-based policy measures					Safety nets			Production supports			
	Domestic market-based solutions			Trade policy measures		Safety nets (increased or introduced)		Increase disposable income	Non-market based			Market based
	Released food stock at subsidised prices	Suspension or reduction of VAT and other taxes	Price controls or private trade restrictions	Reduction of tariffs on imports	Restricted or banned exports	Cash transfer	Food assistance		Production support programmes	Productive safety nets	Fertiliser and seeds	
						eventually covered 1% of the population.						
South Africa						Adjustments to transfer to offset price increases.						
Zambia					Despite a large surplus of maize, exports were banned.							

Latin America and Caribbean

Country	Trade-based policy measures					Safety nets			Production supports			
	Domestic market-based solutions			**Trade policy measures**		**Safety nets (increased or introduced)**		**Increase disposable income**	**Non-market based**			**Market based**
	Released food stock at subsidised prices	**Suspension or reduction of VAT and other taxes**	**Price controls or private trade restrictions**	**Reduction of tariffs on imports**	**Restricted or banned exports**	**Cash transfer**	**Food assistance**		**Production support programmes**	**Productive safety nets**	**Fertiliser and seeds**	
	Bolivia Brazil Costa Rica Dominican Rep. Guatemala Guyana Honduras	Brazil Dominican Rep. Guyana Suriname	Belize Costa Rica El Salvador Mexico Saint Lucia	Argentina Bahamas Belize Bolivia Brazil Ecuador El Salvador Guatemala Mexico Nicaragua Peru Trinidad& Tobago	Argentina Bolivia Brazil Ecuador	Brazil Chile Costa Rica Ecuador El Salvador Guyana Haiti Mexico Suriname	Bahamas Guatemala Haiti Peru Suriname	El Salvador Guyana Honduras Panama	Antigua & Barbuda Belize Brazil Costa Rica Dominican Rep. Guyana Haiti Jamaica Nicaragua Peru Suriname Trinidad & Tobago	Dominican Rep. El Salvador Jamaica Nicaragua Trinidad & Tobago	El Salvador Jamaica Trinidad & Tobago	Brazil Honduras
	7 of 22 in region	**4 of 22** in region	**5 of 22** in region	**12 of 22** in region	**4 of 22** in region	**9 of 22** in region	**5 of 22** in region	**4 of 22** in region	**12 of 22** in region	**5 of 22** in region	**3 of 22** in region	**2 of 22** in region
Argentina					A major exporter, the country restricted exports, with taxes, to boost domestic supplies and generate revenue for food distribution. Farmers protested and the tax was quickly lifted.							

Country	Trade-based policy measures					Safety nets			Production supports			
	Domestic market-based solutions			Trade policy measures		Safety nets (increased or introduced)		Increase disposable income	Non-market based			Market based
	Released food stock at subsidised prices	Suspension or reduction of VAT and other taxes	Price controls or private trade restrictions	Reduction of tariffs on imports	Restricted or banned exports	Cash transfer	Food assistance		Production support programmes	Productive safety nets	Fertiliser and seeds	
Brazil		Reduced taxes on wheat, wheat flour and bread.				Scaled up existing cash transfers.						
Ecuador			Established system of police checks and monitoring. Imposed fines on violators.			Scaled up existing cash transfers.						
El Salvador						Scaled up existing cash transfers.						
Mexico			Introduced price freeze on commodities.			Scaled up *Oportunidades* 25% in terms of the size of the programme; also raised benefit level.						

Table A3.2: Programmes implemented or modified in response to historical crises and their post-crisis evolution

Country programme	Date	Overall success	Components	Modern descendants
Indonesia				
Social Protection Sector Development Programme (SPSDP)	1998	'Policies introduced under the program loan have been modified and expanded, and currently underlie the Government's development agenda. Interventions and modalities initiated under the project loan continue to the present time. Pro-poor policies, introduced under the Program, providing the poor with access to essential social services are now widely accepted, and the social sectors are receiving greater absolute and relative shares of national and regional budgets' (ADB, 2006).	Health: **Health Sector Social Safety Net** (JPS-BK)	The health initiative, now called Health Insurance for the Poor (*Askeskin*), continues to provide the poor and the near poor with access to quality health care through health cards and block grants.
			Education	The education subsidy, School Operational Assistance (BOS), compensates schools per student. It combines block grants and scholarships. The BOS programme is universal compared with the targeting of the poor by SPSDP.
			Rice Subsidy Programme (OPK)	Rice for Poor Families (RASKIN) is the world's largest rice subsidy programme. The central government's National Procurement Corporation buys rice and local governments distribute it to low-income families (ADB, 2009). The programme is well targeted, with 85% of subsidies going to the poor (OECD, 2008). Over 19 million people were served in 2009.
			Job Creation Programme 2 (PK2)	PK2 has been phased into the National Programme for Community Empowerment (PNPM), which provides funding for community-directed projects, such as building schools, electrical generation, washing facilities and roads. In 2009, the programme was projected to be operating in all sub-districts (PNPM Mandiri, 2008). Unconditional Cash Transfer Programme (BLT) is a cash transfer programme initiated in 2005, utilising the post office. Quarterly payments are roughly $30 and reach over 15 million households (OECD, 2008).

