

PROTECTING PACIFIC ISLAND CHILDREN & WOMEN DURING ECONOMIC & FOOD CRISES



A working document for advocacy, debate and guidance
July 2009

Key points:

- The central lesson learned from every previous economic crisis is that the poorest people in developing countries suffer the most and that not enough is done to help them. Beneath the current crisis lies a “Development Emergency” with catastrophic implications if we fail to respond effectively.
- While there is still uncertainty about the scope and impact of the economic crisis in the region, it is clear that children and women in many Pacific Island countries are likely to be amongst those most severely affected, and that those already most vulnerable will face the greatest impact. The crisis compounds the recent shock from high food and fuel prices. The region has a very short window of opportunity (due to lag time in the transmission of global impacts to the Pacific) to prepare by readjusting fiscal and monetary policy, creating an enabling environment in which alternative livelihood opportunities can be found, establishing early warning and response tracking systems, and developing immediate and longer-term social protection (safety net) policy responses.
- It is essential to maintain, and where possible increase, the collection of data (disaggregated by sex and age when feasible) to closely monitor the effects of the crisis on children and women in the Pacific. An early warning system—a Pacific Hardship Alert—linked to the proposed Global Impact and Vulnerability Alert System could be a medium-term consideration.
- Investing in children and women is not only a moral imperative; it also brings positive benefits to economies and societies. Governments in the Pacific must not stray from their commitments to children and women in this time of crisis. They must take all necessary measures to enhance the role of women as economic agents and to protect social sector budgets, especially to maintain and, if warranted, expand essential social services for children and women (health, education, HIV prevention, and protection from abuse, violence and exploitation). Donors should maintain their aid commitments to the Pacific in this time of crisis and must ensure investments benefit those most in need.
- A new set of policy options including formal social protection (safety net) mechanisms such as school feeding programs, cash and in-kind transfers to the most vulnerable, and workfare programs (targeting youth and women in particular) should be considered in the response to the current crisis, to aid recovery of any lost economic and social development, and to lessen the impact of future crises.

*Keep human beings at the centre. Start with children.
Economics must serve human ends not dominate them.
Investing in people, children first and foremost, is the
way to build our collective future.*

Dr. Richard Jolly, UNICEF's Former Deputy Executive Director.

Plenary Session at the Second World Congress of ChildHealth 2000, Vancouver, Canada, May 30th 1995.
http://www.gcsitdc.com/ch2000_2/mc_jolly.html

Protecting Pacific Island children and women during economic and food crises: A working document for advocacy, debate and guidance

July 2009

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Table of Contents

	Page No.
Executive Summary	iii
Part 1: The current crises and their broad impacts across the globe and in the Pacific	1
Across the globe	1
Across the Pacific	5
Summary	12
Part 2: The human face of financial, economic and food crises	13
The central lesson	13
Likely impacts on Pacific Island children	13
Likely impacts on Pacific Island women	25
Summary	28
Part 3: Real-time monitoring and Policy Action for children and women in the Pacific	30
Identifying and monitoring the vulnerable	32
Protect social budgeting for children	37
Option A: Increase investments in children	38
Option B: Maintain social sector budgets	41
Option C: Reduce social expenditure	41
Focus on girls and women	42
Budget for social protection	45
What is social protection?	46
Why should social protection be considered?	47
What are some of the key lessons learned about social protection around the world?	48
What are some of the characteristics of existing social protection programs in the Pacific?	54
Is strengthening formal social protection in the Pacific an option at this time of crisis?	59
Where formal social protection is weak or does not exist, how could it be initiated?	60
How can social protection be made more child-centred?	63
How can social protection systems be financed?	64
How can social protection become a major new contributor to crisis mitigation and broader economic development within the Pacific?	65
What role can development partners play in supporting social protection?	66
Final remarks	67
Summary	67
Annex 1: Some guiding principles of real-time social impact monitoring and a possible indicator framework	73
List of Tables	
Table 1: Pacific Island National Basic Needs Poverty Incidence—Head Count Indices	9
Table 2: Estimated Impact on Level of Poverty Incidence of 10% Real Increase in the Basic Needs Poverty Line in Fiji Islands	10
Table 3: Dependency on imported foods in selected Pacific Island countries	17
Table 4: Food import capacity indicators for selected Pacific Island countries 1990–2001	17
Table 5: Maternal Mortality Ratios for 16 Pacific Island countries	26
Table 6: Potential impact of current economic crisis on Pacific Island children and women	32
Table 7: Copenhagen Consensus 2008—best economic investments to solve world challenges	39
Table 8: Selected gender-related indicators in the Pacific	43
Table 9: Different social protection roles and measures	47
Table 10: Advantages and disadvantages of some social protection measures	52
Table 11: Social Protection Summary Indicators for the Asia-Pacific region	55
Table 12: Social protection across seven key populations (% coverage)—Pacific compared to Asia	55
Table 13: Types of Social Protection in five Pacific Island Countries	56
Table 14: Comparative coverage of social protection for workers in five Pacific Island countries	57
Table 15: Social Protection Index (SPI) for selected Pacific Island countries, Japan, Korea and Asia	58

List of Figures

Figure 1: Human Poverty Index for Pacific Islands (excluding Timor-Leste)	8
Figure 2: Incidence of Basic Needs Poverty across Pacific States	9
Figure 3: Poverty Headcounts before and after selected economic crises	13
Figure 4: Girls' Infant Mortality Rate (IMR) exceeds boys' IMR during economic downturns	15
Figure 5: Impact of economic crises on education with gender differences in selected countries	21
Figure 6: Possible transmission channels of the economic crisis onto women	27
Figure 7: Pacific Island country Social Protection Indices versus their Human Poverty Indices	58

List of Boxes

Box 1: People and households likely to experience the greatest hardships in the Pacific	11
Box 2: Financial crisis and children's nutrition across the globe	15
Box 3: Qualitative assessment of food price rise impacts in 2008 across the Pacific	17
Box 4: Painful lessons from the 1997 Asian Financial Crisis	20
Box 5: Lessons from Timor-Leste on consumer price suppression	31
Box 6: General considerations to support real-time monitoring and policy action in the Pacific	35
Box 7: Effective government responses in previous economic crises	38
Box 8: The crisis is an opportunity for social sector reform—examples from health and education	46
Box 9: Social protection defined	45
Box 10: Some international experiences with social protection programs	49
Box 11: Some international lessons on social protection	50
Box 12: Some lessons learned on conditional cash transfers	51
Box 13: Fiji's Family Assistance Program	57
Box 14: Some features on an ideal Workfare Program	62
Box 15: Why child-centred social protection is so needed	63
Box 16: Principles of real-time monitoring of social impacts on children and women in the Pacific	73

Executive Summary

Protecting Pacific Island children and women during economic and food crises is a work-in-progress. It is informed and continues to be informed by many people and information sources. This first version offers a rapid synopsis of the food price rise and global economic crises together with their known and potential impacts on children and women including lessons learned from previous crises. It also offers guidance on real-time monitoring to better understand the situation of children and women in the Pacific and suggests policy options to help protect them including how to achieve better returns on investment from social sector spending as well as how to strengthen existing and initiate new social protection programs.

Country-specific action is needed in response to the global economic crisis. This document is intended to help national and regional partners better understand and actively respond to the impacts of the global economic crisis on some 1 million children and half a million women in the Pacific (excluding Timor-Leste, Papua New Guinea, and the Pacific Island Territories). Our focus is the protection of children's physical and social well-being and how the crisis may be used as an opportunity to expand access to quality health, education, child protection and other key services in the Pacific to safeguard gains already made and to accelerate progress toward National and Millennium Development Goals for children. We leave room for other agencies to expand upon the situation analysis and policy guidance presented here to protect and assist Pacific Island women. The document acknowledges the impacts on and policy options for finance, trade, agriculture, food security, energy, climate change, and employment, but expanded discussion on these issues can be found in other relevant documents, many of which are referenced in footnotes. We expect to build on this work over the coming months as we learn more. Further documentation will contribute to future revisions of this document, policy decision-making and action.

The document is divided into three Parts:

Part 1: The current crises and their broad impacts across the globe and in the Pacific

Part 2: The human face of financial, economic and food crises

Part 3: Real-time monitoring and Policy Action for children and women in the Pacific

Part 1 summarizes the impacts of the food price rise and global economic crisis to date and its broad economic and social impacts across the globe and in the Pacific. We surmise that:

Across the globe

- Prospects for an early recovery are unlikely, forcing countries to prepare for a prolonged downturn in trade, investment and employment. The risks of a long and deep recession or even a depression cannot be excluded.
- The crisis has hit in a series of waves. The first wave brought the global financial system to the brink of collapse. A second wave hit emerging economies causing reductions in credit, trade, foreign direct investment, remittances, and employment, and likely reductions in aid. A third wave is now hitting the world's poorest and most vulnerable countries already suffering from the shock of high food and fuel prices.
- Further waves are likely to hit long into the future including a return to high commodity prices, deeper gender inequities, decreased food security, a prolonged labour market recession, the persistence of poverty effects, and the intergenerational transmission of poverty.
- Beneath this global financial crisis lies a global humanitarian crisis or, as the World Bank describes it, a "Development Emergency" with catastrophic implications if we fail to respond effectively.

Across the Pacific

- In the Pacific, only Timor-Leste, Papua New Guinea and possibly Vanuatu will continue to sustain positive economic growth while other Pacific economies will slow down or contract.
- It is possible that the full impact of the global economic crisis has not yet been felt in the Pacific. On the positive side, this gives countries a small window of opportunity to put together more thoughtful and effective policies. On the negative side, this means that the impacts may be even larger in 2010 than in 2009. Even if the global economy picks up in the second half of 2010, as the most recent forecasts suggest, lags mean that economic conditions will be tough in the Pacific in 2010 and it may take until 2011 for the Pacific economies to fully recover.

- The transmission channels of the crisis to the Pacific are broadly similar to other parts of the world (reductions in exports, remittances, etc.). In addition, countries with trust funds invested in international financial markets have seen the value of their funds drop which will likely reduce income streams to national budgets. The close association with the economies of Australia and New Zealand also means that downturns in these two countries will negatively affect several Pacific Island economies.
- There are substantial levels of poverty and hardship in the Pacific with one in four households and almost one-in-three of the population already below the respective national poverty lines. Early indications are that levels of poverty are set to increase due to the economic crisis and other factors specific to particular countries.
- Those most likely to experience the greatest degrees of hardship and poverty will be: (i) the young, (ii) the old, (iii) people living with disabilities, (iv) those who had no source of regular income, or (v) those with no access to adequate land on which to grow food for consumption and/or sale. Households headed by women and the elderly will be very vulnerable and children in female-headed households are likely to be especially disadvantaged.
- The economic crisis might also create new categories of those facing hardship and poverty including: the urban poor who rely on purchasing their food; small-holder and subsistence farmers; front-line workers if their salaries are either reduced or not adjusted to keep up with higher commodity prices; low-skilled workers, internal-migrants, and immigrants; communities or groups who have been excluded from access to productive resources, decent work and social security, or displaced due to environmental degradation, disasters, or discriminatory land-use policies.

Part 2 examines the impacts that previous financial and economic crises have had on children and women. It also considers the known and potential impacts of the current crisis on Pacific children and women (including last year's food and fuel price rise crises). We observe that:

The central lesson

- Is that in every previous economic crisis it is the poorest people in developing countries who suffer the most and not enough is done to help them. They are forced to respond with measures that keep them poor and lower future income-earning potential, resulting in persistent poverty.

Likely impacts on Pacific Island children

- Around 18,000 children under five years of age still die every year in the Pacific region (13,000 in Papua New Guinea, 2,500 in Timor-Leste, and 2,500 in the Pacific Island countries)—50 deaths a day; one death every 30 minutes. Four out of five of these children are under one year of age. Unless reversed, the economic crisis could result in an increase of between 400 to 800 Pacific Island child deaths annually—two more deaths every day than is currently the case. By 2015, an additional 5,600 Pacific children under five could have died if the crisis persists; this equates to about the same number of all reported child deaths in all natural disasters occurring in the Pacific since 1950 (excluding Timor-Leste). Globally, girl children are more at risk in economic crises.
- More Pacific Island children will become more malnourished, with long-lasting consequences. Malnutrition including micronutrient deficiencies is already common across the Pacific and changes in household food consumption patterns brought about by the economic crisis may increase these problems. Despite traditional subsistence agriculture, many Pacific Island countries and households already face food insecurities which will be exacerbated if the crisis decreases abilities to purchase food. There are high levels of national dependence on food imports and high proportions of household income spent on food, even in rural areas. For children in poor households, reducing consumption from already low levels, even for a short period, can have important and sometimes permanent cognitive, motor, social-emotional, educational and economic repercussions across the life-course.
- Government health expenditures will likely decline in real per capita terms. Even where health is prioritized within the overall budget, real health spending per capita may still fall. The demand on public services will increase at a time when funding for such services will diminish. Where health insurance schemes exist, households may no longer be able to afford health insurance or may become ineligible. Where private health care systems exist, users may switch from the private system to the public health sector as their ability to pay for health services is impacted. The quality of health care will likely diminish. Overall, patients will likely defer care completely or only attend when the situation becomes critical, exacerbating child and maternal mortality.
- The gains in education made by Pacific Island countries are now under threat. More Pacific Island children may not enroll, drop out of school or experience declines in the quality of education. If education budgets decline, teacher salaries may be delayed and public money for new school

buildings, school repairs and school inputs such as teaching supplies may be greatly reduced compromising quality. Where students incur some direct schooling costs, however small, poorer students may be pressed to forego schooling to earn income or to substitute for adult home production. Large youth populations combined with school drop-outs already make youth employment a major concern for this sub-region with the crisis only set to increase levels of youth unemployment. If enrollments and learning levels deteriorate during the crisis, Pacific Island countries may lose a competitive head-start when the global economy recovers. There are also sinister long-term impacts of deteriorating education outcomes affecting future economic growth.

- Abuse and exploitation of and violence against women and children, while difficult to measure, rise under conditions of economic stress. Evidence of severe forms of child labour are scarce and there are reportedly few street children in the Pacific, but the current crisis could propel children from school into the labour force (especially boys) or to shoulder more household tasks (especially girls). Child workers already make up an estimated 19% of the labour force in Papua New Guinea and 14% in Solomon Islands. Recent research across a range of Pacific Island countries suggest various forms of child abuse, violence and exploitation exist alongside significant levels of sexual violence against children. There is also evidence that parental neglect of children is on the rise. There is a significant danger that hidden impacts—hazardous work, increases in violence and decreases in nurture, care and emotional wellbeing—may not be addressed, owing to their invisibility.
- The global crisis may adversely affect HIV and AIDS prevention programs in the Pacific with the most adverse effect on prevention efforts among high risk groups—most at risk and especially vulnerable adolescents, sex workers, military personnel, maritime workers, and men who have sex with men (MSM).

Likely impacts on Pacific Island women

- More Pacific Island women will die in childbirth. Maternal mortality is already a serious concern across the Pacific. Universal access to high quality obstetric care at birth must be accelerated if maternal mortality is not to worsen.
- The impact of the crisis will be felt by both men and women, but not necessarily in the same manner. Empirical data on the impacts of financial crises on women is limited but evidence to hand indicate women are more vulnerable. Across Asia, job losses in labour-intensive manufacturing industries such as textiles and apparels, leather products, and electronics are affecting women more than men. The main casualty so far is the “flexible” labour force—low-skill, temporary, casual workers—in which women constitute the majority of the workers. Gender inequality remains an issue within labour markets globally and the current economic crisis has again exposed the depth and breadth of this inequality. Mounting evidence shows that gender inequality leads to major losses in economic efficiency and human development.
- Access to micro-credit schemes may diminish, further compromising women’s businesses and their ability to cope during difficult times.
- During difficult times, families often rely on women to take care of the sick, elderly and the extended family, even when women are already engaged in paid-work. Overwhelmingly, women will bear the brunt of the crisis.

Part 3 promotes a framework for real-time monitoring of the social impacts of the economic crisis in Pacific Island countries and outlines immediate action that can be taken in the health, education, and social welfare sectors. It concludes by considering social protection to aid recovery and to mitigate the impacts of future crises on Pacific Island children and women. We stress that:

- If ever there was a time for Pacific Island governments to improve their leadership, governance, and resource management, it is now. Only by putting in place measures that raise the levels of efficiency and effectiveness in the delivery of public services, will governments be able to pursue policies that adequately protect children and women.
- While each country must pursue a policy framework relevant to its own context, the broad regional focus will likely need to be at least threefold: maintain macro-economic fundamentals; protect social budgeting and budget for social protection; and undertake strategic long-term investments in physical and human capital.
- Although there are a number of countries that could take action alone to overcome the worst of the crisis, no one country can comprehensively address and recover from this economic downturn on its own. Policies that enhance regional coordination and enable the Pacific region to become progressively crisis-resistant are needed.

- There is a clear need for policy prioritization. Given the limited resources to formulate and then implement improved public policy as well as the diversities across the Pacific, existing crisis-response and recovery policies can be made more child- and women-focused.

Identifying and monitoring the vulnerable

- While it is important that all governments protect budgets for children and women, and that donors maintain their Overseas Development Assistance (ODA) commitments, ODA will be most effective if it is focused on countries which face the greatest vulnerability. Based on a combination of indicators, should the crisis response be ineffective, it is probable that a large number of children and women in Solomon Islands and Kiribati are likely to face extreme challenges. Many children and women in the Federated States of Micronesia, Fiji Islands, the Republic of Marshall Islands, Samoa, Tonga, Tuvalu, and Vanuatu are also likely to face substantial challenges should responses be ineffectual. Some children and women in Cook Islands, Nauru, Niue, Palau and Tokelau will also be at further risk if crisis responses are unsuccessful. (Analysis on Papua New Guinea and Timor-Leste is not included).
- Governments and development partners in the Pacific are making crisis response decisions based on a fragmented, patchwork of information. Investment needs to be made in better early warning poverty and vulnerability data systems for rapid release of quantitative and qualitative indications of the impacts of the crisis on poor people. The first purpose of real-time social impact monitoring should be to identify the most vulnerable children and women before they are exposed to further risks that will affect their well-being. The second purpose should be that monitoring leads to just-in-time policy formulation and program action followed by timely feedback to policy-makers. A monitoring framework (see **Annex 1**) is proposed to help identify adverse changes happening at the community level with a focus on the most susceptible groups across health, food and nutrition, education, and other social dimensions.
- In several Pacific Island countries, there are networks of volunteers, committees and community-based groups in many of the poorest communities that could be mobilized to provide community vigilance of children, women and families at risk. Routine visits by government staff could be used to monitor families at risk. Where resources and capacities allow, crisis hotlines or other novel reporting mechanisms (e.g., SMS, email) could be established if considered useful.
- Monitoring social expenditures (inclusive of health, education, and welfare) will be vital. A simple measure would be to benchmark the overall annual budget's strategic intent as regards social expenditure—to “increase”, “maintain” or “reduce social spending”.
- Just as there have been calls for an early warning system for the economy at the International Monetary Fund, an early-warning system—a Pacific Hardship Alert System (linked to the proposed Global Impact and Vulnerability Alert System (GIVAS))—could be considered to provide real-time data so that governments can act in time to make a real difference for children and women. The objective of a Pacific Hardship Alert System could be to provide early indications of how an external shock, like the current economic crisis, is affecting the economic, social and political welfare of the most marginalized populations and countries within the Pacific. By analyzing both exposure and resilience of Pacific Island populations to the changing environment, the Pacific Hardship Alert System might also have the capability to signal emerging vulnerabilities. To maintain such a system within the Pacific will require resources and collaboration between organizations with complementary fields of expertise but start-up resources have already been mobilized and collaboration has already commenced.

Protect social budgeting for children

- International organizations, donors, and national governments need to work together to ensure that recommendations for dealing with the economic crisis do not include, or result in, reduced spending on child priorities (such as basic health care, nutrition, child protection, clean water, education, social protection schemes). Governments have at least three options as regards social budgeting during the current crisis: “increase”, “maintain” or “reduce social expenditure”.
- **Increasing investments in children is a bold, innovative move.** This crisis presents an opportunity for Pacific Island countries to address long-standing barriers to progress for children. Ministries of Finance need strong arguments that demonstrate the economic benefits from investment in children. At least three points can be made:
 - First, programs to invest in children and policy interventions to protect them during periods of economic volatility provide strong social and economic returns on investment. More than 50 analysts including eight of the world's most distinguished economists and five Nobel Laureates have produced a list of the top 30 most economically productive investments to

solve major development challenges. Fourteen out of the 30 directly relate to children and women: micronutrient supplements for children (vitamin A and zinc); micronutrient fortification (iron and salt iodization); expanded immunization coverage for children; deworming and other nutrition programs at school; lowering the price of schooling; increasing and improving girls' schooling; community-based nutrition promotion; providing support for women's reproductive role; malaria prevention and treatment; rural water supply; conditional cash transfers; HIV combination prevention; total sanitation campaign; and microfinance. It is essential also to focus on other major irreversibilities: if children are subject to neglect or violence and/or pushed into work, they live with the consequences for their whole life, sometimes passing the consequences onto their own children. Promoting a protective environment for children through improved legislation, strengthened social welfare services and justice systems, and societal behaviour change is fundamental. Many Pacific Island countries have policies and mechanisms that are delivering some if not most of these programs and interventions. The question is whether these efforts can be expanded or reinforced to cope with the effects of recession in varying contexts and with scarce resources. If they can, these responses are good for children and for development—they yield high returns in terms of containing current and future poverty—and should be enacted quickly.

- Second, the resources needed for scaling up interventions for children are moderate. For example, UNICEF, the World Bank and UNESCO estimate that for no more than \$2,200 per child, we could not only save a young child from death, but we could also help him or her complete basic education by the age of 13, with better earnings accruing to families in the long-term and large benefits to society as a whole.
 - Third, investing in children to help them realize their full human potential in times of economic growth and in times of crisis is a moral imperative. Access to health care, education, water, sanitation, nutrition, protection from violence and abuse, is an entitlement in its own right.
- **Maintaining social sector budgets is a steady, pro-child move.** Programs that support and protect children through basic health care and nutrition, clean water, basic education and child protection services should be maintained to avoid planting the seeds of poverty for future generations. Efforts to maintain government social expenditure as a proportion of Gross Domestic Product (GDP), or as a proportion of total government expenditure, do not guarantee that pro-poor services will be protected. The focus should be to help finance a specific set of services for the poorest and vulnerable people, protect expenditures on a per capita basis and in real terms, and where possible, fund existing, well-targeted and sustainable social protection programs.
 - **Reducing social expenditure is a conservative but potentially reformative move.** The crisis may create opportunities to initiate and lock in reforms that will improve the performance of the public sector over the long term. Most Pacific economies can locate expenditures or revenue leakages in their budget that can be cut back and allocated to better uses or where better returns on investments can be made. Rationing decisions may be unavoidable but inadequately analyzed reductions in public spending on social infrastructure and services are likely to hurt poor households and children most. Ministries need to identify and agree on core areas, services and activities to be fully protected. Greater efficiency should be seen as a stimulus for smarter, more effective ways of working, not as another word for “cuts”.

Focus on girls and women

- There is a need to focus on girls and women. Restricting women's access to work, education and health services, especially in times of crisis, comes at significant economic costs. Among the greatest gender challenges in the Pacific are the low percentage of women in wage employment in the non-agricultural sector and the low representation of women in decision-making, especially at political level. The crisis calls for creative solutions to address gender gaps. Sound gender-based policies are more important than ever when resources are scarcer.
- Macro-economic policy calibration and analysis assumes that policies are gender-neutral but they are usually gender-blind. Policy responses which build on women's roles as economic agents and their preference for investing resources in child well-being can go a long way towards mitigating the negative effects of the current and future economic crises. These responses are good for women and for development—they yield high returns in terms of containing current and future poverty—and should be enacted quickly.
- A lot could be achieved with fairly low-cost, high-return interventions—but it requires the vision and commitment at the highest political level. Some of these interventions include making secure access

for girls to schools, providing separate toilets and wash areas for girls, and allowing more women to enter the teaching profession. Providing free lunch at school for children and special nutritional packages for pregnant women will go a long way in improving their health. Mobile clinics in remote areas and community-based emergency transport could drastically reduce maternal and infant deaths. Educating girls yields some of the highest returns of all development investments. Micro-credit schemes are a lifeline for women and need special protection.

- There remains a huge untapped labour potential of women and efforts must be made to provide every woman with the opportunity of decent employment. Fiscal stimulus packages as well as labour and trade policies need to be gendered. Large public infrastructure and public work projects are a common feature in all stimulus packages and should incorporate gender dimensions. It is important to look at the effect of trade liberalization through the prism of gender, focusing on its effects on overall growth, labour markets, and access to credit. Appropriate gender-sensitive financial incentives and regulatory frameworks are also needed to support both agricultural development and renewable energy goals.
- This is also an appropriate time to increase the ratification and improve the application of international instruments regarding gender discrimination such as the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) and the four key ILO gender equality Conventions.

Budget for social protection

- Pacific Island countries are well known for their informal, community or family-based systems of social support and reciprocity. Pacific communities have developed resilience to adversity through such systems. Traditional safety nets, however, can break down when confronted by a large external shock. Some researchers suggest these support mechanisms in the Pacific are indeed weakening in the face of the crisis, especially amongst the urban poor. Remittances from family members living overseas—a major part of informal social protection—are also declining. Even if informal safety nets were not being damaged, their important existence should not stall earnest consideration of establishing state-run social protection systems and urgent efforts to improve those formal programs that already exist.
- It is now generally agreed that formal social protection—broadly defined as a set of policy initiatives that transfer income or assets to the poor, protecting vulnerable people against livelihood shocks, and seeking to enhance the social status and rights of the marginalized—is an essential element of pro-poor growth. Several robust evaluations have demonstrated that if well designed, social protection plays a crucial role in alleviating social hardship.
- Faced by the economic crisis, climate change impacts including decreasing food security, and the threat that high food and commodity prices may return, perhaps the question is not whether the Pacific can afford to support social protection initiatives; rather whether the region can afford not to? Social protection must be a priority consideration in this current crisis; the more severe the downturn, the greater the consideration. It is crucial to note that social protection policies have emerged as core elements of long-term poverty reduction strategies, rather than ad hoc crisis-driven initiatives.
- There is a wide range of available social protection instruments from which governments can choose depending on their administrative capacity, resource availabilities, and target populations including: conditional or unconditional cash transfers, direct distribution of food or nutritional supplements, school-based feeding programs, childcare support, maternal/paternal benefit payments, disability allowance, education bursaries, fee waivers, pensions, unemployment benefits, price subsidies, agricultural inputs, public works programs, health insurance, asset insurance, life insurance, and microfinance.
- Ideally, social protection should be in place before a crisis occurs since it can address the needs of the poor in good economic times and be adaptable to combat the effects of crisis, but there are examples where countries have used a crisis as an entry point to initiate social protection.
- Existing social protection programs that target the structurally poor (i.e., those poor before the economic crisis) do not always have a clear mechanism to deal with the “new poor” (i.e., those near poor pushed into poverty by the economic crisis). It is important that social protection programs remain responsive to changes in the need for assistance.
- Establishing social protection programs can depend on the relative priority given to social sector programming in general and the extent to which poverty is recognized and identified as a priority concern. Starting and sustaining social protection programs is a highly contextual process where ideas, ideology and politics may matter more than data.

- The Pacific region does have some experience with formal social protection programs. The Asian Development Bank has developed a Social Protection Index (SPI) and recently assessed eight Pacific Island countries to determine their SPI.¹ The Pacific Island country with the highest SPI in the ADB study is Cook Islands; the lowest is Papua New Guinea. The ADB has classified Cook Islands in an “above average category” (alongside Asian countries such as Azerbaijan, Kazakhstan, and Mongolia). Nauru, Marshall Islands and Tuvalu are placed in an “average” category (together with Asian countries such as Bangladesh, China and Malaysia). Fiji, Tonga, Vanuatu and PNG are considered in a “below average” category (which also features Asian countries such as Cambodia, Nepal, and Philippines).
- Pacific Island countries may want to consider initiating or reforming existing social protection programs. Ways to improve aspects of existing social protection in Pacific Island countries, especially in response to the crisis, include: (i) increase the quality of existing formal social protection programs and especially improve social protection access to and specific expenditures on the poor; (ii) reduce fragmentation of social protection programs; (iii) better understand and, where possible, strengthen traditional social safety nets; (iv) strengthen policy coordination and coherence across several sectors to avoid piecemeal and reactive responses; (v) improve coordination between governments, the private sector, civil society and other development partners to ensure linkage between policies that, for example, stabilize commodity prices, provide for basic health services, help people find decent work, and keep children in education; (vi) increase public knowledge of entitlements to increase uptake through information campaigns and partnerships between government, NGOs and community-based or religious structures.
- Where adequate social protection programs exist then their coverage should be expanded and their targeting improved in the short term through the adoption of simple targeting methods focusing, for example, on: (i) geographic characteristics; (ii) family size and housing conditions; and (iii) categories of the most vulnerable populations such as the disabled and elderly living alone.
- The departure point for many Pacific Island countries, however, will likely be from a weak or non-existent social protection system. Where political leadership is strong, the current economic crisis provides an opportunity to create formal social protection from scratch.
- If starting from scratch and depending on national and sub-national administrative capacities and resources, some social protection schemes to consider are: In-kind Transfers (e.g., therapeutic foods, long-lasting insecticidal bed-nets, etc.), School Feeding Programs, Poll Transfers (targeted or untargeted), Conditional Cash Transfers (targeted or untargeted), and Workfare Programs (for young people in particular). Single schemes such as these, even if well designed and managed, are most effective when part of a comprehensive and transformative social protection system. Basic social services must also be improved where they are weak, legislation that promotes children’s and women’s rights must be strengthened where these rights are denied or compromised, and societal attitudes and practices must be changed where they are harmful to children and women. Just getting started may require Pacific Islands with weak or no formal social protection programs to adopt a phased approach, perhaps starting with a Workfare or social transfer program (cash or in-kind), and bringing further schemes on stream when real-time monitoring indicates and the situation allows.
- Too much haste may lead to poorly designed social protection programs that may become a drain on fiscal positions and can give rise to “poverty traps” when people are encouraged to “stay poor” by the availability of assistance. Nevertheless, the success of Indonesia’s National Safety Net Program demonstrates that it is possible for governments to rapidly launch a massive social protection response in a crisis and improve it as the program proceeds.
- There is a strong case to be made for children to be put at the centre of formal social protection systems. Reaching the most vulnerable children will be critical in the effectiveness of policies to break the cycle of poverty. In the Pacific, children (under 18 years of age) comprise almost half of the population and are over-represented among the poor. Children and young people will constitute a large section of the population for some time to come. Children are practically and legally less able to make these vulnerabilities visible and to claim their rights without support, and unable to take legal action in the case of abuse. A number of principles that can be applied to make formal social protection more child-centred: avoid adverse impacts on children, and reduce or mitigate social risks that

¹ The SPI is a combination of expenditure on social protection (% of GDP spent on social protection activities); the combined percentage coverage of seven target populations (the unemployed/under-employed, the elderly, the sick, the poor, people living with disabilities, and children with special needs) who receive some social protection; a poverty targeting rate (the % of the poor in a country who receive some social protection transfers or other social protection benefits); and the amount of social protection expenditure going to the poor (derived by applying the poverty targeting rates to the total expenditure on each social protection program).

directly affect children's lives; intervene as early as possible where children are at risk, in order to prevent irreversible impairment or harm to children; consider the age and gender specific risks and vulnerabilities of children throughout the life-cycle; mitigate the effects of shocks, exclusion and poverty on families, recognizing that families raising children need support to ensure equal opportunity; make special provision to reach children who are particularly vulnerable and excluded, including children without parental care, and who are marginalized within their families or communities due to their gender, disability, ethnicity, HIV and AIDS or other factors; consider the mechanisms and intra-household dynamics that may affect how children are reached, with particular attention paid to the special circumstances of women; since the most at-risk children usually live outside family care, make social protection systems responsive to this vulnerable group as well as to children facing abuse or discrimination at home; and include the voices and opinions of children and young people themselves in the understanding, design, implementation, monitoring and evaluation of social protection programs.

- Integrating child protection mechanisms into social protection packages at a time of crisis is vital. Possible synergies include: (i) integrating child protection issues (e.g. no tolerance of child labour) into cash transfer conditionalities; (ii) using interactions with program beneficiaries to raise awareness about child protection vulnerabilities; (iii) supporting the development of a single registry system so that the well-being outcomes of children receiving transfers can be better monitored and supported by cross-agency services; and (iv) linking child abuse referral systems to the implementing office of cash transfers or workfare programs.
- Governments must focus on macro-economic fundamentals to create fiscal space to fund social protection. Establishing new or expanding existing social protection programs may also be an area where donors can provide valuable support. Tax-based social protection may become a viable option for Pacific Island countries to pursue in the longer-term. The World Bank's decision to launch a new Vulnerability Finance Facility to help mobilize more funding to protect the poorest is welcome. The budgetary cost of establishing permanent social protection programs need not be very high and could well bring longer-term efficiency gains to the economy. A recent ADB study showed that eight Pacific Island countries currently spend around 4.5% of their GDP on social protection but have scope to become far more cost-effective. Cost-benefit analyses also reveal that social protection programs could actually pay for themselves.
- Although short-term measures to mitigate negative consequences of the crisis are urgent, a longer-term perspective is also important in order to make Pacific Island nations more resilient in the future. The current global economic crisis is not the only risk facing the region—notably there is the ever present risk of natural disasters. Periods of stability are the exception rather than the rule and we can expect aggregate shocks to be an increasingly common feature of the global economic landscape. Recent experience in some Asian countries has shown that a social protection system can mitigate the impacts of crises by means of automatic stabilizers—measures of support that automatically increase during times of crises or increased household vulnerability.
- Policies to protect vulnerable families and children from shocks should be central rather than merely palliative, ad hoc, and peripheral to development strategies. Increases in national expenditure on the social sector and social protection in particular do not impede economic growth. On the contrary, if strong government investment is made in high return interventions alongside well-designed social protection programs, this investment can boost economic growth and improve its pro-poor quality. Pacific Island country policymakers need to seize this opportunity to build political support for initiating new or widening the coverage of existing social protection programs and embed them within national budgets.
- The primary response to the current must be from Pacific Island countries themselves but some countries may be too overwhelmed by the deterioration of fiscal and external balances. For such countries, aid-led response packages will play a critical role in avoiding severe hardship. However, effective assistance requires more than just cash; stronger national capacities for aid management are also essential as are donor commitments to the principles of the Paris, Pacific, and Accra aid coordination agenda. Within such an aid environment, there is a real danger that children's rights to survival, development and protection will become less visible. In entering into new aid packages (loans, grants, etc.), Pacific Island countries must ensure that they continue to prioritize the basic services that their children and women need. The international development community must come forward and offer technical and financial assistance to ensure that the best interests of the child and women are protected. The European Union's linking of human rights, including child rights protection to preferential trade status agreements, is a possible model of good practice to ensure that children's rights are sufficiently prioritized in aid packages.

- The role of community-based and civil society organizations and the private sector, as service providers and advocates, comes to the fore particularly at times of crisis. Governments should recognize this role and use the assets they provide to the full.

Final remarks

- The negative impact of the global economic crisis on Pacific Island children and women is not inevitable. A strong policy response may not avoid all the negative consequences, but it can mitigate the impact. The future of Pacific Island countries depends critically on whether and to what extent children, young people and women are protected from adverse shocks and human capital is strengthened. Social budgeting and social protection need serious rethinking not just in light of the present crisis but also to prepare for future aggregate shocks which are sure to come.
- This year marks the 20th anniversary of the United Nations Convention on the Rights of the Child. The survival, protection and development of all Pacific Island children and their potential to lead quality lives ultimately depend on us prioritising their needs and ensuring that the environment can sustain their basic human rights as they grow to adulthood. We respond energetically and passionately to natural disasters that take young Pacific lives. We are now confronted by an economic tsunami that could claim just as many if not more children's lives as well as cause irreparable damage to the social fabric of Pacific Islands for years to come. The future of Pacific Island children and women hangs in the balance. We must place them at the centre of our concerns. Pacific Island governments can use this crisis to jump-start a new development paradigm, one in which social expenditure on children and women is at the heart of a more inclusive and sustainable pattern of economic growth in the region. Unquestionable evidence exists that investing in children and women is very, very smart economics.

Part 1: The current crises and their broad impacts across the globe and in the Pacific

Across the globe

1.1. A once in a century economic tsunami. This downturn is unlike any seen for generations in its speed, scale, scope, global transmission mechanisms, and the uncertainty it has created. The world economy as a whole is forecast to contract for the first time since the Second World War.² The Governor of the Bank of England has described this as the greatest financial crisis since the First World War.³ According to the International Monetary Fund, global growth rates could gradually recover in 2010 (up to 3%) but not to the same level observed in 2007. There are large uncertainties attached to any forecasts. Prospects for an early recovery are unlikely, forcing countries to prepare for a prolonged downturn in trade, investment and employment. The risks of a long and deep recession or even a depression cannot be excluded.

1.2. The first wave brought the global financial system to the brink of collapse. The financial crisis is thought to have started in the summer of 2007 against a backdrop of strong economic growth. Huge savings of the emerging economies in Asia, Russia and the Middle East had been invested in the West. 'Sub-prime' borrowers in the US started falling behind on their mortgage payments triggering a US housing-sector crisis. Holders of these mortgage-backed securities started to worry about the increased risk of default of hundreds of billions of dollars in 'sub-prime' loans. There was a lack of transparency as to just how exposed individual banks were. Banks announced over a half a trillion dollars of sub-prime and related losses yet it was unclear who would bear the cost of these losses. The failure of Lehman Brothers in September 2008 led to a collapse in confidence and almost every company or institution pulled out deposits from banks perceived as even marginally at risk. That in turn brought the global financial system to the brink of collapse, sparking the worst global financial crisis for generations. The scale of the assurances made to bank depositors and creditors by the major industrial country governments has no historic parallel.

1.3. A second wave hit emerging economies. Earlier economic crises in the 1980s and 1990s started in developing countries. In the current case, the crisis began in the industrialized world and it is therefore possible that the full effects have yet to be manifest in developing countries. The increasing openness of the global economy that gave rise to recent astonishing growth in East Asia—growth that has helped some 500 million people to lift themselves out of poverty since 1990—now binds these same countries to the downturn. At first, emerging markets in Asia seemed resilient to the slow-down affecting developed economies. Indeed, comparatively high growth coupled with the large aggregate size of the region's economy could make Asia and the Pacific the locus of global growth in 2009. The region is forecast to account for about 115% of global GDP growth in 2009.⁴ For the first time in modern history, hopes have become largely pinned on developing countries, particularly in Asia, to uphold stability and growth in the world economy.

1.4. On 15 September 2008, the American investment bank Lehman Brothers collapsed, triggering an international breakdown in economic confidence, leading to sharp falls in trade, production and investment around the world.⁵ It was also the day when the crisis truly hit Asia-Pacific shores, spreading beyond its equity markets and posing the greatest threat to the region's development since the Asian financial crisis of 1997.⁶ The Asia-Pacific region was better prepared than it was a decade ago, having improved current account balances and built up a protective shield of foreign-exchange reserves. But these improvements were not enough to prevent severe domestic impacts. The global liquidity of the past six years had created rapid credit, asset and investment bubbles which became fragile or burst. Equity markets across emerging economies of Asia experienced sharp declines immediately, and property markets soon followed. Exports orders started to get cancelled, export financing was cut back, and layoff after layoff was announced. In the Republic of Korea, exports fell a year-on-year 32.8 per cent in January 2009. In Japan, the drop in December 2008 was 35 per cent and in Taiwan, Province of China, it was a

² Global Economic Policies and Prospects—Note by the Staff of the International Monetary Fund. Group of Twenty Meeting of the Ministers and Central Bank Governors, March 13–14, 2009 London, U.K. <http://www.imf.org/external/np/g20/pdf/031909a.pdf>

³ <http://www.bankofengland.co.uk/publications/speeches/2008/speech362.pdf>

⁴ UNESCAP (2009) Economic and Social Survey of Asia and the Pacific. Addressing the Triple Threats to Development. Bangkok: UNESCAP. (p.17).

⁵ World Bank (2008) Global Financial Crisis and implications for Developing Countries. G-20 Finance Ministers' Meeting, São Paulo, Brazil, November 8, 2008. <http://www.worldbank.org/html/extdr/financialcrisis/pdf/G20FinBackgroundpaper.pdf>

⁶ UNESCAP (2009) Economic and Social Survey of Asia and the Pacific. Addressing the Triple Threats to Development. Bangkok: UNESCAP.

record 41.9 per cent. In China, the engine of much of Asia-Pacific region's growth, exports fell 2.8 per cent just in December 2008, its second consecutive drop and its largest fall in a decade.

1.5. Demand for exports from developing countries is still falling and trade finance is expected to decline further by well in excess of \$25 billion this year alone. We are seeing the biggest slump in capital flows to emerging countries in history. Indeed, the Institute of International Finance forecasts that there will actually be a net outflow of bank funds from developing countries in 2009, as repayment of debt overtakes new lending. The economies of the US, the European Union, and the developing Asia-Pacific region are all in decline. It has become a near "perfect" symmetric crisis.⁷

1.6. On the one hand, many developing countries are in a far better fiscal position than they were in earlier crises, and most will continue on a path of economic growth, albeit at a slower rate.⁸ Their banks have little, if any, exposure to complex financial instruments. On the other hand, lower income countries are more exposed to the current global downturn than in previous episodes. They are more integrated than before with the world economy through trade, foreign direct investment (FDI), and remittances.

