



The Human Face of the Financial Crisis

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Outline

- The triple threat to development in Asia-Pacific region
 - Financial crisis
 - Food and fuel price hike
 - Climate change
- Implications of crisis in social development across the region
- Stimulus Packages, overview and critique
- Role of civil society

Impact of the financial crisis on Asia-Pacific

The Economic and Social Survey of Asia and the Pacific 2009 (UNESCO) reports a general decline in domestic demand and exports:

- Global investors pull funds out of emerging markets;
- Downturn in property prices and bank lending to the property sector;
- Reduced bank lending to corporate and small and medium-sized enterprises;
- Exports and foreign direct investments to be hit;

Declining Real GDP Growth Rates

Country	2007	2008
Japan	2.4	-0.7
China	13.0	9.0
Korea (Rep. of)	5.0	2.5
India	9.0	7.1
Indonesia	6.3	6.1
Malaysia	6.3	5.4
Philippines	7.2	4.6
Singapore	7.7	1.2
Thailand	4.9	2.6
Vietnam	8.5	6.2

Source: Economic and Social Survey of Asia and the Pacific 2009, UN ESCAP

Inflation rates

Country	2007	2008
Japan	0.1	1.4
China	4.8	5.9
Korea (Rep. of)	2.5	4.7
India	6.2	9.0
Indonesia	6.4	10.3
Malaysia	2.0	5.4
Philippines	2.8	9.3
Singapore	2.1	6.5
Thailand	2.2	5.5
Vietnam	8.9	24.4

Source: Economic and Social Survey of Asia and the Pacific 2009, UN ESCAP

Negative impact on livelihoods and vulnerable groups

The 2009 UNESCAP report also states that:

- Preliminary estimates by the ILO indicate that 2009 unemployment in Asia-Pacific could increase by between 7 to 23 million workers;
- Countries with slowing economies and rapid labor force growth, ex. Cambodia, Pakistan, Philippines, will experience the greatest impact;
- Wage growth in real terms will unlikely exceed 1.8%-- and outright wage reduction in countries with low economic growth seems inevitable.

Con't, from UNESCAP 2009

- The people most at risk from the crisis are the poor, women who are laborers in the manufacturing sector, the youngest and oldest populations and socially excluded groups

–Not only do these groups have fewer resources with which to cushion the impact of the shocks, but they also have less influence on economic and political decisions.

Food and fuel crisis

- Between 1998 to 2007, the price of crude oil increased at an annual average rate of 21%, reaching \$72/barrel in 2007;
- It accelerated further in the first half of 2008, reaching \$140/barrel in July 2008
- Cereal prices increased 92% from April 2007 to their peak in April 2008, in contrast to 29% increase from April 2006 to April 2007;
- Rice posted the steepest price increase in the shortest time: 150% from January to May 2008

- Higher food prices in Asia and the Pacific pushed up the number of undernourished people in the region from 542 million in 2003 to 2005 to 584 million in 2007;
- Additional food price increases in 2008, along with the marked slowdown in economic activity, is likely to increase the number of undernourished even more;
- Food price increases may push the poor to reduce the number of times and variety of food they eat, sell their meager assets, or take children out of school to work, harming their and their children's prospects

Climate change in Asia-Pacific

- The increase in the surface temperature in Asia and the Pacific is much higher than the global average... so is the impact;
- Changing weather patterns:
 - heighten livelihood insecurities (ex. agriculture and fisheries sectors);
 - health threats (per WHO, environmental risk factors contribute to 85 of the 102 categories of major diseases and injuries);
 - increased destruction of infrastructure (rainfall, floods, storms).

Threats to achieving MDGs

- The financial crisis, which threatens economic growth, creation of jobs and the deterioration of incomes, poses increased difficulties to fight poverty and achieve social conditions and the attainment of MDGs;
- This is especially true in countries in the Asia-Pacific which are already struggling to improve the human development conditions of the poor.