Country programme	Date	Overall success	Components	Modern descendants
				The Hopeful Family Programme (PKH), 2007, is a conditional cash transfer targeting women in poor families. Families living below the poverty line of less than $15 per month get a direct boost of cash on top of aid for health and education. BLT Plus began in 2008 and is an unconditional cash transfer programme introduced in response to the rising price of fuel. Includes, for poor households, cash and sugar and cooking oil. In 2009, a law was passed to provide universal coverage for all branches of social security.
Thailand				
	1998	'Thailand has social welfare and social insurance systems. Social welfare involves welfare services aimed at the poor, persons with disabilities, children, the elderly, women, minority hill tribes, and other disadvantaged individuals. The social insurance system provides sickness, maternity, disability, death, dependent child, old age and unemployment benefits. There is also a social security system for private sector employees and medical security and pension systems for public service employees, employees of national enterprises, and military personnel' (Library of Congress, 2007).	Thai Help Thai Social Assistance	The Thai Help Thai programme included a revolving fund, by village, for community development. In 2000, Community Organizations Development Institute (CODI) became its own legal entity as a public organisation and took over the mantle of community development. It supports 30,000 rural community organisations; 'communities themselves become the implementers of development projects they have planned and initiated themselves' (ACHR, 2007). In 2003, CODI launched two new programs, *Baan Mankong*, which uses government funds to help communities improve their housing stock and basic services (Bigg, 2005) and *Baan Ua Arthorn*, which constructs and sells houses to low-income families at subsidised rates. In 2001, the National Village and Urban Community Fund began providing start-up capital for each village to develop occupations and create economic activities that

Country programme	Date	Overall success	Components	Modern descendants
				would generate income. The money may also be used for public services in each rural village or urban community, which forms a committee to manage the revolving fund. In rural areas, more than 7000 village funds have so far been established. In Bangkok, about 1000 communities are operating urban community funds (Public Relations Department, 2004).
			Education: Student Scholarship Fund	In 2007, school feeding was covering nearly 2 million children, which included essentially all malnourished children. 95% of all children have access to school lunch (Kanemasu, 2007). In 2009, Thailand launched a programme to provide 15 years of free education to every child (Bangkok Post, 2009).
			Health: Voluntary Health Card and Low-Income Card 1983 (Phase I).	Coverage expanded from 3% in 1992 to 14% in 1997 (Phase IV). Shifted into revolving fund format, with increased emphasis on universal coverage goal (Pannarunothai et. al., 2000).
			Employees Provident Programme	In 2001, Thailand extended government-financed coverage to all uninsured people with little or no cost sharing. This programme, originally called the 30-Baht Scheme (but now no longer requiring that members co-pay) has achieved near-universal coverage without compromising access for those with prior coverage (Damrongplasit and Melnick, 2009). Considerable thought is going into ensuring the programme remains financially sustainable.