1.7. Reductions in credit, trade, remittances, foreign direct investment, and aid. Those low income countries that had begun to access international financial markets have seen this access come virtually to an end. Foreign lenders may become more reluctant or unable to roll over sovereign and private debt falling due. Domestic banks may be hit by further effects, as the economic downturn increases the number of borrowers unable to repay their loans. The crisis is already impacting and will significantly impact these countries through reduced demand for their exports. Since many are commodity exporters, they will be hard hit by the sharp decline in demand for commodities and in their prices. Remittances often provide a safety net in recipient countries. Income from migrant workers helps stabilise consumption levels when recipient economies contract. But remittances have been falling since 2008.⁹ There are likely to be fewer economic migrants coming to developed countries in recession, so fewer remittances and probably lower volumes of remittances per migrant. World Bank projections suggest that remittance flows to developing countries will fall in 2009 by approximately 6 percent.¹⁰ A sharp slowdown in foreign direct investment is expected in about half of all lower income countries. Prospects for higher aid to offset these effects are particularly uncertain, given budgetary pressures faced by many donor countries. While the promises of increased aid at the Gleneagles summit in 2005 were already off track just three years later, it is predicted that overseas development assistance will further decrease as a result of tightening government budgets.¹¹ Italy has halved its 2009 assistance and Ireland has cut 17 percent from its overseas aid in three reductions since July 2008.¹² The Australian, Japanese, and New Zealand Governments, however, recently announced increased aid commitments to the Pacific region.

1.8. Rising unemployment. At the global level, after four years of consecutive declines, the number of unemployed increased in 2008 by 11 million. As the crisis continues to spread and job losses mount, worldwide unemployment could increase by an additional 50 million by the end of this year compared to 2007—the majority of them in developing countries.¹³ In the absence of income support alternatives, job losers either move back to rural areas or take up informal jobs in the urban economy. On top of job losses, there could be substantial downward pressure on informal-economy wages, which were already on the decline prior to the crisis. This is also likely to lead to a reduction in the number of days worked. Coupled with lowered wages, affected households will have reduced purchasing power, leading to an increase in the proportion of working poor in most developing economies. The bleak labour market picture affects certain groups disproportionately—notably women, migrant workers and youth (we will discuss the impacts on women in Part 2). Youth in particular are facing considerable difficulties entering the labour market. This comes on top of an already fragile situation for youth in both developed and developing countries. Despite the economic expansion in recent years, most economies fell short of creating enough decent and productive jobs for young people. The International Labour Organization

⁷ Oxford Policy Management (2009) The 2009 Crisis and the Developing Countries. www.opml.co.uk/document.rm?id=1297

⁸ Global Economic Prospects (2009). World Bank, March 31, 2009. GDP in the developing world is projected to grow by 2.1 percent in 2009, compared to 5.8 percent in 2008, according to the World Bank. The growth prospects have more than halved since the November 2008 projection of 4.4 percent growth.

⁹ International Policy Centre for Inclusive Growth (2009) How Does the Financial Crisis Affect Developing Countries? One Pager 81. www.ipc-undp.org/pub/IPCOnePager81.pdf

¹⁰ World Bank (2009) "Swimming Against the Tide: How Developing Countries Are Coping with the Global Crisis." Background Paper prepared by World Bank Staff for the G20 Finance Ministers and Central Bank Governors Meeting, Horsham, United Kingdom on March 13-14, 2009.

¹¹ IRIN (2008) Global: Financial crisis could cut official aid. IRIN – UN Office for the Coordination of Humanitarian Affairs. <http://www.irinnews.org/PrintReport.aspx?ReportId=81319>

¹² Reuters (26 Feb, 2009) Downturn to cost billions in aid to world's poor <http://www.reuters.com/article/worldNews/idUSTRE51P01T20090226>

¹³ http://www.ilo.org/global/About_the_ILO/Media_and_public_information/Press_releases/lang-en/WCMS_101462/index.htm

notes that between 1997 and 2007, the number of unemployed youth rose by 8 million. The lack of decent work opportunities at an early age can permanently compromise young people's future employment prospects. The dire situation for young workers is even more pronounced in developing countries.¹⁴

1.9. A third wave is now hitting the world's poorest and most vulnerable countries. Almost 40 percent of developing countries are highly exposed to the poverty effects of the crisis (with both declining growth rates and high poverty levels) and an additional 56 percent of countries are moderately exposed (they face either decelerating growth or higher poverty levels), while less than 10 percent face little risk.¹⁵ In high- or low-income countries, however, it is the poor—and those made poor through loss of income or housing—that will be hardest hit. Identifying vulnerable populations is as important as identifying vulnerable countries. After first striking the advanced economies and then emerging markets, a third wave of the global financial crisis has begun to hit the world's poorest and most vulnerable countries. This wave threatens to undermine recent economic gains and to undo years of poverty alleviation and hard-won social gains in health and education towards the achievement of the MDGs.¹⁶

1.10. For the poor, this is a crisis upon a crisis. The crisis comes on the heels of a major global shock from high food and fuel prices that last year pushed a greater number of people in developing countries to the brink. The hike in oil prices last year pushed around 25 million people into poverty. The food price increases of the last year were estimated to have trapped—at their peak—perhaps as many as 130 million people in poverty, causing as many as 40 million children to suffer malnutrition. It has been estimated that the food price rise between 2005 and early 2008 increased the share of the population of East Asia, the Middle East and South Asia living in extreme poverty by at least 1 percentage point, a setback equivalent to seven years of progress toward meeting the poverty MDG. The impact on the urban poor was particularly acute, increasing by more than 1.5 percentage points in East Asia, the Middle East, South Asia, and Sub-Saharan Africa. The increase in the number of poor due to the food crisis was only part of the story. Estimates of poverty depth (the gap in comparison between the average poor household and the poverty line) show that poverty is deepening, with the extreme poor hit hardest. Eighty-eight percent of the increase in urban poverty depth from rising food prices is from poor households becoming poorer and only 12 percent from households falling into poverty.¹⁷ To try and assess the impact of this crisis on poor households now, researchers in Bangladesh, Indonesia, Jamaica, Kenya and Zambia undertook a rapid appraisal of the impacts in one rural and one urban community in each country. Often, households are still suffering from the large increases in food and fuel prices during 2007/2008. Many have exhausted their assets and are already in a weaker position. Crime, violence and other forms of insecurity and social division also appear to be increasing. Food riots and violent protest occurred in all of the countries. In 2007 and 2008 there were a total of 61 food protests—23 of them violent and some of them causing governments to fall.¹⁸ When conflict occurs, the costs of violence add a huge economic burden to the affected and neighboring countries.

1.11. The combined effect of the above is that by the end of 2009 some 90 million people will be trapped on less than \$2 a day.¹⁹ This is on top of the 130-155 million people pushed into poverty in 2008 because of soaring food and fuel prices. World Bank's *Year in Review 2008* stressed that the current global recession will undo a 20-year trend of fewer and fewer people living in abject poverty.²⁰

1.12. Further waves are likely to hit long after the financial crisis has passed. While the recessionary impact of the global financial crisis has led to declines in fuel and food prices from their 2008 peaks, they are likely to remain volatile, and they have already had severe repercussions at both the macro- and micro-levels in many countries. When economic growth resumes towards its long-term trend, *pressure on commodity prices* will resume in the medium run. In the absence of long-run policies to address these imbalances in fuel and food markets, episodes of soaring commodity prices can recur, pushing up domestic inflation rates, hurting the poor and putting pressure on budget deficits.

¹⁴ ILO (2009) The financial and economic crisis: A Decent Work response. Geneva: ILO. GB.304/ESP/2

¹⁵ World Bank (2009) Policy Note: The Global Economic Crisis: Assessing Vulnerability through a Poverty Lens. (<http://siteresources.worldbank.org/NEWS/Resources/WBGVulnerableCountriesBrief.pdf>)

¹⁶ ODI (2009) The global financial crisis and developing countries: Synthesis of the findings of 10 country case studies. London, ODI: Working Paper 306.

¹⁷ World Bank (2008) Global Financial Crisis and implications for Developing Countries. G-20 Finance Ministers' Meeting, São Paulo, Brazil, November 8, 2008. <http://www.worldbank.org/html/extdr/financialcrisis/pdf/G20FinBackgroundpaper.pdf>

¹⁸ UN Secretary-General, Address to the Princeton Colloquium, Princeton, 17 April 2009. <http://www.princeton.edu/~pcpia/PrincetonApril17.pdf>

¹⁹ World Bank press release (Feb 12, 2009) Crisis Hitting Poor Hard in Developing World, World Bank says (<http://go.worldbank.org/PGNOX87VO0>)

²⁰ World Bank (2008) Year in Review. <http://treasury.worldbank.org/web/AnnualReport2008.pdf>

1.13. *Gender inequities may deepen.* During the high-growth period following the 1997 crisis, relatively robust employment growth was achieved, but a number of important distributional inequities emerged.²¹ Employment growth varied considerably within each global sub-region, and within individual countries themselves, large numbers of women remained excluded from the world of work and women's share of income declined in three quarters of 83 countries surveyed by the International Labour Organization.²²

1.14. *Threats to food security* resembling those of recent years are likely to intensify in the medium to long term. A decline in economic growth of between 2 to 3% and a concurrent decline in agricultural investments and productivity could result in much higher food prices in the longer-term and an increase in the number of malnourished children in the world by about 16 million by 2020.²³ When agricultural prices drop, farmers may be less inclined to invest for the long-term. Further compounding the risks to future agricultural production are the changes in temperatures and rain patterns that climate change will bring.

1.15. There is also the risk of a *prolonged labour market recession*. Lessons from past financial crises show that the labour market tends to recover only four to five years after the economic recovery. This is because massive rises in long-term unemployment and greater labour market "informalization"—exacerbated by return migrants and large-scale reverse migration from urban to rural areas—are very difficult to reverse. If these trends take root, the negative effects of the current crisis will be long-lasting, thus yielding significant social hardship and depriving the economy of valuable resources.

1.16. *Poverty effects may persist.* The poor take much longer to recover, as recovery in real wages and employment, especially in the traditional low-wage sectors, take much longer than recovery in GDP. Many districts of Indonesia suffered from persistent poverty effects five years after the 1997 Asian crisis and three years after the country's rapid recovery in GDP.²⁴ A review of financial crises in 80 countries found that real wages take an average of three years to pick up again. Employment growth does not regain pre-crisis levels for several years after that.²⁵

1.17. Finally, *intergenerational transmission of poverty* is likely to occur when poor children, lacking nourishment and education due to the impacts of the crisis, grow up to head their own households and face fewer opportunities and the high risk of being in poverty just as their parents did. Shocks that distort and undermine human and physical capital accumulation could generate an adverse impact on a country's long run economic growth.²⁶

1.18. One of the gravest financial, economic and social threats in our lifetime—we must respond. It is clear that beneath this global financial crisis lies a global humanitarian crisis. The World Bank describes this as a *Development Emergency*. Estimates for 2009 to 2015 forecast that an average 200,000 to 400,000 more children a year, a total of 1.4 to 2.8 million, may die if the crisis persists.²⁷ Countries on track to meet the Millennium Development Goals (MDGs) could fall behind, while those that were struggling to advance already could be left even worse off. The problem is that their situation may get even worse as they are affected by the downturn, and through causes which are not of their own making. Human development outcomes deteriorate more quickly during growth decelerations than they improve during growth accelerations. Although economic growth resumed relatively quickly after the Asian financial 1997 crisis, in some countries it took up to 10 years to recover lost ground in the struggle against poverty.²⁸ Families' resources are shrinking while at the same time national budgets are stretched thin, challenged to provide necessary services and protection of children and women. Failure to respond fast to the crisis has the potential to cause deeper and long-term impact on household welfare around the globe. In addition, failure to protect the most vulnerable in society, including the poorest, will likely result in greater poverty. Failure to develop effective solutions to the current economic crisis and

²¹ ILO (2008) World of Work 2008. Geneva: ILO.

²² Reference from ILO

²³ Von Braun, J. (2008) "Food and financial crises: Implications for agriculture and the poor." IFPRI: Washington, D.C. [Available at: <http://www.ifpri.org/pubs/agm08/jvb/jvbagm2008.pdf>].

²⁴ Ravallion, M. and Lokshin, M. (2005) Lasting Local Impacts of an Economy-wide Crisis. World Bank Policy Research Working Paper 3503, http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2005/02/24/000112742_20050224152933/Rendered/PDF/wps3503.pdf

²⁵ UNDP (1999) Human Development Report 1999. New York, Oxford University Press.

²⁶ Mendoza, R. (2009) Aggregate shocks, poor households and children: transmission channels and policy responses. New York: UNICEF.

²⁷ World Bank press release (Feb 12, 2009) Crisis Hitting Poor Hard in Developing World, World Bank says (<http://go.worldbank.org/PGNOX87VO0>)

²⁸ Global Wage Report 2008/2009. (2008). "Shaping a fair globalization: Perspectives and prospects for a decent work agenda" (Working Party of the Social Dimension of Globalization, Governing Body document WP/SDG).

failure to manage the growing roster of global risks such as climate change, the rise in non-communicable and infectious diseases, non-proliferation and food security, could trigger a destructive social backlash that will inflame political instability, revive economic nationalism, and further reverse development gains. A coordinated global response is needed to ensure that the coming years do not become 'the lost years' in the global fight against poverty.

Across the Pacific

1.19. Positive economic growth in Timor-Leste, Papua New Guinea and possibly Vanuatu will continue but in others growth will slow down or contract. The Pacific saw an historically high rate of economic growth in 2008. Overall growth of 5.1% was led by the commodity-intensive economies of Papua New Guinea, Solomon Islands, and Timor-Leste. Overall growth is projected to slow to 3.1% in 2009.²⁹ While country-specific factors are certainly contributing to lower growth forecasts in the Pacific, the global economic crisis is central to a pessimistic outlook now held for 2009 and 2010. In December 2008, the Pacific Department of the Asian Development Bank (ADB) noted that the most vulnerable Pacific economies are those that have weaker macroeconomic fundamentals, high inflation rates, recent rapid credit growth, fragile fiscal and current account positions, a weak export outlook and high public debt levels. It was noted that tourism, remittances and commodity exports are normally an economic strength to the region, but in the face of the rapidly weakening world economy, they are an indicator of economic vulnerability. Individual Pacific economies were assessed based on key indicators of macroeconomic soundness and the dependence on: income from offshore investments; commodity exports; tourism; and remittances; and supplemented by an update of economic conditions in the Pacific economies. This preliminary assessment concluded that:

- Kiribati, Solomon Islands, and Tuvalu were most vulnerable;
- Fiji Islands, Republic of Marshall Islands, Palau, and Tonga were highly vulnerable;
- Cook Islands, Federated States of Micronesia, Samoa, and Vanuatu were vulnerable; and
- Papua New Guinea, Nauru, and Timor-Leste were cushioned.³⁰

1.20. In a subsequent report, the ADB noted that only Timor-Leste, Papua New Guinea and possibly Vanuatu were expected to continue to grow at adequate rates over 2009.³¹ Governments in PNG and Timor-Leste are now spending revenue saved during the boom period of high commodity prices. This is helping support their economies during 2009 and into 2010. In these two economies, the income growth needed to help lift living standards and reduce poverty will continue for now, albeit at a slower rate in PNG. Real estate development and tourism remain firm in Vanuatu, partly because tourists appear to be diverting from the Fiji Islands, and this is expected to result in moderate growth in Vanuatu. Vanuatu is the largest recipient of Financial Direct Investment (FDI), however, and is likely to be affected as FDI decreases. An economic contraction (i.e., negative growth) is projected in Fiji Islands, Federated States of Micronesia, Palau, Samoa, and Tonga, and economic growth is expected to be low in most other Pacific economies. The contraction in gross domestic product (GDP) forecast for 2009 in the Fiji Islands and Samoa is likely to be larger than originally expected. Conditions are deteriorating rapidly in Solomon Islands due to a slump in the export of logs—a huge concern given log exports account for 40% of government revenue and 70% of export earnings. Cook Islands, Fiji, Samoa, Palau, Tonga, and even Vanuatu eventually, may suffer from a fall in tourists due to recession in Australia, Canada, China, Europe, New Zealand, Taiwan (Province of China), and the US. The Cook Islands may be able to offset this decline through special sporting events. Kiribati, Republic of Marshall Islands, Federated States of Micronesia, Palau and Tuvalu may face budget restrictions through erosion of their Trust Funds invested overseas (the decline in Tuvalu's Trust Fund has not yet impacted directly on the fiscal situation due to existing "buffer" funds already held in the Consolidated Investment Fund account used for direct budget drawdown).³² Inflation is falling in most countries mainly because of lower world fuel prices, (which appear now to be rising again) but only slowly, and remains elevated compared to the pre-crisis levels. The devaluation of the Fiji dollar will, however, add to inflationary pressures in the Fiji Islands. The overall concern is that slow economic growth or an economic contraction will lead to a reversal of hard-won gains in living standards.

1.21. Downturn could be protracted. It is possible that the full impact of the global economic crisis has not yet been felt in the Pacific. On the positive side, this gives countries a small window of opportunity to put together more thoughtful and effective policies. On the negative side, this means that the impacts may be even larger in 2010 than in 2009. Economic fallout is expected to be relatively *protracted*. The

²⁹ ADB (2009) Pacific Economic Monitor. <http://www.adb.org/Documents/Reports/PacMonitor/pem-may09.pdf>

³⁰ Asian Development Bank (2008) A Note on the Vulnerability to the Global Crisis. Pacific Department. December.

³¹ ADB (2009) Taking the Helm. A Policy Brief on a Response to the Global Economic Crisis. Manila: ADB.

³² Abbott, D. (2009) UNDP Pacific Centre Mission Report to Tuvalu. 14–30 April 2009.

decline in economic growth in the world's major economies is widely expected to be temporary with recovery beginning during the second half of 2010. This would begin to reverse the decline in external demand now impinging on the Pacific. This turnaround does, however, hinge on the success of the large fiscal stimulus packages being implemented in the world's major economies. It also depends on how quickly they stabilize and restore confidence in their financial systems and get credit flowing again. If the international recovery is delayed, the decline in external demand facing the Pacific will last longer. The transmission mechanism of the global economic crisis to the Pacific Island economies will mainly be through: falls in commodity prices and export earnings from commodities and manufactured items; a heavy reliance on imports of food, fuel and manufactured items subject to volatile exchange rates; declines in tourism receipts as unemployment and uncertainty in source countries discourages people from taking expensive overseas holidays; reductions in the value of remittances from families living overseas who may themselves be experiencing unemployment, and from temporary migrant and contract workers (including seafarers and farm workers) whose jobs may be lost; reductions in income from internationally invested trust and sovereign wealth funds; generally weak fiscal situations which could be exacerbated by revenue losses from slower or negative economic growth; and a reliance on development assistance flows which may be adversely affected as donor countries themselves experience tight fiscal positions.

1.22. Even if the global economy picks up in the second half of 2010, as the most recent forecasts suggest, lags mean that economic conditions will be tough in the Pacific in 2010 and it may take until 2011 for the Pacific economies to fully recover. The lagged impact of external developments and the prospect that the flow through to the Pacific may be even more severe than originally anticipated, mean that ADB's forecasts may well prove conservative. Importantly, more Pacific economies may contract than forecast. Most 2009 budgets were formulated before the full extent of the global crisis was known, and it is very likely that their revenue forecasts will prove to be overestimates. In many Pacific Islands, the ability to offset adverse shocks through spending hinges on higher donor support. Republic of Marshall Islands, Federated States of Micronesia and Palau will have relatively uninterrupted flows of assistance to bridge current account and budget deficits under US Compact of Free Association. The US Trust Territories (North Mariana Islands, American Samoa, and Guam) will benefit from the US Economic Stimulus Package. Smaller Pacific Island countries have no resources unless supported by the IMF and World Bank new, joint schemes of loan assistance to low income countries. With many countries facing binding fiscal constraints, and the outlook for significantly increased bilateral aid flows unlikely, many countries will need to rationalize spending and increase its efficiency to create fiscal space for protecting social and MDG-related spending.

1.23. Pacific banking systems are stable at present but could be at risk. The banking systems in Pacific Islands fund their lending more through local deposits than through foreign borrowing and thus have had less exposure to the global financial crisis. The banks remain relatively profitable. Nevertheless, there are risks such as the high share of foreign ownership in Pacific banking systems. If the capital of parent banks becomes eroded, they will withdraw capital from subsidiaries overseas (i.e. Pacific banks). Likewise, if borrowers from Pacific Island banks get into difficulty in servicing their debts as the recession takes its toll, the banks' balance sheets will deteriorate.

1.24. Connections between the Pacific, Australia and New Zealand. Australia survived the 1997 Asian financial crisis and the 2000 dot com bubble but has not withstood the current economic crisis with its resource-based economy hit hard by the decline in commodity prices and fall in demand. The Australian economy contracted by 0.5% in the last three months of 2008. New Zealand's economy also shrank 1.1% in the last three months of 2008, the biggest slump in 18 years. New Zealand's exports of milk and wool fell as their prices plunged 31%. According to ADB Australia, New Zealand and the United States will experience recession in 2009. Their labour markets are continuing to deteriorate. Unemployment has risen to 8.9% in the United States, 5.4% in Australia, and 5.0% in New Zealand.³³ Pacific Island countries have deep and extensive relationships with Australia and New Zealand and thus falls in income in Australia and New Zealand will hurt the Pacific through declines in tourism earnings, cuts in skilled migration intakes, and declining remittances (see below). Tourism departures from Australia to the Pacific weakened in early 2009. Departures for the Pacific from New Zealand had noticeably weakened earlier. Departures from the United States and Asia for the Pacific were also down over 2008. Samoa is experiencing job cuts at the Yazaki plant as the automotive market in Australia continues to weaken.

³³ ADB (2009) Pacific Economic Monitor. <http://www.adb.org/Documents/Reports/PacMonitor/pem-may09.pdf>

1.25. Declining remittances. Remittances have traditionally been an important source of external funding in the Pacific Islands in view of the small size of the economies. For an increasing number of Pacific Island countries, remittances from both migrant and temporary overseas workers are being seen almost as a panacea for the failure of domestic policies to create investment and employment opportunities in the home countries. But whilst these new opportunities do provide a safety valve they are not without costs in terms of loss of skills and manpower, and other unintended social consequences of absent families and spouses.

1.26. As the economic crisis unfolded, remittances were expected to show resilience to economic changes. In 2000-2001, despite a slowing of economic growth in Australia, New Zealand and the United States, remittances to the Pacific Islands increased. In 2005 and 2006, remittances again remained strong. In addition, there was some hope that seasonal worker schemes between Pacific island countries and Australia and New Zealand would provide a new source of remittances. The United States and New Zealand labour markets, two of the three key sources for Pacific countries, weakened early in 2008 and Australia, the third, has since followed. The deterioration in these three sources suggests that the decline in the real value of remittances to the Pacific seen in 2008 will become more pronounced in 2009. Samoa and Tonga are the most exposed, followed by Fiji Islands and Federated States of Micronesia. Moreover, remittances from seafarers, particularly for Tuvalu and Kiribati, and from those employed in the global security industry, notably Fiji, where wages are often set in US\$, have been adversely impacted by the depreciation of the US currency against most regional currencies over the last two to three years. For example the average US\$ monthly remittances from Tuvalu seafarers have declined in A\$ value by more than 20% since the beginning of 2006. In real terms therefore, families relying on US\$-denominated remittances for their primary source of income have seen their real incomes decline by around a quarter over the last few years.

1.27. Poverty in the Pacific. Pacific societies are justly proud of their culture and, in particular, the strong emphasis on caring and redistribution that exists within the extended family system. The suggestion that there might be "poverty" in some form is therefore something that many have had trouble accepting. The usual images of poverty, i.e., starving children, landless peasants, and men and women toiling with ox ploughs, do not apply to the Pacific. After extensive and often emotion-charged debate, Pacific Island leaders have concluded that poverty does exist in the region but should be equated with *hardship* and that poverty (or hardship) in the Pacific context means: *...an inadequate level of sustainable human development which includes lack of access to basic services, lack of opportunities to participate in the socioeconomic life of the community, and a lack of adequate resources to meet the basic needs of the household and customary obligations to the extended family, community, and church.*³⁴

1.28. Poverty in the Pacific Island context thus does not generally mean hunger or destitution, but rather the continuous struggle to meet essential daily/weekly living expenses, particularly those that require cash payments. Increasing monetization means that now even families in the most remote rural or outer island villages have to find cash for everyday needs, be it for school fees, utilities, newly essential store goods, social obligations, or church donations. Where social obligations could once have been met with woven-mats, traditional food, or other home-produced items, now there is an ever-increasing need to make cash or purchased contributions. All these add to the financial burdens on families and consequently to their need for economic opportunities. Families constantly have to make choices between the competing demands for expenditure on food and basic-needs and their limited availability of cash income; trade-offs are made between paying one bill or another, between food or school fees. Households deemed to be experiencing basic needs poverty are therefore facing hardship on a daily basis. They struggle to pay bills, and to purchase adequate and suitably nutritious food. They borrow regularly from "loan-sharks" who charge very high rates of interest for small unsecured loans to meet family commitments and community obligations. Many families are thus frequently, and some families are constantly, in debt.

1.29. There are therefore, communities, families and individuals throughout the Pacific now living in hardship despite traditional social support systems.³⁵ Pacific Island countries are not as equitable as they are sometimes portrayed and, in some ways, inequalities within countries have deepened. Traditional support systems and values are being eroded as the trend towards urban and Westernized living

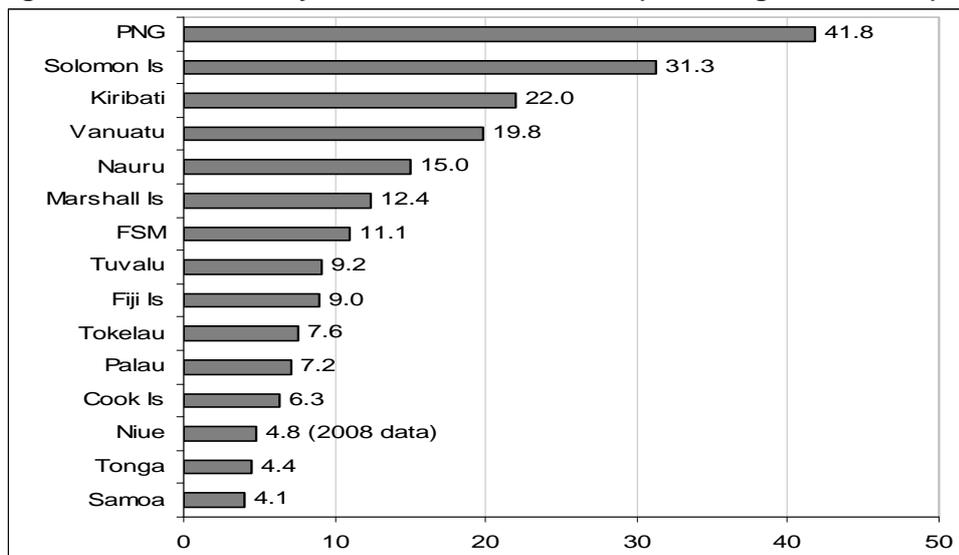
³⁴ Abbott, D. and Pollard, S. (2004) *Hardship and Poverty in the Pacific. Strengthening Poverty Analysis and Strategies in the Pacific*. Manila: ADB. <http://www.adb.org/Documents/Reports/Hardship-Poverty-Pacific/hardship-poverty.pdf>

³⁵ Lightfoot, C. and Ryan, T. (2001) "Is poverty an issue in the Pacific?", unpublished paper delivered at the Asia and Pacific Forum on Poverty: Reforming Policies and Institutions for Poverty Reduction, held at ADB, Manila, 5-9 February.

increases, placing people in greater hardship.^{36,37} Furthermore, the subsistence sector, which has played an important role in sustaining livelihoods in the Pacific Island economies in the past, is no longer sufficient to ensure adequate health and education or improved life expectancy in these countries in the long term. Pacific island countries are also facing new and emerging social issues, such as transactional sex work and the rapid spread of HIV and AIDS.³⁸

1.30. Recognizing that poverty is multi-dimensional and that data on household income or expenditures may not always be available to measure poverty, UNDP has developed a Human Poverty Index (HPI) that relies on more readily available indicators of access, opportunity, and quality of life. This index combines the following measures: (a) vulnerability to death at an early age measured by the percent of persons expected to die before the age of 40 years; (b) exclusion from the world of knowledge measured by the percent of adults who are illiterate (e.g. including % of female adults who are illiterate); (c) access to basic services (percent of people without access to safe water and primary education); and (d) food poverty (percent of children 0-5 years of age who are underweight) (**Figure 1**).

Figure 1: Human Poverty Index for Pacific Islands (excluding Timor-Leste)



Source: UNDP/SPC.

1.31. While the World Bank defines “extreme poverty” as persons living on less than US\$1.25 per day (adjusted for purchasing power parity) and “moderate poverty” as less than US\$2 a day, at national levels the focus of poverty analysis is increasingly “relative poverty” or persons who, for whatever reasons, are unable to live according to the prevailing standards of their community. While not ideal, quantitative measures such as basic needs poverty lines nevertheless permit an assessment of poverty incidence and change over time. The National Basic Needs Poverty Line is a measure of the minimum income needed to buy sufficient food and meet basic requirements such as housing, clothing, transport, school fees etc. The findings of the participatory assessments of hardship (PAH) undertaken in ten Pacific Island countries by ADB in the early/mid 2000s suggested that a growing number of Pacific islanders were indeed disadvantaged. On average, excluding PNG, it is estimated that one out of five households were unable to meet the costs of food and other basic needs and services that are essential for a minimum standard of living. In the most disadvantaged countries, the proportion is estimated to exceed one in three.

1.32. Poverty-line estimates and analyses undertaken more recently paint a picture of hardship and poverty much more widespread than previously thought. This undermines the long-held view of Pacific countries as places of subsistence affluence.³⁹ **Table 1** and **Figure 2** summarise the latest data on the countries for which there are estimates of the Basic Needs Poverty Line and poverty incidence. For all countries (excluding Papua New Guinea), for which data are available, the average incidence of basic-

³⁶ Bryant-Tokalau, J. (1995) The myth exploded: urban poverty in the Pacific. *Environment and Urbanization*, Vol. 7, No. 2, October 1995, 109-129. <http://eau.sagepub.com/cgi/reprint/7/2/109>

³⁷ Abbott, D. and Pollard, S. (2004) *Hardship and Poverty in the Pacific. Strengthening Poverty Analysis and Strategies in the Pacific*. Manila: ADB. <http://www.adb.org/Documents/Reports/Hardship-Poverty-Pacific/hardship-poverty.pdf>

³⁸ UNESCAP (2004) Beyond “Subsistence affluence: Poverty in Pacific Island Countries”. *Bulletin on Asia-Pacific Perspectives* 2003/04, pp.41-53.

³⁹ Abbott, D. and Pollard, S. (2004) *Hardship and Poverty in the Pacific. Strengthening Poverty Analysis and Strategies in the Pacific*. Manila: ADB. <http://www.adb.org/Documents/Reports/Hardship-Poverty-Pacific/hardship-poverty.pdf>

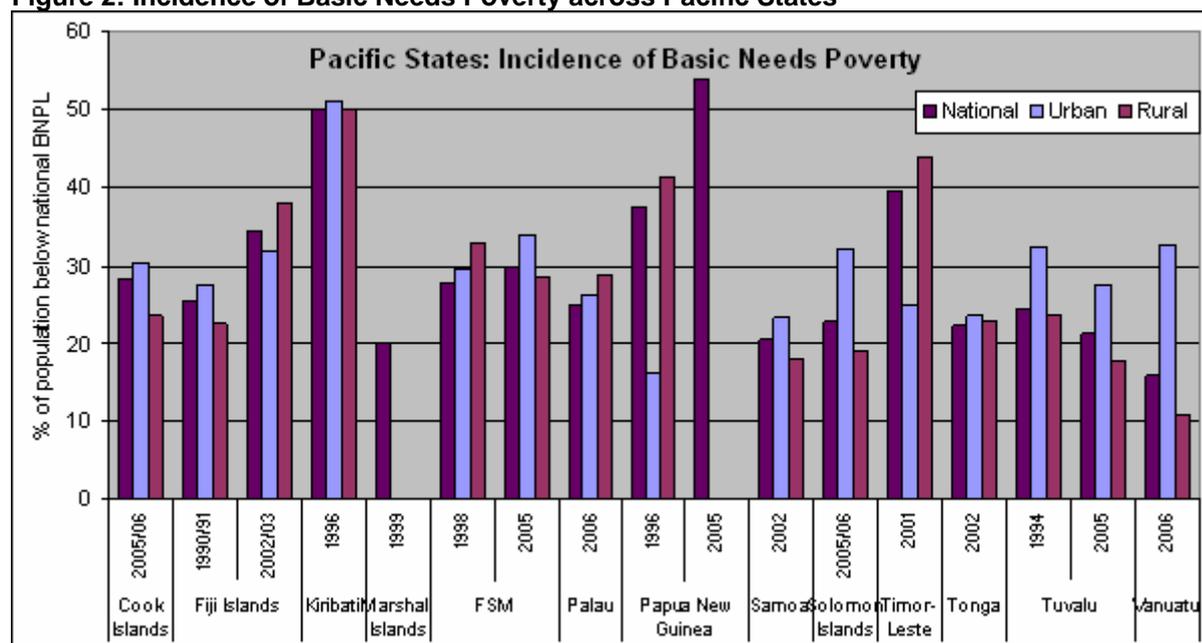
needs poverty is around 25%—**one in four households and almost one-in-three of the population are below the respective national poverty lines**—such households have insufficient income/ expenditure to meet the average daily requirements for a basic minimum diet plus the costs of other essential non-food items. Everyday they must face difficult choices on how to spend their limited cash resources. Should they pay school fees, should they buy food for the family, or should they send their children to school without lunch? In addition, there is a sizable fraction of each national population who may be non-poor but still vulnerable-to-poverty. Thus, poverty reduction strategies in the Pacific need to incorporate not just alleviation efforts but also prevention.

Table 1: Pacific Island National Basic Needs Poverty Incidence—Head Count Indices

Country	Year	Population Below National Basic Needs Poverty Lines %			Data Source
		National	Urban	Rural	
Cook Islands	2005/06	28.4	30.5	23.6	2005/06 HIES
Fiji Islands	1990/91	25.5	27.6	22.4	1990/91 HIES
	2002/03	34.4	31.8	38.1	2002/03 HIES
Kiribati	1996	50.0	51.0	50.0	1996 HIES
Republic of Marshall Islands	1999	20.0	na	na	1999 Census
Federated States of Micronesia	1998	27.9	29.5	32.9	1998 HIES
	2005	29.9	33.9	28.7	2005 HIES
Palau	2006	24.9	26.2	28.9	2006 HIES
Papua New Guinea	1996	37.5	16.1	41.3	1996 HIES
	2005	53.8	na	na	WB estimate
Samoa	2002	20.3	23.3	17.9	2002 HIES
Solomon Islands	2005/06	22.7	32.2	18.8	2005/06 HIES
Timor-Leste	2001	39.7	25.0	44.0	2001 TLSS
Tonga	2002	22.3	23.6	22.8	2002 HIES
Tuvalu	1994	24.4	32.4	23.6	1994 HIES
	2005	21.2	27.6	17.5	2005 HIES
Vanuatu	2006	15.9	32.8	10.8	2006 HIES

Sources: ADB, 2004 & 2008; World Bank (PNG) and UNDP Estimates.

Figure 2: Incidence of Basic Needs Poverty across Pacific States



Source: UNDP Pacific Centre 2008.

1.33. The data also suggest that, with a couple of exceptions, hardship and poverty are equally felt by **urban and rural families alike**. This contrasts with most other developing countries in the Asia-Pacific

region where rural poverty tends to be higher than that experienced in the urban centres. It suggests that whilst on the one hand the traditional subsistence lifestyle of the Pacific helps to underpin a minimum standard of living in the rural areas, the lack of overall economic growth in the economies as a whole and the urban areas in particular, is not enabling urban dwellers to improve their standards of living above the basic minimum.

1.34. Poverty in the Pacific and the global economic crisis. The IMF (2009) estimates that every one per cent contraction in developing countries GDP leads to an increase in poverty of two per cent.⁴⁰ Analysis by the United Nations Development Program Pacific Centre of the region's household income and expenditure surveys suggest that a 1% decline in real incomes can increase the number of people living below the poverty line by 0.5 percentage points on average. So, if, for example, 30% of the population is living below the poverty line and the global economic crisis then reduces real incomes by 5%, the share of the population below the poverty line could rise to 32.5%. In the worst case, the drop in incomes could force some into poverty traps that turn a short-term shock into a long-term problem. The adverse impacts are likely to fall more heavily on some community groups than others. In particular, UNDP has highlighted the extra vulnerability of households headed by women and the elderly. Children in female-headed households were likely to be especially disadvantaged.

1.35. Let us consider Fiji as an example. The ADB has estimated that there was no growth in aggregate value added in the agriculture sector between 2003 and 2008 and that over the period there was less than 2% aggregate increase in real per capita GDP. Over the same period, inflation increased by a total of about 25%. The recent 2007 census indicated that the labour force comprised just under 600,000 persons, of whom about 55% were economically active. Of the 327,000 who were economically active, extrapolation of the 2004/05 employment survey suggests that only between 35-40% were in formal employment, the rest being farmers or workers in the informal and sectors. There are no published data on industry wage rates since 2004 but given the general state of the economy and the overall low rate of growth, it may be reasonable to assume that the income and wage rates of the lowest income groups (farmers, informal workers and those engaged in the low-paying service personal sectors and manufacturing industries) did not keep pace with inflation. Using this as a basis and assuming that for the lowest income groups there was, say, a 10% loss in real incomes (measured as a 10% rise in the basic needs poverty line with no corresponding increase in income) the estimated change in the levels of poverty incidence between the two major ethnic groups and the urban and rural areas can be summarised in **Table 2**.

Table 2: Estimated Impact on Level of Poverty Incidence of 10% Real Increase in the Basic Needs Poverty Line in Fiji Islands

	Fijian Households		Indian Households		Fijian Population		Indian Population	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
Estimated poverty incidence in 2002/03	25.5	31.2	29.5	36.0	29.9	37.3	33.9	39.2
Estimated poverty incidence after real 10% increase in BNPL	29.2	36.1	34.4	42.6	33.5	42.3	38.7	46.1
Estimated increase in poverty incidence since 2002/03; % points	3.7	4.9	4.8	6.5	3.6	5.0	4.9	6.9

Source: UNDP Pacific Centre 2009.

1.36. These estimates suggest that rural hardship and poverty has worsened especially for rural Indian households with rural Fijian households also being quite hard hit. On average Fijian households tend to be less affected because they have greater access to own food production. Even in the rural areas Indian households appear to be much more reliant on purchased food than Fijians. From the 2002/03 Household Income Expenditure Survey (HIES) it was estimated that low income rural Fijian households produced almost two-thirds of their own food compared to only about 17.5% for rural Indian households. In urban centres, Fijian households produce about 17% of their own food while urban Indian households produce only 5%. It is clear now that one of the coping strategies for all urban households has been to increase the amount of home gardening that is being done in and around Suva for example. The Fiji Bureau of Statistics are currently conducting a new household income and expenditure survey and this will provide new definitive poverty estimates in due course (probably by the end of the year).

⁴⁰ IMF (2009) The Implications of the Global Financial Crisis for Low-Income Countries, Washington DC: IMF

1.37. The above implies that poverty is deepening in Fiji.⁴¹ Analyses across the Pacific reflect a similar pattern. For those living in the increasing number of urban squatter settlements across the Pacific, the burden of higher food and fuel prices together with the economic downturn add to already compromised living conditions: unsafe and overcrowded structures; limited access to basic infrastructure facilities especially water supply, electricity, roads, sewage and waste disposal; a high degree of exposure to pollution and other health risks; and a constant threat of eviction. Further analysis is needed to determine if the Pacific is following the global trend whereby the extreme poor are hit hardest. As was noted earlier, 88% of the increase in urban poverty depth from rising food prices is from **poor households becoming poorer** and only 12% from households falling into poverty.⁴²

1.38. We have noted from ADB's forecasts that only Timor-Leste, Papua New Guinea and Vanuatu are likely to experience any significant economic growth in 2009 while in other countries, growth will be minimal (Cook Islands, Kiribati, Nauru, Niue, Republic of Marshall Islands, Solomon Islands, Tokelau, Tuvalu) if not negative (Fiji Islands, Federated States of Micronesia, Palau, Samoa, and Tonga). Levels of poverty, incidence of poverty, work poverty, and vulnerability-to-poverty are likely to increase in these 13 countries. Even in the three countries predicted to have positive growth, current levels of poverty may in fact **increase** unless governments take active measures to ensure economic growth benefits the poor and vulnerable. Rising unemployment, poorer working and living conditions and dissatisfaction with government initiatives to mitigate the crisis could be a trigger for unrest.