Basic Capability Index (BCI)

Country	BCI
Japan	99
Malaysia	99
China	90
Indonesia	84
Philippines	77
India	71
Cambodia	66
Nepal	65
Lao, PDR	58
Bangladesh	57

Source: Social Watch Report 2008

Health

Country	Malaria (cases per 100,000 people)	TB (cases per 100,000 people)	People with HIV/AIDS (15-49 yrs old,%)	Infant Mortality (per 1,000 live births)	Under-5 Mortality (per 1,000 live births)
Cambodia	5.0	665	1.5	65	82
Indonesia	1	253	0.1	26	34
Japan		29	<0.1	3	4
Malaysia	0.2	125	0.4	10	12
Myanmar	14.5	169	1	74	104
Nepal	0.4	244	0.4	46	59
Philippines	0.5	432	<0.1	24	32
Timor-Leste	40.9	789		47	55
Thailand	0.6	197	1.1	7	8
Papua New Guinea	12.3	513	1.6	54	73
Vietnam	0.5	225	0.4	15	17

Source: Social Watch Report 2008

Education

Country	Literacy (15-24 yrs. Old, %)	Primary School Enrolment Rate	Children reaching 5 th grade	Secondary school Enrolment rate	Tertiary Education Enrolment rate
Afghanistan	34.3				1.3
Indonesia	98.7	94.5	89.5	57.4	17
Japan		99.8		100	55.3
India	76.4	88.5	73.1		11.0
Cambodia	83.4	96.5	63.1	23.9	3.6
Nepal	70.1	79.2	78.5		5.6
Philippines	95.1	92.9	74.9	60.2	28
Bangladesh	63.6	88.9	65.1	41.0	6.0
Lao, PDR	78.5	82.7	63.0	35.6	7.9
Pakistan	65.1	67.2	69.7	20.3	4.5
Myanmar	94.5	99	69.9	43	11.9

Source: Social Watch Report 2008

Reproductive Health

Country	Women aged 15-49 attended at least once during pregnancy by skilled health personnel (%)	Births attended by skilled health personnel (%)	Estimated Maternal Mortality ratio (per 100,000 live births)	Contraceptive use among currently in union women aged 15-49
Afghanistan	52	14	1800	10
Indonesia	92	66	420	57
Lao, PDR	44	19	660	32
Timor-Leste		19	380	10
Myanmar		68	380	
Nepal	70	19	830	48
Philippines	88	60	230	49
Bangladesh	49	20	570	58
Cambodia	69	43.8	540	40
India	65	47	450	56
Vietnam	70	88	150	76

Source: Social Watch Report 2008

Poverty in the Philippines

- Even before the onset of the global crisis, poverty in the Philippines had been rising;
- Household incomes had already been falling;
- Jobless growth has been persistent;
- Indicators in education, health and nutrition have not improved significantly with posted economic growth.

Growth and Poverty in Selected ASEAN countries

Country	Average GDP Growth Rates			Ave. Poverty Reduction per year, 1990-2005 (mil)*
	1991-95	1996-2000	2001-07	
Cambodia	7.77	7.34	9.68	0.13
Indonesia	7.87	0.98	5.07	3.29
Lao, PDR	6.42	6.17	6.56	0.05
Malaysia	9.47	4.99	4.79	0.01
Philippines	2.19	3.96	5.02	(0.06)
Thailand	8.62	0.64	5.05	0.32
Vietnam	8.21	6.96	7.74	0.24

Source: "Poverty in the Philippines: Causes, Constraints and Opportunities", Aldaba (2009)

*Based on US\$1.25 at 2005 PPP)

Philippines January 2009 Labor Force Survey

- The estimated number of population 15 years old and over increased by approximately 1.267 million persons from January 2008 to January 2009.
- Out of the estimated 58.7 million population 15 years old and over in January 2009, only 37.1 million persons (63.3%) were reported to be in the labor force (from 63.4% in January 2008).
- The number of employed persons in January 2009 was estimated at 34.3 million (employment rate at 92.3 percent), lower than 2008 estimate of 92.6 percent.
- Regions with the lowest employment rates and are below the national employment rate are:
 - National Capital Region 86.0%
 - CALABARZON 89.1%
 - Central Luzon 90.3%
 - Ilocos Region 91.5%
 - Central Visayas 92.2%
- Unemployment rate for January 2009 rose from last year's 7.4 percent to 7.7 percent. Region with the highest unemployment rate is NCR with 14 percent.