Country programme	Date	Overall success	Components	Modern descendants
				The **Strategic Plan for the Promotion of Social Welfare** in Thailand was adopted in 2007 and aims to provide all citizens with social security benefits by 2011.
Malaysia				
		'The government's philosophy towards social protection was to build human capital by providing universal basic education and health care, as well as granting low-cost housing, improving infrastructure (especially in rural areas), providing income-generating schemes to the poor and limiting income transfers to the hardcore poor or unemployable poor [...] Overall, safety nets in Malaysia proved largely resilient, although not sufficiently flexible to adapt effectively to the new poverty landscape brought about by the crisis, especially the rapid increase in urban poverty' (Jones and Marsden, 2009).	There was a focus during the 1997 crisis on employment-related interventions, including public works and retraining programmes. Universal programmes were already existent and the goal was to move the under-employed, rural poor to urban areas where they could better access programmes to improve their human capital and find employment.	'The government's provision of universal benefits, notably free education and health care, as well as subsidies on a number of essential commodities, have ensured that most children and poor families do not fall through the gaps' (Netto, 2009). The focus largely remains on employment. E.g.,, as life-spans increase and health improves, government is attempting to change the way old age is viewed – so even the elderly are seen as potential productive members of the workforce. 9th Malaysia Plan (2008-1010): the initiatives that top the agenda are poverty eradication, narrowing intra- and inter-ethnic income and wealth gaps, provision of affordable housing to low- and middle-income households, provision of access to water and electricity, enhancement of health care and improvement of the standard of living of marginalised groups (Bernama, 2008). In 2008 and then again in 2009, the

Country programme	Date	Overall success	Components	Modern descendants
				government announced stimulus plans to counteract the impact of the financial crisis. The second plan represented almost 9% of GDP and included plans for long-term human capital development. In 2009, the government launched the Malaysia Social Safety Net (JKSM). The social support comes in various forms that include financial aid; food, fertiliser and fuel subsidies; free education, textbooks and uniforms; affordable hospital care and skills training (Wong, 2009). The programme will be significantly extended in 2010 as it aims to reach all persons who are 'absolutely' poor. A key component is a 'child allowance of RM100 per child, up to a maximum of RM450 per family' (Ngy, 2009).
Korea				
Employment Insurance Scheme (EIS)	1995	Korea did not have a problem with unemployment (3.2%) until the Asian crisis. However, EIS was the culmination of decades of discussion. It was designed to encourage employment and provide financial support to unemployed workers.	Unemployment benefit coverage was expanded to cover all workplaces, including temporary or part-time workers but excluding day workers (Jung, 2005).	In 2008, the coverage rate was 80% for regular workers but only 60% of all workers, given the large number of 'irregular' workers. In 2008, a variety of new programmes were added to EIS. Specific components were added for youth and the elderly. Vocational training programmes were expanded and a public works programme was added (Hope-Work Project).
National Basic Livelihood Security Act (NBLS)	1999	'When the economy appeared to have turned a corner in 1999, the government declared its commitment to "Productive Welfare" as the third pillar of its governance, together with democracy and market economy, expanding and	Universal rights to support on the basis of citizenship, not age or disability. Includes seven components: 'living allowance, housing benefit, education benefit, medical benefit, childbirth benefit, funeral	'Public social expenditure remains extremely low in comparison with all other OECD countries. The social insurance system and social welfare services sector remain underdeveloped. The current welfare system in Korea can best be characterized as a residual model in which state intervention remains limited and the family and the private market economy play the central roles in providing a

Country programme	Date	Overall success	Components	Modern descendants
		supplementing its unemployment insurance and replacing its primary distribution system with the NBLS system, which aimed to support people with inadequate incomes' (Jones and Marsden, 2009). The impact of the 2008 crisis is much less severe than that of 1998.	benefit, and self-support benefit. The grant level is determined so that the total grant brings the recipient above of the minimum cost of living' (Song, 2009). Able-bodied workers must seek work or to participate in the Self-Reliance programme, which provides employment.	social safety net. This situation is largely the legacy of the "growth-first" ideology, which has remained the dominant approach favored by the majority of Korea's political and economic decision-makers since the period of authoritarian rule (1961-1993), together with the adoption of Western European-style neoliberal restructuring, which was implemented following the financial crisis of 1997' (Park, 2008). A 2007 initiative expects to provide a government-financed pension for 70% of the elderly.
Mexico				
National Fund for Popular Housing (FONHAPO)	1982		Enabled poor rural and indigenous families to improve their housing situation.	The current program is called ***Tu Casa*** and covers impoverished Mexican families with at least one child (or elderly households) (FONHAPO, 2009).
Programme for the Training of the Unemployed (PROBECAT)	1982	Initially small in the 1980s, it was vastly expanded in 1995. 'During the last half of the 1990s, PROBECAT became the Mexican government's most important means of improving the productivity and employability of the unemployed' (Pereznieto, 2009). PROBECAT was left in place after the creation of Progresa, part of a broader scheme of social protection. Initial results were that the programme reduced unemployment; more recent results have been less positive	Scholarship scheme to train the unemployed.	***Becate*** has replaced PROBECAT and provides support to unemployed and underemployed workers who need to update and complement their knowledge or work aptitudes. In this case, the beneficiary gets a voucher which is used to pay for the training services (tuition and materials) (OECD, 2007).