1.39. But who are the poor and the vulnerable in the Pacific? During the participatory assessments of hardship undertaken by ADB in the early 2000s, there was almost universal agreement on who would be most likely to experience the greatest degrees of hardship and poverty: (i) the young, (ii) the old, (iii) people living with disabilities, (iv) those who had no source of regular income, or (v) those with no access to adequate land on which to grow food for consumption and/or sale (Box 1).

Box 1: People and households likely to experience the greatest hardships in the Pacific

- Unemployed.
- Single mothers and teenage couples without means to raise their children.
- Youth and school dropouts with few prospects for the future.
- Orphans or people without relatives in the community.
- Homeless people or those living with relatives.
- Land-less individuals, families without access to land, or settlers.
- People with large families and/or those supporting relatives.
- Elderly people, especially widows, without regular support.
- People living with disabilities.
- Chronically sick without regular support.
- Prisoners' dependents and ex-prisoners.

1.40. The current economic crisis, however, might create new categories of those facing hardship and poverty in the Pacific:

- The urban poor who rely on purchasing their food; across the region those in urban areas produce less than one-fifth of their own food needs compared to up to two-thirds to three-quarters in some rural areas.
- Small-holder and subsistence farmers who may still be net food buyers and consumers of essential non-food goods and services, many of whom are women, and who have difficulty getting their produce to markets, but still need cash to meet non-food essentials.
- Formal sector workers (both private and public) including health professionals and teachers, whose salaries may not be adjusted to keep up with higher commodity prices or in the worst cases may actually be reduced as budgets are cut, and who often support extended families; these increases the range of households falling into the category of the working poor.
- Low-skilled workers, internal-migrants and immigrants, especially the untrained, who are among the first to be laid off because they are concentrated in vulnerable sectors, such as construction or tourism, and often hold temporary jobs.
- Communities or groups that have limited or no access to productive resources, decent work and social security such as non-citizens, ethnic minorities and populations displaced due to environmental degradation, disasters, or discriminatory land-use policies.

⁴¹ Mahadevan, R. (2009) The rough global tide and political storm in Fiji call for swimming hard and fast but with a different stroke. Pacific Economic Bulletin, 24:2, 1-23.

⁴² World Bank (2008) Global Financial Crisis and implications for Developing Countries. G-20 Finance Ministers' Meeting, São Paulo, Brazil, November 8, 2008. <http://www.worldbank.org/html/extdr/financialcrisis/pdf/G20FinBackgroundpaper.pdf>

Summary

1.41. Part 1 has summarized of the current global economic crisis and its broad economic and social impacts across the globe and in the Pacific. The following points can be summarized:

- Prospects for an early recovery are unlikely, forcing countries to prepare for a prolonged downturn in trade, investment and employment. The risks of a long and deep recession or even a depression cannot be excluded.
- The crisis has hit in a series of waves. The first wave brought the global financial system to the brink of collapse. A second wave hit emerging economies causing reductions in credit, trade, foreign direct investment, remittances, and employment, and likely reductions in aid. A third wave is now hitting the world's poorest and most vulnerable countries already suffering from the shock of high food and fuel prices.
- Further waves are likely to hit long into the future including a return to high commodity prices, deeper gender inequities, decreased food security, a prolonged labour market recession, the persistence of poverty effects, and the intergenerational transmission of poverty.
- Beneath this global financial crisis lies a global humanitarian crisis or, as the World Bank describes it, a "Development Emergency" with catastrophic implications if we fail to respond effectively.
- In the Pacific, only Timor-Leste, Papua New Guinea and possibly Vanuatu will continue to sustain positive economic growth while other Pacific economies will slow down or contract.
- It is possible that the full impact of the global economic crisis has not yet been felt in the Pacific. On the positive side, this gives countries a small window of opportunity to put together more thoughtful and effective policies. On the negative side, this means that the impacts may be even larger in 2010 than in 2009. Even if the global economy picks up in the second half of 2010, as the most recent forecasts suggest, lags mean that economic conditions will be tough in the Pacific in 2010 and it may take until 2011 for the Pacific economies to fully recover.
- The transmission channels of the crisis to the Pacific are broadly similar to other parts of the world (reductions in exports, remittances, etc.). In addition, countries with trust funds invested in international financial markets have seen the value of their funds drop which will likely reduce income streams to national budgets. The close association with the economies of Australia and New Zealand also means that downturns in these two countries will negatively affect several Pacific Island economies.
- There are substantial levels of poverty and hardship in the Pacific with one in four households and almost one-in-three of the population already below the respective national poverty lines. Early indications are that levels of poverty are set to increase due to the economic crisis and other factors specific to particular countries.
- Those most likely to experience the greatest degrees of hardship and poverty will be: (i) the young, (ii) the old, (iii) people living with disabilities, (iv) those who had no source of regular income, or (v) those with no access to adequate land on which to grow food for consumption and/or sale. Households headed by women and the elderly will be very vulnerable and children in female-headed households are likely to be especially disadvantaged.
- The economic crisis might also create new categories of those facing hardship and poverty including: the urban poor who rely on purchasing their food; small-holder and subsistence farmers; front-line workers if their salaries are either reduced or not adjusted to keep up with higher commodity prices; low-skilled workers, internal-migrants, and immigrants; communities or groups who have been excluded from access to productive resources, decent work and social security, or displaced due to environmental degradation, disasters, or discriminatory land-use policies.

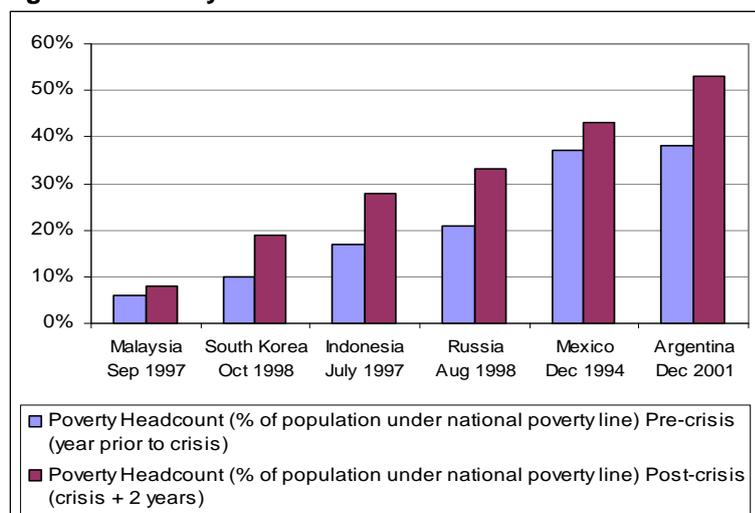
1.42. Pacific Island countries are faced with the need to protect critical growth-enhancing spending, trim low-priority expenditures, ensure fiscal sustainability in the medium, and above all, protect the most vulnerable. Such decisions are made even more difficult given that every source of their development finance—remittances, export and commodity demand, trust funds, aid and capital flows—are now being affected. In Part 2 we examine what impacts previous financial and economic crises have had on children and women. We also consider the known and potential impacts of the current crisis and last year's food and fuel price rise crises on Pacific children and women.

Part 2: The human face of financial, economic and food crises

The central lesson

2.1. The poor are hit hardest. Sadly, the world has a lot of experience of financial crises. The central lesson learned over and over again is that the poorest people in developing countries suffer the most and that not enough is done to help them (**Figure 3**). They are the least able to buffer the impacts of economic shocks, have the least real assets and savings to cushion them during difficult times, have limited ability to cope by switching jobs, are frequently exposed to unregulated labour markets, have only limited and expensive access to credit, have the least influence on economic and political decision-making, and take much longer to recover. In addition, economic downturns push poor households into a vicious cycle of poverty. They are forced to respond with measures that keep them poor: reducing the number and quality of meals, postponing health-related expenditure and withdrawing children from school. These actions lead to lower future income-earning potential for current and future generations, resulting in persistent poverty.

Figure 3: Poverty Headcounts before and after selected economic crises



Source: Gottschalk, R. (2004) *How Financial Crises Affect the Poor*, London: DFID.

2.2. The impact of the current crisis will depend on a variety of factors and will vary between different countries and regions.⁴³ It is clear, however, that children and women in many Pacific Island countries are likely to be amongst those most severely affected, and that those already most vulnerable will face the greatest impact. In order to better monitor the situation of children and women as well as to develop appropriate policy responses, it is important to understand what challenges children and women are experiencing and will likely experience. In **Part 2** we examine what impacts previous financial and economic crises have had on children and women. We also examine the known and potential impacts of the current crisis on Pacific children and women (including last year's food and fuel price rise crises). This discussion is by no means exhaustive but provides an overview of the real and potential impacts children and women of the Pacific are already and will likely confront during the current economic crisis.

Likely impacts on Pacific Island children

2.3. More Pacific Island children will die unnecessarily. In countries experiencing significant economic crises, income shocks can have large negative effects on infant mortality: an empirical analysis of 123 Demographic and Health Surveys (DHS) covering 59 developing countries conducted over the period 1986-2004 has revealed evidence that a one unit decrease in log GDP per capita is associated with an increase in infant mortality of between 17.22 and 44.61 (per 1,000 children born). In other words, a one percent decrease in per capita GDP is associated with an increase in infant mortality of between 0.31 and 0.79 percent.⁴⁴ For example, as a result of the 1989-90 economic crisis in Peru, infant mortality increased by 2.5%. This implies that approximately 17,000 more children died as a result of the crisis.⁴⁵ At

⁴³ Cali, M., Massa, I., Willem te Velde, K. (2008) *The Global Financial Crisis: Financial Flows to Developing Countries set to Fall by One Quarter*. ODI Working Papers.

⁴⁴ Baird, S., Friedman, J. and Schady, N. (2007). "Aggregate Income Shocks and Infant Mortality in the Developing World." World Bank Policy Research Working Paper 4346. Cited in: Ferreira, F., Shady, N. (2008:23) *Aggregate Economic Shocks, Child Schooling and Health*. World Bank Policy Research Working Paper 4701. Washington DC.

⁴⁵ Paxson, C., & Shady, N. (2004) *Child Health and the 1988-1992 Economic Crisis in Peru*. World Bank Policy Research Working Paper 3260. Washington DC

the height of the Asian financial crisis in 1998, the infant mortality rate in Indonesia increased by at least 1.4 percentage points.⁴⁶ As a result of Mexico's Tequila financial crisis in 1995-1996, under-five mortality rates were approximately 7 percent above expected levels—translating to about 7,000 additional deaths among children. The crisis also resulted in 20,000 additional deaths among the elderly.⁴⁷

2.4. The last statistic points to the fact that it is not only child health but also adult health that will be compromised (we discuss maternal health in a short while). Rising unemployment, the deterioration of people's living conditions, and the additional stress caused by the crisis may lead also to less healthy lifestyle choices—such as purchase of cheaper, less nutritious food, and increased use of drugs and alcohol.⁴⁸ The prevalence of mental health problems are likely to increase. Non-communicable diseases (NCDs) are now the leading cause of deaths in most Pacific Island countries and NCD-risk factors such as smoking, alcohol, lack of physical exercise, inappropriate nutrition are on the rise, associated with levels of poverty as much as with affluence.⁴⁹

2.5. Globally, 9.2 million children still die before their fifth birthday every year.⁵⁰ If the current economic crisis continues unaddressed, the International Monetary Fund predicts an increase of between 200,000 and 400,000 deaths will occur annually. By 2015, this would equate to an additional 2.8 million child deaths.⁵¹ Despite steady reductions in child mortality across the Pacific, **current figures reveal an aggregate of around 18,000 children under five years of age still die every year in the Pacific region** (13,000 in Papua New Guinea, 2,500 in Timor-Leste, and 2,500 in the Pacific Island countries).^{52,53} This is 50 children a day—one child death every 30 minutes. Four out of five of these children are under one year of age (around 14,400 infant deaths/annum). Global estimations may not translate directly to the Pacific, but if we apply the same IMF predictions, **unless reversed the economic crisis could result in an increase of between 400 to 800 Pacific Island child deaths each year**—two more deaths every day than is currently the case. By 2015, an additional 5,600 Pacific children under five would have died; excess deaths that can be avoided if we respond effectively to the crisis. To provide some perspective, this equates to about the same number of all reported child deaths in all natural disasters occurring in the Pacific since 1950 (around 11,000 total deaths excluding Timor-Leste).^{54,55} Each child death and each additional death represent an enormous loss and a step backwards for the Pacific. It should also be noted that globally, girl children are more at risk in economic crises with **infant girls experiencing almost three times higher increased mortality than boys for a given change in per capita GDP** (Figure 4).

⁴⁶ Rukumnuaykit, P. (2003) "Crises and child health outcomes: The impact of economic and drought/smoke crises on infant mortality and birthweight in Indonesia." Mimeo. Michigan State University, East Lansing, Michigan.

⁴⁷ Cutler, David, Felicia Knauth, Rafael Lozano, Oscar Méndez, Beatriz Zurita (2002:80). "Financial crisis, health outcomes and ageing: Mexico in the 1980s and 1990s." *Journal of Public Economics* 84(2):279-303.

⁴⁸ WHO (2009) *The Financial Crisis and Global Health. Report of a High-Level Consultation.* World Health Organization, Geneva. 19 January 2009. INFORMATION NOTE/2009/1.

http://www.who.int/mediacentre/events/meetings/2009_financial_crisis_report_en.pdf

⁴⁹ WHO (2007) *Noncommunicable Disease and Poverty. The Need for Pro-poor Strategies in the Western Pacific Region. A review.* http://www.wpro.who.int/NR/rdonlyres/1FC8050D-36F2-40D4-88A4-45E819EEF0FB/0/poverty_ncd.pdf

⁵⁰ UNICEF (2009) <http://www.childinfo.org/mortality.html> [accessed June 29, 2009]

⁵¹ International Monetary Fund (2009a) 'Global Economic Crisis: Economic Crisis Starts to Hit World's Poorest Countries'. www.imf.org/external/pubs/ft/survey/so/2009/NEW030309A.htm

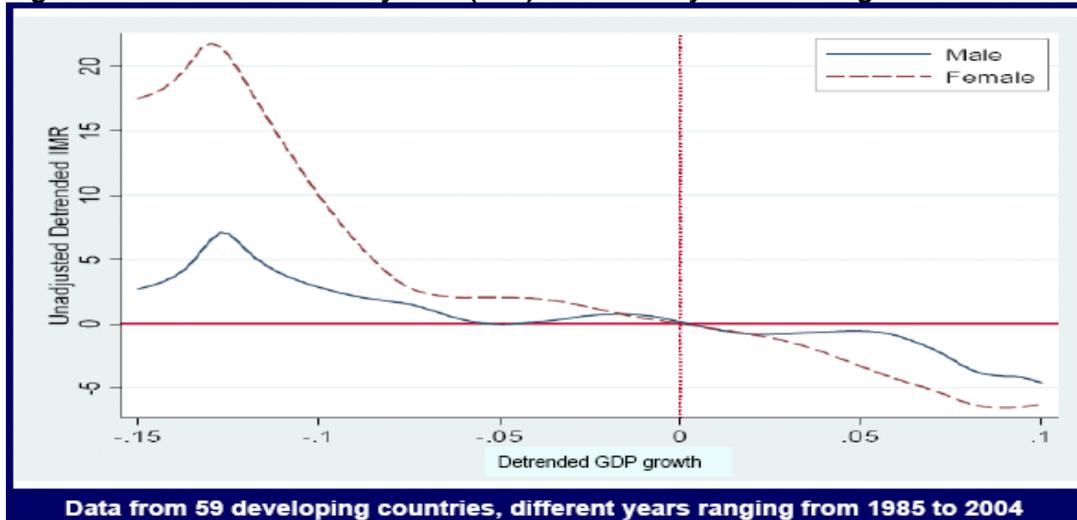
⁵² AusAID (2008) *Tracking Development and Governance in the Pacific*, Canberra: AusAID. http://www.ausaid.gov.au/publications/pdf/track_devgov.pdf

⁵³ Independent UNICEF Pacific estimates based on current mortality rates and birth cohorts correlate with these figures: 2,500 children under five die each year in the 14 Pacific Island countries—Cook Islands, Federated States of Micronesia, Fiji Islands, Kiribati, Nauru, Niue, Palau, Republic of Marshall Islands, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu. Unless reversed, the economic crisis could result in a total increase of between 50 to 100 child deaths annually in these 14 countries—an extra death every third day than currently the case. By 2015, an additional 700 children would have died in these countries if the economic crisis response is ineffective. Parks, W. (2009) 'Achieving results for Pacific Island children: UNICEF's analysis of and response to Pacific Millennium Development Goal progress.' *Policy Quarterly*, Volume 5, Number 3. Pp.20-27. Institute of Policy Studies, Victoria University.

⁵⁴ World Bank (2006) *Not if but when: Adapting to natural hazards in the Pacific Islands Region. A policy note.* <http://siteresources.worldbank.org/INTPACIFICISLANDS/Resources/Natural-Hazards-report.pdf>

⁵⁵ EM-DAT: The OFDA/CRED International Disaster Database, Université catholique de Louvain, Brussels, Belgium. <http://unpan1.un.org/intradoc/groups/public/documents/apcity/unpan009413.pdf>

Figure 4: Girls' Infant Mortality Rate (IMR) exceeds boys' IMR during economic downturns



Source: THE WORLD BANK/IFC/MIGA Impact of Financial Crisis on Women and Families, 2009. The infant mortality rate is the probability (expressed as a rate per 1,000 live births) of a child born in a specified year dying before reaching the age of one if subject to current age-specific mortality rates.

2.6. Increased child mortality during an economic crisis are brought about by a variety of factors including lower household incomes (i.e. resulting from loss of jobs, asset depletion, tighter credit conditions, etc.) and thus lower spending and investments benefiting children especially nutrition; and second, through more limited access to public services due to tightening government budgets and social spending. We will examine both factors before considering other impacts on children.

2.7. More Pacific Island children will become more malnourished, with long-lasting consequences. Financial crises bring with them severe impacts on the nutrition of children and women (**Box 2**).

Box 2: Financial crisis and children's nutrition across the globe (UNICEF sources unless cited)

- In rural Central Java, Indonesia, the incidence of child anemia increased from a baseline of nearly 50 percent to over 70 percent during the peak of the 1997 crisis. The prevalence of micronutrient deficiencies (especially vitamin A) in children and in women of reproductive age also increased during the crisis period. The share of women whose body mass index was below the level at which risks of illness and death increase rose by a quarter, and the average weight of children under age three declined in Indonesia in 1998.⁵⁶
- A survey of public health facilities in Thailand reported a 22% increase in anemia amongst pregnant women which is suggestive of a switch to less nutritious foods.⁵⁷
- In Mali, a UNICEF study estimated that 'child food poverty' (i.e. the proportion of children living in households below the food/extreme poverty line) rose from 41.5 percent in 2006 to 48.9 percent in 2009, with a much larger percentage increase in urban areas. Malnutrition in children 0-14 rose from 27.5 percent to 33.8 percent.
- In Zambia, unusually high numbers of severely malnourished children in Lusaka have been recorded (2008/9), and a worse situation is expected to unfold countrywide.
- In Yemen, updated poverty profiles shows an absolute majority of the population to be below income poverty and large numbers unable to even feed themselves in six governorates, exacerbating the already acute malnutrition among children under five (46% of children were estimated to be underweight).
- In Egypt, the nutritional situation of children in the Southeastern part was reported to have deteriorated rapidly due to the combined effects of high food price increases and rain-related crop failure. Hundreds of severely malnourished children appeared at health facilities in the second quarter of 2008.
- In Liberia, an inter-agency food security assessment found that the poorest households had less disposable income and were resorting to drastic actions such as putting their children to work, reducing spending on health care, and selling key productive assets including farm animals and tools to meet their food needs.

⁵⁶ World Bank (2009) Averting a Human Crisis During the Global Downturn. Policy Options from the World Bank's Human Development Network. <http://siteresources.worldbank.org/NEWS/Resources/AvertingTheHumanCrisis.pdf>

⁵⁷ World Bank (2009) Averting a Human Crisis During the Global Downturn. Policy Options from the World Bank's Human Development Network. <http://siteresources.worldbank.org/NEWS/Resources/AvertingTheHumanCrisis.pdf>

Box 2: continued

- In Jamaica, reports from health services in western parishes point to increases in the cases of child malnutrition.
- In Eritrea, Rapid screenings using Mid-Upper Arm Circumference shows that global acute malnutrition among children aged 12 to 59 months rose from 6.4 percent in November 2007 to 7.7 percent in May 2008. Urban migration and increases in the number of street children are also being observed.
- In Bangladesh, a Food and Agriculture Organization/World Food Program study in May-June 2008 found that natural disasters and rising food prices had left nearly half the country's population (45%) food insecure. To cope, 62 percent were reducing the number of meals eaten per day, and 15% were going for entire days without food.
- In India, a UNICEF survey of mothers showed that the food price crisis has led a large proportion of families to revert to limiting food intake, eating less preferred foods, selling assets, limiting health spending, and/or discontinuing child schooling.
- In Nepal, a nutrition survey in Mugu and Humla districts in the Mid-Western region indicated an increase in child malnutrition from 12.3 percent wasting prevalence in March 2006 to 15.2 percent in May 2008.
- In Pakistan, a UN interagency assessment on the impact of the food crisis estimated that the proportion of severely food insecure households increased from 23 percent in 2005/06 to 28% in 2008.
- In Guatemala, a UN interagency assessment estimated that the proportion of severely food insecure households has increased from 23 percent in 2005/06 to 28 percent in 2008. An early warning monitoring system at the municipal level found that families have reduced the quality and quantity of food intake and in some areas, the number of daily meals from 3 to 2.
- In Colombia, the regional estimates by the Economic Commission for Latin America and the Caribbean report chronic malnutrition in urban areas rose from 10.1% in 2005 to 11.8% in 2007, possibly as a result of the rise in food prices that began in 2007 and peaked in the first half of 2008.

2.8. The percentage of Pacific Island children born with a low birth weight (<2500g) varies from a low of 3% in Cook Islands to a high of 18% in Federated States of Micronesia (regional mean percentage of children with low birth weight is 8%).⁵⁸ According to the 2008 Multi-Indicator Cluster Survey (MICS) in Vanuatu, low birth weight is observed in approximately 10% of all live births in Vanuatu. Recent data from four Demographic Health Surveys (Nauru, Republic of Marshall Islands, Solomon Islands, and Tuvalu) and a Multi-Indicator Cluster Survey (Vanuatu) suggest that between 1.6% (Tuvalu) and 16% (Vanuatu) of children under five years are underweight with an average across these five surveys of 9.4%.⁵⁹ The 2008 MICS Survey in Vanuatu revealed 20% of children under five are stunted (low height for age)—7% with severe stunting—and 7% are wasted (low weight for height). The survey suggests boys tend to be more malnourished than girls. The same survey showed 2% of children are overweight. Results indicate that children living in households belonging to the lowest wealth index quintiles are more likely to be underweight and children from households within the richest quintile are more likely to be overweight.⁶⁰

2.9. Anaemia is a public health problem in the region; 6 out of 10 children are anaemic and in countries with available data, prevalence of anaemia in women is very high.⁶¹ The 2008 MICS survey in Vanuatu revealed 34% children aged 6-59 months are anaemic (Hb \leq 11g/dl) and 21% of Vanuatu women are anaemic (Hb \leq 12g/dl)—both levels associated with a public health problem.⁶² Vitamin A deficiencies are prevalent especially in Kiribati, Federated States of Micronesia and Republic of Marshall Islands. Iodine deficiency disorders exist in Vanuatu and most likely in the other Pacific Island countries. Other micronutrient deficiencies (zinc and folate) probably exist, however data sources need strengthening.⁶³

2.10. Food consumption patterns in the Pacific have changed with the growing importance of cash, particularly so for those in urban centres. The rise in food prices in 2008 signaled the food security challenges certain Pacific Islands face and will likely face as the economic crisis deepens (**Box 3**). A reliance on

⁵⁸ Data from UNICEF Pacific CRING 2007 data-set.

⁵⁹ Prasad, B.C. (2009) MDGs in the Pacific Islands Countries: Taking Stock, Emerging Issues and Way Forward. Paper presented at the UNESCAP-ADB-UNDP Pacific MDG Workshop, Nadi, Fiji Islands, 16-20 March 2009.

⁶⁰ Government of Vanuatu (2008) Multi-Indicator Cluster Survey 2008.

⁶¹ Knowles J. (2006) Review of Available Data on Vitamin and Mineral Status—Pacific Island Countries. UNICEF EAPRO. September.

⁶² Government of Vanuatu (2008) Multi-Indicator Cluster Survey 2008.

⁶³ Knowles J. (2006) Review of Available Data on Vitamin and Mineral Status—Pacific Island Countries. UNICEF EAPRO. September.

food imports in particular leaves countries vulnerable to rising global food prices and has a major impact on balance of payments of Pacific Island countries and the purchasing power of households (**Table 3**).

Box 3: Qualitative assessment of food price rise impacts in 2008 across the Pacific (FAO)

- Cook Islands—more now rely on bread, increasing prices of food in Commodity Price Index, increase in fuel prices, increase costs of agricultural inputs.
- Federated States of Micronesia—bread and rice taken over traditional food crops and the latter had been neglected for a long time. Now President calling for people to eat local food.
- Fiji—reduced production of rice and flour. Food prices major contributor to high inflation. Special working group formed to address this issue.
- Kiribati—a serious case with majority of food imported together with other social problems.
- Nauru—a food deficiency crisis will occur within the next year(s) unless appropriate arrangements are put in place.
- Republic of Marshall Islands—increase in food and fuel affecting the country with very little traditional agriculture.
- Niue—taro is still basic staple so no immediate effect on food despite prices continuing to increase.
- Palau—bread and rice have become the main staples but traditional agriculture is being promoted.
- Papua New Guinea—85% of population still rely on agriculture with 29% regarded as undernourished.
- Solomon Islands—80% of population still living in subsistence but there is evidence most people rely on rice with prices continuing to increase.
- Tonga—12% inflation rate an issue, agricultural exports could be reduced to address local demand.
- Tuvalu—environment constraints plus increase in food and fuel prices makes Tuvalu very vulnerable. Increase reliance on imported food.
- Vanuatu—80% of population on subsistence but growing dependency on rice.

Source: FAO SAP (2008) Brief Report: High Food Prices Issue in the Pacific Island Countries (Needs Assessment), May.

Table 3: Dependency on imported foods in selected Pacific Island countries

	Samoa	Kiribati	Tonga	Sol Islands	FSM	Palau
Food imports as % of total food expenditure	56%	36%	45%	35–44%	<39%	81–84%

Source: SPC/MOAF 2/WP 1, 25 August 2008.

2.11. There are significant differences across countries, with import dependency ranging from 36% in Kiribati to over 80% in Palau. These figures represent import dependency at the national level but significant differences exist within countries, especially between urban centres and rural areas. For example, food import dependency in South Tarawa is estimated at around 61% whereas at national level it is around 36%. Similarly, for Federated States of Micronesia food import dependency is over 50% in Pohnpei and Kosrae compared to less than 20% in Yap.

2.12. A key factor in food security is the ability of countries to pay for the food they import. Factors that influence this are export earnings (including tourism earnings), levels of debt service payments, and remittances—as we noted in Part 1, all these factors are currently threatened by the global economic crisis. The UN Food and Agriculture Organization (FAO) has developed the Food Import Capability Index (FICI) as an indicator of the vulnerability. The FICI measures the proportion of food imports to total exports. Any country with a FICI above 0.5 is considered vulnerable in terms of food security, while a country with a FICI above 1 (the value of food imports exceeds the value of exports) is considered highly vulnerable (**Table 4**).

Table 4: Food import capacity indicators (FICIs) for selected Pacific Island countries 1990–2001

	Average FICI over decade	FICI plus	Food security vulnerability assessment
Cook Islands	1.84	-	Extremely high
Fiji Islands	0.17	0.15	Low
Kiribati	1.56	-	Extremely high
Niue	1.32	-	Extremely high
PNG	0.12	0.14	Extremely low
Samoa	2.59	0.46	Moderate
Solomon Islands	0.15	0.12	Low
Tonga	1.10	-	High
Tuvalu	5.48	-	Extremely high
Vanuatu	0.46	0.18	Low

Source: SPC/MOAF 2/WP 1, 25 August 2008.

2.13. Papua New Guinea, Fiji and Solomon Islands, with average FICIs of 0.12, 0.15 and 0.17 respectively, are among the group of least vulnerable countries in the Pacific. This standing is likely to have changed

for Fiji with the erosion of sugar trade preferences with the European Union. Services and remittances also contribute to food security and the ability to pay for food imports. On the other hand, the servicing of foreign debt reduces a country's ability to purchase food. These factors are included to create the FICI 'plus' indicator for the same period as the FAO data (also shown in Table 4). Vanuatu moves from a rating of moderate to low. Samoa moves from a rating of 'extremely high food security vulnerability' (FICI = 2.59) to 'moderate food security vulnerability' (FICI plus = 0.46). This change demonstrates the critical role of remittances in Samoa's food security. In the case of Tonga, remittances are even more important.

2.14. While there are downward trends of food prices compared to highs reached mid-2008, many Pacific Island countries are still experiencing higher prices than two years ago and much higher than in 2002 when prices started to rise. The situation in many developing countries is still precarious.⁶⁴ Unstable or high food prices clearly accentuate the vulnerabilities of the poor, both urban and rural, with their purchasing power seriously eroded, leading to deterioration in the quantity and quality of food consumed and to other negative coping actions. Analysis conducted by the UNDP Pacific Centre revealed that **almost 50% of household expenditure among low income households goes on food, even in rural areas.**⁶⁵ As food prices increase or as household purchasing powers decrease, a number of scenarios may unfold including: households divert expenditure away from such items as school fees and health care towards food; and/or households consume less food, less frequently; and/or households turn to cheaper, less nutritious products (if these are available); and/or households increase subsistence food production (if this is feasible—unlikely in urban areas).

2.15. Bringing experiences in other parts of the world (**Box 2**) together with Pacific FICIs (**Table 4**) and household expenditure data, we can anticipate that Pacific Island children's and women's nutrition and health will certainly be diminished. The numbers of meals may decrease alongside the quantity of food consumed. Children and women often are not prioritized at the meal table due to lower cultural status and may only consume one or two meals a day. Reports of children eating meagre or no lunch at school, sometimes going without breakfast as well are not uncommon in the region.^{66,67} The composition of meals is also likely to reduce as basic items can no longer be afforded. Micronutrients will disappear as diets become more and more restricted. With the existing prevalence of micronutrient deficiency in several Pacific Island countries, noted above, we can assume that many families were consuming poorly balanced diets and perhaps facing chronic food shortages even before the food price rise and the current economic crises.

2.16. For the poor, reducing consumption from already low levels, even for a short period, can have important short-term and long-term consequences. Poor households forced to switch from more expensive to cheaper and less nutritional foodstuffs, or to cut back on total caloric intake altogether, face weight loss and serious malnutrition. Already during 2008, higher food prices may have increased the number of children suffering from permanent cognitive and physical injury due to malnutrition by 44 million. Regardless of recent declines in global food and fuel prices, this represents a tragic loss of human and economic potential.⁶⁸ A mother's nutritional status is associated with her child's nutritional status at time of birth. According to a study in Guatemala, a 100 gram increase in a mother's weight is linked to a 29 gram increase in her child's birth weight, after adjusting for the effects of maternal age, gestational age and sex of the infant.⁶⁹ Maternal malnutrition is linked to low birth weight which is an important risk factor for perinatal mortality and morbidity, and is also associated with poor child nutrition which in turn is strongly associated with stunting, and subsequent impairments in cognitive function, attention capacity, and school performance.⁷⁰ An infant who is breast-feeding from a mother who is eating less than others in the household will also be unlikely to make up for the impacts of poor nutrition later in life. Under-nutrition—notably foetal and infant under-nutrition—contributes to permanent changes in body structure and metabolism, in turn leading to increased risk of chronic infections and diseases with enormous effects across the life-course.⁷¹

⁶⁴ Joint Meeting of the Executive Boards of UNDP/UNFPA, UNICEF and WFP (2009) Agenda Item 2: Unstable Food Prices and the Linkage to Food and Nutrition Security. 23 and 26 January 2009. New York. Background document. Final draft.

⁶⁵ Abbott, D. 2008. "A macroeconomic assessment of poverty and hardship in the Pacific: lessons, challenges and policy responses for achieving the MDGs." UNDP Pacific Centre.

⁶⁶ Carling, M and C Peacock-Taylor (eds) (2001) Study of the Impacts of the Political Crisis on Children and Families in Fiji, Save the Children Fund Fiji, Suva.

⁶⁷ Groetschel, A. (2009) Report by Food and Agriculture Consultant, Republic of the Marshall Islands. Majuro, 11 March.

⁶⁸ WHO (2007) Early Child Development Knowledge Network of the Commission on Social Determinants of Health. Early child development: a powerful equalizer. Geneva: WHO.

⁶⁹ Ramakrishnan, U., Martorell, R., Schroeder, D. and Flores, R. (1999). Intergenerational Effects of Linear Growth. *Journal of Nutrition* 129(2):544-549.

⁷⁰ Behrman, J., Alderman, H. and Hoddinott, J. (2004) Hunger and Malnutrition. Copenhagen: Consensus Challenge Paper.

⁷¹ Block, S. (2003) Macro Shocks and Micro(scopic) Outcomes: Child Nutrition During Indonesia's Crisis. Mimeo, July 2003. Fletcher School of Law and Diplomacy, Tufts University, Massachusetts.

2.17. Stunting therefore causes largely irreversible effects such as delayed motor development, impaired cognitive function and poor school performance—negative effects that flow into adulthood.⁷² Wasting is a strong predictor of child mortality. Malnourished children score poorly in tests of cognitive function, and acquire skills at a much slower pace. Studies of early childhood development have shown that the period wherein adequate nutrition is critically important spans the moment of conception until 2-3 years of life, while broader investments to ensure the proper cognitive, motor and social-emotional development of children at least until the age of 5 need to be ensured.^{73,74} A well-known study in Jamaica shows that children who were stunted (had height-for-age two standard deviations or more below that of a reference population) in early childhood were significantly more likely to have deficits in cognition and school achievement in adolescence, and had poorer emotional and behavioral outcomes.^{75,76} In Guatemala, children exposed to a nutritional intervention have better reading comprehension and perform better on tests of cognitive development in adulthood, and earn higher wages.^{77,78,79} Individuals born during the 1959-1961 famine in China have been found to have stunted growth, lower body mass, fewer years of schooling and are less likely to complete primary school.⁸⁰

2.18. Government health expenditures will likely decline in real per capita terms. Compounding changes to household consumption patterns, there is a strong possibility that fiscal pressures will result in reduced social spending on health services.

2.19. Even where health is prioritized within the overall budget, real health spending per capita may still fall. Past crises have resulted in cuts in expenditures on health, lower utilization of health services, and deterioration of child and maternal nutrition and health outcomes. Evidence from the 1997 crisis in Thailand, Indonesia, and Russia reveals that health budgets were cut during in both real local currency units (LCUs) and at the average US Dollar exchange rate, and that it took many years for health spending to reach pre-crisis levels again. In Argentina (2001 crisis) the health budget was cut and total and public health spending per capita have yet to reach pre-crisis levels in US Dollar terms. There is widespread agreement that, if government budgets come under pressure and household income drops, the demand on public services will increase but at a time when funding for such services will diminish. Where health insurance schemes exist, households may no longer be able to afford health insurance or may become ineligible. Where private health care systems exist, users may switch from the private system to the public health sector as their ability to pay for health services is impacted. Overall, patients will likely defer care completely or only attend when the situation becomes critical, exacerbating child and maternal mortality. Unless public sector services are ensured adequate financial support in these circumstances, quality of care is also likely to deteriorate.⁸¹

2.20. In many Pacific Island countries a substantial proportion of government health expenditure goes to pay salaries. Given the difficulty in downsizing the civil service, non-salary expenditures, which are used to pay for drugs and other variable inputs, as well as investments, may decline substantially and impact the quality of health care. In several Pacific Island countries, a large portion of the health budget is also spent on overseas medical treatment schemes or domestic dialysis programs which tend to favour the very few at the expense of the many who are not able to get better primary care. Currency depreciations will also likely increase the price of health-related commodities such as food, pharmaceuticals and medical devices and diminish the ability of Pacific Island governments to pay for these imports. Apart

⁷² Alderman, H., Hoddinott, J. and Kinsey, B. (2006) 'Long term consequences of early childhood malnutrition.' Oxford Economic Papers Advance Access, originally published online on 2 May, Oxford Economic Papers 58.3: 450-474.

⁷³ Behrman, J., Alderman, H. and Hoddinott, J. (2006) "Hunger and Malnutrition," in B. Lomborg, ed., *Global Crises, Global Solutions*, Cambridge University Press.

⁷⁴ Grantham-McGregor, S., Y. Cheung, S. Cueto, P. Glewwe, L. Richter and B. Strupp (2007) 'Developmental Potential in the First 5 Years for Children in Developing Countries'. *The Lancet* 69(9555): 60-70.

⁷⁵ Walker, S.P., Chang, S.M., Powell, C.A. and Grantham-McGregor, S.M. (2005) "Effects of Early Childhood psychosocial Stimulation and Nutritional Supplementation on Cognition and Education in Growth-Stunted Jamaican Children: Prospective Cohort Study." *The Lancet* 366: 1804-07.

⁷⁶ Walker, S.P., Chang, S.M., Powell, C.A., Simonoff, E. and Grantham-McGregor, S.M. (2007) "Early Childhood Stunting is Associated with Poor Psychological Functioning in Late Adolescence and Effects are Reduced by Psychosocial Stimulation." *Journal of Nutrition* 137: 2464-69.

⁷⁷ Maluccio, J.A., Hoddinott, J., Behrman, J.R., Quisumbing, A., Martorell, R. and Stein, A.D. (2008) "The Impact of Nutrition During Early Childhood on Education among Guatemalan Adults," Philadelphia-Washington-Atlanta: University of Pennsylvania, IFPRI, Emory, processed.

⁷⁸ Hoddinott, J., Maluccio, J.A., Behrman, J., Flores, R. and Martorell, R. (2008) "The Impact of Nutrition During Early Childhood on Income, Hours Worked, and Wages of Guatemalan Adults" *Lancet* 371: 411-416.

⁷⁹ Martorell, R. (1999) "The Nature of Child Malnutrition and its Long-Term Implications." *Food and Nutrition Bulletin* 20(3): 288-92.

⁸⁰ Fung, W. and Ha, W. (2008) *Intergenerational Effects of the 1959-61 China Famine*. Mimeo. UNDP. New York, NY.

⁸¹ World Bank (2009) *Averting a Human Crisis During the Global Downturn. Policy Options from the World Bank's Human Development Network*. <http://siteresources.worldbank.org/NEWS/Resources/AvertingTheHumanCrisis.pdf>

from being unable to afford treatment at health facilities and hospitals, the poor may be forced to forego consumption of essential drugs as local currency devaluation results in an unaffordable increase in the price of drugs. It is known that non-adherence to medical treatment could in the longer-term result in wider prevalence of disease, complications of chronic conditions and increased drug resistance in the case of infectious diseases (e.g. tuberculosis, malaria). Heavy reliance on foreign aid and the potential decreases in donor allocations across the Pacific may also be detrimental to health expenditure levels in many countries.⁸² There are painful lessons to learn from the 1997 Asian financial crisis (**Box 4**).

Box 4: Painful lessons from the 1997 Asian Financial Crisis

Stringent reforms were put in place to revive the financial sector and achieve macroeconomic stability. The most painful, perhaps, was the inability to fully address the social consequences of the crisis. The lack of experience in the Asia-Pacific region in handling a crisis of this magnitude, the unexpected nature of the crisis and the weakened macroeconomic fundamentals led to hasten and reactionary rescue packages. These packages largely focused on macroeconomic and financial sector stability without giving much regard, especially at the beginning, to social consequences. The 1998 public health and education budgets in Thailand declined by 9 percent and 6 percent respectively compared to the previous year. Total public health expenditures in Indonesia fell by 7 percent during the first year of the Asian financial crisis, and another 12 percent the year after. Low-income households across the region fell swiftly and deeply into poverty in many crisis-affected countries.^{83,84,85}

2.21. Evidence, however, also suggests that efforts to maintain government health expenditure as a proportion of GDP, or as a proportion of total government expenditure, do not guarantee that pro-poor services will be protected. Government expenditures per capita in real terms may still decline substantially due to overall declines in GDP and/or overall declines in total government expenditure.⁸⁶ We will return to this issue in Part 3, but one fact is clear—it is vital that governments put into place safeguards to protect health expenditures *in real terms* for those services and programs utilized by poor and most vulnerable populations. The health impact of the rapid deterioration of public finances is likely to be fully felt at the end of 2009 and when national budgets are drawn up. The deterioration of public finances and a consequent shrinking of fiscal space could force governments to adopt drastic adjustment and austerity measures. Resources for health systems are likely to be under severe pressure in the years ahead; health authorities and partners will have to navigate through particularly difficult times in the foreseeable future.