Can the economy absorb increasing job seekers?

- Official GDP growth projection for 2009 is 3.1% to 4.1%
- Other rating agencies have projections lower than that of government's:
 - IMF: **2.25 %** (as of February, under review)
 - Moody's: **2 to 3 %**
 - Standard and Poors: **2.2 %**
 - World Bank: **1.9 %** (from 3 % last December)
- Global recession threaten overseas job prospects for Filipinos

Stimulus Packages

**Are government efforts
adequate to provide social
protection in the short and long
term?**

Economic stimulus packages in Asia and the Pacific

The Economic and Social Survey of the East Asia and the Pacific 2009 Report gives details on the economic stimulus packages of some countries in the region.

East and North-East Asia

China

\$584 billion package to stimulate domestic demand
- includes a component for health and education

\$123 billion to improve the country's health care system which includes
- an annual subsidy
- upgrading of grassroots medical institutions, health services and public hospitals

Economic stimulus packages in Asia and the Pacific

East and North-East Asia

Korea

Committed 4% of its GDP for a package that includes

- job creation
- welfare support
- reduced real estate taxes

Specific mention is made of providing better job training through expansion of the internship system

The 50 million won “Green New Deal Job creation Plan” is intended for environment-friendly job creation

Economic stimulus packages in Asia and the Pacific

North and Central Asia

Armenia, Georgia, Kazakhstan, Russian Federation and Turkmenistan

fiscal stimulus packages focus largely on tax packages, namely in VAT, income tax, tax codes and the like

The Pacific Islands

Northern Marianas Islands, American Samoa, Guam

fiscal stimulus packages are largely on infrastructure, food assistance and tax incentives

Economic stimulus packages in Asia and the Pacific

South and South-West Asia

India

focuses on tax relief, support of manufacturing enterprises and infrastructure

Pakistan

has a \$7.6 billion Stand-by Arrangement with IMF to handle its budget deficit

has set up the Benazir Income Support Programme to provide monthly cash benefits

Sri Lanka

has unveiled a \$141 million package largely focused on incentives for exporters, cuts in energy prices, as well as reduction in “the expenses of government officials”

Economic stimulus packages in Asia and the Pacific

South-East Asia

its countries have among the largest fiscal stimulus that are largely focused on tax breaks and incentives, rescue operations for industries and infrastructure

Indonesia

has \$6.1 billion

Malaysia

has \$1.9 billion

Philippines

has \$6.5 billion

has set up a separate allocation for conditional cash transfers

Singapore

has \$13.7 billion

package include cash transfers to employers

Thailand

has \$3.3 billion

promises a one-time cash distribution program

Vietnam

has \$1 billion

is packaging subsidized loans to farmers

Stimulus packages neglects development of local capacities to cope with crisis

stimulus packages of both donor and recipient countries give an impression that these are designed for quick results

as the ESCAP report points out, short term responses are not sustainable if the crisis will linger

short-term responses like cash transfers and short term job creation are focused on the individuals

a truly effective capacity development focuses on organizations, like communities, builds up their capacities to find solutions to survive the crisis as well as assure them of sustained growth

short-term solutions, like prolonged cash transfers, may not be complimentary to local capacity development, may lead to dependency, do not solve problems of poverty, low levels of productivity, employment and community morale

Partnership with civil society organizations

The ESCAP 2009 report states that civil society organizations are key partners in the alliances for development, particularly for local capacity development

CSOs have shown they are innovative and creative in delivering capacity development services at the local level

This is particularly shown by Social Watch Philippines

- active in international campaigns
- has shown its effectiveness in campaigning for participatory budgeting at the national and local levels
- has capacitated local communities and developed monitoring mechanisms on MDG goals, particularly education, health, agriculture and the environment

The financial crisis is not only about banks, stimulus packages, tax relief and infrastructure. The *human face* of the crisis is reflected on:

- the mothers who die while giving birth unattended by physicians;
- infants dying due to preventable causes;
 - workers laid-off from jobs;
- graduates who have little job opportunities;
 - millions of people suffering from hunger and limited access to adequate food.

Thank you.