Country programme	Date	Overall success	Components	Modern descendants
		(OECD, 2007).		
Programme of Direct Resources for Agriculture (PROCAMPO)	1994	Payments are regressive in that the more land one owns the larger payment one receives. However, the programme is considered less regressive than most agricultural programmes. Overall, it is considered highly successful in terms of increasing calorie intake of rural farmers.	Income support programme for agricultural producers, designed to offset the impact of NAFTA.	PROCAMPO was originally designed to be phased out after 15 years. However, rather than the programme being eliminated, it is being redesigned for 2010, with a probable focus on smallholders
Temporary Employment Programme (PET)	1995	PET was left in place after the creation of *Progresa*, part of a broader scheme of social protection.	Temporary cash for work programme targeting low-skilled, urban workers. Expanded to help rural workers cope with seasonal unemployment.	Temporary employment programmes have been expanded in Mexico. For example, the Country Roads Temporary Employment Programme, announced in 2007, will enable government to achieve several objectives. First, it will create employment and provide greater opportunities for families with lower incomes. Second, it will create roads that will open rural communities to increased tourism and business (Presidency of the Republic of Mexico, 2007).
Programme of Essential Social Services (PROSSE)	1995		PROSSE had several components: 1) basic education services; 2) basic health services; 3) retraining and employment generation; 4) an integrated nutrition programme for vulnerable groups; and 5) monitoring and evaluation of social sector programmes.	
Progresa/ Oportunidades	1997	'That the programme has continued since 1997, despite changes	Conditional cash transfer programme	*Progresa/Oportunidades* is still in place (in 2009, the World Bank approved a loan to Mexico totalling

Country programme	Date	Overall success	Components	Modern descendants
	1997	in administration, shows that it has been an effective and comprehensive social protection response to the crisis. It has since become the government's main poverty reduction programme and the platform from which to provide additional social protection given its effective targeting of the poor and its strong administration' (Pereznieto, 2009). Mexico allocates only 10% of GDP to the social sector; the greater part of spending on social protection does not reach the poor because of the system's dual structure. Almost 90% of spending on social protection is channelled through institutions geared towards providing health and pension services to workers in the public and private sector, resulting in the exclusion of informal workers (World Bank, 2005a). The role of the state has been systematically cut back; social services have been outsourced to the market; and informal family-based social protection has gained ground.	dependent on participation in health, education and nutrition investments.	$1.5 million in support of the programme (World Bank, 2010)) and has been the model for various programs around the globe. Funds are dispersed to the mother in the family and are carefully targeted to meet goals. For example, school attendance for older and female children triggers higher payments (Merino, 2007). While the impact of the programme on poverty reduction has been negligible, the educational, nutritional and health outcomes that the programme has afforded children are highly positive (SEGA, 2007). The programme is independently evaluated on a regular basis; earlier evaluations included controls. The programme now serves one out of every four Mexican children in 5 million families (Levy, 2006b). It does not, however, have the flexibility to respond in times of crisis, since it was not designed for this purpose (World Bank, 2005a). Conditional cash transfers cannot be successful in a vacuum. While they, for example, raise school attendance rates substantially, positive learning outcomes are also dependent on a quality educational system. The National Savings and Financial Services Bank (BANSEFI) was set up in 2001 to deepen the Mexican financial system by spreading accessibility of basic financial services through facilitating the offering of products to segments of the population that are typically not served or are underserved by conventional financial intermediaries. BANSEFI operates on the pillar of promoting savings among the poorer segments of the Mexican population (IFC, 2006).

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		Mexico's social model has thus been reduced to a system that is almost exclusively concerned with protection for those living in extreme poverty (Bayón, 2009).		The Food Assistance Programme (PAL), is a food distribution programme that began in 2003, targeted to poor households that are rural, marginalised and unable to participate in *Oportunidades*. Payments can be made with a food basket or cash. While both have been found to improve nutrition, the food basket was more likely to increase both calorie and micronutrient intake (Leroy, 2010). *Seguro Popular* was introduced in 2004 and serves members of the population who receive no health care benefits by providing them with subsidies for medicine and medical care.[94] Premiums are means tested. The programme is on target to provide health for all citizens by 2010. Enrolment in the scheme at present covers an additional 14% of the population every year. To back the scheme, 1700 new clinics and hospitals have been built around the country, including some specialty hospitals. Prior to the scheme, only salaried workers had access to a government-financed health protection scheme, while 4% of the population has private health cover (Suri, 2006). However, the elderly poor are largely unprotected (World Bank, 2005a). *Seguro Médico para una Nueva Generación* provides health insurance to the children of all uninsured families who were born after 2006. The programme covers more than 1 million children. *Programa 70 y Mas* provides

[94] www.gemalto.com/public_sector/healthcare/mexico.html.