2.22. More Pacific Island children may not enroll, drop out of school or experience declines in the quality of education. The impacts on education during previous economic crises are not as clear-cut as they are on health.⁸⁷ In five countries in Latin America for which careful analysis has been done, the World Bank reports there is little evidence that school enrollment systematically declined during aggregate economic contractions. In fact, enrollment rose markedly during recessions in Mexico and Nicaragua, and marginally in Peru and Brazil. Only during a financial recession in Costa Rica between 1981 and 1982, did school enrollment drop (by 6%). Nor does it appear that school attainment suffered: in Peru, children who were exposed to the crisis of the late 1980s had completed more years of schooling for their age than comparable children who were not exposed, while even in Costa Rica school attainment appears to have been unaffected by the economic contraction earlier in the decade, despite the decline in enrollment at that time.⁸⁸ One study suggests that children were able to make up schooling later on.⁸⁹

⁸² Skoufias, E., (2003) 'Economic Crises and Natural Disasters: Coping Strategies and Policy Implications'. World Development 31(7): 1087-1103.

⁸³ UN Economic and Social Commission for Asia and the Pacific (2009) Economic and Social Survey of Asia and the Pacific 2009, Forthcoming (Bangkok, UNESCAP).

⁸⁴ Knowles, J., Pernia, E. and Racelis, M. (1999) "Social Consequences of the Financial Crisis." Asian Development Bank Economic Staff Paper 60. Manila. [Available at: http://www.adb.org/Documents/EDRC/Staff_Papers/ESP060.pdf].

⁸⁵ Stalker, P. (2000) "Beyond Krismon: The Social Legacy of Indonesia's Financial Crisis." UNICEF Innocenti Working Paper. [Available at: <http://www.unicef-irc.org/publications/pdf/insight5.pdf>].

⁸⁶ World Bank (2009) Averting a Human Crisis During the Global Downturn. Policy Options from the World Bank's Human Development Network. <http://siteresources.worldbank.org/NEWS/Resources/AvertingTheHumanCrisis.pdf>

⁸⁷ World Bank (2008) Aggregate Economic Shocks, Child Schooling and Child Health. Policy Research Working Paper 4701. http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2008/08/25/000158349_20080825161803/Rendered/PDF/WPS4701.pdf

⁸⁸ Schady, N. (2004) "Do Macroeconomic Crises Always Slow Human Capital Accumulation?" World Bank Economic Review, Vol. 18 (2).

⁸⁹ Funkhouser, E. (1999). "Cyclical Economic Conditions and School Attendance in Costa Rica." Economics of Education Review 18(1): 31-50. Cited in: Ferreira, F., Shady, N. (2008:13) Aggregate Economic Shocks, Child Schooling and Health. World Bank Policy Research Working Paper 4701. Washington DC.

2.23. Evidence from outside Latin America, however, points to negative impacts on education during economic crises (e.g., in Indonesia, Cote d'Ivoire, and Malawi).⁹⁰ During the Asian Financial Crisis, children in the poorest Indonesian households were five times more likely to be out of school compared to children belonging to the top of the expenditure distribution. There were also significant declines in school enrolment among the rural poor, where the percentage of 7-12 years olds not enrolled in school doubled from 6 percent to 12 percent.⁹¹ During the market-oriented transition in Central and Eastern Europe and the Commonwealth of Independent States (CEE/CIS) between 1989 and 1999, upper secondary enrolment rates have fallen in 16 out of 24 CEE/CIS countries for which data were available. Changes in enrolment have shown strong correlation with economic growth.⁹² In Bangladesh, an FAO/WFP study in May-June 2008 found 20% of households reported that they had stopped sending children to school. There are also subtle gender differences in education impacts (**Figure 5**). In Pakistan, a UN interagency assessment indicated that households are coping with the recent commodity price shock by taking children out of school, sending them to work, and moving them from private to public schools, with a worse impact on girls than on boys. In Madagascar, a country with low female enrolment rates, girls were more likely to drop out of school than boys as agricultural income plummeted.⁹³ In Ivory Coast, however, both girls and boys were pulled out of school as result of a drought, but boys' enrolments dropped 14 percentage points compared to 11 percentage points for girls.⁹⁴

Figure 5: Impact of economic crises on education with gender differences in selected countries

Low income countries			Middle income countries		
Country	Crisis	Impact on schooling	Country	Crisis	Impact on schooling
Madagascar	Fall in agricultural income	Girls more likely to drop out of school than boys	Mexico	Unemployment of household head during the peso crisis	Girls' attendance rate fell by 8%; no impact on boys' attendance rate; no impact on enrollment rates of girls or boys
Cote d'Ivoire	Drought	School enrollment decreased by 11 percentage points for girls and by 14 percentage points for boys	Peru	Economic crisis of late 1980s	No impact on school enrollments for either girls or boys; schooling attainment increased

Source: THE WORLD BANK/IFC/MIGA Impact of Financial Crisis on Women and Families, 2009

2.24. Whatever the net effects on enrollments, reductions in government, household and donor budgets for education are likely to threaten educational investments and worsen education quality and learning outcomes. Across the Pacific, there have been moderate gains over the last decade in school enrollments for both boys and girls, especially at primary school level. In some countries, however, enrollment has tended to plateau and few countries have achieved 100% primary school enrolment. Currently 17% of Pacific children do not enroll in primary school (19% did not enroll in 1990).⁹⁵ Only Cook Islands, Federated States of Micronesia, Niue, Tonga and Tuvalu claim 100% primary education enrolment ratios. Of those children who currently enroll in primary education across the region, 12% never reach grade 5.⁹⁶ National averages, of course, conceal sub-national disparities. The 2008 MICS Survey in Vanuatu revealed that the primary school net attendance ratio (defined as the percentage of children of primary school age (6-

⁹⁰ World Bank (2008) Aggregate Economic Shocks, Child Schooling and Child Health. Policy Research Working Paper 4701. http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2008/08/25/000158349_20080825161803/Rendered/PDF/WPS4701.pdf

⁹¹ Frankenberg, E., Thomas D., and Beegle, K. (1999:iv). The Real Costs of Indonesia's Economic Crisis: Preliminary Findings from the Indonesia Family Life Surveys. Labor and Population Working paper Series 99-04: RAND Corporation.

⁹² UNICEF (2001) A Decade of Transition: The MONEE Project CEE/CIS/Baltics. UNICEF Innocenti Research Centre, Florence, Italy

⁹³ Gubert, F. and A-S Robilliard (2007) "Risk and Schooling Decisions in Rural Madagascar: A Panel Data Analysis." Journal of African Economies.

⁹⁴ Jensen, R. (2000) "Agriculture Volatility and Investments in Children." American Economic Review. Vol. 90 (2).

⁹⁵ Data from UNICEF Pacific CRING 2007 data-set.

⁹⁶ Data from UNICEF Pacific CRING 2007 data-set.

11 years) attending primary school or secondary school) is 80% overall but varies from 93% in Malampa Province to 70% in Tafea Province.⁹⁷

2.25. While access to education remains a gender issue in some countries, in most countries of the Pacific, access to education depends more on availability of educational services. In Nauru, for example, the lack of qualified teachers is a major factor in limiting accessibility to education among children at the secondary level.⁹⁸ In the Republic of Marshall Islands a major constraint on access to education is the insufficient number of schools, due to lack of available land.⁹⁹ A further constraint is the poor and unsafe conditions of school facilities and grounds. There are also concerns about the quality of education, the low levels of investment in early childhood education, and the inappropriateness of secondary school curricula to equip young people for the workforce, especially the underdevelopment of technical and vocational education.¹⁰⁰

2.26. The moderate gains in education made by Pacific Island countries are now under threat. The crisis could lead to spending cuts if governments cannot find additional financing in the event that aid inflows and domestic fiscal revenues drop sharply. As with the health sector, many Pacific Island countries allocate most of their education budget on teacher salaries and there is heavy reliance on foreign aid to support educational developments. If national and external funding is cut, teacher salaries may be delayed and public money for new school buildings, school repairs and school inputs such as teaching supplies may be greatly reduced. To supplement declining household incomes, teachers themselves may feel greater pressure to earn extra income, driving up the rate of moonlighting and absenteeism, thus reducing the quality of instruction. At the same time, revenues from parents, the community, and remittances from abroad are likely to fall as family incomes falter, making schools even more dependent on transfers from the government. There might also be a sizeable shift of students from private to public schools raising pupil-teacher ratios, increasing the pressure on often insufficient or inappropriate infrastructure, and further compromising learning quality. Education quality at private schools would thus be further compromised through the loss of fees from students shifting to the public system.

2.27. Where students incur some direct schooling costs, however small, poorer students may be pressed to forego schooling to earn income or to substitute for adult home production. Once students drop out for longer than 12 months, it proves extremely difficult to coax them back. Even without the current crisis, students from poor families, ethnic minority groups, and girls are likely to be most vulnerable to pressures to leave school as a result of the crisis. On other hand, the decrease in paid work opportunities may reduce the opportunity cost of attending school and thus increase the likelihood that youth will stay in school longer. At the tertiary education level, there could be a decline in the resources available to students to pay tuition and other costs, and hence a decrease in student demand, especially in fee-based institutions, forcing current students to drop out and new students to postpone or forgo entry.

2.28. Another major challenge during a crisis is youth unemployment, which is expected to increase from its already high levels in some countries—in 2007, for example, 25% in Indonesia, 25% in Sri Lanka and 15% in the Philippines.¹⁰¹ Youth unemployment also shows gender variations. Indonesia showed a dramatic increase of 17 percentage points in the unemployment rate of young women between 1996 and 2006 (from 17% to 34%). Employment prospects for young Indonesian men, however, were only slightly better than those of young women: the male youth unemployment rate in 2006 was 27%.^{102,103} In the Pacific, where economic growth has not kept pace with high rates of population growth, large youth populations combined with school drop-outs make youth employment a major concern for this sub-region.¹⁰⁴ Eighteen percent of young men and 19% of young women (aged 16-24 years) are unemployed across the region. To illustrate the challenge ahead, Fiji has one of the best education systems in the Pacific but every year half of the 15,000 school leavers join the unemployed. Yet Fiji is also experiencing a critical shortage of skilled tradesmen and recruits 6,000

⁹⁷ Government of Vanuatu (2008) Multi-Indicator Cluster Survey 2008.

⁹⁸ UNICEF (2004) "A Situation Analysis of Children, Youth and Women: Nauru", UNICEF Pacific, Suva.

⁹⁹ UNICEF (2003) "A Situation Analysis of Children, Youth and Women: Republic of the Marshall Islands", UNICEF Pacific, Suva.

¹⁰⁰ UNICEF Pacific (2007) State of Pacific Children. Suva: UNICEF Pacific.

http://www.unicef.org/pacificislands/resources_9511.html

¹⁰¹ ILO (2008) November 2008, Room paper on the likely impact of the financial and economic crisis and possible responses.

¹⁰² ILO (2007) Labour and Social Trends in Asia and the Pacific 2007. Bangkok: ILO.

¹⁰³ ILO (2008) World of Work 2008. Geneva: ILO.

¹⁰⁴ Curtain, R. (2007) What to do when jobs are scarce: Promoting young people's livelihoods in Timor-Leste, Papua New Guinea and Pacific Island countries.

<http://www.prio.no/upload/prio/Where%20there%20are%20no%20jobsRichard%20CurtainSummary9Nov08.pdf>

overseas workers because technical and vocational education schools do not teach to industry standards.¹⁰⁵

2.29. If enrollments and learning levels deteriorate during the crisis, Pacific Island countries may lose a competitive head-start when the global economy recovers. The World Bank notes that those countries that are able to maintain or build up the skills of their work force during the recession will be poised to take advantage of opportunities once the recovery starts.¹⁰⁶ There are also more sinister long-term impacts of reduced educational outcomes during economic crises. Almost universally, dropping out of school earlier is associated with lower labour earnings in adulthood. Based on a study in Zimbabwe, the loss of schooling and the delay in starting schooling due to shocks like civil war and drought translates into a 14 percent reduction in the average child's expected lifetime earnings.¹⁰⁷ Based on a study in Tanzania, an increase in 6 hours of child labour per day among Tanzanian children is associated with a loss of about 1 year of schooling ten years later.¹⁰⁸

2.30. Child abuse, violence, exploitation and neglect may increase. Across the globe, declining household employment options frequently result in increased child labour, either waged (especially boys) or unpaid domestic work (especially girls).¹⁰⁹ The child-worker population in Ecuador increased to approximately 30,000 boys and girls between January and July 1999 during a financial crisis, representing an increase of 22% in the total number of child workers. The greater decrease in real household income and the growth in the number of unemployed workers during June and July had probably exerted greater pressure on boys and girls under the age of 15 to abandon school and to join the labour market.¹¹⁰ During the Indonesian economic crisis of the late 1990s, the proportion of children aged 10 to 14 years who worked increased only very slightly in 1998, and fell back to its 1997 level in 1999. Nevertheless, the crisis temporarily halted the steadily declining trend in the incidence of child labour which had been observed since the early 1970s. The Asian financial crisis also resulted in a 10-15% increase in the number of street children in Thailand, and a far greater increase in Jakarta.¹¹¹

2.31. While evidence of severe forms of child labour are scarce and there are reportedly few street children in the Pacific, the current crisis could propel children from school into the labour force (especially boys) or to shoulder more household tasks (especially girls). Lack of reliable data makes it difficult to assess the magnitude of the problem, but rough estimates by the ILO suggest that with growing poverty, child workers already make up an estimated 19% of the labour force in PNG and 14% in Solomon Islands.¹¹² Fiji will soon complete a Child Labour Baseline Survey to assess the magnitude of its child labour situation.

2.32. Particularly abusive forms of work are hard to document, but evidence elsewhere suggests that, in South Korea, one year after the Asian crisis, one in seven women (including adolescent girls) was involved in some kind of sex work.¹¹³ Similarly, in Laos, reports indicated increasing numbers of women and girls in commercial sex work to assist their parents and pay for their siblings' education.¹¹⁴ Transactional sex work is on the rise in the Pacific.¹¹⁵ Available evidence points to a large number of sex workers (male and female) under 18 years of age.¹¹⁶ Recent research supported by UNICEF in Fiji, Kiribati, Solomon Islands, and Vanuatu suggest various forms of child abuse, violence and exploitation

¹⁰⁵ UNICEF, UNESCAP, SPC (2005) State of Pacific Youth. http://www.unicef.org/eapro/State_of_Pacific_youth_2005_FINAL.pdf

¹⁰⁶ World Bank (2009) Averting a Human Crisis During the Global Downturn. Policy Options from the World Bank's Human Development Network. <http://siteresources.worldbank.org/NEWS/Resources/AvertingTheHumanCrisis.pdf>

¹⁰⁷ Alderman, H., Hoddinott, J., & Kinsey, B. (2006:450&466). Long term consequences of early childhood malnutrition. Oxford Economic Papers, Oxford University Press, vol. 58(3), pages 450-474, July

¹⁰⁸ Beegle, K., Dehejia, R., Gatti, R., Krutikova, S. (2008) The Consequences of Child Labor: Evidence from Longitudinal Data in Rural Tanzania. World Bank Policy Research Paper 4677. Washington DC.

¹⁰⁹ Woldehanna, T., N. Jones and B. Tefera (2008b) 'The Invisibility of Children's Paid and Unpaid Work: Implications for Ethiopia's NPRS'. *Childhood* 15(2): 177-201.

¹¹⁰ Carrera, F. 1999. "The Rights of Ecuadorian Children amid the Social and Economic Crisis." UNICEF-Ecuador.

¹¹¹ Knowles, J. E. Pernia and M. Racelis (1999) Social Consequences of the Financial Crisis in Asia. Economic Staff Paper 60. Manila: ADB.

¹¹² ILO (2009) Pacific NewsTok. Newsletter of the ILO Office for Pacific Island Countries. http://www.ilo.org/wcmsp5/groups/public/--asia/--ro-bangkok/documents/publication/wcms_105182.pdf

¹¹³ Edmonds E. and C. Turk (2004) 'Child Labour in Transition in Vietnam', in P. Glewwe, N. Agrawal and D. Dollar (eds) Economic Growth, Poverty, and Household Welfare in Vietnam. Washington, DC: World Bank.

¹¹⁴ Knowles, J. E. Pernia and M. Racelis (1999) Social Consequences of the Financial Crisis in Asia. Economic Staff Paper 60. Manila: ADB.

¹¹⁵ Lemisio, M. (2008) Should prostitution be decriminalised in the Pacific? The pros and cons. *Journal of South Pacific Law*, 12(1), pp.101-104. <http://www.paclii.org/journals/fJSPL/vol12no1/pdf/lemisio.pdf>

¹¹⁶ UNICEF, UNIFEM, Fiji Women's Crisis Centre and the Fiji Women's Rights Movement (2007) The Elimination of All Forms of Discrimination and Violence against the Girl Child. Situation Paper for the Pacific islands Region. <http://pacific.unifem.org/documents/Girlchild.pdf>

exist.¹¹⁷ Studies conducted in Fiji, Kiribati, Papua New Guinea, Solomon Islands and Vanuatu between 2004-2005 also suggest significant levels of sexual violence against children.¹¹⁸ Abuse and exploitation of and violence against women and children, while difficult to measure, rise under conditions of economic stress.¹¹⁹ Where physical punishment of children and wife beating are implicitly sanctioned, levels of violence can increase and even worse forms can go unrecognised. Children's emotional wellbeing and related long-term development are naturally affected by violence. Indeed, one of the prime deprivations identified by children in the global 2006 UN Study on Violence was the absence of protection from violence.¹²⁰ Also related to family stress are the increase in child and teenage suicides in Central Asia following the collapse of the Soviet Union, while during the Asian monetary crisis of the late 1990s there was a sharp rise in suicide in South Korea, although overall mortality continued to decline.^{121,122,123} While up-to-date information on suicide is limited, it should be noted that the incidence of suicide and attempted suicide in the Pacific is already reported to be among the highest in the world.^{124,125,126}

2.33. Research from around the globe suggests that already existing pressures on the time and care of parents are likely to be exacerbated in times of crisis. This is not a simple story of parental neglect but reflects a broader societal failure to respond to changing labour and family support patterns. Even prior to the crisis in Botswana, Mexico and Vietnam, parental unavailability and poor working conditions, limited support networks and inability to afford childcare result in staggering numbers of young children left alone for long hours.¹²⁷ Infant home placement rates increased in 20 out of 26 countries in CEE/CIS between 1989 and 1999; a period characterized by sharp contractions in economic output and huge dislocations in employment and social stability.¹²⁸ Moreover, 52% of families leaving children home alone relied on other children to help with childcare.¹²⁹ The 2008 MICS Survey in Vanuatu reported that 36% of children under five years were left in the care of other children under ten years of age at least once during the week preceding the survey while 21% children were left alone. About 39% children were left with inadequate care during the week preceding the survey.¹³⁰ The 2008 Situation Analysis of Children and Women in Palau reported that: 'Time and money have become important commodities. Nuclear families have become the norm. While the extended family and clan provide a buffer during times of trouble, in daily life many households are on their own. Adults torn between competing demands from work, custom, family, and community increasingly turn to foreign domestic helpers to manage the household and care for the children. Women who now hold paid jobs no longer have time to go to the taro patch so they import (male) foreign farm laborers. As a result of what has been coined "busy child-busy parent" syndrome, children are no longer reared with a clear Palauan identity and no longer imbue traditional values and life skills.'¹³¹ In Kiribati, many women were taking up care-giving and nursing jobs overseas. While this contributes to remittances, it has also meant that women who remain are expected to carry out care-giving duties, fishing and agricultural work. An increasing number of children are left at home in the care of their grandmothers and others family members.¹³²

2.34. The crisis could bring devastating cuts to HIV and AIDS prevention and treatment programs.

The global crisis may adversely affect prevention programs in the Pacific with the most adverse effect on prevention efforts among high risk groups—most at risk and especially vulnerable adolescents, sex workers, military personnel, maritime workers, and men who have sex with men (MSM). As noted above, national health budgets are likely to be cut which may seriously affect HIV prevention, testing and

¹¹⁷ Governments of Fiji Islands, Kiribati, Solomon Islands and Vanuatu with UNICEF (forthcoming) Child Protection Research 2008.

¹¹⁸ UNICEF, UNESCAP, ECPAT International, RRRT (2008) Commercial Sexual Exploitation of Children and Child Sexual Abuse in the Pacific. A Regional Report. http://www.unicef.org/eapro/Pacific_CSEC_report.pdf

¹¹⁹ Weinstein, L. (2008) 'Economic Crisis Boosts Need to Focus on Domestic Violence'. JWI Blog, 3 November.

¹²⁰ <http://www.violencestudy.org/IMG/pdf/English-2-2.pdf>

¹²¹ Bauer, A., N. Boschmann, D. Green and K. Kuehnast (1998) A Generation at Risk: Children in the Central Asian Republics of Kazakhstan and Kyrgyzstan. Manila: ADB.

¹²² Falkingham, J. (2000) From Security to Uncertainty: The Impact of Economic Change on Child Welfare in Central Asia. Innocenti Working Paper 76, 1-41 (30-31). Florence: UNICEF.

¹²³ Khang Y, Lynch JW, Kaplan GA. Impact of economic crisis on cause-specific mortality in South Korea. *Int J Epidemiol* 2005;34:1291-301.

¹²⁴ Booth, H. (1999) Pacific Islands suicide in comparative perspective. *J. Biosoc Sci.* 31(4):433-48

¹²⁵ Roberts, G., Cohen, J., Khan, N. and Irava, W. (2007) Attempted Suicide in Western Viti Levu, Fiji. *Pacific Health Dialog*, Vol 14 No 2. Sep, pp.29-33.

¹²⁶ Forster, P.M., Kuruleca, S.C. and Auxier, C.R. (2007) A Note on Recent Trends in Suicide in Fiji. *Journal of Pacific Rim Psychology*, Volume 1, Issue 1 pp.1-4.

¹²⁷ Ruiz-Casares, M. and J. Heymann (2009) 'Children Home Alone Unsupervised: Modeling Parental Decisions and Associated Factors in Botswana, Mexico, and Vietnam'. Montreal: IHSP.

¹²⁸ UNICEF (2001) A Decade of Transition: The MONEE Project CEE/CIS/Baltics. UNICEF Innocenti Research Centre, Florence, Italy.

¹²⁹ Ruiz-Casares, M. and J. Heymann (2009) 'Children Home Alone Unsupervised: Modeling Parental Decisions and Associated Factors in Botswana, Mexico, and Vietnam'. Montreal: IHSP.

¹³⁰ Government of Vanuatu (2008) Multi-Indicator Cluster Survey 2008.

¹³¹ http://www.unicef.org/pacificislands/Palau_Sitan_part1.pdf

¹³² http://www.un.org/womenwatch/daw/csw/csw53/statements_missions/Kiribati.pdf

treatment service delivery, drug supplies and other essential commodities. External aid for HIV programs may be reduced, with Papua New Guinea already reporting a cut of 75% in the national HIV and AIDS budget due to a fall in external assistance.¹³³ Sources of support such as the Global Fund and private sector sponsorship may diminish. Loss of jobs and income losses may result in desperate people exchanging sex for money and basic needs at a time when HIV prevention efforts may be reduced. Even short-term interruptions of Antiretroviral (ART) drug supplies could threaten patients' health, cutting the returns to the investments in treatment. Up to 50% of patients whose treatment is interrupted for 15 days may subsequently need a different regimen. If treatment interruptions become frequent for many individuals currently on ART, the risk of transmission of drug-resistant HIV will increase. TB incidence and prevalence would also be increased if TB and HIV programs falter.¹³⁴ A recent World Bank and UNAIDS report highlighted that much is at risk: *increased mortality and morbidity, unplanned interruptions or curtailed access to treatment, with increased risk of HIV transmission, higher future financial costs, increased burden on health systems and reversal of economic and social development gains.*¹³⁵

Likely impacts on Pacific Island women

2.35. More Pacific Island women will die in childbirth. Maternal mortality is already a serious concern across the Pacific. There are questions over the relevancy of using the Maternal Mortality Ratio (MMR) for small populations such as those found in the Pacific.¹³⁶ Nevertheless, as a crude measure of progress, the regional 1990 MMR (based on countries for which data are available) was around 215 (**Table 5**). The 2015 MDG target is to reduce 1990 MMRs by 75%—in other words, the regional MMR (inclusive of Papua New Guinea and Timor-Leste) must drop from 215 to 54 by 2015. The regional figure seems to drop to 150 by 2000 and 103 by around 2006. While there appear to be some success stories (e.g. Palau, Samoa, Solomon Islands, Vanuatu), this blunt measure suggests that the Pacific still has much ground to cover in the remaining 6 years. Leading causes of maternal deaths include post-partum haemorrhage, pre-eclampsia, obstructed labour, puerperal sepsis, complications of unsafe abortion, anaemia and malaria (where prevalent).¹³⁷ Despite 80% of births in the region reported to be attended by a skilled health worker, universal access to high quality obstetric care at birth must be accelerated if maternal mortality is not to worsen.¹³⁸ Pacific Island countries show a mixed picture for other Millennium Development Goal 5 (improve maternal health) indicators (see **Table 6**).¹³⁹ Available time series data suggest that contraceptive prevalence rates have risen in Fiji Islands, Republic of Marshall Islands, and Samoa but have decreased in Cook Islands, Tonga and Tuvalu with Vanuatu showing little change since 1995.¹⁴⁰ Federated States of Micronesia, Samoa, Solomon Islands and Vanuatu appear to have made progress in reducing their respective adolescent birth rates but data for Fiji and Tonga suggest little or no progress.¹⁴¹ It should be noted that almost no Pacific Island data are available for antenatal care coverage (percentage of live births) and that no data are available for percentage of unmet need for family planning.^{142,143}

¹³³ World Bank (2009) Averting a Human Crisis During the Global Downturn. Policy Options from the World Bank's Human Development Network. <http://siteresources.worldbank.org/NEWS/Resources/AvertingTheHumanCrisis.pdf>

¹³⁴ World Bank (2009) Averting a Human Crisis During the Global Downturn. Policy Options from the World Bank's Human Development Network. <http://siteresources.worldbank.org/NEWS/Resources/AvertingTheHumanCrisis.pdf>

¹³⁵ World Bank and UNAIDS (2009) The Global Economic Crisis and HIV Prevention and Treatment Programmes: Vulnerabilities and Impact. New York: World Bank and UNAIDS.

¹³⁶ The maternal mortality ratio refers to the annual number of deaths of women from pregnancy-related causes per 100,000 live births.

¹³⁷ Secretariat of the Pacific Community (2004) Regional MDG Report. Noumea: SPC. Available at: <http://www.spc.int/mdgs/>

¹³⁸ UNICEF (2008) Progress for Children: A Report Card on Maternal Mortality. No.7 September. New York: UNICEF. Available at: http://www.childinfo.org/files/progress_for_children_maternalmortality.pdf

¹³⁹ See Parks, W. (2009) 'Achieving results for Pacific Island children: UNICEF's analysis of and response to Pacific Millennium Development Goal progress.' Policy Quarterly, Volume 5, Number 3. Pp.20-27. Institute of Policy Studies, Victoria University.

¹⁴⁰ Contraceptive prevalence rate refers to the percentage of women in union aged 15-49 currently using contraception.

¹⁴¹ Adolescent birth rate refers to the annual number of births to women aged 15-19 per 1,000 women in that age group.

Alternatively, it is also referred to as the age-specific fertility rate for women aged 15-19.

¹⁴² Antenatal care (ANC) coverage refers to the percentage of women 15-49 years who are attended at least once during pregnancy by a skilled health personnel and the percentage attended by any provider at least four times. The only official data available in the Pacific Islands appear to be for Vanuatu and Republic of Marshall Islands (RMI). One or more ANC visit during pregnancy is almost universal in Vanuatu. Eighty-four percent of pregnant women received ANC from a skilled provider (i.e., doctor, nurse or midwife) at least once during their last pregnancy. An additional 14% received ANC from an unskilled provider. Only 2% of pregnant women did not receive any ANC (Government of Vanuatu (2008) Multi-Indicator Cluster Survey. Port Vila: National Statistics Office). In RMI, more than 70% of women (77%) attended four or more visits for ANC (Economic Policy, Planning and Statistics Office (EPPSO), SPC and Macro International Inc. (2007) Republic of the Marshall Islands Demographic and Health Survey 2007).

¹⁴³ Unmet need for family planning refers to women who are fecund and sexually active but are not using any method of contraception and report not wanting any more children or wanting to delay the birth of the next child.

Table 5: Maternal Mortality Ratios for 16 Pacific Island countries

Country	Circa 1990	ADB, 2008 and other sources	UNICEF, 2008 (Reported 2000-2006)	UNICEF, 2008 (Adjusted 2005)
Cook Islands	n/a	n/a	6	n/a
FSM	83 (1992)	n/a	270	n/a
Fiji Islands	41.1 (1988)	75 (2000)	38	210
Kiribati	10 (1990)	56 (2000)	56	n/a
Nauru	n/a	n/a	n/a	n/a
Niue	n/a	n/a	n/a	n/a
Palau	n/a	0 (2000)	0	n/a
PNG	345 (1990)	300 (2000)	370	470
RMI	0 (1991)	74 (2002)	74	n/a
Samoa	140 (1991)	29 (2001)	29	n/a
Solomon Islands	550 (1992)	130 (2000)	140	220
Timor-Leste	850 (1990)	660 (2000)	n/a	380
Tokelau	n/a	n/a	n/a	n/a
Tonga	39 (1990)	78 (2000)	78	n/a
Tuvalu	n/a	n/a	n/a	n/a
Vanuatu	89.1 (1995)	98 (1998)	68	n/a

Sources: Secretariat of the Pacific Community (2004) Regional MDG Report. Noumea: SPC. Available at: <http://www.spc.int/mdgs/>; Asian Development Bank (ADB) (2008) Key Indicators for Asia and the Pacific. 39th Edition. Manila: ADB. Available at: http://www.adb.org/Documents/Books/Key_Indicators/2008/pdf/Key-Indicators-2008.pdf; Government of Vanuatu (2008) Multi-Indicator Cluster Survey. Port Vila: National Statistics Office; Economic Policy, Planning and Statistics Office (EPPSO), SPC and Macro International Inc. (2007) Republic of the Marshall Islands Demographic and Health Survey 2007; UNICEF (2008) Progress for Children: A Report Card on Maternal Mortality. No.7 September. New York: UNICEF. Available at: http://www.childinfo.org/files/progress_for_children_maternalmortality.pdf; AusAID (2008) Tracking Development and Governance in the Pacific, Canberra: AusAID. http://www.ausaid.gov.au/publications/pdf/track_devgov.pdf

2.36. The impact of the crisis will be felt by both men and women, but not necessarily in the same manner. Access to full and productive employment and decent work is crucial for all, and decent work deficits are the primary cause of poverty and social instability. The economic crisis is detrimental for both women and men, whether they are at work, looking for work or outside the labour force but men and women are likely to experience the crisis in different ways. Empirical evidence on the impacts of financial crises on women is limited. **Figure 6** illustrates how the current crisis may transmit its impacts on to women. For example, a drop in exports may lead to women's job losses in export-oriented sectors such as textiles (where a large percentage of the workforce is female). Tightened credit markets and falling levels of Private Domestic Credit may reduce the ability of microfinance institutions to provide credit to women producers. Reduced remittances may limit women's autonomy and control over family matters. Additional shocks such as rising food prices will further diminish household purchasing power. In vulnerable households, these combined effects may send recently laid off or previously unemployed women out to look for work but during the economic downturn, they may only obtain poorly paid, insecure or higher risk employment (including sex work) or girls (and boys) may be pulled out of school to help the family survive.¹⁴⁴

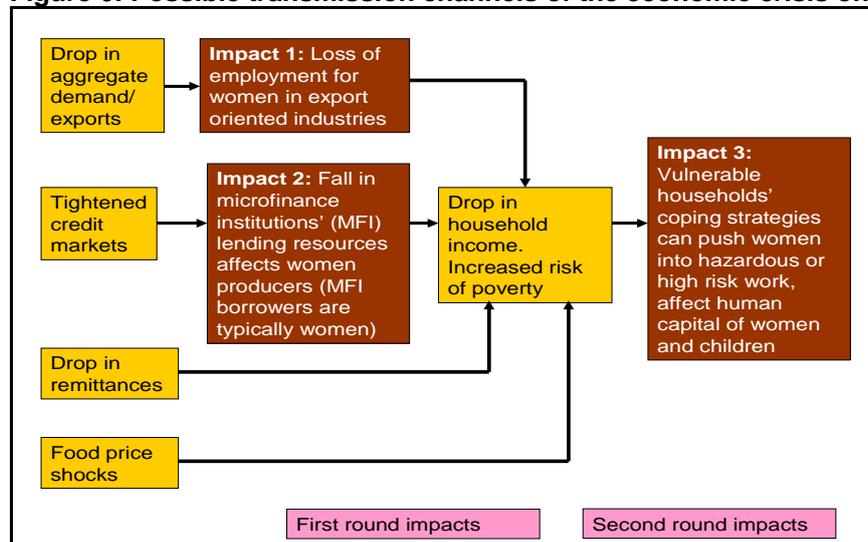
2.37. Women are more vulnerable. Male-dominated industries, car and auto parts, and construction, have been hard hit. Several countries in the Asia-Pacific region have experienced layoffs in financial services, Information-Communication-Technology (ICT) based back-office services, and telemarketing. The gender composition of these sectors is fairly equal. Across Asia, exports are declining in labour-intensive manufacturing industries such as textiles and apparels, leather products, and electronics. Job losses in this sector have affected women more than men. Other female dominated sectors, tourism and related services are also affected. The main casualty so far, however, is the "flexible" labour force—low-skill, temporary, casual workers. In the developing Asia-Pacific region, women still constitute the majority of these workers.¹⁴⁵ They are unlikely to be covered by formal unemployment insurance or social protection schemes. Lacking education and skills, they tend to be less mobile across sectors than better educated workers. Women workers are considered as part of the "flexible" workforce that can be easily discarded during economic downturns. The notion that men are "breadwinners" of a family may lead to unequal treatment of men and women in terms of dismissal, social security entitlements and rehiring.

¹⁴⁴ Guina, C.S. (2009) Making economic stimulus packages work for women and gender equality. New York: UNIFEM.

¹⁴⁵ Sirimanne, S. (2009) The gender perspectives of the financial crisis. Interactive Expert Panel. UNESCAP Commission on the Status of Women Fifty-third session New York, 2-13 March.

Such practices were observed during the Asian crisis.^{146,147} While men's occupation types are more diverse, they constitute an overwhelming majority in capital-intensive industries and construction. These sectors are often considered the major investment areas for fiscal stimulus packages.

Figure 6: Possible transmission channels of the economic crisis onto women



Source: THE WORLD BANK/IFC/MIGA Impact of Financial Crisis on Women and Families, 2009.

2.38. Overseas migrant workers are often hired as temporary workers, so they get dismissed first during economic downturns. Women migrant workers from the Pacific are mostly engaged in skilled health care and education related activities; and low-skill intensive domestic care services. Since there is a conscious effort to protect social spending, especially the health budgets, in Australia and New Zealand, job losses in these categories are expected to be low. But those engaged by private firms, private institutions and as domestic help might be at risk.

2.39. The crisis brings to the fore existing gender inequality within labour markets. Gender inequality remains an issue within labour markets globally and the current economic crisis has again exposed the depth and breadth of this inequality.¹⁴⁸ Women suffer multiple disadvantages in terms of access to labour markets, and often do not have the same level of freedom as men to choose to work. Women are too often trapped in insecure employment situations with low productivity and low earnings. Women tend to have a higher rate of part-time employment. Women are at risk of being hired last and dismissed first.¹⁴⁹ As noted in Part 1, female-headed households are at greatest risk, with few if any savings to weather the crisis, and limited ownership of wealth and other assets, as compared to men. Ethnic groups that are less powerful and immigrant groups will suffer in many of the same ways because they are similarly situated in the paid economy as women. Even in developed countries such as the United States, Black and Latina women face particularly high rates of poverty. Elderly women are far more likely to be poor than elderly men.¹⁵⁰ Gender differences in labour force participation rates and unemployment rates are a persistent feature of global labour markets. Women also face constraints in terms of sectors of economic activity in which they would like to work and working conditions to which they aspire. Women are overrepresented in the agricultural sector, and if the more industrialized regions are excluded, almost half of female employment can be found in this sector alone. Women are also often in a disadvantaged position in terms of the share of vulnerable employment (i.e. unpaid family workers and own-account workers) in total employment. These workers are most likely to be characterized by insecure employment, low earnings and low productivity. Those women who are able to secure the relative comfort of wage and salaried employment are often not receiving the same remuneration as their

¹⁴⁶ Pilwha, C. (1998) "The impact of the economic crisis on women workers in the Republic of Korea: Social and gender dimensions," Working paper prepared under the AIT/ILO Research Project on the Gender Impact of the Economic Crisis in Southeast and East Asia. Geneva: ILO.

¹⁴⁷ Horton, S. and Mazumdar, D. (2001) "Vulnerable groups and the labor market: The aftermath of the Asian financial crisis," in Betcherman, G., R. Islam. (eds). (2001). East Asian labor markets and the economic crisis. Impacts, responses and lessons (Washington D.C., World Bank and ILO), pp. 379-422.

¹⁴⁸ ILO (2009) Global Employment Trends for Women http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_103456.pdf

¹⁴⁹ ILO (2009) Global Employment Trends for Women http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_103456.pdf

¹⁵⁰ Lizarde, R.G. (2009) Facilitator for the CSW NGO Consultation Day Break-out Group on the Emerging Issue: Gender Perspectives of the Financial Crisis, 1 March.

male counterparts. Gender wage differentials may be due to a variety of factors, including crowding of women in low paying industries and differences in skills and work experience, but may also be the result of discrimination. Mounting evidence shows that gender inequality leads to major losses in economic efficiency and human development.

2.40. Impacts on micro-credit will affect women. The banking crisis and formal credit squeeze is likely to have a larger direct impact on men, who are the majority of users of financial services and formal sector borrowers, than women. The poor in general, and poor women in particular, are considered “sub-prime” borrowers by commercial banks. Women are the majority of clients of micro-finance institutions (85% of the poorest 93 million clients of micro-finance institutions in 2006).¹⁵¹ Poor women largely rely on micro-credit facilities for financing their businesses and smoothing consumption during difficult times. Micro-credit institutions are largely funded by commercial banks and through aid. Commercial banks in most developing countries, faced with a global liquidity crisis, have significantly cut down on lending across the board. Aid is expected to decline, and may exacerbate the problem. There is evidence from South Asia that micro-finance programs have already been negatively affected.^{152,153}

2.41. Women will bear the brunt of the crisis. During difficult times, families often rely on women for care for the sick, elderly and the extended family, even when women are already engaged in paid-work. It means longer-work hours and heavier workloads for women. While time use data in the Pacific are limited, there is some evidence that Pacific Island women already have major paid and unpaid workloads.¹⁵⁴ When there are few opportunities for wage work, men may migrate out of rural areas, leaving women as household heads. In general, households in which only women earn an income and those with many dependents are the poorest. If the crisis results in increased child deaths this is likely to effect maternal health—if parents choose to have additional births to cope with the reduced survival of children, then mothers will be disproportionately exposed to pregnancy-related health risks. In addition, since mothers are the main health providers in poor households, the time costs of care provision will fall disproportionately on them. The coping strategies of the poor in terms of cutting down on meals, health-care spending, and withdrawing children from schools, invariably affect women and girls the most. If the economic situation worsens, more Pacific Island girls and women may end up being trafficked through the promise of a job or being lured or forced into transactional sex work and other forms of extreme exploitation.

Summary

2.42. Part 2 has examined some of the impacts previous financial and economic crises have had on children and women. We have also considered the known and potential impacts of the current crisis on Pacific children and women (including last year’s food and fuel price rise crises). Our discussion was not meant to be exhaustive and we have left room for other agencies to expand upon the situation analysis presented on Pacific Island women. The following points can be summarized:

- In every previous economic crisis it is the poorest people in developing countries who suffer the most and not enough is done to help them. They are forced to respond with measures that keep them poor and lower future income-earning potential, resulting in persistent poverty.
- Around 18,000 children under five years of age still die every year in the Pacific region (13,000 in Papua New Guinea, 2,500 in Timor-Leste, and 2,500 in the Pacific Island countries)—50 deaths a day; one death every 30 minutes. Four out of five of these children are under one year of age. Unless reversed, the economic crisis could result in an increase of between 400 to 800 Pacific Island child deaths annually—two more deaths every day than is currently the case. By 2015, an additional 5,600 Pacific children under five could have died if the crisis persists; this equates to about the same number of all reported child deaths in all natural disasters occurring in the Pacific since 1950 (excluding Timor-Leste). Globally, girl children are more at risk in economic crises.
- More Pacific Island children will become more malnourished, with long-lasting consequences. Malnutrition including micronutrient deficiencies is already common across the Pacific and changes in household food consumption patterns brought about by the economic crisis may increase these problems. Despite traditional subsistence agriculture, many Pacific Island countries and households already face food insecurities which will be exacerbated if the crisis decreases abilities to purchase food. There are high levels of national dependence on food imports and high proportions of household income spent on food, even in rural areas. For children in poor households, reducing consumption

¹⁵¹ Microcredit Summit Campaign Report 2007. Available at: <http://www.microcreditsummit.org/pubs/reports/socr/EngSOCR2007.pdf>

¹⁵² Chandran, R. (2008) “Credit crisis hurts microfinance programs in South Asia,” International Herald Tribune, November 17, 2008.

¹⁵³ Littlefield, E. (2008) “Microfinance and the financial crisis”, CGAP, November 18, 2008. Available at <http://microfinance.cgap.org>

¹⁵⁴ UNDP (2008) Making Invisible Work More Visible: Gender and Time Use Surveys with a focus on the Pacific and unpaid care work. Suva: UNDP Pacific Centre.

from already low levels, even for a short period, can have important and sometimes permanent cognitive, motor, social-emotional, educational and economic repercussions across the life-course.

- Government health expenditures will likely decline in real per capita terms. Even where health is prioritized within the overall budget, real health spending per capita may still fall. The demand on public services will increase at a time when funding for such services will diminish. Where health insurance schemes exist, households may no longer be able to afford health insurance or may become ineligible. Where private health care systems exist, users may switch from the private system to the public health sector as their ability to pay for health services is impacted. The quality of health care will likely diminish. Overall, patients will likely defer care completely or only attend when the situation becomes critical, exacerbating child and maternal mortality. Health expenditures in real terms for those services and programs utilized by poor and most vulnerable populations will need to be protected.
- More Pacific Island children may not enroll, drop out of school or experience declines in the quality of education. The moderate gains in education made by Pacific Island countries are now under threat. If education budgets decline, teacher salaries may be delayed and public money for new school buildings, school repairs and school inputs such as teaching supplies may be greatly reduced compromising quality. Where students incur some direct schooling costs, however small, poorer students may be pressed to forego schooling to earn income or to substitute for adult home production. Large youth populations combined with school drop-outs already make youth employment a major concern for this sub-region with the crisis only set to increase levels of youth unemployment. If enrollments and learning levels deteriorate during the crisis, Pacific Island countries may lose a competitive head-start when the global economy recovers. There are also sinister long-term impacts of deteriorating education outcomes affecting future economic growth.
- Abuse and exploitation of and violence against women and children, while difficult to measure, rise under conditions of economic stress. While evidence of severe forms of child labour are scarce and there are reportedly few street children in the Pacific, the current crisis could propel children from school into the labour force (especially boys) or to shoulder more household tasks (especially girls). Child workers already make up an estimated 19% of the labour force in Papua New Guinea and 14% in Solomon Islands. Recent research across a range of Pacific Island countries suggest various forms of child abuse, violence and exploitation exist alongside significant levels of sexual violence against children. There is also evidence that parental neglect of children is on the rise. There is a significant danger that hidden impacts—hazardous work, increases in violence and decreases in nurture, care and emotional wellbeing—may not be addressed, owing to their invisibility.
- The global crisis may adversely affect HIV and AIDS prevention programs in the Pacific with the most adverse effect on prevention efforts among high risk groups—most at risk and especially vulnerable adolescents, sex workers, military personnel, maritime workers, and men who have sex with men (MSM).
- More Pacific Island women will die in childbirth. Maternal mortality is already a serious concern across the Pacific. Universal access to high quality obstetric care at birth must be accelerated if maternal mortality is not to worsen.
- The impact of the crisis will be felt by both men and women, but not necessarily in the same manner. While the empirical data on the impacts of financial crises on women is limited but evidence to hand indicate women are more vulnerable. Across Asia, job losses in labour-intensive manufacturing industries such as textiles and apparels, leather products, and electronics are affecting women more than men. The main casualty so far is the “flexible” labour force—low-skill, temporary, casual workers—in which women constitute the majority of the workers. Gender inequality remains an issue within labour markets globally and the current economic crisis has again exposed the depth and breadth of this inequality. Mounting evidence shows that gender inequality leads to major losses in economic efficiency and human development.
- Access to micro-credit schemes may diminish, further compromising women’s businesses and their ability to cope during difficult times.
- During difficult times, families often rely on women to take care of the sick, elderly and the extended family, even when women are already engaged in paid-work. Overwhelmingly, women will bear the brunt of the crisis.

2.43. At this moment, when Pacific Island children and women are most vulnerable, governments are faced with decreasing fiscal capacity. The costs of inaction or inappropriate action can be high. In **Part 3**, we promote a monitoring framework to better comprehend some of the real-time social impacts of the economic crisis in Pacific Island countries. We then outline immediate action within short-term crisis-response packages that can be taken in the health, education, and social welfare sectors. Finally, we consider social protection programs to aid recovery and to mitigate the impacts of future crises on Pacific Island children and women.

Part 3: Real-time monitoring and Policy Action for children and women in the Pacific

3.1. The current global economic crisis has hit the world in a series of waves. The first wave brought the global financial system to the brink of collapse. A second wave hit emerging economies causing reductions in credit, trade, foreign direct investment, remittances, and employment, and likely reductions in aid. A third wave is now hitting the world's poorest and most vulnerable countries already suffering from the shock of high food and fuel prices. The central lesson learned from every previous economic crisis is that the poorest people in developing countries suffer the most and that not enough is done to help them. Beneath the current crisis lies a global "Development Emergency" with catastrophic implications if we fail to respond effectively.

3.2. While there is still uncertainty about the scope and impact of the economic crisis in the region, it is clear that children and women in many Pacific Island countries are likely to be amongst those most severely affected, and that those already most vulnerable will face the greatest impact. In previous financial and economic crises child mortality rates rose and school enrolment dropped, and there are already indications that this crisis—compounded by recent food and fuel price instability—is causing increases in poverty and malnutrition.¹⁵⁵ It is possible that the full impact of the global economic crisis has not yet been felt in the Pacific. This means that the coming weeks and months still offer a window to prepare by readjusting fiscal and monetary policy, creating an enabling environment in which alternative livelihood opportunities can be found, establishing early warning and response tracking systems, and developing immediate and longer-term social protection (safety net) policy responses. But this also means that the impact may be even larger in 2010 than in 2009. Lags mean that economic conditions will be tough in the Pacific in 2010, even if the global economy picks up and it may be 2011 before Pacific economies fully recover. Slowing growth, reduced demand and employment, and declining budgets severely threaten progress on health, education and child protection and could leave children with the long-term mental and physical repercussions of malnutrition. There may also be long-term social and economic impacts due to reduced educational outcomes during the economic downturn. Women will bear the brunt of the crisis at home, in communities, and at work. Failure to develop effective solutions to the crisis could trigger a destructive social backlash that will inflame political instability, revive economic nationalism, and further reverse development gains.

3.3. If ever there was a time for Pacific Island governments to improve their leadership, governance, and resource management, it is now. Policy-makers are faced with the task of identifying vulnerabilities and finding ways to protect critical growth-enhancing spending, trim low-priority expenditures, ensure fiscal sustainability in the medium, but above all, protect the most vulnerable and resist shocks in the future. Such decisions are made even more difficult given that every source of development finance in the Pacific—remittances, export and commodity demand, trust funds, aid and capital flows—are now being affected. ***Only by putting in place measures that raise the levels of efficiency and effectiveness in the delivery of public services, will governments be able to pursue policies that adequately protect children and women.***

3.4. A threefold policy focus. The effects of the crisis will vary significantly from country to country, depending on their economic context as well as the policy actions taken by their government. There will certainly be no "one size fits all" or ready-made approach. While each country must pursue a policy framework relevant to its own context, the broad regional focus will likely need to be at least threefold:

- maintain macro-economic fundamentals;
- protect social budgeting and budget for social protection; and
- undertake strategic long-term investments in physical and human capital.

We focus here on the second policy stream—social budgeting and social protection. Gender equality should be a key principle in any policy response to help offset the unequal social and economic burden on women. The coming weeks and months still offer a window to develop policy along these lines.

3.5. Maintaining macro-economic fundamentals is critical if fiscal space is to be created to finance the protection of children and women. The World Bank and International Monetary Fund are providing countries with advice and supplementary funding to maintain macro-economic fundamentals. In the Pacific region, the ADB and other development partners including Australia and New Zealand are adding their technical and financial support to those of the World Bank and IMF. We will not dwell on macro-economics as these are discussed in other documents cited in the footnotes, but we must

¹⁵⁵ For the remainder of this document, we focus on policy action in 14 Pacific Island countries—Cook Islands, Federated States of Micronesia, Fiji Islands, Kiribati, Nauru, Niue, Palau, Republic of Marshall Islands, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu and Vanuatu—but the issues and ideas might also apply to other Pacific contexts such as Timor-Leste and Papua New Guinea.

emphasize that **macro-economic fundamentals to create fiscal space will be essential if the social policies, so necessary to protect the vulnerable, are to be financed.** ADB's advice includes: proactively manage the fiscal shock; adopt a careful monetary policy stance; conserve resources as much as possible given uncertainty is going to last at least for the next year; speed up implementation of capital projects which have been budgeted; continue structural initiatives (aviation, telecommunications, shipping, power supplies, etc.); tighten public financial management by cutting non-essentials and using saved resources for new capital projects; explore adding to international reserves; maintain a competitive exchange rate; provide a short-lived, value-for-money fiscal stimulus if feasible and warranted (e.g. reallocate existing resources to uses that will make a larger contribution to the region's economies over the short term); and consider changes to trade policy, taxes and tariffs. In the longer-term: continue the implementation of reforms; diversify exports; remove hurdles to growth; commercialize agriculture; make more land available for agriculture; invest in technical and vocational education; and speed up regional integration including trade. A coordinated macro-economic expansion would be desirable as would cooperation and consistency in exchange rate policies. Other complementary arrangements such as common sets of measures to curb excessive capital inflows, formal arrangements for macro-economic policy coordination, surveillance of financial markets and capital flows, and effective short-term intra-regional credit facilities would also be useful.¹⁵⁶

3.6. Macro-economic stability is equally important for the poor. Policies to maintain price stability and employment levels are key (see also **3.36**, **3.37** and **Box 14**). The recent food price rise crisis provides an important lesson as to the potential downside of poorly formulated actions aimed at helping the vulnerable (**Box 5**).

Box 5: Lessons from Timor-Leste on consumer price suppression¹⁵⁷

Most Pacific governments responded to the high prices in 2008 by suppressing the increase in consumer prices. But this would have kept prices for locally grown food below what they would otherwise have been, suppressing a much needed supply response from agriculture. For example, in Timor-Leste the subsidization of imported rice shielded many people from rising international prices, but it also reduced prices received by domestic growers, for both rice and substitute staples. It consequently held down growth in rural areas, where most of Timor-Leste's poor live. Furthermore, the subsidies for imported rice benefited the better-off more than the poor, as the better-off consume more rice and the poor rely more on corn and cassava. A government decision to now hold 2 years of rice imports in storage as a buffer against price hikes will have similar adverse effects, suppressing farm production and rural incomes.

3.7. Regional cooperation. Although there are a number of countries that could take action alone to overcome the worst of the crisis, no one country can comprehensively address and recover from this economic downturn on its own. Policies that enhance regional coordination and enable the Pacific region to become progressively crisis-resistant are clearly needed. Countries and development partners need to actively seek mutually reinforcing synergies in policy interventions, embrace long-term planning perspectives, learn from best practices, and share ideas about which policies work best in different contexts.¹⁵⁸ Responding effectively to the crisis will demand difficult decisions to be made and the implementation of challenging new policies. Individual countries may be less daunted when cooperating with others and when motivated toward a common regional goal of protecting the Pacific's people, especially children and women, who are now confronted by one of the gravest financial, economic and social threats in our lifetime.

3.8. There is a clear need for policy prioritization. The ADB notes: *"Trying to do too much on the public policy front is like building two houses when there is only enough building materials for one—in the end there will be no house no matter how noble the intention."*¹⁵⁹ Given the limited resources to formulate and then implement improved public policy as well as the diversities across the Pacific, our goal here is not to detail specifics for each country, but instead to highlight how crisis-response and recovery policies **can be made more child- and women-focused.** In Part 3, we advocate for and offer advice on: (1) real-time monitoring of the social impacts of the economic crisis; (2) the management of social sector budgets within a short-term response; and (3) social protection (safety net) mechanisms in the medium-term response to the current crisis, to aid recovery of any lost economic and social development, and to lessen the impact of future crises. Securing at least these three initiatives will be vital if the Pacific's response to the current crisis and subsequent economic downturns is to be effective in protecting the poor and especially the poorest.

¹⁵⁶ ADB (2009) Taking the Helm. A Policy Brief on a Response to the Global Economic Crisis. Manila: ADB.

¹⁵⁷ ADB (2008) Living with High Prices. <http://www.adb.org/Documents/Books/Living-High-Prices/Living-With-High-Prices.pdf>

¹⁵⁸ UNESCAP (2009) Economic and Social Survey of Asia and the Pacific. Addressing the Triple Threats to Development. Bangkok: UNESCAP. (p.17).

¹⁵⁹ ADB (2009) Taking the Helm. A Policy Brief on a Response to the Global Economic Crisis. Manila: ADB.

Identifying and monitoring the vulnerable

3.9. Identifying countries where children are likely to be vulnerable to economic crisis impact. To inform appropriate regional and national responses to the current economic crisis, it is important to identify and monitor vulnerable countries as well as vulnerable populations within countries. Both economic and social vulnerabilities must be determined and their interrelationships understood. To assist with the latter, we present **Table 6** that combines various measures discussed in Parts 1 and 2, namely, 2009 economic growth predictions, economic crisis and food security vulnerabilities, the total under-five populations, the latest under-five mortality rates, the national Human Poverty Indices—which itself combines: the percent of persons expected to die before the age of 40 years; the percent of adults who are illiterate (e.g. including % of female adults who are illiterate); percent of people without access to safe water and primary education; and percent of children 0-5 years of age who are underweight—and the National Basic Needs Poverty Incidences (NBNPI).

Table 6: Potential impact of current economic crisis on Pacific Island children and women

Pacific Island country	Economic growth 2009 ^a	Economic crisis vulnerability ^b	Food security vulnerability ^c	Under 5 population ^d	U5 mortality rate (2007-2008) ^e	Contraceptive prevalence rate ^f	Adolescent birth rate ^g	Poverty Index ^h	NBNPI ⁱ	Water access ^j % R:U	Sanitation ^k % R:U	Impact on children and women could be
Sol Isls	Minimal	Most vulnerable	Low	83,620	37 (DHS 2007)	27.3 (DHS 2007)	72 (1998)	31.3	22.7	70 0.69	32 0.18	Extremely high
Kiribati	Minimal	Most vulnerable	Extremely high	12,221	63 (CME Info)	21	71 (2000)	22.0	50.0	65 0.69	33 0.43	Extremely high
FSM	Negative	Vulnerable	n/a	13,268	40 (CME Info)	45	51 (2003)	11.1	29.9	94 0.99	25 0.41	Very high
Fiji Isls	Negative	Highly vulnerable	Low	85,329	22 (CME Info)	44	35 (2002)	9.0	34.4	43 1.19	71 0.63	Very high
RMI	Minimal	Highly vulnerable	n/a	8,011	46 (DHS 2007)	45 (DHS 2007)	94 (1999)	12.4	20.0	98 1.02	71 0.64	Very high
Tuvalu	Minimal	Most vulnerable	Extremely high	1,210	37 (DHS 2007)	22.4 (DHS 2007)	33 (2003)	9.2	21.2	93 0.98	89 0.90	Very high
Vanuatu	Likely	Vulnerable	Low	33,370	30 (MICS 2008)	38.4 (MICS 2008)	92 (1999)	19.8	15.9	85 0.82	64 0.60	Very high
Tonga	Negative	Highly vulnerable	High	13,719	27 (CME Info)	33	17 (2003)	4.4	22.3	100 1.0	96 0.98	Very high
Samoa	Negative	Vulnerable	Moderate	23,575	23 (CME Info)	43	34 (2001)	4.1	20.3	89 0.96	100 1.0	Very high
Nauru	Minimal	Cushioned	n/a	1,258	38 (DHS 2007)	25.1 (DHS 2007)	113 (2002)	15.0	n/a	82 -	97 -	High
Palau	Negative	Highly vulnerable	n/a	1,303	10 (CME Info)	17	17.7 (2007)	7.2	24.9	93 0.93	99 1.0	High
Cook Isls	Minimal	Vulnerable	Extremely high	1,440	18 (CME Info)	44	47 (2001)	6.3	28.4	95 0.90	100 1.0	High
Niue	Minimal	n/a	Extremely high	129	19 (SPC)	n/a	n/a	4.8	n/a	100 1.0	100 1.0	Low
Tokelau	n/a	n/a	n/a	123	n/a	n/a	n/a	7.6	n/a	88 -	78 -	Uncertain

^a ADB (2009) Taking the Helm. A Policy Brief on a Response to the Global Economic Crisis. Manila: ADB.

^b Asian Development Bank (2008) A Note on the Vulnerability to the Global Crisis. Pacific Department. December.

^c SPC/MOAF 2/WP 1, 25 August 2008.

^d SPC statistics 2009. The under-five mortality rate refers to the probability (expressed as a rate per 1,000 live births) of a child born in a specified year dying before reaching the age of five if subject to current age-specific mortality rates.

^e Haberkorn, G. (2009) Monitoring MDG progress in Pacific Island countries—data availability, quality and access. Paper presented at the UNESCAP-ADB-UNDP Pacific MDG Workshop, Nadi, Fiji Islands, 16-20 March 2009; Child Mortality Estimates INFO (<http://www.childmortality.org>); Government of Vanuatu (2008) Multi-Indicator Cluster Survey. Port Vila: National Statistics Office; UNICEF (2009) State of the World's Children. New York: UNICEF. Available at: <http://www.unicef.org/sowc09/report/report.php>; Economic Policy, Planning and Statistics Office (EPPSO), SPC and Macro International Inc. (2007) Republic of the Marshall Islands Demographic and Health Survey 2007.

^f UNICEF (2008) Progress for Children: a report card on maternal mortality, 7, September, New York: UNICEF, available at http://www.childinfo.org/files/progress_for_children_maternalmortality.pdf; Government of Vanuatu (2008) Multi-Indicator Cluster Survey. Port Vila: National Statistics Office; Prasad, B.C. (2009) 'MDGs in the Pacific Islands countries: taking stock, emerging issues and way forward', paper presented at the UNESCAP-ADB-UNDP Pacific MDG workshop, Nadi, Fiji Islands, 16-20 March. Contraceptive prevalence rate refers to the percentage of women in union aged 15-49 currently using contraception.

^g ADB (2008) Key Indicators for Asia and the Pacific, 39th edition, Manila: Asian Development Bank, available at: http://www.adb.org/Documents/Books/Key_Indicators/2008/pdf/Key-Indicators-2008.pdf; Economic Policy, Planning and Statistics Office (EPPSO), SPC and Macro International Inc. (2007) Republic of the Marshall Islands Demographic and Health Survey 2007. Adolescent birth rate refers to the annual number of births to women aged 15-19 per 1,000 women in that age group. It is also referred to as the age-specific fertility rate for women aged 15-19.

^h UNDP/SPC.

ⁱ Abbott, D. and Pollard, S. (2004) Hardship and Poverty in the Pacific. Strengthening Poverty Analysis and Strategies in the Pacific. Manila: ADB. <http://www.adb.org/Documents/Reports/Hardship-Poverty-Pacific/hardship-poverty.pdf>; UNDP Estimates.

^j UNICEF and WHO (2008) Progress on Drinking Water and Sanitation. New York: UNICEF, and Geneva: WHO; Economic Policy, Planning and Statistics Office (EPPSO), SPC and Macro International Inc. (2007) Republic of the Marshall Islands Demographic and Health Survey 2007; Government of Vanuatu (2008) Multi-Indicator Cluster Survey. Port Vila: National Statistics Office.

3.10. We recognize that there are a variety of economic crisis transmission channels and other measures of vulnerability that could be considered (e.g., percentage of household budgets spent on food, the extent of a society's monetization, women's access to and reliance on microfinance, the proportion of national budgets spent on health, education and social welfare services, the quality of these services, the coverage of existing social protection schemes, levels of child abuse and exploitation, HIV prevalence, etc.). **Table 6**, however, provides a preliminary framework to identify countries where many children and women are likely to face the greatest challenges due to the crisis. To get a sense of the likely impact on women, we have added contraceptive prevalence rates, adolescent birth rates (both MDG 5—improve maternal health indicators), and considered data on the share of women in wage employment in the non-

agricultural sector (presented in **Table 8**). We have also included national percentages in access to improved water and use of improved sanitation. As a crude measure of sub-national disparities, we have added rural versus urban differentials (R:U) in access to improved water and use of improved sanitation. Differentials under “1” suggest that rural areas have less access to improved water or less use of improved sanitation. A differential of around 1 indicates more-or-less equal access/use between rural and urban areas. Differentials over 1 suggest that urban areas have less access to improved water or less use of improved sanitation.

3.11. For children in particular we have judged the “impact” in terms of both the number of children affected and the number of child poverty parameters affected. In terms of child poverty parameters, we take the multi-dimensional definition of child poverty as used in the January 2007 UN General Assembly statement on child poverty and as followed by UNICEF’s ongoing Global Study on Child Poverty and Disparity.¹⁶⁰ In other words, if the response is ineffective, the crisis is likely to worsen children’s and especially poor children’s access to: **shelter** (children living in a dwelling with five or more people per room or with no floor material); **sanitation facilities** (children with no access to a toilet facility of any kind); **safe drinking water** (children using surface water such as rivers, ponds, streams and dams, or who it takes 30 minutes or longer to collect water (walk to the water, collect it and return)); **information** (children above 2 years old with no access to a radio or television or telephone or newspaper or computer (i.e. all forms of media)); **food** (children who are more than three standard deviations below the international reference population for stunting (height for age) or wasting (height for weight) or underweight (weight for age)); **education** (children above 6 years old of schooling age who have never been to school or who are not currently attending school); and **health** (children who did not receive immunization or who did not receive treatment for a recent illness involving an acute respiratory infection or diarrhoea).

3.12. While it is important that all governments protect budgets for children and women, and that donors maintain their Overseas Development Assistance (ODA) commitments, ODA will be most effective if it is focused on countries which face the greatest vulnerability. Some children and women in all countries are likely to face difficulties and vulnerabilities will vary according to national contexts thus the actual order of countries in Table 6 should be viewed with caution. It is probable, however, that if the crisis response is ineffective in **Solomon Islands** and **Kiribati**—both countries with minimal economic growth predictions, high economic crisis vulnerabilities, relatively large child populations, the highest under-five mortality rates and poverty indices, among the lowest contraceptive prevalence rates and highest adolescent birth rates, and among the lowest national percentages and highest rural:urban differentials in access to improved water and use of improved sanitation—a large number of their children and women are likely to face extreme challenges. Many children and women in the **Federated States of Micronesia, Fiji Islands, the Republic of Marshall Islands, Tuvalu, Vanuatu, Tonga, and Samoa** are also likely to face substantial challenges should responses be ineffectual. **Nauru**, while cushioned from the crisis according to the ADB, and with a fairly small child population, already has one of the larger under-five mortality rates, the highest adolescent birth rate, and one of the lowest contraceptive prevalence rates, while less than 85% of the population has access to safe water. If the response is ineffective, some children and women in Nauru will be at further risk. The same could be said for children and women in **Palau** and **Cook Islands** though there are minor differences in some of their indicators. Both **Niue** and **Tokelau**, with very small populations of children, are reasonably buffered through their current relationship with New Zealand, and there is insufficient secondary data from Tokelau to derive a definitive prediction; impacts on some children and women in these two countries, however, cannot be discounted if the crisis response is unsuccessful.

3.13. Invest in real-time or just-in-time monitoring. Devoting resources and energies to new real-time data collection during a crisis may seem to be a low priority, especially given the link between data collection and policy-making is often tenuous even in good times.¹⁶¹ Nevertheless, the impact of the crisis is still unfolding and existing monitoring (e.g., financial and MDG-monitoring) is generally backward looking and suffers long lags between data collection and policy uptake (e.g. Census, Household Income and Expenditure Surveys, Demographic Health Surveys, etc.). Many Pacific Island countries have education management information systems (EMIS) in the Ministry of Education and health information systems (HIS) within the Ministry of Health, but these systems are generally not designed for monitoring unexpected changes in education or health indicators during times of crisis. A growing number of Pacific Island countries are also conducting household surveys, but besides being retrospective and suffering long lags, these surveys tend to be episodic and complex. So far, the information and evidence available

¹⁶⁰ UNICEF (2007) Global Study on Child Poverty and Disparities 2007-2008. GUIDE. Global Policy Section, Division of Policy and Planning. New York: UNICEF.

¹⁶¹ World Bank (2009) Averting a Human Crisis During the Global Downturn. Policy Options from the World Bank’s Human Development Network. <http://siteresources.worldbank.org/NEWS/Resources/AvertingTheHumanCrisis.pdf>

on the precise impact on children, young people, women, and social service systems in general remain anecdotal and fragmented. One could say that existing poverty and social sector information and monitoring systems are proving somewhat unfit to serve the needs of policy-makers in responding to the crisis. Furthermore, this type of data is proving difficult to compile and analyze. **Improving capacity for better informed policy-making is not a step that is usually pursued with vigour in emergency situations, but a sound foundation for policy-making is more important than ever when resources are scarcer.** It is essential that economic crisis contingency planning, crisis response packages, short- and medium-term policy development and rigorous post-crisis policy evaluation be based on real-time data. Data not only must be solid, but also must be timely and readily fed back to policy-makers and stakeholders alike. Effective and consistent monitoring will also enhance understanding and reduce uncertainty as to how and when to act (early warning). Disaggregated and real-time data from the local level will be particularly important to determine sub-national disparities such as gender inequalities and urban-rural divides. Real-time tracking is especially important given that the poverty impacts may be worse than previous crises because of the global nature of the current crisis (e.g., export-led poverty reduction will be difficult); because the current crisis follows household shocks in food and fuel prices (with major poverty impacts already); and because aid and public expenditures are under threat (with major poverty implications). For Pacific Island countries contemplating expansion or initiation of social protection programs (see **3.41-3.91**), regular collection of household data will be important to develop targeting measures, track the effectiveness of social protection, and measure their impacts. Ravillion (2008) notes: “An important part of crisis preparedness is having made the investments in data and evaluative research (both quantitative and qualitative) that are needed to have a reasonable idea of which public programs will need to be protected; naturally that investment brings benefits for policy making at normal times.”¹⁶² A new, more robust social impact monitoring framework is required but before we discuss a framework for real-time monitoring and policy action, we present some general considerations (**Box 6**).^{163,164,165,166,167,168}

3.14. Establishing real-time or just-in-time monitoring of social impacts. The ADB is assisting Pacific Island countries to track various macro-economic indicators in real-time while here we focus on social indicators, but the two emphases (economic and social) must complement each other thus collaboration and rapid communication remain essential.¹⁶⁹ The **first purpose** of real-time social impact monitoring should be to identify the most vulnerable children and women **before** they are exposed to further risks that will affect their well-being. The **second purpose** should be that monitoring leads to just-in-time policy formulation and program action followed by timely feedback to policy-makers. **Annex 1** provides some guiding principles.^{170,171}

3.15. Real-time or just-in-time social impact monitoring in the Pacific—a joint UN initiative. United Nations Agencies in the Pacific, particularly the United Nations Children’s Fund (UNICEF), the World Health Organization (WHO), the United Nations Population Fund (UNFPA), and the United Nations Development Program (UNDP), have been in discussion about how best to support countries to monitor and respond to the effects of global economic crisis on the people in the Pacific Islands, in particular, on the most vulnerable—children and women. A coordinated initiative has been developed to help countries monitor (at least quarterly) indicators that have proved to be sensitive to economic downturn in previous crises and that can therefore be used as tracers of the impact of current crisis on the health and welfare of children and women. A monitoring framework (see **Annex 1**) has been proposed to identify adverse changes happening at the community level with a focus on the most susceptible groups across health, food and nutrition, education, and other social dimensions (e.g., child abuse, child labour, crime and

¹⁶² Ravillion, M. (2008) Bailing Out the World’s Poorest. Washington, D.C.: World Bank Policy Research Working Paper 4763. [p.12].

¹⁶³ Moustafa, A. (2009) Monitoring the Impact of Global Integration in the Arab Region. Arab Trade and Development Programme. Paper presented at the Technical Workshop on Monitoring the Impact of the Global Economic Crisis on the Poor and Vulnerable in Indonesia, Jakarta, 31 March-1 April.

¹⁶⁴ Dercon, B. (2009) Effective crisis monitoring structures and systems. UN-HABITAT Regional Office for Asia and the Pacific. Paper presented at the Technical Workshop on Monitoring the Impact of the Global Economic Crisis on the Poor and Vulnerable in Indonesia, Jakarta, 31 March-1 April.

¹⁶⁵ WHO (2009) The Financial Crisis and Global Health: Report of a High-Level Consultation. Geneva: World Health Organization.

¹⁶⁶ WHO European Region (2009) Health in times of global economic crisis: implications for the WHO European Region.

¹⁶⁷ ADB (2009) Taking the Helm. A Policy Brief on a Response to the Global Economic Crisis. Manila: ADB.

¹⁶⁸ ODI (2009) The global financial crisis and developing countries: Synthesis of the findings of 10 country case studies. ODI: Working Paper 306.

¹⁶⁹ ADB (2009) Pacific Economic Monitor. <http://www.adb.org/Documents/Reports/PacMonitor/pem-may09.pdf>

¹⁷⁰ Dercon, B. (2009) Effective crisis monitoring structures and systems. UN-HABITAT Regional Office for Asia and the Pacific. Paper presented at the Technical Workshop on Monitoring the Impact of the Global Economic Crisis on the Poor and Vulnerable in Indonesia, Jakarta, 31 March-1 April.

¹⁷¹ McColl, B. (2009) Practical Systems for Information and Communication Flow. Australian Bureau of Statistics. Paper presented at the Technical Workshop on Monitoring the Impact of the Global Economic Crisis on the Poor and Vulnerable in Indonesia, Jakarta, 31 March-1 April.

livelihoods). The framework captures the health and social effects of economic crisis by looking at the micro-economic impact of macro-economic factors such as the decrease in remittances and exports or the increase in food and fuel prices. The negative impact of these factors on services is translated into increased risk behaviours which in turn lead to negative health and social outcomes. The framework also reflects many of the child poverty parameters described in 3.11 above.

Box 6: General considerations to support real-time monitoring and policy action in the Pacific

- **A regional exchange platform** would be useful to help government ministries and stakeholders access relevant information and advice. Exchange of information and experience between countries and development partners will certainly be needed and could assist regional responses through linking national initiatives, good practices and lessons learned.
- Governments, ministries and other related authorities may need to function in a “**crisis management**” mode, emphasizing the collection of information (including anecdotal), regularly analyzing the situation, articulating strategic options and suggesting anti-crisis measures and interventions. National action plans and budget symposia, including social partners to design government anti-crisis measures, are strongly advised.
- If not already implemented, governments should **urgently task an existing multi-sector committee** such as the National Millennium Development Goal Task Force or National Committee for Children and/or Women (usually inter-Ministerial) to take on a clear advisory role in relation to crisis-response budgeting, ODA allocation and policy. This “crisis response” committee should consider real-time information, rapidly explore strategic options and discuss (when needed) the technical feasibility and political economy of potential practical measures. The committee should also address the reorientation of activities and the reallocation of resources as much as possible, to ensure that core activities are protected and pro-child, pro-women, pro-poor measures are increased or extended. Management of the crisis-response role of this committee should be tight and technical while governance of resources associated with the committee should be open and strategic.
- The committee may itself serve as or be served by a **highly qualified crisis monitoring team or task force**. Such a monitoring team should have a clear and simple mission statement and multi-year mandate (commence monitoring from 2009 until at least 2012). It is also recommended that the monitoring team include representation from *inter alia* Ministers of Finance, Planning, Health, Education, and Women and Social Welfare/Justice, as well as NGOs, and UN agencies on the ground. The monitoring team’s mission should be to collate and analyse social impact information in the form of periodic (e.g., quarterly) high-level reports and where necessary be supported by ‘champion’ partners such as Non-Government organizations capable of delivering nationwide know-how, data and interpretation. An electronic database of relevant monitoring indicators and a Virtual Resource Centre (where all reports and studies will be made available for all counterparts and public) should be established with different access privileges granted to different users.
- Additional expertise that can be found in partner organisations on specific monitoring methodologies and policy should be mobilized as appropriate. There will be a need to clarity of roles in data collection and analysis, and **ensure horizontal** (across sectors and Ministries) and **vertical** (through levels of government and society) **coordination**.
- **Keep stakeholders informed**. Based on monitoring data, Governments should develop arguments to support advocacy efforts with other countries and donors while national government departments, should draw up well delineated “anti-crisis” packages.
- Social sector ministries in particular, should **improve direct lines of dialogue inside the government**, however good they may already be, and maintain especially close links with the Ministry of Finance. They should advocate for protecting social sector budgets and for the inclusion of social sector investments, especially cost-reducing investments, in economic recovery plans.

3.16. Sentinel sites. Production of quarterly monitoring data will rely on setting up at least 2-3 sentinel monitoring sites in the most vulnerable areas of each country covered by the initiative including both urban and rural settings. Each sentinel site is defined as “a vulnerable area where services such as health centres, schools, pharmacies, other social services, and communities will be monitored.” Vulnerable areas in countries will be defined locally but may be determined, for example, by comparative concentrations of some of those already considered to be facing hardship across most Pacific Island countries (see **Box 1**): (i) the young; (ii) the old; (iii) people living with disabilities; (iv) those who had no source of regular income; (v) those with no access to adequate land on which to grow food for consumption and/or sale; (vi) households headed by women and the elderly; (vii) the urban poor who rely on purchasing their food; (viii) small-holder farmers; (ix) front-line workers if their salaries are either reduced or not adjusted to keep up with higher commodity prices; (x) non-citizens and ethnic minorities; and (xi) populations displaced due to environmental degradation or disasters; and (xii) low-skilled workers and immigrants.

3.17. Within each sentinel site, services, families, and communities could be assessed. The impact on education, health, livelihood and protection services could be monitored through facility-based surveys at schools, hospitals, health centres/clinics, pharmacies/medicine retailers, food markets and police posts serving the concerned communities together with administrative data already collected by the government. Impacts on families and communities could be assessed by using a small-scale pulse household survey and Focus Group Discussions (FGDs). The pulse survey could involve a random

sample of households (e.g. 30 households) in each sentinel site. FGDs could be facilitated with children, young people, men and women as feasible. The pulse surveys and FGDs could include opinions of children, young people and women, and their perceptions in changes to household welfare, livelihood, reported illness, nutrition, and community cooperation.¹⁷² An NGO or Community Based Organization (CBO) in each country may need to be contracted to assist with information gathering at the community level (e.g., household surveys, FGDs and facility-based surveys).

3.18. Roll-out and maintenance. This proposed social impact monitoring system should be established immediately and maintained until at least the end of 2011 given lag times between global and local economies. UN agencies can provide technical and operational support for Pacific Island governments to roll out and maintain such a monitoring system. It is recommended that each Pacific Island government coordinate the process of data generation and use at the national level (e.g., retrieval or/and collation of administrative data and policy formulation) as well as steer the process of data collection at the community level.

3.19. Mobilizing society. In several Pacific Island countries there are networks of volunteers and committees in many of the poorest communities that could be mobilized to provide **community vigilance** to observe children, women and families at risk, recognize signs of potential risk to children and women, and report to local government services if they are in a position to respond appropriately. Where such networks do not exist, they should be put in place if possible or alternative child- and women-focused groupings—scouts, guides, youth clubs, faith-based organizations, sports clubs—could be considered for an enhanced role in protecting children and women. Routine visits by health workers, teachers, youth workers, social workers, police, and mother and baby clinics and post-natal visits (in both cases, staff can also check on other children in the family) could be used to monitor families at risk. Where resources and capacities allow, crisis hotlines or other novel reporting mechanisms (e.g., SMS, email) could be established if considered useful.¹⁷³

3.20. Monitoring social expenditures (inclusive of health, education, and welfare) will be vital. In every past episode of financial and economic crisis, when Governments have limited fiscal space, they tend to cut down on the least politically resistant—social spending. Close monitoring of fiscal expenditure is vital to avoid this tendency. A simple measure would be to benchmark the overall annual budget's strategic intent as regards social expenditure—to “increase”, “maintain” or “reduce social spending”. More demanding measures to track social expenditure include comparing fiscal budget years for sectors and/or data on total national disbursements and planned and actual expenditures by type of transfer. Even more demanding measures will be to monitor social safety net programs (where these exist) through examining records of numbers of beneficiaries and disbursements by type at some sub-national levels. National Health Accounts (NHAs) represent an excellent tool for financial tracking in the health sector. For example, NHAs are already producing monthly account data in Samoa and Tonga, and are being institutionalized over the next year or so in Federated States of Micronesia, Fiji Islands, and Vanuatu. Public expenditure tracking surveys, public expenditure reviews, and specialized population surveys (Household Income Expenditure Surveys, Demographic Health Surveys, etc.) used to assess social expenditures are underway in several Pacific Island countries but are only periodic and somewhat resource intensive.¹⁷⁴ Again, UN agencies and other development partners are likely to be in a position to provide technical and operational support for governments to track social expenditures.

3.21. Towards a Pacific Hardship Alert System. From the past, we know that the better our ability to track and understand the shifts in poverty at a micro-level, the better we are able to respond. But tracking poverty alone is not enough. For each poverty indicator we can propose a corresponding vulnerability indicator. For example, we need to track the population **immediately above** national poverty lines—we noted in Part 1 that there is a sizable fraction of each national population who are vulnerable-to-poverty. We also need rapid qualitative and participatory appraisals of poverty impacts. An early-warning system—a **Pacific Hardship Alert System** (linked to the proposed Global Impact and Vulnerability Alert System (GIVAS))—is needed to provide real-time data so that governments can act in time to make a real difference for children and women. Just as there have been calls for an early warning system for the economy at the International Monetary Fund, the Pacific Hardship Alert System could provide real-time social impact information along the lines proposed in **3.14-3.18**. Such an early-warning system does not exist right now. As a result, governments and development partners in the Pacific and around the world

¹⁷² IDS (2009) Accounts of Crisis: Poor People's Experiences of the Food, Fuel and Financial Crises in Five Countries. Report on a pilot study in Bangladesh, Indonesia, Jamaica, Kenya and Zambia, January-March 2009. Institute of Development Studies, United Kingdom.

¹⁷³ Government of Malawi/UNICEF (2009) Using Mobile Phones to Improve Child Nutrition Surveillance in Malawi. Government of Malawi/UNICEF, Columbia University/SIPA.

¹⁷⁴ Patel, M. (2009) Monitoring the Impact of the Economic Crisis on Children ... in 'Real' Time. Paper presented at the Technical Workshop on Monitoring the Impact of the Global Economic Crisis on the Poor and Vulnerable in Indonesia, Jakarta, 31 March-1 April.

are making decisions based on a fragmented, patchwork of information. The joint UN initiative outlined above will be thoroughly tested and refined over the next two years, and if governments and other partners continue to be supportive, could evolve into the Pacific Poverty Alert System. The objective of a Pacific Hardship Alert System could be to provide early indications of how an external shock, like the current economic crisis, is affecting the economic, social and political welfare of the most marginalized populations and countries within the Pacific. By analyzing both exposure and resilience of Pacific Island populations to the changing environment, the Pacific Hardship Alert System might also have the capability to signal emerging vulnerabilities. Such a system would also help to galvanize both national policy-makers and communities to ensure the poorest and most vulnerable were protected in a time of crisis. Once operational, such a Pacific Hardship Alert System could produce regular Pacific Hardship Alert products (e.g., Pacific Social Impact Monitor Reports similar to the Pacific Economic Monitor Reports released by the ADB).¹⁷⁵ To maintain such a system within the Pacific will require resources and collaboration between organizations with complementary fields of expertise but start-up resources have already been mobilized and collaboration has already commenced.