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				economic and social support for elderly persons living in small towns.[95] *Red de Estancias Infantiles* pays for child care for low-income families with young children.[96] Since 2006, Mexico has been attempting to use child care as both a means and an end to employment. Thousands of new centres have been established, creating nearly 10,000 new jobs. In 2009, 230,000 children benefited from coverage.[97] *Opciones Productivas* supports projects generating jobs and income for poor individuals and families.[98] It strives to increase human capital while maintaining environmental sustainability. Projects vary from grocery stores to workshops to cafés and are all self-employment focused. However, the impact of the programme is limited because of insufficient training: the success rate of projects is only 16% (Merino, 2007). *Jornaleros Agricolas* works to improve the living and working conditions of migrant agricultural workers, many of whom represent indigenous populations.[99] Projects include building schools and child care centres, as well as providing school feeding and incentives for schooling.
Argentina				
Programme for	2002	The programme is	A cash for work	PJJHD is still in existence in 2010.

[95] www.sedesol.gob.mx/index/index.php?sec=801576.
[96] www.sedesol.gob.mx/en/index/index.php?sec=6&pag=1
[97] www.presidencia.gob.mx/programas/?contenido=34602.
[98] www.sedesol.gob.mx/en/index/index.php?sec=6&pagina=2
[99] www.sedesol.gob.mx/en/index/index.php?sec=6&pagina=4.

Country programme	Date	Overall success	Components	Modern descendants
Unemployed Household Heads (PJJHD)		considered well targeted; the low compensation given ensures that only those who need it enrol. Despite this, however, over 90% of participants say that they are satisfied with the programme. Nearly 90% of the projects supported under the programme cater to community needs, such as soup kitchens, hygiene classes or remedial education (Wray, and Tcherneva, 2005). Approximately two-thirds of participants are female. Evaluations have found that the programme has minimal impacts on poverty, owing to low wages; recent research also questions impact on structural poverty (Alperin, 2009). However, nobody disagrees that the programme has played an important role in ameliorating life conditions of the poor (Kostzer, 2008).	programme for low-income families with children.	However, in 2005 the government initiated a strategy to move participants to two new programmes; migration was voluntary. Both offer more money than PJJHD. In early 2010, the programme began shifting recipients off the rolls in earnest. No new participants are accepted. In 2005, ***Programa Familias*** began accepting former PJJHD beneficiaries. This conditional cash transfer programme, modelled on *Oportunidades*, requires school attendance and health checks for children but not work (Lloyd-Sherlock, 2008). Coverage has been increasing rapidly, with 117 municipalities in 2005 and over 400 in 2007. By 2009, over 600,000 families had been assisted (IADB, 2009c). All of these families were previously enrolled in PJJHD. The programme is explicitly biased towards women with large families (World Bank, 2009c). *Seguro* is the second programme designed to accept former PJJHD recipients. It is a workfare programme that requires employment or training in exchange for a cash payment that lasts a maximum of two years (Lloyd-Sherlock, 2008). It also offers a one-time cash payment for entrepreneurs. The programme accepts only former PJJHD participants.
Compensatorias en Educación	2002	The programme facilitated education through the provision of learning materials, offering school attendance incentives and providing school meals.	Education	Parliament approved a legislative framework providing for an increase in education expenditure of up to 6% of GDP between 2006 and 2010.

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Pensions Inclusion Plan (PIP)/*Moratoria*	2004	This programme has resulted in large transfers that are not targeted to the poor.	Pension reform	This law altered pensions significantly: the number of pensioners increased 60% in one year and by 2007 was 95% of the elderly population (World Bank, 2009c). In 2008, 8.5% of GDP was devoted to pensions. The programme has resulted in large transfers not targeted to the poor.
Ethiopia				
Sector development programmes	1997	Ethiopia has continued to build on its sector reforms. They are currently in their third iteration, having been a crucial component of PSNP and now PASDEP (see below).	**Health Sector Development Programme** (HSDP)	Four main programs are included under the rubric of HSDPIII. These include the Health Service Extension Programme (HSEP), the Accelerated Expansion of Primary Health Care Coverage, which aims to achieve universal coverage in rural areas, the Essential Health Service Package (EHSP) and a National Nutrition Strategy (developed and officially launched in 2008).
			Education Sector Development Programme (ESDP)	From 2002-2005, the percentage of public spending that was accounted for by education rose from 14% to 20%. By 2007 it was nearly a quarter of the budget.
Sustainable Development and Poverty Reduction Programme (SDPRP)	2002	SDPRP was the first poverty reduction strategy, integrating HSDPII/ESDPII. The government increased its pro-poor spending from 43% in 2002 to 62% in 2006.	**Food Security Programme**	This strategy for overcoming food insecurity is founded on: 1) building assets though farming activities; 2) voluntary resettlement away from degraded land; 3) encouraging non-farm income-generating activities; and 4) the PSNP (which was initiated in 2005) (see below).
Productive Safety Net Programme (PSNP)	2005	The PSNP is currently the largest social protection instrument in Africa and one of the largest programmes of its type in the world, reaching 8 million people in 2008. The vast majority of PSNP resources (approximately 85%) are provided as	Food for work, direct beneficiary	Chronically food-insecure households receive either cash or food transfers for up to five years. Households with able-bodied members receive these transfers as cash for work whereas direct support is provided in the form of unconditional transfers to the most vulnerable households without able-bodied members who can participate in public works. The aim is to move the chronically food

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		payment for participation in the public works programme, with the remaining direct support provided to households without access to adult labour (Hobson, 2008). In 2006/07, 5.8 million people participated in the public works programme, while 1.3 million were direct support beneficiaries.		insecure away from humanitarian aid. Recent food price inflation in the country led to a preference by many households to receive transfers of food rather than cash, prompting the government to increase the value of the cash transfer by a third in 2008.
Plan for Accelerated and Sustained Development to End Poverty (PASDEP)	2007	PASDEP places rapid and sustained growth at the centre of the strategy with a reaffirmed focus on pro-poor spending. The strategic emphasis of the growth pillar is placed on 1) market-based development of agriculture; and 2) private sector development.		
Kyrgyzstan				
Unified Monthly Benefit (UMB)	1995	Kyrgyzstan, like other former Soviet republics, has struggled to replace older universal benefits with more targeted approaches to meeting the needs of the vulnerable. Decreased revenues in a time of increased need have made this challenging. UMB is an attempt to replace Soviet universal child allowances with a benefit targeted at poor families.	Monthly cash stipend to families with children.	UMB is still in place. A 2008 World Bank grant increased funding for the programme, which remains the only cash transfer programme directed at poverty reduction. The guaranteed minimum consumption level is slated to be raised again in both 2010 and 2011, which will again increase the level of this benefit.
The *Manas Taalimi*	1996	The programme sought	Health care reform	The programme was redesigned as

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Health Care Reform Programme		to improve access to health care. 'Evidence from 2004 suggests that the Mandatory Health Insurance Funds has had some success in reducing informal out-of-pocket payments' (Marcus, 2009). The programme is underfunded.		part of an International Development Association (IDA) sector-wide approach (SWAp) in 2006, with a focus on: 1) contributing to the reduction of poverty; 2) establishing fair access to health care; and 3) increasing efficiency and quality in health care provision.[100] Financing reforms have eliminated fragmentation and primary care services have been reorganised; the programme now covers essentially all of the population (WHO, 2009b).
New Generation Programme	2001	'The program was intended to coordinate government and NGO activity on children, and to promote children's rights within the framework of the Comprehensive Development Framework and subsequently the PRSP' (Marcus, 2009).	Child protection	This programme is expected to run through the end of 2010; the country is already working with UNICEF and the ILO and has drawn up a Code for Children to prevent child trafficking. In 2007, the benefit level for disabled persons was tripled and school feeding was expanded (Suiumbaeva, 2010). Secondary education has now been made free and boarding schools have been expanded. Financial assistance is provided to the poorest children to compensate their families for their labour and thus keep them in school (Committee on the Rights of the Child, 2007). In 2008, the government began selling core foodstuffs to the poor at reduced prices. In 2009, all pensions for the elderly were raised 50%.
	2003		Entrepreneurship programme that pays the annual equivalent of UMB payments in one lump sum for business investment, etc.	

[100] http://manastaalimi.med.kg/eng/.

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