3.22. A Community-Based Monitoring System. The Joint UN initiative to support real-time social impact monitoring is exchanging ideas with the Poverty and Economic Policy (PEP) Research Network. Supported by the International Development Research Centre (IDRC)-Canada and the Canadian International Development Agency (CIDA), the PEP Research Network has developed the Community-Based Monitoring System (CBMS).¹⁷⁶ Since the early 1990s, the CBMS has provided policy-makers in several countries with information to track the impacts of various economic reforms and policy shocks on vulnerable groups. It uses freeware customized for CBMS-data encoding, processing and poverty mapping designed as an organized process of data collection, processing, validation, and integration of data in local development processes. CBMS generates a core set of indicators (that can accommodate other measures) to capture the multidimensional aspects of poverty to determine the welfare status of the population. To date, CBMS has been used in 12 countries including Bangladesh, Benin, Cambodia, Ghana, Indonesia, Kenya, Lao PDR, Pakistan, Philippines, Tanzania, Viet Nam and Zambia with related initiatives in Burkina Faso, Nepal, Senegal, and Sri Lanka. Its principle applications include improving local planning and budgeting, designing poverty reduction and related development programs, focused targeting, localizing the MDGs, program-impact assessment, and economic crisis early warning. Some Pacific Island countries may wish to explore the application of CBMS.¹⁷⁷

Protect social budgeting for children

3.23. Social sector budgeting. National economic slowdown will likely deepen the degree of deprivation of the existing poor and large numbers of Pacific Islanders clustered just above their national poverty lines and particularly vulnerable to economic volatility and temporary slowdowns. Social budgeting could be defined as the process by which society's goals and priorities as well as the rights of all of the population are better reflected throughout the budgeting process. When countries are hit by different shocks, including climatic, it is very common for governments to reduce spending on social services. However, this can establish poverty for future generations, is a lost investment in human capital and possible future growth, and can derail efforts to achieve the MDGs, particularly if spending on child priorities is reduced. International organizations, donors, and national governments need to work together to ensure that recommendations for dealing with the economic crisis do not include, or result in, reduced spending on child priorities (such as basic healthcare, nutrition, social protection, clean water, and education). Faced by fiscal constraints and the chances of significantly increased bilateral aid flows unlikely, **many Pacific Island countries will need to rationalize spending and increase their efficiency to create fiscal space for protection of social and MDG-related spending.** As we highlighted in Part 2, although households could adopt some coping mechanisms in the short-run, some of their actions may have negative long-term consequences, especially on women and children, such as reducing the number of meals, eating less nutritiously, selling assets, or taking children out of school. In other words, parents try to protect their children from the worst impacts of crisis, but there are often limits to how much they can do. The challenge is to support constructive coping mechanisms and seek to discourage unconstructive ones.¹⁷⁸

¹⁷⁵ <http://www.adb.org/Documents/Reports/PacMonitor/default.asp>

¹⁷⁶ Reyes, C.M. (2009) Using the Community-Based Monitoring System (CBMS) to Monitor the Impact on Poverty of the Global Financial and Economic Crisis. Paper presented at the Technical Workshop on Monitoring the Impact of the Global Economic Crisis on the Poor and Vulnerable in Indonesia, Jakarta, 31 March-1 April. <http://www.pep-net.org>

¹⁷⁷ For more information on CBMS and the Poverty and Economic Policy (PEP) Research Network go to: <http://www.pep-net.org>

¹⁷⁸ Kane, J. and Vemuri, S.R. (2009) What the Economic Crisis Means for Child Labour. UNICEF Working Paper.

3.24. Governments have at least three options as regards social budgeting during the current crisis: “increase”, “maintain” or “reduce social expenditure”. In some Pacific Island countries a combination of these options may be possible—advancing investments in children in some policy areas, maintaining existing budget in others, and trimming expenditure in yet others. Some Pacific Island countries may believe they have no choice but to reduce social expenditure. Donors will play a critical role whichever option or set of options is pursued (see 3.89-3.90). In every policy deliberation, it must be remembered that the central lesson learned from every previous economic crisis is that **the poorest people in developing countries suffer the most and that not enough is done to help them**. The response to this present crisis in the Pacific must be different. We must do more to help poor people, especially children and women, so that they can emerge from this crisis with their health, their education, their livelihoods, and their assets. It is worth repeating that **only by putting in place measures that raise the levels of efficiency and effectiveness in the delivery of public services, will governments be able to pursue policies that protect children and women**. Most Pacific economies can locate expenditures or revenue leakages in their budget that can be cut back and allocated to better uses or where better returns on investments can be made.

Option A: Increase investments in children

3.25. **A bold, innovative move.** There is widespread agreement that counter-cyclical public spending in areas such as health, education and social security, as well as transfers to poorer households provides a means of reviving economies and lifting consumption spending. The challenge is to ensure that spending is genuinely pro-poor and that, where possible, it has a positive impact on children and women. Infrastructure investments provide one route, but other opportunities for safeguarding lives and income can also be identified (Box 7). **This crisis presents an opportunity for Pacific Island countries to address long-standing barriers to progress for children.**

Box 7: Effective government responses in previous economic crises ^{179,180,181}

Despite the financial crisis in Ecuador which began in 1999, improved social budgeting resulted in social spending increasing by almost 14% by 2006. As a result, 1.3 million families had their income protected and new healthcare funds were made available. In response to the Indonesian financial crisis of 1998, the government put in place scholarships for poor schoolchildren. Evaluations have shown that service use fell less among recipient households than they would have without the program. In Ghana, primary school enrollments rose by 14% after user fees were abolished in 2005 as part of a broader program to dampen the economic effects of fuel price reform. Many of the current crisis stimulus packages, not only aim to protect spending in social sectors, especially on education and health, but also take steps to increase these. China, for example, introduced a \$123 billion package in January 2009 to improve its health care system. All packages have strong measures to bolster social safety nets and provide income support to low-income households.

3.26. Ministries of Finance need strong arguments that demonstrate the economic benefits from investment in children. The first point to make is that programs which invest in children and policy interventions to protect them during good times and during periods of economic volatility **provide strong social and economic returns on investment**. Under the ‘Copenhagen Consensus’ initiative, more than 50 analysts including eight of the world’s most distinguished economists and five Nobel Laureates, worked to find the best solutions to ten of the world’s biggest challenges. In 2004, they agreed that controlling HIV and AIDS, malaria, and providing micronutrients would yield returns comparable with those of the best economic policies at that time.¹⁸² Fourteen out of the top 30 most economically productive investments on the updated ‘2008 Copenhagen Consensus’ list directly relate to children and women.¹⁸³ The most productive investment was to provide micronutrients for children who lack essential vitamins and minerals. Expanded immunization coverage was ranked fourth; deworming and other nutrition programs at school was graded sixth; and lowering the price of schooling and removing barriers to education for girls was voted the seventh and eighth best investments, respectively (Table 7).

¹⁷⁹ UNICEF (January 30th, 2007) Presentation by Bernice Cordero, UNICEF Ecuador, “Impacts on Social Spending 2000-2007, UNICEF Ecuador”. Presented at: UNICEF – Open Dialogue, “Eyes on the Budget as a Human Rights Instrument”.

¹⁸⁰ World Bank (2008) Rising Food and Fuel Prices: Addressing the Risks to Future Generations. Human Development Network (HDN). Poverty Reduction and Economic Management (PREM) Network. The World Bank, Washington DC.

¹⁸¹ World Bank (2008) Rising Food and Fuel Prices: Addressing the Risks to Future Generations. Human Development Network (HDN). Poverty Reduction and Economic Management (PREM) Network. The World Bank, Washington DC.

¹⁸² Lomborg, B. (ed) (2004: 606) ‘Global Crises, Global Solutions.’ Environmental Assessment Institute 2004, Cambridge University Press, UK.

¹⁸³ Copenhagen Consensus (2008) Results: Ranked list of solutions. <http://www.copenhagenconsensus.com/Default.aspx?ID=953>

Table 7: Copenhagen Consensus 2008—best economic investments to solve world challenges^a

Solution (rank in top 30)	Challenge
1 Micronutrient supplements for children (vitamin A and zinc)	Malnutrition
3 Micronutrient fortification (iron and salt iodization)	Malnutrition
4 Expanded immunization coverage for children	Diseases
6 Deworming and other nutrition programs at school	Malnutrition and Education
7 Lowering the price of schooling	Education
8 Increase and improve girls' schooling	Education
9 Community-based nutrition promotion	Malnutrition
10 Provide support for women's reproductive role	Women
12 Malaria prevention and treatment	Diseases
16 Rural water supply	Water
17 Conditional cash transfers	Education
19 HIV combination prevention	Diseases
20 Total sanitation campaign	Water
22 Microfinance	Women

Source: Copenhagen Consensus 2008—Results. <http://www.copenhagenconsensus.com/Default.aspx?ID=953>

^a The goal of Copenhagen Consensus 2008 was to set priorities among a series of proposals for confronting ten great global challenges. These challenges are: Air pollution, Conflicts, Diseases, Education, Global Warming, Malnutrition and Hunger, Sanitation and Water, Subsidies and Trade Barriers, Terrorism, Women and Development. Ten challenge papers, commissioned from acknowledged authorities in each area of policy, set out more than 30 proposals for the panel's consideration. In ordering the proposals, the panel was guided predominantly by consideration of economic costs and benefits. The panel took account of the strengths and weaknesses of the specific cost-benefit appraisals under review, and gave weight both to the institutional preconditions for success and to the demands of ethical or humanitarian urgency.

3.27. The second point to make is that the resources needed for scaling up interventions for children are moderate.

Providing micronutrients for the world's children who lack essential vitamins and minerals would cost just \$60 million per year, and yield annual benefits of more than \$1 billion¹⁸⁴—implying a 1,500% rate of return.¹⁸⁵ The World Bank also reports that interventions to improve child nutrition outcomes could result in productivity gains reaching up to 10% of lifetime earnings re-gained for the individual, and for some countries, up to 2-3% of long-run GDP growth re-claimed.¹⁸⁶ Studies have demonstrated very positive associations between schooling and productivity, and height and productivity, suggesting that investment in children's nutrition brings both private and public returns on investment.^{187,188} An additional \$1-1.5 billion yearly spending on immunization could save 1 million young lives annually in the 72 poorest countries.¹⁸⁹ The total additional yearly bill for bringing quality basic education to all the world's children is estimated by UNICEF, the World Bank and UNESCO to be between \$9 billion and \$15 billion.¹⁹⁰ In other words, **we could not only save a young child from death, but we could also help him or her complete basic education by the age of 13 by investing altogether no more than \$2,200 per child.**¹⁹¹ A broad review of the empirical evidence by Psacharopoulos and Patrinos (2004) suggests that the estimated rate of return to one additional year of schooling is about 10% on average—and this figure increases when one focuses on poorer countries such as those in Africa.¹⁹² This calculation considers earnings which accrue to the individual, and does not yet consider the social benefits of a better educated population. Similarly, investment in quality early childhood development programs can generate high returns to individuals and families and considerable cost savings for governments and

¹⁸⁴ Copenhagen Consensus (2008) <http://www.copenhagenconsensus.com/Default.aspx?ID=953>. See Report: Horton, S., Begin, F., Greig, A., Lakshman, A. (2008) 'Best Practice Paper: Micronutrient Supplements for Child Survival (Vitamin A and Zinc)'. Copenhagen Consensus Center, Denmark. (<http://www.copenhagenconsensus.com/Default.aspx?ID=788>)

¹⁸⁵ Calculations based on estimated net rate of return.

¹⁸⁶ World Bank (2006) Repositioning Nutrition as Central to Development: A Strategy for Large-Scale Action. Washington, D.C.: World Bank. [Available at: <http://siteresources.worldbank.org/NUTRITION/Resources/281846-1131636806329/NutritionStrategy.pdf>].

¹⁸⁷ Behrman, J. (1996) 'The impact of health and nutrition on education.' World Bank Research Observer, 11:23-37.

¹⁸⁸ Leslie, J. and Jamison, D. (1990) Health and nutrition considerations in Education Planning. 1. Educational consequences of health problems among school-age children.' Food and Nutrition Bulletin, 12:191-203.

¹⁸⁹ WHO (2006) 'The cost of immunization programmes in the next 10 years'

(http://www.who.int/immunization/givs/GAVI_Imm_Forum_piece.pdf) See also: WHO and UNICEF. Global Immunization Vision and Strategy, 2006-2015.

¹⁹⁰ UNICEF (2002) 'Finance Development Invest in Children'. A UNICEF policy review document of the Division of Policy and Planning. Published by UNICEF, March 2002.

¹⁹¹ This assumes mid-range figures in the investments in basic education and immunization. This number was calculated assuming 100 million children out of school, eight years of basic schooling and using a combination of the above total additional cost amounts.

¹⁹² Psacharopoulos, G. and Patrinos, H. (2004:115) 'Returns to Investment in Education: A Further Update.' Education Economics, Vol 12, No. 2.

society, for example in reduced costs of welfare and crime.¹⁹³ In the USA, analysis of four early childhood and pre-school programs indicates benefit-cost ratios ranging from a minimum of 3.8 to 1 to a high of 17 to one.¹⁹⁴ A study by UNICEF and its partners found that about 219 million children in the world under the age of 5 fail to reach their full potential in cognitive development due to poverty, poor health and nutrition and deficient care. This human development gap implies an economic development gap: had these children developed to their full potential as adults, their average incomes would be about 20% higher.¹⁹⁵

3.28. Further evidence is provided by Baldacci et al (2008) who examined the links between social spending, human capital and growth using panel data on 118 developing countries during the period 1971-2000, and found evidence that increased social spending could help achieve the MDGs and at the same time boost countries' long-run growth and reduce poverty.¹⁹⁶ If education spending is increased by 1% (as a share of GDP) a country's net enrollment rate could increase from 90% to 99%, and child mortality rate could diminish from 76 to 65 per thousand from 2000 to 2015. Furthermore, per capita growth could also increase by about 0.5 percentage points per year on average during this period, and the initial poverty headcount could decrease by about 17% over the entire 15-year period.¹⁹⁷

3.29. This combination of relatively low financial costs and high returns—in terms of human lives as well as economic productivity—makes a strong case for paying particular attention to children in economic policy and fiscal budgets in times of economic hardship, as well as in times of growth. **Pacific Island countries should consider investments listed in Table 7.** It is essential also to focus on other major irreversibilities: if children are subject to neglect or violence and/or pushed into work, they live with the consequences for their whole life, sometimes passing the consequences onto their own children.¹⁹⁸ Promoting a protective environment for children through improved legislation, strengthened social welfare services and justice systems, and societal behaviour change is fundamental. Many Pacific Island countries have policies and mechanisms that are delivering some if not most of these programs and interventions and some have been able to show signs of progress.¹⁹⁹ The question now is whether these programs and interventions can be expanded or reinforced to cope with the effects of recession in varying contexts and with scarce resources. Pacific Island countries should also consider additional responses in the form of social protection schemes (social safety nets) focused on the most vulnerable as appropriate to ensure the protection of children and other highly affected groups in society. We will discuss social protection a little later (see 3.41-3.91).

3.30. The third point to make is that investing in children to help them realize their full human potential in times of economic growth and in times of crisis is a moral imperative. Access to health care, education, water, sanitation, nutrition, protection from violence and abuse, is an **entitlement** in its own right. A larger challenge lies in ensuring that children's vulnerabilities are visible on policy agendas. Given the cross-sectoral nature of children's multidimensional vulnerabilities, they risk the same fate of 'policy evaporation' that plagues 'cross-cutting' issues such as gender mainstreaming in the absence of strong political commitment.²⁰⁰ Although the MDGs already identify these as among the most pressing priorities, and there is almost universal buy-in to the Convention on the Rights of the Child (UNCRC) by Pacific Island countries, progress on tackling child suffering was slow even before the crisis, with many Pacific Island countries falling short on most child-related MDGs, and particularly on MDG5—halving the maternal mortality rate—which has a direct and powerful impact on children.²⁰¹ **Since the foundation of an individual's health and well-being is laid in early childhood, the most opportune time to break the cycle of poverty, or prevent it from beginning, is during that time.** Thus, in responding to the current economic crisis as well as future ones, continuing and further strengthening investments in children, and protecting them from the adverse impact of these crises (so that these investments are not

¹⁹³ Karoly, L., Greenwood, P.W., Everingham, S., Hoube, J., Kilburn, M., Rydell, C., Sanders, M., Chiesa, J. (1998) 'Investing in Our Children: What We Know and Don't Know About the Costs and Benefits of Early Childhood Interventions'. RAND Corporation.

¹⁹⁴ Schweinhart, L (2004), The High/Scope Perry Preschool Study through Age 40.

¹⁹⁵ Grantham-McGregor, S., Chueng, Y.B., Cueto, S., Glewwe, P., Richter, L., Strupp, B. and the International Child Development Steering Group (2007) "Development potential in the first 5 years for children in developing countries." The Lancet 369(January):60-70.

¹⁹⁶ Baldacci, E., Clemens, B., Gupta, S. and Cui, Q. (2008) "Social Spending, Human Capital, and Growth in Developing Countries." World Development 36(8):1317-1341.

¹⁹⁷ Baldacci, E., Clemens, B., Gupta, S. and Cui, Q. (2008) "Social Spending, Human Capital, and Growth in Developing Countries." World Development 36(8):1317-1341.

¹⁹⁸ Harper, C. (2005) Breaking Poverty Cycles: The Importance of Action in Childhood. Briefing Paper 8. London: CHIP.

¹⁹⁹ World Vision and The Nossal Institute for Global Health (2009) Reducing maternal, newborn and child deaths in the Asia Pacific Strategies that work. <http://www.ni.unimelb.edu.au/Docs/Research/publications/StrategiesThatWork.pdf>

²⁰⁰ Harper, C., Jones, N., McKay, A. and Espey, J. (2009) Children in times of economic crisis: Past lessons, future policies. Overseas Development Institute, Chronic Poverty Research Centre, UNICEF. Background Note.

²⁰¹ Parks, W. (2009) 'Achieving results for Pacific Island children: UNICEF's analysis of and response to Pacific Millennium Development Goal progress.' Policy Quarterly, Volume 5, Number 3. Pp.20-27. Institute of Policy Studies, Victoria University.

eroded) is critical, not just in advancing the rights of children and breaking the cycle of poverty, but also in safeguarding a country's future economic growth and human development.²⁰²

Option B: Maintain social sector budgets

3.31. A steady, pro-child move. The same arguments presented for Option A (increase social expenditure) can be considered for Option B (maintain social expenditure). A major priority for any country facing an economic downturn is to ensure basic social services to protect the lives and livelihoods of those most at risk. Programs that support and protect children through basic health care and nutrition, clean water, basic education and child protection services should be maintained to avoid planting the seeds of poverty for future generations. The World Bank highlights the need to ensure that health and education spending is targeted to the poor, as experience shows that otherwise the benefit of spending in health and education may be captured by richer households.²⁰³ In **Part 2**, we noted that efforts to maintain government health expenditure as a proportion of GDP, or as a proportion of total government expenditure, do not guarantee that pro-poor services will be protected. Government expenditures per capita in real terms may still decline substantially due to overall declines in GDP and/or overall declines in total government expenditure.²⁰⁴ Within this option, the focus should be to help finance a specific set of services for the poorest and vulnerable people, protect expenditures on a per capita basis and *in real terms*, and where possible, fund existing, well-targeted and sustainable social safety nets (see **3.74-3.75**). At a minimum, children need a package of basic social services of good quality health care, education and safe water and adequate sanitation, so that they can grow to their full potential, free of disease, malnutrition, illiteracy and deprivation.

Option C: Reduce social expenditure

3.32. A conservative but potentially reformative move. *The crisis may create opportunities to initiate and lock in reforms that will improve the performance of the social sector over the long term.* As in any period of tight fiscal constraints, rationing decisions may be unavoidable. Inadequately analyzed reductions in public spending on social infrastructure and services are likely to hurt poor households and children most. Ministries need to identify and agree on core areas, services and activities to be fully protected but strategies to mitigate the impact of the economic crisis need to be seen also as **opportunities for reform**—in the way that social services are both financed and organized (**Box 8**). Greater efficiency should be seen as a stimulus for smarter, more effective ways of working, not as another word for “cuts”.²⁰⁵

Box 8: The crisis is an opportunity for social sector reform—examples from health and education

- **Improve teacher quality.** In countries that have had trouble attracting enough qualified teachers, worsening labour market conditions will make teaching more attractive as a profession to higher-quality candidates. If education systems can focus on creating the conditions that will induce these new entrants to remain in the profession even after the crisis, the long-term quality of the system should improve. In countries where teaching already attracts enough qualified applicants but performance is an issue, the focus should be on aligning teacher incentives with education goals. In a weak labour market teachers may be more willing to accept pay structures that base a part of their compensation or progression on performance.
- **Reduce expenditure leakages in health and education systems** through better oversight of budget and procurement processes and through the implementation of sanctions against the misuse of public resources. In a time of diminished fiscal resources, there is likely to be stronger political support for more responsible management within government. In Thailand, for instance, the Ministry of Public Health launched the “Good Health at Low Cost” strategy in the post-crisis period. This involved drug management reform (procuring a higher proportion of essential drugs, and support for greater use of generic drugs as currency devaluation increased the relative price of the more expensive patented formulations), and savings from a reduction of operating/capital costs and material costs. As part of the reformulation of the health budget, capital costs were reduced from 38.7% of the total budget in 1997 down to 11.5% in 2000. At the same time, budgets were protected for essential services and programs such as HIV and AIDS.

Box 8 continued next page

²⁰² Mendoza, R. (2009) Aggregate shocks, poor households and children: transmission channels and policy responses. New York: UNICEF.

²⁰³ World Bank (2009) Averting a Human Crisis During the Global Downturn. Policy Options from the World Bank's Human Development Network. <http://siteresources.worldbank.org/NEWS/Resources/AvertingTheHumanCrisis.pdf>

²⁰⁴ World Bank (2009) Averting a Human Crisis During the Global Downturn. Policy Options from the World Bank's Human Development Network. <http://siteresources.worldbank.org/NEWS/Resources/AvertingTheHumanCrisis.pdf>

²⁰⁵ WHO (2009) The Financial Crisis and Global Health: Report of a High-Level Consultation. Geneva: World Health Organization.

Box 8: continued

- **Focus on preserving the programs and policies that have proven most effective in achieving health and education outcomes.** Better monitoring and evaluation will allow governments not only to show results to citizens, but also improve health and education results over time. Serious impact evaluation should be part of any major aid-financed initiative; donors also need to encourage recipient governments to make monitoring and evaluation an integral part of their domestically financed programs.
- **Revise existing health plans and programs** to reduce investments in sophisticated equipment and infrastructure and increase support to more labour-intensive activities. Monitor carefully and, where appropriate, try to maintain employment in the health sector. If cost-beneficial, explore options to involve staff in preventive and primary care services. Promote home-based care and other services for the elderly and the most vulnerable.
- **Prepare for reallocation of resources to core health and health systems priorities.** Explore and identify options for maintaining and expanding access to necessary medical services. More specifically, reallocate funds in support of prevention of communicable diseases, including immunization and prevention of outbreaks.
- **Sustain support for prevention.** Curative care attracts more political attention, and it is tempting for preventive activities to be sacrificed in the face of budgetary pressures. Getting the balance right between maintaining essential curative services and sustaining preventive programs is essential in managing the health sector at times of crisis.
- **Get all stakeholders ready to rationalize and do better with less money.** More specifically, explore options and implement measures to reduce the cost of medicines and medical devices. Develop “anti-waste” campaigns to promote all forms of savings (energy, medicines, etc.) among health workers.
- **Encourage the establishment or improvement of facility management support teams** to produce specific technical guidelines and directly help managers of hospitals, primary care centres and other health services to adjust to the new context by reducing costs while protecting quality and safety.
- **Remind everybody of the importance of addressing health and education inequities** including analyzing and monitoring their causes through robust health and education indicators, as well as of improving access to health care and education services in order to reduce the risk of poverty.

Sources: World Bank (2009) Averting a Human Crisis During the Global Downturn. Policy Options from the World Bank's Human Development Network. <http://siteresources.worldbank.org/NEWS/Resources/AvertingTheHumanCrisis.pdf>; WHO (2009) The Financial Crisis and Global Health: Report of a High-Level Consultation. Geneva: World Health Organization.

Focus on girls and women

3.33. Women have been negatively affected by past financial crises and neo-liberal policy responses, such as Structural Adjustment Programs. Restricting women's access to work, education and health services, especially in times of crisis, comes at significant economic costs. The Asia-Pacific region is already losing US\$42–47 billion a year because of restrictions on women's access to employment opportunities—and another US\$16–30 billion a year because of gender gaps in education. Those are just the economic costs—added to them are social and personal costs.²⁰⁶ Most Pacific Island countries have achieved gender parity or close to gender parity at the primary school level (**Table 8**). Cook Islands at 0.88, Papua New Guinea at 0.80, Republic of Marshall Islands at 0.91, Palau at 0.92, Samoa at 0.93, Solomon Islands at 0.89, Timor-Leste at 0.92, Tonga at 0.90, and Tuvalu at 0.88 are more below gender parity than others. Papua New Guinea at 0.67, Niue at 0.87 and Solomon Islands at 0.77 are noticeably below gender parity at the secondary school level. Among the greatest gender challenges in the Pacific are the low percentage of women in wage employment in the non-agricultural sector and the low representation of women in decision-making, especially at political level. Latest available data suggest Pacific Island women share only 37.4% of wage employment in the non-agricultural sector, a regional figure which has changed little from the 1990 MDG baseline of 31.1%.^{207,208} We noted earlier that the main casualty of the current economic downturn so far is the “flexible” labour force—low-skill, temporary, casual workers—in which women constitute the majority of the workers. Only 5% of seats are held by women in national parliament. The crisis calls for creative solutions to address gender gaps. Similar to our observation about investing in real-time social impact monitoring, **strengthening gender-based policy-making is not a step vigorously pursued in emergency situations, but sound gender-based policies are more important than ever when resources are scarcer.**

²⁰⁶ UNESCAP (2007) Economic and Social Survey of Asia and the Pacific 2007. Bangkok: UNESCAP.

²⁰⁷ ADB (2008) Key Indicators for Asia and the Pacific. 39th Edition. Manila: ADB. Available at: http://www.adb.org/Documents/Books/Key_Indicators/2008/pdf/Key-Indicators-2008.pdf

²⁰⁸ Prasad, B.C. (2009) MDGs in the Pacific Islands Countries: Taking Stock, Emerging Issues and Way Forward. Paper presented at the UNESCAP-ADB-UNDP Pacific MDG Workshop, Nadi, Fiji Islands, 16-20 March 2009.

Table 8: Selected gender-related indicators in the Pacific

Country	Latest available ratio of girls to boys in primary school level		Latest available ratio of girls to boys in secondary school level		Latest data on share of women in wage employment in non-agricultural sector (%)		Latest data on proportion of seats held by women in national parliament	
	SPC ^a	ADB ^b	SPC	ADB	SPC	ADB	SPC	ADB
Cook Islands	0.88 (2007)	1.01 (2006)	1.01 (2007)	1.04 (2005)	44.6 (2000)	-	12.5 (2007)	-
FSM	0.96 (2006)	1.01 (2007)	0.99 (2006)	1.07 (2005)	33.6 (2000)	-	-	0.0 (2007)
Fiji Islands	0.95 (2005)	0.98 (2006)	1.06 (2005)	1.10 (2006)	38.1 (1999)	30.6 (2005)	14.1 (2006)	8.5 (2006)
Kiribati	0.98 (2005)	1.01 (2005)	1.01 (2005)	1.14 (2005)	36.6 (2005)	-	6.5 (2008)	7.1 (2007)
RMI	0.91 (2005)	0.97 (2007)	0.98 (2005)	1.02 (2007)	58.0 (2007) ^d	33.2 (2005)	3.0 (2007)	3.0 (2007)
Nauru	0.94 (2007)	1.03 (2007)	1.06 (2007)	1.19 (2007)	-	-	0.0 (2008)	0.0 (2007)
Niue	1.06 (2007)	-	0.87 (2007)	-	44.9 (2006)	-	0.0 (2008)	-
Palau	0.92 (2005)	0.94 (2005)	1.05 (2005)	1.10 (2004)	29.5 (2006)	-	0.0 (2008)	0.0 (2007)
PNG	0.80 (2000)	0.84 (2006)	0.67 (2000)	-	15.2 (2000)	-	0.9 (2007)	0.9 (2007)
Samoa	0.93 (2005)	1.00 (2005)	1.06 (2005)	1.13 (2005)	29.5 (2006)	-	8.2 (2008)	6.1 (2007)
Solomon Isls	0.89 (2005)	0.96 (2005)	0.77 (2005)	0.84 (2005)	29.6 (1999)	-	0.0 (2008)	0.0 (2007)
Timor-Leste	-	0.92 (2005)	-	1.00 (2005)	-	-	-	25.3 (2007)
Tokelau	0.96 (2003)	-	1.12 (2003)	-	-	-	25.0 (2007)	-
Tonga	0.90 (2005)	0.95 (2006)	0.98 (2005)	1.04 (2006)	42.3 (2006)	38.6 (2003)	3.0 (2006)	3.3 (2007)
Tuvalu	0.88 (2006)	0.99 (2006)	1.21 (2006)	0.93 (2001)	44.1 (2002)	33.9 (2004)	0.0 (2007)	0.0 (2007)
Vanuatu	1.02 (2008) ^c	0.97 (2007)	0.99 (2007)	0.86 (2004)	40.3 (1999)	-	3.8 (2007)	3.8 (2007)
Regional mean	0.93	0.97	0.99	1.04	37.4%	34.1%	5.5%	4.5%

^a Statistics from SPC as cited in Prasad, B.C. (2009) MDGs in the Pacific Islands Countries: Taking Stock, Emerging Issues and Way Forward. Paper presented at the UNESCAP-ADB-UNDP Pacific MDG Workshop, Nadi, Fiji Islands, 16-20 March 2009.

^b ADB (2008) Key Indicators for Asia and the Pacific. 39th Edition. Manila: ADB. Available at: http://www.adb.org/Documents/Books/Key_Indicators/2008/pdf/Key-Indicators-2008.pdf

^c Government of Vanuatu (2008) Multi-Indicator Cluster Survey. Port Vila: National Statistics Office.

^d Economic Policy, Planning and Statistics Office (EPPSO), SPC and Macro International Inc. (2007) Republic of the Marshall Islands Demographic and Health Survey 2007.

3.34. Macro-economic policy calibration and analysis assumes that policies are gender-neutral but they are usually gender-blind.²⁰⁹ The current crisis is an opportunity to drive new ways of thinking on economic and social policies as Pacific Island countries search for new economic growth drivers. Studies have shown that women tend to: spend more than men on building the capabilities of family; have greater intergenerational altruism than men; and are more risk averse, making investments on stable assets.²¹⁰ The returns from educating women are higher than those for men, going beyond personal gains to inter-generational benefits. It is well known that literate women invest more in children's health and education. ***It is simply smart economics to invest in women's income earning power in times of crisis.*** Policy responses which build on women's roles as economic agents and their preference for investing resources in child well-being can go a long way towards mitigating the negative effects of the current and future economic crises. These responses are good for women and for development—they yield high returns in terms of containing current and future poverty—and should be enacted quickly.²¹¹

3.35. A lot could be achieved with fairly low-cost, high-return interventions—but it requires the vision and commitment at the highest political level. Some of these interventions include making secure access for girls to schools, providing separate toilets and wash areas for girls, and allowing more women to enter the teaching profession. Providing free lunch at school for children and special nutritional packages for pregnant women will go a long way in improving their health. Mobile clinics in remote areas and community-based emergency transport could drastically reduce maternal and infant deaths.²¹² Educating girls yields some of the highest returns of all development investments. The Copenhagen Consensus ranked girls education as the eighth best and placed providing support for women's reproductive role and microfinance to poor women borrowers amongst the top 30 most economical development investments.²¹³ ***Micro-credit schemes are a lifeline for women and need special protection.*** Pacific Island countries, for example, could make sure that (i) state owned banks provide

²⁰⁹ Rao, M.G. (2004) Macroeconomic Policies and Gender Budgeting. Presentation at the International Expert Group meeting on Local Level Gender Responsive Budgeting. New Delhi, India. Available at: <http://www.gender-budgets.org/content/view/full/184/154/>

²¹⁰ Commission on the Status of Women (2009) Report on the Fifty-Third Session. 2-13 March. Economic and Social Council Official Records, 2009, Supplement No.7. Available at: <http://daccessdds.un.org/doc/UNDOC/GEN/N09/283/98/PDF/N0928398.pdf?OpenElement>

²¹¹ Sirimanne, S. (2009) The gender perspectives of the financial crisis. Interactive Expert Panel. UNESCAP Commission on the Status of Women Fifty-third session New York, 2-13 March.

²¹² UNICEF (2009) State of the World's Children. New York: UNICEF.

²¹³ Copenhagen Consensus (2008) Results: Ranked list of solutions. <http://www.copenhagenconsensus.com/Default.aspx?ID=953>

uninterrupted financing for micro-credit schemes and institutions; and (ii) commercial banks that receive liquidity support from Central Banks maintain present levels of funding for micro-credit.²¹⁴

3.36. Engender fiscal stimulus packages. Large public infrastructure and public work projects are common features in most stimulus packages. They can be most effective in reaching a wide range of unemployed workers without regarding their skill mix. However, these jobs are mostly in construction where 80-90% of jobs are held by men.²¹⁵ Crisis-response packages are still at early design stages in many Pacific Island countries so there is room to incorporate gender dimensions. Construction and rehabilitation of physical infrastructure, such as roads, bridges, schools, hospitals and clinics, social care and community social infrastructure upgrading can include opportunities for women. Work sites close to home, on-site child care, maternity leave allowances, and equal rates for men and women are some of the gender design features that can be considered in public works initiatives. Furthering poverty alleviation through the construction and repairs of farm-to-market roads, post-harvest facilities, irrigation systems, portable water systems and other farm projects, will provide long-term advantages to a large percentage of women in agriculture, in particular those in vulnerable employment. It will also serve to provide opportunities for those migrants returning to rural areas and working as subsistence farmers.²¹⁶ Agriculture is one of the main livelihoods of women in the Pacific. While the agriculture sector received considerable attention in 2008 amidst rising food prices, faced with the global financial crisis and reduced inflationary pressures, policy attention has been shifted to other issues. At a national level, the long-term neglect of the rural economy warrants correction. Efforts to raise rural productivity can help keep poverty reduction on-track by keeping food prices low while supporting rural incomes. Empowering farmer organizations, diversifying the rural economy, and improving economic infrastructure in rural areas should receive attention. In order to reduce the likelihood that commodity price crises will occur in the future, it is important to promote energy efficiency and investment in renewable sources of energy. Securing energy supplies and speeding up the transition to a low-carbon energy system needs decisive action by governments at the national and local levels to encourage households and businesses to economize their use of fuel and energy suppliers to invest in developing and commercializing low-carbon technologies. Appropriate gender-sensitive financial incentives and regulatory frameworks are needed to support both agricultural development and renewable energy goals.

3.37. Engender labour and trade policies. It is important to recognize the labour market disadvantage that women face and to consider explicit employment growth targets for women.²¹⁷ To reduce any discrimination against women in recruitment, wages and promotions, Governments should take the lead with the public sector acting as a role model. Initiatives directed towards education and healthcare (discussed in 3.26-3.32) would also inject financial and human capital into fields with high female employment, and ultimately provide much-needed services for children, the elderly and the sick. There remains a huge untapped labour potential of women and efforts must be made to provide every woman with the opportunity of decent employment.²¹⁸ Strengthening employment placement services for women and investing in training women for non-traditional occupations, such as “green jobs”, are other supportive measures. Implementing time- and cost-efficient methods to identify current and future skills demands becomes crucial. It is also important to look at the effect of trade liberalization through the prism of gender, focusing on its effects on overall growth, labour markets, and access to credit.²¹⁹

3.38. There are also legal frameworks that should be considered during this critical period. This is an appropriate time to increase the ratification and improve the application of international instruments regarding gender discrimination. The Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), adopted in 1979 by the UN General Assembly, has been ratified or acceded to by 16 Pacific Island countries (including Papua New Guinea and Timor-Leste). Nauru, Tonga and Palau have yet to ratify CEDAW. States that have accepted CEDAW are committed to an agenda for national action, including to: incorporate the principle of equality of men and women in their legal system, and abolish all discriminatory laws and adopt new laws that prohibit discrimination against women; establish tribunals and other public institutions to ensure the effective protection of women against

²¹⁴ Sirimanne, S. (2009) The gender perspectives of the financial crisis. Interactive Expert Panel. UNESCAP Commission on the Status of Women Fifty-third session New York, 2-13 March.

²¹⁵ ILO (2009) “Asia in the global economic crisis: impacts and responses from a gender perspective.” Technical Note prepared for the meeting on Responding to the economic crisis—coherent policies for growth, employment and decent work in Asia and Pacific, Manila 18-20 February 2009. Bangkok, Geneva: ILO.

²¹⁶ For further information on engendering fiscal stimulus packages, see: Guina, C.S. (2009) Making economic stimulus packages work for women and gender equality. New York: UNIFEM.

²¹⁷ UNDP (2004) Globalization and Trade and the Impact on Pacific Women. Technical Paper for the 9th Triennial Conference of Pacific Women and 2nd Pacific Ministerial Meeting on Women. 16-20 August 2004, Nadi, Fiji Islands.

²¹⁸ ILO (2009) Global Employment Trends for Women. Geneva: ILO.

²¹⁹ UNIFEM (2008) Making the MDGs Work for All: Gender-Responsive Rights-Based Approaches to the MDGs. New York: UNIFEM.

discrimination; and to ensure elimination of all acts of discrimination against women by persons, organizations or enterprises. In addition, there are four key ILO gender equality Conventions that deserve strong attention.²²⁰

3.39. Place more emphasis on gender budgeting. In the Pacific some progress has been made in introducing gender budgeting into formal budget processes. The gains made in this front need to be protected during the current crisis. It is especially important to make sure that fiscal stimulus measures are additional and do not divert funds already set aside for gender budgeting initiatives. Public finance management systems and practices need to support principles of participatory and gender-responsive budgeting. Strong and effective public expenditure monitoring systems are needed to ensure that budgetary allocations do reach the intended groups. Uganda, one of the first developing countries to successfully implement a public expenditure tracking system, saw a dramatic rise in allocated funding to education actually reaching schools—from 13% before setting up the tracking system to 80-90% after.²²¹

3.40. Place more emphasis on information and analysis. We noted earlier that empirical evidence on the impacts of financial crises on women is limited. Likewise, little is known about the gender dimensions of macro-economic policies, borrowing and tax policies, and expenditures that benefit women. Ritualistic preparation of gender budgets will not suffice. Much more information needs to be gathered and analysis work needs to be done. Better metrics are needed to quantify the “girl and women effect” on development. New indicators must be developed to measure the impact of gender inequality on economic growth. The economic value of women’s unpaid work needs to be measured and performance indicators need to be developed to measure progress in introducing and implementing gender-responsive approaches to public finances.²²²

Budget for social protection

3.41. This document concludes by highlighting a relatively new public policy option for Pacific Island countries—**social protection**. Broadly defined, “social protection” is a set of policy initiatives that transfer income or assets to the poor, protecting vulnerable people against livelihood shocks, and seeking to enhance the social status and rights of the marginalized.²²³ Social protection typically includes measures such as conditional or unconditional cash transfers, direct distribution of food or nutritional supplements, school-based feeding programs, childcare support, maternal/paternal benefit payments, disability allowance, education bursaries, fee waivers, pensions, unemployment benefits, price subsidies, agricultural inputs, public works programs, health insurance, asset insurance, life insurance, and microfinance. Social protection policies address not only chronic poverty and the adverse effects of different shocks, notably to household income, but also social vulnerability, thus taking into account the intergenerational transmission of poverty.

3.42. Our discussion on social protection is not intended to be comprehensive. Instead, our aim is to contribute to the growing interest in this development policy area across the Pacific which, at this time of economic crisis, must be a priority consideration—the more severe the downturn, the greater the consideration. It is crucial to note that social protection policies have emerged as **core elements of long-term poverty reduction strategies, rather than ad hoc crisis-driven initiatives**. In this final section, we offer some answers to a series of questions, including: What is social protection? Why should it be considered? What are some of the key lessons learned about social protection around the world? What are some of the characteristics of existing social protection programs in the Pacific? Where formal social protection is weak or does not exist, how could it be initiated? How can social protection be made more child-centred? How can social protection systems be financed? How can social protection become a major new contributor to crisis mitigation and broader economic development across the Pacific? And what role can development partners play in supporting social protection?

²²⁰ The four key ILO gender equality Conventions are the Equal Remuneration Convention (No. 100), Discrimination (Employment and Occupation) Convention (No. 111), Workers with Family Responsibilities Convention (No. 156) and Maternity Protection Convention (No. 183). Conventions 100 and 111 are also among the eight fundamental Conventions of the ILO Declaration on Fundamental Principles and Rights at Work.

²²¹ UN Economic Commission for Africa (2003) Economic Report on Africa 2003. Addis Ababa: UNECA.

²²² Rao, M.G. (2004) Macroeconomic Policies and Gender Budgeting. Presentation at the International Expert Group meeting on Local Level Gender Responsive Budgeting. New Delhi, India. Available at: <http://www.gender-budgets.org/content/view/184/154/>

²²³ IDS (2009) Social Protection Responses to the Financial Crisis: What do we Know? Issue 7, Policy Responses to the Global Financial Crisis, IDS: Brighton. <http://www.ids.ac.uk/index.cfm?objectid=631F6296-5056-8171-7B15E80DC8E12717>

What is social protection?

3.43. Differing definitions of social protection. A range of organizations from the Institute of Development Studies (IDS) to the Asian Development Bank have offered definitions of social protection (**Box 9**).

Box 9: Social protection defined

- Provide income (cash) or consumption (food) transfers to the poor; protect the vulnerable against livelihood risks; enhance the social status and rights of the socially excluded and marginalised. (IDS)
- Public actions taken in response to levels of vulnerability, risk and deprivation which are deemed socially unacceptable within a given polity or society. (Overseas Development Institute)
- Collection of measures to improve or protect human capital, ranging from labour market interventions, publicly mandated unemployment or old-age insurance to targeted income support. Social protection interventions assist individuals, households and communities to better manage the income risks that leave people vulnerable. (World Bank)
- Provision of benefits to households and individuals through public or collective arrangements to protect against low or declining living standards. (International Labour Organization)
- A set of transfers and services that help individuals and households confront risk and adversity (including emergencies), ensure a minimum standard of dignity and well-being throughout the lifecycle, and that especially aim to protect the rights of the most at-risk, vulnerable or chronically poor. (UNICEF)
- A set of policies and programs designed to reduce poverty and vulnerability by promoting efficient labour markets, diminishing people's exposure to risks, and enhancing their capacity to protect themselves against hazards and interruption or loss of income. Policies and programs include—labour market policies and programs to promote “decent work”; social insurance programs to cushion against the risks of unemployment, ill health, disability, and others; social assistance and welfare service programs targeted at the vulnerable groups (including targeted cash transfers); programs that deal with natural disasters; and child protection programs (ADB)

3.44. Long considered a privilege of developed countries, it is now generally agreed that social protection is an essential element of pro-poor growth. Definitions of social protection, however, vary not only amongst development agencies, but also across countries in the Asia and Pacific region.²²⁴ In some societies, social protection is seen as an entitlement based on citizenship rights as enshrined by Article 22 of the Universal Declaration of Human Rights: “*Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international cooperation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality*”. In others, social protection is seen as a response to the needs of the ‘deserving’ poor. “Social security” is also commonly used but in most cases refers to government guaranteed benefits including sickness and invalidity benefits, maternity allowances, children’s or family allowances, disability allowances, unemployment benefits, retirement and survivors’ pensions, and death benefits.²²⁵ The expression “social safety net” is also used. A social safety net has been defined as policies and programs that provide short-term income support and access to basic social services to the poor during economic crises and possibly other adverse events.²²⁶ But others use “social safety net” interchangeably with “social protection”, focusing on the value of social interventions for crisis response and within longer-term poverty reduction strategies.²²⁷ Others view social protection according to the roles such policies and programs can play—Protection, Prevention, Promotion and Transformation (**Table 9**). While the definitions may differ, at its most basic level, social protection is associated with “programs that directly involve cash or in-kind transfers to households or vulnerable groups” and it is this rudimentary definition that we take into the following discussion.²²⁸

²²⁴ ADB (2007) Formulating a country-based social protection index for monitoring vulnerability.

<http://www.adb.org/PRF/knowledge-products/REG-Social-Protection-Index.pdf>

²²⁵ Naidu, V. and Moharty, M. (2009) Situational Analysis of Social Protection Policies, Services and Delivery Mechanisms in the Pacific.’ Paper presented at the UNRISD, USP, UNICEF, Commonwealth Secretariat, and UNESCAP Conference on Social Policies in Pacific Island countries: Policy Recommendations and Impact of Current Crises. Suva, Fiji, July 22-23, 2009.

²²⁶ APEC member countries, World Bank, IMF, ADB, and the Inter-American Development Bank (IDB) (2001) Social Safety Nets in Response to Crisis: Lessons and Guidelines from Asia and Latin America.

<http://siteresources.worldbank.org/SAFETYNETSANDTRANSFERS/Resources/APECEnglish.pdf>

²²⁷ World Bank (2009) Conditional Cash Transfers: Reducing Present and Future Poverty. Washington, D.C.: A World Bank Policy Research Report, 47603. http://siteresources.worldbank.org/INTCCT/Resources/5757608-1234228266004/PRR-CCT_web_noembargo.pdf

²²⁸ ADB (2007) Formulating a country-based social protection index for monitoring vulnerability.

<http://www.adb.org/PRF/knowledge-products/REG-Social-Protection-Index.pdf>

Table 9: Different social protection roles and measures

Roles	Measures include	
<p>Protective: Social protection instruments for protecting lives and livelihoods</p> <p>In a crisis: Immediate protection and relief from poverty and deprivation</p>	<ul style="list-style-type: none"> • Supplementary feeding • Child support grants • Early childhood care and development: early care and per-school programs targeting most vulnerable, ultra poor, malnourished etc • Foster care grants • Unconditional or conditional cash transfers (small predictable sums of money to ultra-poor families with children) • Health fee waivers 	<ul style="list-style-type: none"> • Food stamps • Transport vouchers • Orphans and Vulnerable Children (OVC) reception centres • Internally Displaced Persons (IDP) or refugee camps • Pensions • Disability benefit • Social services
<p>Preventive: Social protection instruments for insuring against livelihood shocks</p> <p>In a crisis: Prevents damage to coping strategies</p>	<ul style="list-style-type: none"> • Unconditional or conditional cash transfers (small predictable sums of money to ultra-poor families with children) • Food stamps • Transport vouchers • Child support grants • Unemployment benefit • Maternity benefits • Livelihood diversification • Crop or weather-indexed insurance 	<ul style="list-style-type: none"> • National strategic food/seed reserves • Village food/seed banks • Asset insurance • Rotating savings and credit groups • Community-based health insurance • Savings clubs • Burial or funeral societies • Pensions • Disability benefit • Social services
<p>Promotive: Social protection instrument that increases productivity</p> <p>In a crisis: Promotes resilience through livelihood diversification and improves security</p>	<ul style="list-style-type: none"> • Unconditional or conditional cash transfer (linked with increasing nutritional and educational benefits) • School feeding programs • Second chance education, training and life-skills for adolescents; education grants, block grants, fee waivers (curriculum design, policy development, etc) 	<ul style="list-style-type: none"> • Access to credit • Asset transfers/protection • Agricultural starter packs (drought/flood-resistant) • Access to common property resources • Public works (if the assets contribute to the overall productivity)
<p>Transformative: Social protection instruments for empowerment and social justice</p> <p>In a crisis: Transforms social relations to reduce exclusion</p>	<ul style="list-style-type: none"> • Pro-girl targeting and gender-sensitive social welfare and protective services for the most vulnerable families • Legislation on economic, social and cultural rights (alignment of national legislations with CRC, CEDAW, ILO conventions and other international treaties) • Anti-corruption measures; citizen juries • Birth registration 	<ul style="list-style-type: none"> • Sensitisation/anti-discrimination campaigns (“HIV and AIDS Anti-stigma campaign”, “Promotion of minority rights”, etc.) • Minimum wage legislation • Workers’ rights • Psycho-social counselling (for trauma) • Child rights; demobilisation of child soldiers

Source: IDS (2009) Social Protection Responses to the Financial Crisis: What do we Know? IDS: In Focus Policy Briefing 7.4.

Why should social protection be considered?

3.49. Social protection and poverty reduction. Over the last decade there has been significant growth in the number of social protection programs around the world. Some countries have adopted social protection as part of their national poverty reduction strategy. For example, Mexico started a social protection program (*Progres*a later renamed as *Oportunidades*) on a modest scale, but by 2002, *Oportunidades* was reaching over 25 million people and is now the core of the nation’s poverty reduction strategy. *Oportunidades* has repeatedly shown statistically significant impacts on poverty incidence and poverty gaps amongst beneficiaries compared to those not yet part of the program.²²⁹ The key to *Oportunidades*’ expansion and success was the use of compelling evidence to persuade donors and politicians from all parties. A strong constituency was developed with high-level political leadership in successive governments.²³⁰ Others countries have established social protection in response to crises such as natural disasters and the recent food and fuel price rises. For example, the Government of Indonesia quickly introduced a

²²⁹ For further information, see: World Bank (2009) Conditional Cash Transfers: Reducing Present and Future Poverty. Washington, D.C.: A World Bank Policy Research Report, 47603. http://siteresources.worldbank.org/INTCCT/Resources/5757608-1234228266004/PRR-CCT_web_noembargo.pdf

²³⁰ De Britto, T. (2008) ‘The Emergence and Popularity of Conditional Cash Transfers in Latin America.’ In Barrientos, A. and Hulme, D. (eds.) ‘Social Protection for the Poor and Poorest, Basingstoke: Palgrave MacMillan.

National Safety Net Program in 1997 as the financial crisis doubled the poverty rate in a year. The results are impressive with the poverty rate reducing from 33% in 1998 to 12% in 2002. Evidence suggests that without the program, recovery in this timeframe would not have been possible. The Government of Indonesia, with no previous experience of implementing social protection, improved the program as they went along and demonstrated **the importance of responding quickly and boldly.**²³¹

3.50. The broadly held view, supported by several robust evaluations, is that **if well designed, social protection plays a crucial role in alleviating social hardship (Box 10)**. Particular measures such as social transfers to the poor—in-kind or cash—are especially suitable for addressing short-term poverty caused by shocks (e.g., natural disasters, health shocks, food and other commodity price rises, economic downturns, climate change), preventing this transient poverty from becoming embedded or chronic. In a recent assessment of conditional cash transfer programs (CCTs), one particular social protection measure, the World Bank concludes: “[CCTs] have been effective in reducing short-term poverty and increasing the use of education and health services. These achievements...represent powerful proof that well-designed public programs can have significant effects on critical social indicators.”²³² Social protection policies also play a role in stabilizing macro-economics when downturns occur by stimulating domestic aggregate demand, thereby boosting local production and employment levels, though debates continue on the extent to which social protection measures can themselves stimulate growth by injecting resources into the hands of the poor, and therefore their purchasing and production power.²³³

What are some of the key lessons learned about social protection around the world?

3.51. There have been many experiences and lessons learned across the world on social protection.

We highlight just four perspectives: the Asia Pacific Economic Cooperation (APEC) Finance Ministers’ conclusions on the use of social protection in the Asian (1997-99) and Latin American (1994-95, 1999) crises; the Institute of Development Studies international analysis of social protection; the World Bank’s recent assessment of conditional cash transfers (one of the most versatile and popular social protection measures); and the Overseas Development Institute’s study of social protection responses to the current economic crisis in 10 countries. We also examine some of the advantages and disadvantages of specific social protection mechanisms.

3.52. Between 1999 and 2001, APEC Finance Ministers established a Working Group to draw lessons from the Asian (1997-99) and Latin American (1994-95, 1999) crises that could help guide policy formulation and implementation of social protection more generally. The APEC Finance Ministers concluded that: (1) social safety nets should be in place before a crisis occurs since they can address the needs of the poor in good economic times and be adaptable to combat the effects of crisis; (2) pre-crisis planning is essential to effectively address the social effects of crises and includes the availability of reliable and timely information on the poor and frequent evaluation of safety net programs; and (3) countries can select from a wide range of available instruments depending on their administrative capacity and target populations. In selecting the appropriate instruments, governments should ensure that the measures: provide adequate protection to the poor; promote efficient targeting; avoid creating a culture of dependency among recipients by limiting size and duration of benefits; are consistent with economic incentives and overall targets of fiscal and macro-economic policy; and encourage transparency and accountability in the design and implementation of programs and in the use of resources.²³⁴

²³¹ Sumarto, S et al (2008) ‘Indonesia’s Social Protection During and After the Crisis.’ In Barrientos, A and Hulme, D (eds.) Social Protection for the Poor and Poorest. Basingstoke: Palgrave MacMillan.

²³² World Bank (2009) Conditional Cash Transfers: Reducing Present and Future Poverty. Washington, D.C.: A World Bank Policy Research Report, 47603. http://siteresources.worldbank.org/INTCCT/Resources/5757608-1234228266004/PRR-CCT_web_noembarqo.pdf

²³³ Alderman, H. and Haque. T. (2006) “Counter-cyclical safety nets for the poor and vulnerable.” Food Policy, 31(2006):372-383.

²³⁴ For further information see: APEC member countries, World Bank, IMF, ADB, and the Inter-American Development Bank (IDB) (2001) Social Safety Nets in Response to Crisis: Lessons and Guidelines from Asia and Latin America. <http://siteresources.worldbank.org/SAFETYNETSANDTRANSFERS/Resources/APECEnglish.pdf>

Box 10: Some international experiences with social protection programs

- **Argentina**—During the Argentine debt crisis in 2002, the government's *Plan Jefes y Jefas* provided direct income support for families with dependents and whose head had become unemployed as a result of the crisis. This program enabled an additional 2% of the population to afford the food component of the country's poverty line, reduced Argentina's unemployment rate by an estimated 2.5 percentage points, and prevented an additional 10% of program participants from slipping below the poverty line.²³⁵
- **India**—India's *National Rural Employment Guarantee Act (NREGA)* provides a legal guarantee for one hundred days of employment in every financial year to adult members of any rural household willing to do unskilled manual work at the statutory minimum wage. The central government funds the cost of wages, 75% of the cost of materials, and part of the administrative expenses; the remaining costs are funded by state governments. Participants in NREGA work in projects such as water conservation, flood control, irrigation, and land development, among others. The program has many benefits, including the reduction of distress migration, employment generation in the most distressed areas, and improvements in the natural resource base of livelihoods in poor communities. NREGA is an example of a self-targeted program, characterized by low administration costs and high accuracy in reaching the targeted population. By guaranteeing income support to anyone willing to participate in unskilled manual labour at low wages, and only for 100 days in a year, the program ensures that only the neediest will apply.²³⁶
- **Indonesia**—As one of its policy responses to the Asian financial crisis, Indonesia implemented the *Jaring Pengamanan Sosial* (Social Safety Net Scholarships) program which provided up to 1.6 million scholarships intended primarily for poorer children during the 1998-1999 school years. While the targeting of the program could have been improved, it nevertheless helped to reduce lower secondary school dropouts in Indonesia by 24%.²³⁷
- **Mexico**—Mexico's *Oportunidades* program offers cash transfers to poor mothers, conditional on their children using health facilities on a regular basis and attending school. This program has helped negate much of the impact of shocks such as unemployment of the household head or natural disasters in the locality of program recipients. One study focusing on the 1998-2000 period estimates that, had *Progresa* not been in place, a natural disaster would typically reduce school enrollment by 3.2 percentage points whereas an unemployment or illness shock for the household head would reduce the child's probability of enrollment by an average of about 2 percentage points.²³⁸ Children born to beneficiary families were also 25% less likely to be anaemic and grew by about 1 centimeter more based on another study.²³⁹ *Progresa* therefore helped to mitigate the impact of these shocks on children's education, and thus also helped to preserve their lifetime earnings prospects. One study estimates that through the impact of *Progresa* on education, it helps to raise an individual's annual earnings by roughly 8% and narrows the education gap between rich and poor children.²⁴⁰
- **Natural disasters**—Cash and voucher programs have been used in a variety of humanitarian emergencies, such as in response to the Indian Ocean tsunami in December 2004 (e.g. in Thailand, Indonesia, India and Sri Lanka) and the South Asia earthquake in 2005 (e.g. in Pakistan). Recent evaluations of these programs found evidence that under certain conditions, these did not result in price inflation and instead generated local multiplier effects; and that beneficiaries also largely spent the cash on necessities such as food, clothing and school fees and expenses, rather than on non-essential items. Cash programs were also found to be 20-50% cheaper to administer than food or in-kind programs, hinting at their greater cost-effectiveness.²⁴¹
- **Food and fuel price rise crisis**—From Senegal to Lesotho, many developing countries provided a safety net in response to the recent food price crisis. In Bangladesh, as many as two thirds of families were forced to take their children out of school in the aftermath of the food crisis—but in areas where school feeding programs were in place, the drop out rate in primary school was significantly lower. Other successful examples of countries scaling up safety net programs to address the food and fuel crisis include Brazil increasing the benefits of the *Bolsa Familia* conditional cash transfer, Chile increasing the level of the winter heating allowance, the Kyrgyz Republic increasing the benefits of its Unified Monthly Benefit cash transfer program, Yemen doubling the value of its cash transfer benefit, and Egypt increasing the ration of food it subsidizes, as did some states in India.

²³⁵ Galasso, E. and Ravallion, M. (2004) "Social protection in a crisis: Argentina's plan Jefes y Jefas." World Bank Economic Review, 18(3):367-399.

²³⁶ UNESCAP (2009) Economic and Social Survey of Asia and the Pacific 2009: Addressing the Triple Threats to Development. New York: UNESCAP. <http://www.unescap.org/survey2009/>

²³⁷ Cameron, L. (2002) "Did social safety net scholarships reduce drop-out rates during the Indonesian economic crisis?" World Bank Policy Research Working Paper 2800. Washington, D.C. Available at:

http://www.wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2002/04/05/000094946_0203220527387/Rendered/PDF/multi0page.pdf.

²³⁸ De Janvry, A., Finan, F., Sadoulet, E. and Vakis, R. (2006) "Can conditional cash transfer programs serve as safety nets in keeping children at school and from working when exposed to shocks?" Journal of Development Economics, 79(2006):349-373.

²³⁹ Gertler, P. (2004) "Do Conditional Cash Transfers Improve Child Health? Evidence from PROGRESA's Control Randomized Experiment." American Economic Review, 94(2):336-341.

²⁴⁰ Schultz, P. (2004) "School subsidies for the poor: Evaluating the Mexican Progres poverty program." Journal of Development Economics 74:199-250.

²⁴¹ Harvey, P. (2005) "Cash and Vouchers in Emergencies." Humanitarian Policy Group Discussion Paper. London: Overseas Development Institute. Available at: <http://www.odi.org.uk/resources/hpg-publications/discussion-papers/2005/cash-voucheremergencies.pdf>

3.53. The Institute of Development Studies has also deduced a number of key lessons on social protection, in particular that **social protection programs must pay attention to underlying structural constraints if intergenerational transmission of vulnerability is to be interrupted** and that **establishing or expanding social protection is a highly political and contextual process where ideas and ideology may matter more than data** (Box 11).^{242,243}

Box 11: Some international lessons on social protection

- Social protection can help poor and vulnerable people to reduce or manage their risk and vulnerability.
- By maintaining and building human capital and reducing social risk, social protection promotes long-term human capital development, livelihoods, employment and economic growth.
- By providing poor people with a stake in the economy, they promote social cohesion and facilitate the implementation of other necessary reforms.
- Social protection should respond to specific, identified vulnerabilities in specific local contexts based on solid analysis of the poor and the most vulnerable—there are no blueprints.
- Social protection should be protective, preventive, promotive and transformative.
- Compensatory social transfers can not solve structural failures of weak markets, institutions or bad policies. Transformative social protection is particularly important to tackle underlying structural and political constraints and to interrupt intergenerational transmission of poverty and vulnerability.
- Interventions should be determined by beneficiary preferences, not by donors' assumptions.
- Social protection should be predictable, sustainable, and guaranteed by accountable duty-bearers.
- When advocating for social protection, use triangle assessment (political will, government capacity and commitment, and resources available) and apply child-centred principles.
- Food crises, climate change, disasters, and other shocks should be seen as entry points to promote comprehensive and transformative social protection.
- Social protection is about building the consensus on what is a socially acceptable/desirable level of minimum welfare.
- Political institutions/society (party, party system, local political brokers, etc.) matters more than civil society and government. Structural forces and historical development are central. Ideas and ideology matters, more than data.

3.54. The World Bank has recently completed a major assessment of conditional cash transfers (CCTs) and the impact such social protection schemes have on poverty, education, health, and nutrition outcomes. CCTs are programs that transfer cash, generally to poor households, on the condition that those households make pre-specified investments in the human capital of their children. Health and nutrition conditions generally require periodic checkups, growth monitoring, and vaccinations for children less than 5 years of age; perinatal care for mothers and attendance by mothers at periodic health information talks. Education conditions usually include school enrollment, attendance on 80-85% of school days, and occasionally some measure of performance. Most CCT programs transfer the money to the mother of the household or to the student in some circumstances. The World Bank's assessment draws heavily on a large number of carefully constructed impact evaluations of CCT programs (Box 12).^{244,245}

²⁴² Davies, M. and McGregor, J.A. (2009) Social Protection: Responding to a Global Crisis. Institute of Development Studies, UK.

²⁴³ Sabates-Wheeler, R., Devereux, S. and Hodges, A. (2009) Taking the Long View: What Does a Child Focus Add to Social Protection? IDS Bulletin, Volume 40, Number 1: 109-119. <http://www3.interscience.wiley.com/cgi-bin/fulltext/121659741/PDFSTART>

²⁴⁴ Ravallion, M. (2008) Bailing out the World's Poorest. Washington, D.C.: World Bank Development Research Group. Policy Research Working Paper No.4763. http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2008/12/16/000158349_20081216092058/Rendered/PDF/WPS4763.pdf

²⁴⁵ World Bank (2009) Conditional Cash Transfers: Reducing Present and Future Poverty. Washington, D.C.: A World Bank Policy Research Report, 47603. http://siteresources.worldbank.org/INTCCT/Resources/5757608-1234228266004/PRR-CCT_web_noembargo.pdf

Box 12: Some lessons learned on conditional cash transfers

- Countries have been adopting or considering adoption of CCT programs at a prodigious rate. Virtually every country in Latin America has such a program. Elsewhere, there are large-scale programs in Bangladesh, Indonesia, and Turkey, and pilot programs in Cambodia, Malawi, Morocco, Pakistan, and South Africa, among others. Interest in programs that seek to use cash to incentivize household investments in child schooling has spread from developing to developed countries—most recently to programs in New York City and Washington, DC.
- CCTs have increased consumption levels among the poor. As a result, they have resulted in sometimes substantial reductions in poverty among beneficiaries—especially when the transfer has been generous, well targeted, and structured in a way that does not discourage recipients from taking other actions to escape poverty.
- Because CCTs provide a steady stream of income, they have helped buffer poor households from the worst effects of unemployment, catastrophic illness, and other sudden income shocks. And making cash transfers to women, as virtually all CCTs do, may have increased the bargaining power of women (itself an important goal in many contexts).
- There is good evidence that CCTs have improved the lives of poor people. Transfers generally have been well targeted to poor households, have raised consumption levels, and have reduced poverty—by a substantial amount in some countries. Offsetting adjustments that could have blunted the impact of transfers—such as reductions in the labor market participation of beneficiaries—have been relatively modest. Moreover, CCT programs often have provided an entry point to reforming badly targeted subsidies and upgrading the quality of safety nets.
- Evidence of CCT impacts on final outcomes in health and education—achievement and cognitive development rather than school enrollment, child height for age rather than growth monitoring—is more mixed. CCTs have increased the likelihood that households will take their children for preventive health checkups, but that has not always led to better child nutritional status; school enrollment rates have increased substantially among program beneficiaries, but there is little evidence of improvements in learning outcomes.
- To maximize their potential effects on the accumulation of human capital, CCTs should be combined with other programs to improve the quality of the supply of health and education services, and should provide other supporting services. They also suggest the need to experiment with conditions that focus on outcomes rather than on the use of services alone.
- An important challenge for the future is better understanding what complementary actions are necessary to ensure that CCTs have greater impact on final health and education outcomes. Even the best-designed and best-managed CCT program cannot fulfill all of the needs of a comprehensive and transformative social protection system. CCTs therefore need to be complemented with other interventions, such as workfare or employment programs and social pensions. Even more important are complementary policies that improve the coverage and quality of the supply of health and education services; and policies that help promote healthier and more stimulating environments for children in their homes.

3.55. In a recent study on how 10 countries (Bangladesh, Benin, Bolivia, Cambodia, Ghana, Indonesia, Kenya, Nigeria, Uganda, and Zambia) are dealing with the current economic crisis, the Overseas Development Institute (ODI) noted that in all countries, social protection has low coverage, tending to be inequitably distributed, assisting only a small percentage of the poor and offering disproportionate support to those in formal employment, particularly government employees. Only Cambodia and Bangladesh reported significant social protection program expansion in 2008 and 2009, although in the case of Bangladesh this expansion was planned prior to the onset of the crisis. Key factors determining the nature of the social protection response across these countries included: (1) the extent to which actual and anticipated state revenue contraction has constrained budgets; (2) whether governments are willing to tolerate an increasing deficit in order to support social protection provision; (3) whether they are able to access alternative sources of income to address the fiscal deficit; (4) the relative priority given to social protection and social sector programming; and (5) the extent to which increased impoverishment arising from the crisis has been recognized and identified as a priority concern. The ODI study concluded that prospects for extending social protection coverage significantly on the basis of domestic resources are meagre. For these countries, only a large-scale increase in levels of donor funding would enable prior poverty and the impoverishment resulting from the crisis to be addressed to any significant degree through social protection.²⁴⁶

3.56. Experience suggests that within the range of possible social protection responses and given the importance of choosing policy responses based on country context, some measures offer distinct advantages over others (**Table 10**).

²⁴⁶ ODI (2009) The global financial crisis and developing countries: Synthesis of the findings of 10 country case studies. London, ODI: Working Paper 306. <http://www.odi.org.uk/resources/download/3251.pdf>

Table 10: Advantages and disadvantages of some social protection measures

Some social protection measures	Advantages	Disadvantages
Targeted Food Subsidies	<ul style="list-style-type: none"> Some countries may have access to existing food subsidy programs that are targeted to low-income groups (e.g. ration programs or geographically targeted programs). Increased budgetary pressures may focus attention on need to improve targeting. If well targeted, a high proportion of the subsidy benefit will go to low income groups. 	<ul style="list-style-type: none"> Can be costly if government is involved in procuring and distributing foods. Require adequate capacity to design and implement well-targeted programs. Alleviate current poverty, but unlikely to have any impact on future poverty through enhancing income earning opportunities.
School Feeding Programs	<ul style="list-style-type: none"> Countries with existing programs can increase subsidy and expand coverage. Can be well targeted if focused on public schools and primary school children. Provide incentives for enrolling children in schools and can improve student participation in learning process. 	<ul style="list-style-type: none"> Does not cover poor households without children attending schools participating in the program. Can be costly if government involved in procuring and distributing foods.
Fee waivers	<ul style="list-style-type: none"> Countries with school registration and attendance fees or health clinic fees can reduce or eliminate these fees. Eligibility can be restricted to those attending public facilities and even geographically to poorest areas. Can provide incentives to attend schools and health clinics. 	<ul style="list-style-type: none"> May result in large under-coverage of poor if these do not access education and health service facilities. Poor without children do not benefit from lower school fees.
Public Works Programs	<ul style="list-style-type: none"> Countries with existing public works programs can increase coverage and nominal wages paid. 	<ul style="list-style-type: none"> Requires capacity to design and implement such programs and expand within short time scale. A substantial amount of budget can be absorbed by administrative, managerial and input costs. Typically these programs are concentrated in poorer localities and thus do not cover poor in other localities. When payment is in food this can increase administrative cost of the program. Not effective at targeting the working poor, disabled, or women with very young children.
Targeted Cash Transfers	<ul style="list-style-type: none"> Some countries may be able to expand existing targeted safety net programs with broad coverage of poor. The level of transfer and/or the coverage of poor households could be quickly expanded (or indexed). If transfers are in cash then these may be less administratively costly to deliver and do not distort prices. Transfers can be conditioned on household investments in human capital (e.g. attendance at school, training, health clinics, agricultural extension programs) 	<ul style="list-style-type: none"> These require an administrative capacity to design and implement well targeted programs. Often not easy to scale up coverage of these programs in very short term. Takes time and resources to design and implement or to expand coverage.

Source: IMF (2008). Food and Fuel Prices—Recent Developments, Macroeconomic Impact, and Policy Responses.

3.57. Unconditional or conditional social protection. Unconditional and conditional cash transfers (CCTs) can assist poor households in overcoming the direct and indirect costs of basic social services and some have been shown to have an important effect on children's access to nutrition, health and education services, especially girls.^{247,248} But if transfers are to effectively increase the use of services, there must be an adequate supply of quality services.^{249,250} In many low-income countries, this access is highly inadequate. A growing number of countries are implementing conditional cash transfer programs—but where conditional cash transfers do not exist, establishing a new program to reach substantial numbers of poor citizens can be a very challenging, time-consuming and administratively complicated process, entailing considerable data-collection and monitoring capacity which may be difficult to mobilize

²⁴⁷ Grooten, S. (2006) Cash Transfers to Reduce Children's Poverty. Policy Brief 2. Maastricht: Maastricht School of Governance. http://www.povertymonitoring.go.tz/documents/LO_and_maastrichtdt_on_cash_transfers.aug2006.pdf

²⁴⁸ Yablonski, J. with O'Donnell, M. (2009) Lasting Benefits: The role of cash transfers in tackling child mortality. London: Save the Children. http://www.savethechildren.org.uk/en/docs/Lasting_Benefits.pdf

²⁴⁹ Holmes, R. and A. Barrientos (2009) 'The Potential Role of Cash Transfers in Addressing Childhood Poverty and Vulnerability in West and Central Africa'. Report for UNICEF WCARO. http://www.unicef.org/wcaro/wcaro_UNICEF_ODI_3_Cash_Transfers.pdf

²⁵⁰ Sabates-Wheeler, R., Devereux, S. and Hodges, A. (2009) Taking the Long View: What Does a Child Focus Add to Social Protection? IDS Bulletin, Volume 40, Number 1: 109-119. <http://www3.interscience.wiley.com/cgi-bin/fulltext/121659741/PDFSTART>

in times of crisis.²⁵¹ Low-income countries are not only constrained in terms of fiscal space and high poverty rates, but also typically characterized by government deficits, which impede effective implementation of CCTs. Consequently, in low-income countries where poverty is widespread and administrative capacity limited, unconditional transfers could be considered as a way to enhance universal social protection.²⁵²

3.58. Cash or in-kind transfers. A careful assessment of whether to opt for cash transfers or in-kind transfers has to be made. Risk analysis of the potential negative consequences of cash transfer systems will be important. Cash cannot necessarily replace essential items necessary for child survival such as therapeutic foods and long-lasting insecticidal bed-nets. In areas where markets are functioning poorly, it may be more cost effective to provide food or inputs directly to families instead of cash. Where markets are in-place but private suppliers are unwilling to invest in distribution infrastructure, voucher-based systems can be effective. In Malawi, for example, a program called Inputs for Assets distributes vouchers only to those who participated in a public works project. This approach provides some self-targeting because wealthier farmers were less likely to participate in these projects. Vouchers were redeemable with local input suppliers, strengthening effective demand for inputs and increasing sales and profits of private distributors.²⁵³ Expanding the coverage of other targeted measures, such as targeted food distribution or school lunch programs, can also be effective in reaching vulnerable households. Agricultural subsidy programs can help if they are carefully designed and focus on increasing the productivity of small farmers.

3.59. Targeted or untargeted social protection. Targeted transfers may be an option where social protection systems are already in place. Targeted transfer programs can reach the poor efficiently and effectively, but implementation can be difficult, with information gaps making targeting very costly and beyond most administrative capacities, to name but a few challenges.²⁵⁴ Ravallion (2008) goes on to note that: *‘...it is far from clear what is so “perfect” about “perfect targeting.”... Empirical research has confirmed theoretical arguments that finer targeting is not necessarily consistent with a greater impact on poverty, and may even have perverse effects, such as when fine targeting undermines political support for the program. Sustainability depends on having broad political support, which can be at odds with fine targeting. Also coverage of the poor is often weak in finely targeted programs. Avoiding leakage to the non-poor often requires that help is severely rationed even amongst those in obvious need. Furthermore, better targeted programs are not necessarily more cost-effective. A recent study of a large transfer program in China found that standard measures of targeting performance (including those widely used by the [World] Bank) are uninformative, or even deceptive, about the impacts on poverty, and cost-effectiveness in reducing poverty. In program design and evaluation, it is better to focus directly on the program’s outcomes for poor people than to rely on prevailing measures of targeting... It must also be acknowledged that conventional assessments of “targeting performance” typically rely on rather narrow definitions of household “consumption” or “income,” based on survey data. While they may accord well with how an economist would define these concepts given the available data, it is quite possible that policy makers have a different and broader concept in mind, reflecting (say) living standards over a longer time period or the assets held by the household. The program’s apparent “mis-targeting” could simply reflect the fact that the survey-based measure of “income” is not a sufficient statistic for deciding who is really “poor”.*²⁵⁵

3.60. Badly designed targeted assistance can give rise to “poverty traps” when people are encouraged to “stay poor” by the availability of assistance.²⁵⁶ Targeted cash transfer schemes also tend to be relatively unresponsive to changes in the need for assistance. When a previously ineligible household is hit hard by, for example, unemployment of the main breadwinner, the household may not find it easy to get help from

²⁵¹ IDS (2008) Voices from the South: the impact of the financial crisis on developing countries. <http://www.ids.ac.uk/go/financial-crisis-impact>

²⁵² Devereux, S. and Pelham, L. (2005) Lessons from cash transfer schemes in east and southern Africa for supporting the most vulnerable children and households. Save the Children UK, HelpAge International and Institute of Development Studies. <http://www.ids.ac.uk/go/idsproject/making-cash-count>

²⁵³ Economic and Social Council (2008) Policy options and actions for expediting progress in implementation: Agriculture. Commission on Sustainable Development. Seventeenth session, 4-15 May 2009. http://www.un.org/esa/sustdev/csd/csd17/docu/csd17_3.pdf

²⁵⁴ Ravallion, M. (2003) Targeted transfers in poor countries: revisiting the trade-offs and policy options, Social Protection Discussion Paper Series, No.0314, Social Protection Unit, Human Development Network, the World Bank, Washington, DC. <http://www.chronicpoverty.org/pdfs/26Ravallion.pdf>

²⁵⁵ Ravallion, M. (2008) Bailing out the World’s Poorest. Washington, D.C.: World Bank Development Research Group. Policy Research Working Paper No.4763. [pp.9-10] http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2008/12/16/000158349_20081216092058/Rendered/PDF/WPS4763.pdf

²⁵⁶ Pritchett, L. (2005) A lecture on the political economy of targeted safety nets, Social Protection Discussion Paper Series, No.0501, Social Protection Unit, Human Development Network, the World Bank, Washington, DC. <http://siteresources.worldbank.org/SOCIALPROTECTION/Resources/SP-Discussion-papers/Safety-Nets-DP/0501.pdf>

such schemes. Eligibility re-assessments may need to be implemented in the wake of a crisis.²⁵⁷ Generalized or non-targeted interventions such as universal cash transfers or food subsidies are often viewed as a stop-gap measure to be used until more cost-effective transfer instruments can be developed.²⁵⁸ Nevertheless, even universal social protection schemes may take a while to develop and implement (e.g., 2010 school fees may already be paid by the time a school subsidy program is put in place). Time is required to gather and analyse the necessary data required to underpin program design and other implementation issues (e.g., cash for works programs may be contrary to minimum wage legislation). **Too much haste may lead to poorly designed programs that may become a drain on fiscal positions.**²⁵⁹ Nevertheless, the success of Indonesia's National Safety Net Program, highlighted earlier, demonstrates that it is possible for governments to launch a massive social protection response rapidly and improve it as the program proceeds.

3.61. If we were to summarize some of the international experiences with and lessons learned about social protection they might be as follows:

- Social protection can help poor and vulnerable people to reduce or manage their risk and vulnerability.
- Social protection arrangements can be a direct way of dealing with crisis, but should also be seen as part of longer-term efforts to reduce poverty which positively contribute to the economic and social development.
- There is a wide range of available instruments from which governments can choose depending on their administrative capacity and target populations.
- Ideally, social protection should be in place before a crisis occurs since it can address the needs of the poor in good economic times and be adaptable to combat the effects of crisis, but there are examples where countries have used a crisis as an entry point to initiate social protection. When a crisis hits, it is important to seize these moments for progressive social protection initiatives.
- Existing social protection programs that target the structurally poor (i.e., those poor before the economic crisis) do not always have a clear mechanism to deal with the “new poor” (i.e., those near poor pushed into poverty by the economic crisis). It is important that social protection programs remain responsive to changes in the need for assistance.
- Single schemes such as conditional cash transfers, even if well designed and managed, are most effective when part of a comprehensive and transformative social protection system. Basic social services must be improved where they are weak, legislation that promotes children's and women's rights must be strengthened where these rights are denied or compromised, and societal attitudes and practices must be changed where they are harmful to children and women.
- Establishing social protection programs can depend on the relative priority given to social sector programming in general and the extent to which poverty is recognized and identified as a priority concern.
- Starting and sustaining social protection programs is a highly contextual process where ideas, ideology and politics may matter more than data.

What are some of the characteristics of existing social protection programs in the Pacific?

3.62. Research by the ADB has led to the development of a Social Protection Index (SPI) for the region. The SPI is a summary measurement tool that systematically quantifies national level social protection activities thereby providing: an initial diagnostic baseline of social protection programs; a means of monitoring changes in social protection over time; and a benchmark for international comparisons of social protection provision.²⁶⁰ The SPI is generated from four summary social protection indicators that each represents a different facet of a country's social protection system (**Table 11**):

- Expenditure—% of GDP spent on social protection activities.
- Coverage—the combined % of seven target populations (the unemployed/under-employed, the elderly, the sick, the poor, people living with disabilities, and children with special needs) who receive some social protection.
- Poverty targeting rates—the % of the poor in each country that receive some social protection transfers or other social protection benefits.
- The amount of social protection expenditure going to the poor—derived by applying the poverty targeting rates to the total expenditure on each social protection program.

²⁵⁷ Ravillion, M. (2008) Bailing Out the World's Poorest. Washington, D.C.: World Bank Policy Research Working Paper 4763. [p.15] http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2008/12/16/000158349_20081216092058/Rendered/PDF/WPS4763.pdf

²⁵⁸ Coady, D.F. (2004) Designing and evaluating social safety nets: theory, evidence, and policy considerations. Food Consumption and Nutrition Division Discussion Paper No.172, January 2004, International Food Policy Research Institute, Washington, DC. <http://www.ifpri.org/divs/fcnd/dp/papers/fcndp172.pdf>

²⁵⁹ Sugden, C. (2009) Responding to High Commodity Prices. Asia-Pacific Economic Literature, 23(1):79-105.

²⁶⁰ Wood, J. (2009) A social protection index for Asia. APPAM Conference Paper. January 2009. <https://www.appam.org/conferences/international/singapore2009/sessions/downloads/2301.pdf>

Table 11: Social Protection Summary Indicators for the Asia-Pacific region

	Average % of GDP spent on social protection activities	Combined % of seven target populations who are receiving some social protection	% of the poor in each country that receive some social protection transfers or other social protection benefits	Amount of social protection expenditure going to the poor
Pacific (8 countries)^a	4.5%	22%	35%	11% ^e
East Asia (7 countries)	2.8% ^b	33% ^c	54% ^d	15% ^f
South Asia (7 countries)	3.1%	23%	55%	15%
Central Asia (7 countries)	6.8%	50%	75%	33%

^a Cook Islands, Fiji Islands, Nauru, Papua New Guinea, Republic of Marshall Islands, Tonga, Tuvalu, Vanuatu.
^b 4.8% if include Japan and Korea.
^c 43% if include Japan and Korea.
^d 64% if include Japan and Korea.
^e 32% if include Japan and Korea.
^f Ranges from Cook Islands 29%, Nauru 24%, RMI 20%, Fiji 8%, Tuvalu 4%, Tonga 2%, Vanuatu 2%, PNG <1%

Source: Wood, J. (2009) A social protection index for Asia. APPAM Conference Paper. January 2009.

<https://www.appam.org/conferences/international/singapore2009/sessions/downloads/2301.pdf>

3.63. To limit the SPI's complexity, the following definition of social protection was used: *“The set of policies and programs that enable vulnerable groups to prevent, reduce, and/or cope with risks, AND that: are targeted at the vulnerable groups; involve cash or in-kind transfers; and are not activities which are usually associated with other sectors such as rural development, basic infrastructure, health and education.”* Social protection activities whose costs and impacts are not amenable to quantification such as legislation relating to labour standards, women's and children's rights, or advocacy and empowerment projects) were excluded. Micro-credit and micro-finance programs were included when they targeted the poor, but mainstream rural credit programs were not.

3.64. Based on these four indicators, Pacific Island countries (within this ADB study) on average spend 4.5% of their GDPs on social protection and achieve an overall coverage level of 22% across the seven key target populations. The average proportion of the poor who receive some social protection is 35%, but the actual social protection expenditure going to the poor is relatively low—equivalent to only 11% of the poverty line suggesting that the impact of social protection expenditure on the poor is not substantial. While these figures mask variations between countries (for example, see **footnote f in Table 11**), in general, Pacific Island countries in this study, spend slightly higher proportions of their GDP on social protection than some countries in East and South Asia, but achieve on average, less coverage across the seven key target populations (**Table 12**), and direct less social protection specifically to the poor than countries in Asia. We present the overall SPI for each of the eight Pacific Island countries in a short while.

Table 12: Social protection across seven key populations (% coverage)—Pacific compared to Asia

Target population ^a	Cook Islands	Fiji Islands	RMI	Nauru	PNG	Tonga	Tuvalu	Vanuatu	Pacific average coverage	Asia average coverage ^b
Unemployed/underemployed covered by some form of social protection	50	28	13	77	4	26	37	5.9	30%	31%
Elderly covered by some form of social protection	100	11	99	63	0.9	19	99.8	40	54%	65%
Total population covered by some form of health care assistance	50	0	0	0	0.5	0	7.6	37	12%	27%
Poor receive some form of social assistance	100	30	18	70	0.8	20	71	52	45%	53%
Poor participating in some form of micro-credit scheme	28	1	0	0	0	47	6	30	14%	15%
People living with disabilities receive some form of benefit	100	20	59	7	0	22	90	38	42%	45%
Poor children aged 5-14 years receive some form of educational assistance	100	29	77	51	3	9	74	99.3	55%	62%

^a There is not always a one-to-one correspondence between program beneficiaries and reference populations.

^b Armenia, Azerbaijan, Bangladesh, Bhutan, Cambodia, China, India, Indonesia, Japan, Kazakhstan, Korea, Kyrgyzstan, Laos, Malaysia, Maldives, Mongolia, Nepal, Pakistan, Philippines, Sri Lanka, Tajikistan, Uzbekistan, Viet Nam

Source: Wood, J. (2009) A social protection index for Asia. APPAM Conference Paper. January 2009. Annex A2.

<https://www.appam.org/conferences/international/singapore2009/sessions/downloads/2301.pdf>

3.65. Naidu and Moharty (2009) have recently examined what types of social protection schemes are provided across five Pacific Islands (Fiji, Kiribati, Samoa, Solomon Islands, and Vanuatu) using the

ADB's five point framework for social protection: labour markets; social insurance; social assistance; micro-schemes; and child protection (**Table 13**).²⁶¹

Table 13: Types of Social Protection in five Pacific Island Countries

Types of Social Protection	Fiji	Kiribati	Samoa	Sol Islands	Vanuatu
I. Labour Market					
1. Income generation program	✓	✗	✗	✗	✗
2. Micro-enterprise development	✓	✓	✓	✓	✓
3. Occupational Health & Safety	✓	✗	✓	✓	✓
4. Social funds	✓	✗	✗	✗	✗
II. Social Insurance					
5. Old age pension	✗	✓	✓	✗	✗
6. Disability benefits	✓	✓	✓	✓	✓
7. Survivor benefits	✓	✓	✓	✓	✓
8. Work injury insurance	✓	✓	✓	✓	✓
9. Private pensions	✗	✗	✓	✗	✗
10. Maternity benefits	✓	✓	✓	✓	✓
11. Unemployment insurance	✗	✗	✗	✗	✗
12. Sickness insurance	✗	✗	✓	✗	✗
13. Social health insurance	✗	✗	✗	✗	✗
III. Social Assistance					
14. Cash transfers	✗	✗	✗	✗	✗
15. Family assistance allowance	✓	✗	✗	✗	✗
16. Aged care programs	✗	✗	✓	✗	✗
17. Programs for disabled	✓	✓	✗	✓	✓
18. Assistance for homeless	✓	✗	✓	✗	✗
19. Medical rehabilitation	✓	✓	✓	✓	✓
20. Disaster victim assistance	✓	✓	✓	✓	✓
21. Subsidized medical treatment	✓	✓	✓	✓	✓
IV. Micro schemes					
22. Micro loans	✓	✓	✓	✓	✓
23. Micro insurance	✗	✗	✗	✗	✗
24. Welfare funds	✗	✗	✗	✗	✗
V. Child Protection					
25. Child maintenance	✓	✗	✗	✗	✗
26. Vaccination programs	✓	✓	✓	✓	✓
27. Homeless youth assistance	✓	✗	✗	✓	✗
28. Nutrition programs	✓	✗	✓	✗	✗
29. Scholarships for disadvantaged	✓	✗	✗	✗	✗
Total number of schemes	20	12	18	13	12

Source: Naidu, V. and Moharty, M. (2009) Situational Analysis of Social Protection Policies, Services and Delivery Mechanisms in the Pacific.' Paper presented at the UNRISD, USP, UNICEF, Commonwealth Secretariat, and UNESCAP Conference on Social Policies in Pacific Island countries: Policy Recommendations and Impact of Current Crises. Suva, Fiji, July 22-23, 2009. Based on data from International Labour Organisation. Green/✓ = scheme exists. Red/✗ = scheme does not exist.

3.66. The first feature to notice in **Table 13** is the number of government-run schemes each of these countries have—averaging 15 types of social protection (this do not include civil society-run protection programs). It is also worth noting that governments in all of these five countries: fund some form of micro-enterprise development; provide some disability benefits, survivor benefits, work injury insurance; and maternity benefits; offer some form of social assistance in the form of medical rehabilitation, disaster victim assistance, and subsidized medical treatment; facilitate micro loans; and manage child vaccination programs. Lastly, none of these five countries have unemployment insurance, social health insurance, or engage in cash transfer schemes (apart from family assistance allowance in Fiji). Only Fiji provides social funds, child maintenance, and scholarships for the disadvantaged. Only Samoa offers state-run sickness insurance and aged care programs. Only Fiji and Samoa provide assistance for the homeless and nutrition programs for children; while only Fiji and Solomon Islands offer some form of assistance for homeless young people.

²⁶¹ Naidu, V. and Moharty, M. (2009) Situational Analysis of Social Protection Policies, Services and Delivery Mechanisms in the Pacific.' Paper presented at the UNRISD, USP, UNICEF, Commonwealth Secretariat, and UNESCAP Conference on Social Policies in Pacific Island countries: Policy Recommendations and Impact of Current Crises. Suva, Fiji, July 22-23, 2009.

3.67. Naidu and Moharty (2009) note that across these five countries, National Provident Fund's are the most common type of social security system but NPF's only cover workers in the formal employment sector, meaning that the majority of workers employed in the informal economy are not covered. As the majority of workers in the formal employment sector are men (see **Table 8**), this means there is a large gender disparity in who has access to NPFs. Across these five countries, only a small proportion of workers have retirement income coverage (ranging from 47% in Fiji to only 18% in Vanuatu), and there is very limited coverage of maternity benefits, with Fiji reaching just under 50% of the workforce despite having one of the lowest number of dependents per household ratios (**Table 14**).

Table 14: Comparative coverage of social protection for workers in five Pacific Island countries

Country	Total formal sector workers, 2005	% worker with retirement income coverage	% workforce covered by maternity benefits	No. of dependents per household
Fiji Islands	164,564	47	47.0	4.5
Kiribati	9,447	19	10.0	6.7
Samoa	17,164	23	10.0	5.0
Solomon Islands	57,472	23	10.0	6.3
Vanuatu	15,000	18	10.0	5.1

Source: Naidu, V. and Moharty, M. (2009) Situational Analysis of Social Protection Policies, Services and Delivery Mechanisms in the Pacific. Paper presented at the UNRISD, USP, UNICEF, Commonwealth Secretariat, and UNESCAP Conference on Social Policies in Pacific Island countries: Policy Recommendations and Impact of Current Crises. Suva, Fiji, July 22-23, 2009. Based on data from International Labour Organisation.

3.68. Besides the low coverage of existing social protection programs in the Pacific, there is also opportunity to improve program design and operation. **Box 13** illustrates the World Bank's preliminary assessment of Fiji's Family Assistance Program (FAP).^{262,263}

Box 13: Fiji's Family Assistance Program

- Fiji's Family Assistance Program (FAP) is administered by the Department of Social Welfare (DSW). Potential beneficiaries who are eligible are (i) the elderly over 60 with no support, (ii) the chronically ill, (iii) the permanently disabled, (iv) the widowed (where the breadwinner has died), (v) deserted spouses, (vi) single parents, and (vii) dependants of prisoners.
- FAP is means-tested based on family income, and benefits vary within the range of F\$60-F\$100 (around US\$22-37) per household per month with an average of F\$64 (around US\$24) per beneficiary household. Beneficiaries are paid through a 6-monthly voucher which can be cashed at post offices or authorized local shops, and more recently, deposits into bank accounts.
- In 2007, the elderly, the chronically ill and the widowed each account for about a quarter of beneficiaries. About 56% of beneficiary households are Fijians and about two-thirds of the beneficiaries are households where women are the primary applicant.
- As of June 2007, the FAP covered more than 26,000 households or more than 15 percent of the total population of Fiji. The DSW noted that the program has generally been oversubscribed with around 1,800 households on the waiting list in 2007 that have been turned away apparently for lack of funds.
- There are a number of concerns with the program including the *targeting performance* (means-tested in principle but carried out imperfectly in practice), *selection of eligible beneficiaries* (based on first come first served basis and rolled over several years, with no clear system of verifying continued eligibility—although DSW recently terminated 3,000 cases of recipients who no longer meet the criteria), *out-dated household income ceiling* for claiming the FAP (F\$144 per week has not been increased since 2005, so it has fallen about 15% in real terms. Although this was originally broadly in line with the income tax threshold, the new threshold means that this has now doubled the FAP income ceiling). The DSW has prepared a Cabinet paper to review the selection criteria and level of assistance for different categories.
- Any donor-supported conditional cash transfer program to alleviate the impact of higher food and fuel prices and the current economic crisis in Fiji could potentially piggy-back on the Family Assistance Program and/or other social protection programs but it would be important to address the current concerns of the FAP to improve its effectiveness and performance, and address any adverse incentive effects of the program.

²⁶² Note from World Bank, July 10, 2008.

²⁶³ See also: Miskelly, R. (2008) Child poverty in Fiji: Analysis of extent and dimensions of child poverty and Family Assistance Scheme Allowance (FASA) as an entry point for policy discussion. University of Maastricht Case Study Papers.

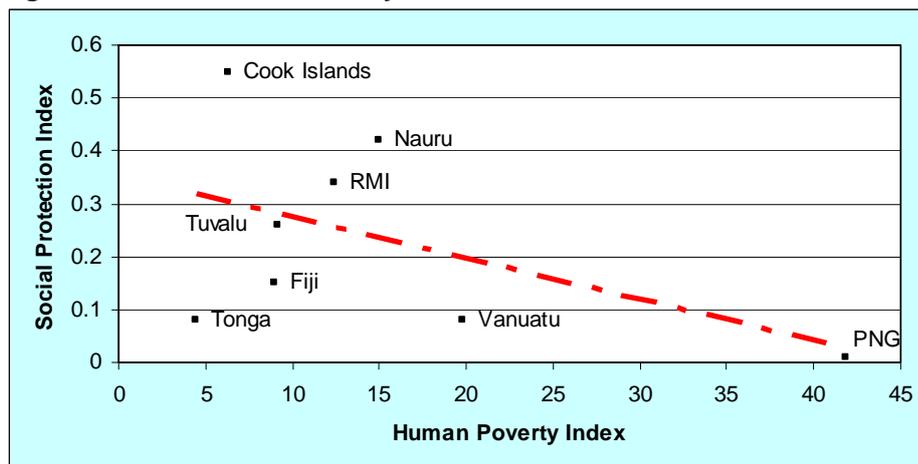
3.69. Returning to efforts to develop and measure a Social Protection Index, **Table 15** presents the summary SPIs for the 8 Pacific Island countries involved in the ADB’s study as well as a Total Pacific SPI, and includes an SPI for all the Asia countries included in ADB’s study and specifically Japan and Korea, countries with the highest SPIs in the Asia-Pacific region. The Pacific Island country with the highest SPI is Cook Islands with 0.55. The lowest is Papua New Guinea with 0.01. The ADB has classified Cook Islands in an “above average category” (alongside Asian countries such as Azerbaijan, Kazakhstan, and Mongolia). Nauru, Marshall Islands and Tuvalu are placed in an “average” category (together with Asian countries such as Bangladesh, China and Malaysia). Fiji, Tonga, Vanuatu and PNG are considered in a “below average” category (which also features Asian countries such as Cambodia, Nepal, and Philippines).²⁶⁴

Table 15: Social Protection Index (SPI) for selected Pacific Island countries, Japan, Korea and Asia

Country	SPI
Japan	0.96
Korea	0.76
Cook Islands	0.55
Nauru	0.42
RMI	0.34
Tuvalu	0.26
Fiji	0.15
Tonga	0.08
Vanuatu	0.08
PNG	0.01
Total Pacific	0.24
Total Asia	0.36

3.70. Comparisons between the Social Protection Index and the Human Poverty Index. A high SPI means that a country invests a large proportion of its GDP on social protection, manages to achieve good coverage of social protection across seven target populations, specifically targets the poor, and the dedicates a large extent of social protection expenditure on the poor. A low HPI means that there is less vulnerability to death at an early age, more adults are included in the world of knowledge, there is greater access to basic services, and there is less food poverty (for information on the HPI see **1.30**). As one would expect, there does appear to be an association between the SPI and Human Poverty Index (HPI) (**Figure 7**).

Figure 7: Pacific Island country Social Protection Indices versus their Human Poverty Indices



3.71. Countries with a high SPI tend to have a low HPI (e.g., Cook Islands and Republic of Marshall Islands), whereas countries with a low SPI tend to have a high Human Poverty Index (e.g., Papua New Guinea). Yet some SPI/HPI comparisons reveal unusual results. Nauru has a relatively high SPI despite having only a moderate Human Poverty Index, suggesting the need to further improve the efficiency and effectiveness of existing social protection programs and to assess the sustainability of the current level of

²⁶⁴ Wood, J. (2009) A social protection index for Asia. APPAM Conference Paper. January 2009. Annex A2. <https://www.appam.org/conferences/international/singapore2009/sessions/downloads/2301.pdf>

social protection. Tonga, despite having only a marginally lower HPI than Cook Islands, has a much lower SPI, implying that Tonga may benefit from a thorough performance review of its social protection system. Likewise, Tuvalu appears to be using social protection slightly more efficiently and effectively than Fiji, with a higher SPI but around the same HPI. Results for Vanuatu and Papua New Guinea suggest their social protection programs urgently need a larger proportion of GDP, greater coverage of target groups, and stronger targeting and expenditure specifically focused on the poor if social protection is to make any inroads on their respective poverty levels.

Is strengthening formal social protection in the Pacific an option at this time of crisis?

3.72. Traditional social safety nets under stress. Pacific Island countries are well known for their informal, community or family-based systems of social support and reciprocity such as *Kerekere* and *Solevu* in Fiji, *Fa'a Samoa*, and *Wantok* mechanisms in Papua New Guinea, Solomon Islands and Vanuatu. Through such systems, Pacific communities have developed resilience to adversity. Traditional safety nets, however, may well break down when confronted by a large external shock. For example, research on the impact of the 1995 "Peso crisis" in Mexico (resulting in a 9% decline in GDP in that year) revealed that many of the normal coping strategies of poor households failed during this large macro shock.²⁶⁵ Field research in Vanuatu and observations in Fiji suggest traditional support mechanisms are indeed weakening in the face of the crisis, especially amongst the urban poor.^{266,267} Remittances from family members living overseas, which form a major part of these informal safety nets, are also declining.²⁶⁸ Even before the current economic crisis erupted, commentators noted that traditional support systems in a number of Pacific Island countries were being eroded by the trend towards urban and Westernized living.^{269,270,271,272,273}

3.73. Even if informal systems were not being damaged, their important existence should not stall earnest consideration of establishing formal social protection systems and urgent efforts to improve those programs that already exist. Prospects for an early global economic recovery are unlikely and a long and deep recession or even a depression cannot be discounted. We noted in Part 1 that even prior to the economic crisis, one in four households and almost one-in-three of the population in the Pacific are below their respective national poverty lines. We need to truly understand what such numbers imply. These families face a **daily** struggle to obtain even a basic diet and are **continuously** confronted by difficult choices on how to spend their limited cash resources. Many of these families are frequently, and some families, constantly in debt. There are already worrying signs that levels of hardship are increasing in urban and rural areas. Unless reversed, this crisis could result in an increase of between 400 to 800 Pacific Island child deaths every year. Comprehensive social protection alongside strong investments in high return child- and women-focused interventions, as listed in **Table 7**, have been shown to help buffer such impacts.

3.73. Climate change and social safety nets. Current policy attention is rightly focused on meeting the challenges of the global economic crisis. This may reduce political commitment to address climate change but these two policy objectives are not necessarily contradictory.²⁷⁴ Climatic events, just like the global economic crisis, can cause adverse shocks to national economies. Weather-related natural disasters have been increasing. One study has shown that a natural disaster of a standardized magnitude, on average, results in a 9% decline in output growth in a developing country.²⁷⁵ Climate change effects could displace people from their homes, prevent the affected from engaging in their usual

²⁶⁵ McKenzie, M. (2003) "How do Households Cope with Aggregate Shocks? Evidence from the Mexican Peso Crisis," World Development, 31(7): 1179-99.

²⁶⁶ Gartrell, A. (2009) The Global Financial Crisis: Livelihood Impacts in Port Vila, Vanuatu Research Scoping Exercise. Oxfam Australia, unpublished.

²⁶⁷ Naidu, V. and Moharty, M. (2009) Situational Analysis of Social Protection Policies, Services and Delivery Mechanisms in the Pacific. Paper presented at the UNRISD, USP, UNICEF, Commonwealth Secretariat, and UNESCAP Conference on Social Policies in Pacific Island countries: Policy Recommendations and Impact of Current Crises. Suva, Fiji, July 22-23, 2009.

²⁶⁸ ADB (2009) Taking the Helm. A Policy Brief on a Response to the Global Economic Crisis. Manila: ADB. <http://www.adb.org/Documents/Briefs/Taking-the-Helm/Taking-the-Helm.pdf>

²⁶⁹ Bryant-Tokalau, J. (1995) The myth exploded: urban poverty in the Pacific. Environment and Urbanization, Vol. 7, No. 2, October 1995, 109-129. <http://eau.sagepub.com/cgi/reprint/7/2/109>

²⁷⁰ Government of Fiji and United Nations Development Program (1998) Fiji Poverty Report. Suva: UNDP.

²⁷¹ Abbott, D. and Pollard, S. (2004) Hardship and Poverty in the Pacific. Strengthening Poverty Analysis and Strategies in the Pacific. Manila: ADB. <http://www.adb.org/Documents/Reports/Hardship-Poverty-Pacific/hardship-poverty.pdf>

²⁷² Chung, M. and Hill, D. (2002) Urban informal settlements in Vanuatu: challenge for equitable development. Report prepared for Pacific Islands Forum Secretariat and UN Economic and Social Commission for Asia and the Pacific, Pacific Operation Centre. http://www.forumsec.org/UserFiles/File/Vanuatu_Squatter_02.pdf

²⁷³ Chung, M. with assistance of ECREA (2007) Fiji poverty report 2006: no fit state. Housing the urban poor in Fiji. Suva: ECREA.

²⁷⁴ UNESCAP (2009) Economic and Social Survey of Asia and the Pacific 2009: Addressing the Triple Threats to Development. New York: UNESCAP. <http://www.unescap.org/survey2009/>

²⁷⁵ Noy, I. (2009) "The Macroeconomic Consequences of Disasters." Journal of Development Economics, 88(2009):221-231.

livelihood activities for survival, orphan children and put women and children at risk of exploitation and abuse. People employed in the agricultural sector will be among the most affected. Social protection put in place now or strengthened to mitigate the worst effects of economic crisis would serve equally well as the basis for buffering the most vulnerable from the impacts of climate change.

3.74. Faced by the economic crisis, climate change impacts including decreasing levels of food security, and the threat that high food and commodity prices may return **perhaps the question is not whether the Pacific can afford to support social protection initiatives; rather whether the region can afford not to?** The scarcity of research and evaluation of social protection in the region makes findings suggestive rather than conclusive. Nevertheless, it would appear that there are ways to improve aspects of existing social protection in Pacific Island countries, especially in response to the crisis:

- The first enhancement that needs to be made is to increase the quality of existing formal social protection programs and especially to improve social protection access to and specific expenditures on the poor.
- Second, current systems of formal social protection in the Pacific could be made less fragmented. A rapid country-specific diagnosis could contribute to working out how best to reduce fragmentation and expand existing social protection programs to help protect vulnerable groups. The international development community should help in the conduct of such diagnoses as well as provide sound policy and programmatic advice on how to quickly scale-up and strengthen existing social protection for vulnerable households. Diagnoses would include questions such as: Which sectors of the economy are particularly vulnerable to shocks transmitted from the global economy? Which groups of the population will be most affected by these shocks and amongst these which groups are particularly vulnerable to adverse effects from the shocks? How will vulnerable households be particularly affected by the impact and how might we expect them to attempt to cope with the shock?
- Third, traditional social protection mechanisms need to be better understood and strengthened where possible. The high food and fuel prices in 2008 revealed how little is known about coping strategies used by the poor in the Pacific during times of crisis. How are informal systems faring in the context of the current crisis? How can they best be strengthened? How are Pacific Island households and families changing their social reproduction strategies in response to the economic slowdown?
- Fourth, social protection requires strong policy coordination and coherence across several sectors to avoid piecemeal and reactive responses (see **Box 6**). An integrated approach to social protection means applying a holistic approach to strengthen ministries that are responsible for a range of benefit programs and services.
- Fifth, better coordination between governments, the private sector, civil society and other development partners is needed to ensure linkage between policies that, for example, stabilize commodity prices, provide for basic health services, help people find decent work, and keep children in education.
- Sixth, in many contexts, lack of public knowledge on entitlements can be a major barrier to uptake of social protection programs. Ways of addressing this issue include information campaigns and partnerships between government, NGOs and community-based or religious structures. What is the role of non-state actors—business and civil society—in terms of both their fiscal sustainability and effectiveness in providing protection and preventing poverty and inequality? How can non-governmental organizations, faith-based organizations, small private firms and larger community-based organizations be more involved in formal social protection such as support labour-intensive public works projects? What could be the role of corporate social responsibility and private regulation?

Where formal social protection is weak or does not exist, how could it be initiated?

3.75. When a crisis occurs, the need for a fast response means that adapting existing programs may be more effective than creating new ones. Where adequate social protection programs exist then their coverage should be expanded and their targeting improved in the short term through the adoption of simple targeting methods focusing, for example, on: (i) geographic characteristics; (ii) family size and housing conditions; and (iii) categories of the most vulnerable populations such as the disabled and elderly living alone (see **Box 1**).²⁷⁶ The departure point for many Pacific Island countries, however, will likely be from a weak or non-existent social protection system. There will also be few poverty profiles or maps detailing what types of households and places will be most vulnerable, though vulnerability predictions can still be made using the best data and analytic tools available. Establishing real-time social impact monitoring (as we discuss above) will also enhance national capacity to set up better information systems for designing and monitoring social protection programs now and when future crises strike.

²⁷⁶ Grosh, M., del Ninno, C., Tesliuc, E. and Ouerghi, A. with the assistance of Milazzo, A. and Weigand, C. (2008) For Protection and Promotion: The Design and Implementation of Effective Safety Nets. Washington D.C.: World Bank.
<http://siteresources.worldbank.org/SAFETYNETSANDTRANSFERS/Resources/ProtectionandPromotion-Overview.pdf>

Where political leadership is strong, the current economic crisis provides an opportunity to create social protection from scratch. It should be remembered, however, that crises have triggered some of the worst “social protection” policies, as well as some of the best. Governments have sometimes initiated generalized food and fuel subsidies at a huge fiscal and economic cost, but which have had only modest impact on poverty at best and are difficult to reverse when the crisis subsides. On the other hand, some of the best social protection programs have emerged from crises, for example, the famine relief programs created in India in late nineteenth century and the “New Deal” in post-depression USA (and see **Box 10** for more recent international experiences).

3.76. Some ideas to get started. Table 10 has listed the advantages and disadvantages of various social protection mechanisms that could be considered. Ravillion (2008) has provided a useful set of options for countries to consider:²⁷⁷

- **Untargeted Poll Transfer (or Basic Income Scheme)**—the simplest possible scheme that provides a fixed, unconditional cash transfer to every person, whether poor or not. Poll transfers can be more cost-effective than *ad valorem* subsidies tied to consumption of normal goods and can even have more impact on poverty at a lower cost than a well-targeted cash transfer scheme with high administrative expenses and other deadweight losses (such as income foregone or other costs associated with complying with conditionalities in more sophisticated conditional transfer schemes).²⁷⁸ A basic income also preserves incentives to work. The administrative cost for a Poll Transfer is usually low but not zero given that in some form of personal registration system is needed to prevent “double dipping” and to assure that larger households receive proportionately more. However, in countries that are severely affected by the crisis, a poll transfer could be very costly, depending on the benefit level.
- **Targeted Poll Transfer**—the same as above but with a sensible degree of targeting, though this requires careful consideration of the costs and benefits of targeting in specific settings.
- **Conditional Cash Transfer**—we have outlined some of the features of CCTs above. Critical questions that can guide the decision to have a CCT program (and other social protection schemes listed here) include: What the levels of poverty and inequality? What is the availability of resources? What are the efficiency costs and benefits of redistribution? Are there agency problems (e.g., large gender differences in human capital)? What externalities exist (e.g., high incidence of crime in poor neighborhoods)? Does a cash transfer scheme already exist targeting the poor, even on a small-scale? How can eligibility criteria for social assistance be made as transparent as possible? What are the society’s views on distributive justice?²⁷⁹
- **Workfare Programs** (also called “relief work” or “public works” programs; “food for work” programs also fall under this heading)—the essential idea is that those seeking relief must work to obtain support, and the work is used to help affected areas rebuild after the disaster, or to develop badly needed public works. Provided Workfare Programs are designed and implemented well, they can be responsive to differences in need—both between people at one date and over time for a given person. Public spending on labour-intensive public works projects, such as building rural roads, combine the benefits of an aggregate fiscal stimulus with those of income support for poor groups. Workfare Programs can also have broader social benefits, such as building more schools and clinics. Gender requirements must be heeded as we note in **3.36**, especially for programs targeting informal workers. Focusing such programs on young people in the Pacific would be particularly valuable given the large numbers of unemployed youth in many Pacific Islands (see **2.28**). Workfare Programs were a key element of the New Deal introduced by US President Franklin D. Roosevelt in 1933 in response to the Great Depression. Introduced in British India around 1880 in response to the famine, Workfare Programs continue to play an important role in India—the *National Rural Employment Guarantee Act (NREGA)* mentioned in **Box 10** is a classic example. Workfare Programs have also been used to respond to famines in Sub-Saharan Africa, the East Asian financial crisis of the late 1990s (e.g., Indonesia, the Republic of Korea and Thailand), Mexico’s 1995 “Peso crisis,” the 1998-2001 recession in Peru, and the 2002 financial crisis in Argentina. Models of employment entitlement programs such as those offered by the Self Employed Women’s Association in India or the Grameen Bank in Bangladesh, can help provide much needed social protection to vulnerable groups in times of crises. Research has shown that Workfare Programs can impact on both poverty and

²⁷⁷ Ravillion, M. (2008) Bailing Out the World’s Poorest. Washington, D.C.: World Bank Policy Research Working Paper 4763. [p.15] http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2008/12/16/000158349_20081216092058/Rendered/PDF/WPS4763.pdf

²⁷⁸ van de Walle, D. (1998) “Targeting Revisited.” World Bank Research Observer, 13(2): 231-48.

²⁷⁹ World Bank (2009) Conditional Cash Transfers: Reducing Present and Future Poverty. Washington, D.C.: A World Bank Policy Research Report, 47603. http://siteresources.worldbank.org/INTCCT/Resources/5757608-1234228266004/PRR-CCT_web_noembargo.pdf

unemployment, including providing work to displaced, retrenched or returning migrant workers, with sizeable incomes gained by participants, net of their foregone incomes from any work they have to give up to join the Program. There are also positive secondary effects on, among other things, health, crime and political stability. Studies show, however, that Workfare Programs need to give more weight to asset creation. **Box 14** illustrates some features of an ideal Workfare Program.

Box 14: Some features on an ideal Workfare Program

A government announces that it is willing to finance up to (say) 15 days a month of work on community projects for any adult at a wage rate no higher than the market wage rate for unskilled manual labour in a normal year. The work is available to any adult at any time, crisis or not.

- **Setting the wage rate is a key to success.** A relatively low wage rate assures that the work reaches those in need (self-targeted), and as many as possible, and also protects incentives to take up regular work when available. Against these advantages, a low wage rate naturally means less of a gain to participants, many of whom may be in great need. Taking account of this tradeoff, a wage rate on a par with the going wage for unskilled agricultural labour is probably a good benchmark in most countries.
- **Work provided should only be on technically feasible projects,** though the work may well be more labour-intensive in its production methods than is normal in the setting, thereby entailing a tradeoff between the objectives of reducing current poverty versus future poverty.
- **Work should ideally be proposed by bona fide community groups in poor areas,** to help assure that the relief effort is responsive to the needs of local communities and that the assets created are of value to the poor. Local community groups would send proposals (documenting what exactly will be done, at what cost, and how many workers will be employed) to a central agency that assesses if they qualify under the rules of the Workfare Program, with full public disclosure. The central agency should only contribute to the non-wage costs if the community putting up the proposal is a designated poor area, as indicated by a credible “poverty map” or best available information; non-poor areas should finance their own non-wage costs.
- **Assistance should be provided to communities to both set up community groups and in designing projects.** If the project is in a poor areas then the central agency can also help in securing any extra funding needed for non-wage costs beyond that available through the Workfare Program; this might come from other public programs or the private sector.
- **Employment-intensive investments need to go hand-in-hand with efforts to promote skills development.** Consider including training in basic literacy, numeracy, and financial skills for adults, together with appropriate specialized knowledge, such as flood-avoidance lessons for farmers. The wage rate for training should be set somewhat lower than other work.
- **Budget allocated to such a scheme must be sufficient** to assure that anyone who wants work at that wage rate and is signed up to a viable community works project will get the work. The attraction of a workfare program as insurance will be lost if the work must be rationed.
- **A rapid expansion of demand for relief work is a good signal that other transfers need to kick in** as well, targeted to specific groups who either cannot work, or should not be taken out of other activities (notably school) to join relief work.
- **When the crisis is over,** the Workfare Program will no longer be needed for the majority of workers and (provided the wage rate is not set too high) they will automatically return to regular work. However, when the wage rate for relief work is too high or the assets created are of too little value then a cash transfer program is probably a better option.

Sources: Ravallion, M. (1999) “Appraising Workfare.” World Bank Research Observer, 14(1): 31-48; and Ravallion, M. (2008) Bailing Out the World’s Poorest. Washington, D.C.: World Bank Policy Research Working Paper 4763.

3.77. We noted earlier that single schemes such as CCTs or Workfare Programs, even if well designed and managed, are most effective when part of a comprehensive and transformative social protection system. A comprehensive system will likely require a combination of transfers (in cash or food) and relief work. As Ravallion (2008) notes: “[Workfare] helps the working poor while a complementary set of transfers in cash or food can be targeted to specific groups who either cannot work (due to physical incapacity, including poor nutritional status) or should not be taken out of other activities (notably school) to join relief work.” But just getting started may require Pacific Islands with weak or no formal social protection programs to adopt a phased approach, perhaps starting with a Workfare or social transfer program (cash or in-kind), and bringing further schemes on stream when real-time monitoring indicates and the situation allows. We must also remember that for comprehensive social protection programs to be most effective, basic social services must be improved where they are weak, legislation that promotes children’s and women’s rights must be strengthened where these rights are denied or compromised, and societal attitudes and practices must be changed where they are harmful to children and women.

How can social protection be made more child-centred?

3.78. There is overwhelming evidence that vulnerabilities facing children differ from those facing adults. Children are practically and legally less able to make these vulnerabilities visible and to claim their rights without support, and unable to take legal action in the case of abuse.²⁸⁰ External shocks in childhood have long-term, irreversible impacts. In the Pacific, children (under 18 years of age) comprise almost half of the population and are over-represented among the poor. Children and young people will constitute a large section of the population for some time to come. Recognizing the ways on which deprivation and poverty are transmitted across generations and across time requires that social protection programs take the long view, tackling multiple deprivations through protective as well as transformative agendas (**Box 15**).

Box 15: Why child-centred social protection is so needed

Child poverty and wellbeing are multidimensional. Children experience complex physical and intellectual development as they grow, and are more vulnerable to malnutrition, abuse and exploitation than adults. Their dependency on adults to support and protect them means that loss of family care is a significant risk... Intra-household discrimination can also result in hunger, lack of access to services, and abuse and exploitation of certain children. These risks may increase in situations where women's access to independent livelihoods is lower and the distribution of power and resources is highly inequitable, since women bear the greatest responsibility for childcare and protection. Inequality in physical strength and in information also means that children can be more easily exploited. Finally, by virtue of their age and 'minor' status in society, children are practically and legally less able to claim their rights.

Source: Sabates-Wheeler, R., Devereux, S. and Hodges, A. (2009) Taking the Long View: What Does a Child Focus Add to Social Protection? IDS Bulletin, Volume 40, Number 1, pp.109-119. [p.109-110]

3.79. Child-centred social protection strengthens families' capacities to provide a protective environment for children and enhances access to basic services for the poorest and most marginalized. Likewise, making social protection more child-centred has the potential to benefit not only children, but also their families, communities and national development as a whole. Social protection does not have to explicitly target children in order to benefit them; applying the following child-centred principles to social protection can make a huge difference for children:

- Avoid adverse impacts on children, and reduce or mitigate social risks that directly affect children's lives;
- Intervene as early as possible where children are at risk, in order to prevent irreversible impairment or harm to children;
- Consider the age and gender specific risks and vulnerabilities of children throughout the life-cycle;
- Mitigate the effects of shocks, exclusion and poverty on families, recognizing that families raising children need support to ensure equal opportunity;
- Make special provision to reach children who are particularly vulnerable and excluded, including children without parental care, and who are marginalized within their families or communities due to their gender, disability, ethnicity, HIV and AIDS or other factors;
- Consider the mechanisms and intra-household dynamics that may affect how children are reached, with particular attention paid to the special circumstances of women;
- Since the most at-risk children usually live outside family care, make social protection systems responsive to this vulnerable group as well as to children facing abuse or discrimination at home; and
- Include the voices and opinions of children and young people themselves in the understanding, design, implementation, monitoring and evaluation of social protection programs.

3.80. Child protection and social protection. In Part 2, we highlighted that levels of violence against children and child neglect tend to rise at times of crises. Accordingly, integrating child protection mechanisms into social protection packages at a time of crisis is vital. Possible synergies include: (i) integrating child protection issues (e.g. no tolerance of child labour) into cash transfer conditionalities; (ii) using interactions with program beneficiaries to raise awareness about child protection vulnerabilities; (iii) supporting the development of a single registry system so that the wellbeing outcomes of children receiving transfers can be better monitored and supported by cross-agency services; and (iv) linking child abuse referral systems to the implementing office of cash transfers or workfare programs, etc. Although the idea of integrating social protection and child protection systems is still very new, there are already some examples of good practice, such as Ghana's Livelihood Empowerment Against Poverty (LEAP) program, which makes program participation conditional on families' refraining from using child labour or

²⁸⁰ Sabates-Wheeler, R., Devereux, S. and Hodges, A. (2009) Taking the Long View: What Does a Child Focus Add to Social Protection? IDS Bulletin, Volume 40, Number 1, pp.109-119.

engaging in trafficking.²⁸¹ The single registry system to promote interagency coordination for children has also been piloted in several countries in Latin America, although impact evaluations of its efficacy in tackling children's protection-related vulnerabilities remain scarce.

How can social protection systems be financed?

3.81. In countries hard hit by the crisis, there is a strong case for the expansion of appropriate forms of social protection to minimize the impact on the poor. When contemplating the cost-benefit of investing in social protection, at least three critical points are worth recalling:

- The central lesson learned from all previous economic crises is that the poorest people in developing countries suffer the most and that not enough is done to help them.
- Partly due to the inadequacy of national and international responses, many crises have had lasting social and economic impacts that proved difficult to reverse. Impacts on children can last a life-time and even extend across generations.
- There is clear evidence that well designed social protection programs do play a crucial role in alleviating social hardship in good times as well as in bad.

3.82. But how can social protection be financed? As we noted earlier, most Pacific Islands have only limited resources to formulate and then implement improved public policy. Governments must focus on macro-economic fundamentals to create fiscal space to fund social protection. Establishing new or expanding existing social protection programs may also be an area where donors can provide valuable support. At this time, donor funding for social protection will depend on how the crisis affects aid although the IMF, the World Bank, the European Commission, and the ADB appear to be in a good position to help. Tax-based social protection, as practiced in many Latin American countries, may become a viable option for Pacific Island countries to pursue in the longer-term.

3.83. The World Bank's decision to launch a new Vulnerability Finance Facility to help mobilize more funding to protect the poorest is welcome and represents recognition of the need for global responsibility and cooperation.²⁸² The Vulnerability Finance Facility, which could channel resources not only through the Bank but also through other agencies, should help those countries without the resources to respond to the crisis by funding investments in three key social protection areas:

- Infrastructure projects that would help put people in developing countries back to work while building a foundation for future growth and productivity.
- Safety net programs, such as conditional cash transfers that make it possible for people to keep their children in school, get adequate nutrition and seek health care.
- Financing for small and medium-sized businesses and microfinance institutions to help the private sector create jobs.

3.84. It is important to note that the budgetary cost of establishing permanent social protection programs need not be very high and could well bring longer-term efficiency gains to the economy.

Most social protection programs constitute a small proportion of national Gross Domestic Products (GDPs). The ADB's recent study to develop a Social Protection Index revealed that eight Pacific Island countries spend around 4.5% of their GDP on social protection but have scope to become far more cost-effective. A comprehensive review of 87 developing and transition countries' spending on social safety nets by the World Bank found that mean spending on such programs account for about 1.9% of GDP. About half of the countries studied spent only between 1-2% of their GDP on safety net programs, whereas this figure would be about 2-4% of GDP in industrial countries.^{283,284} Cash transfer programs such as those in Brazil and Mexico cost about 0.5% of GDP, which is a mere fraction of total public spending in these countries.²⁸⁵ Research on past crises also suggests that the shift in public spending needed to compensate the poor in a crisis need not be large. During Russia's 1998 financial crisis, safety

²⁸¹ Jones, N., Ahadzie, W. and Doh, D. (2009) 'Social Protection and Children in West and Central Africa: Opportunities and Challenges in Ghana'. Case study for UNICEF WCARO.

²⁸² World Bank (2009) Swimming against the tide: How developing countries are coping with the global crisis. Background Paper prepared by World Bank Staff for the G20 Finance Ministers and Central Bank Governors Meeting, Horsham, United Kingdom on March 13-14, 2009. <http://www.un.org/ga/president/63/PDFs/WorldBankreport.pdf>

²⁸³ Weigand, C. and Grosh, M. (2008) "Levels and patterns of safety net spending in developing and transition countries." World Bank Social Protection Discussion Paper 0817. Washington, D.C. Available at: <http://siteresources.worldbank.org/SOCIALPROTECTION/Resources/SP-Discussionpapers/Safety-Nets-DP/0817.pdf>

²⁸⁴ Grosh, M., del Ninno, C., Tesliuc, E. and Ouerghi, A. with the assistance of Milazzo, A. and Weigand, C. (2008) For Protection and Promotion: The Design and Implementation of Effective Safety Nets. Washington D.C.: World Bank. <http://siteresources.worldbank.org/SAFETYNETSANDTRANSFERS/Resources/ProtectionandPromotion-Overview.pdf>

²⁸⁵ Paci, P., Rijkers, B. and Sienaert, A. (2008) "Crunch time in the developing world too? Policy options for dealing with the potential poverty and distributional impact of the financial crisis." Mimeo. World Bank, Washington, D.C.

net spending contracted (along with other components of spending), but a study later found that a small expansion in total outlays on the safety net—less than would have been needed to restore aggregate outlays to their level two years earlier—would have been sufficient to avoid the immediate increase in income poverty.²⁸⁶

3.85. Cost-benefit analyses also reveal that some social protection programs could actually pay for themselves. For instance, there is evidence that Ecuador's *Bono de Desarrollo Humano* (Human Development Bond) program could produce education benefits that are more than twice its total cost. This estimate does not yet consider parallel improvements in child health and nutrition that are also likely to result from this program.²⁸⁷ While there are few cost-benefit studies of developing country programs, those focusing on industrial countries' social protection programs indicate similar positive results. The ADB's study shows that domestic resources in the Pacific, if made more cost-efficient and effective, should be sufficient to cover the modest demand of social protection programs in normal years.

How can social protection become a major new contributor to crisis mitigation and broader economic development within the Pacific?

3.86. The Pacific Island countries will have to manage their economies over 2009, 2010, and into 2011 in turbulent conditions and with unusually high levels of uncertainty. Although short-term measures to mitigate negative consequences of the crisis are urgent, a longer-term perspective is also needed to make Pacific Island nations more resilient in the future.

3.87. Thinking beyond the current crisis, even a highly successful effort to protect the living standards of the Pacific's poorest will leave a reality in which poor people face multiple risks on a daily basis, well after the crisis has subsided. It is also important to remember that the current global economic crisis is not the only risk facing the region—notably there is the ever present risk of natural disasters. Periods of stability are the exception rather than the rule and we can expect aggregate shocks to be an increasingly common feature of the global economic landscape. Therefore, ***designing policies to protect vulnerable families and children from shocks should be central rather than merely palliative, ad hoc, and peripheral to development strategies.*** Social protection mechanisms can prevent transient poverty in times of crisis. Recent experience in some Asian countries has shown that a social protection system can mitigate the impacts of crises by means of automatic stabilizers—measures of support that automatically increase during times of crises or increased household vulnerability.

3.88. Policies to promote broad-based economic growth are fundamental to overall social development, but the benefits of growth do not automatically reach the poorest and most marginalized families; direct interventions are still required to reach the socially and economically excluded. Increases in national expenditure on the social sector and social protection in particular do not impede economic growth. On the contrary, if strong government investment is made in high return interventions (see **Table 7**) alongside well-designed social protection programs, this investment can boost economic growth and improve its pro-poor quality. It is sometimes said that social progress can be served by economic progress, but the reverse is equally true—economic growth can be spurred on by advances in social policy. Pacific Island country policymakers need to seize this opportunity to build political support for initiating new or widening the coverage of existing social protection programs and embed them within national budgets. Although countries in the region differ in their needs and in their technical and fiscal capabilities, there is much to be gained by exchanging information about various experiences and creating opportunities for technical cooperation in the design and implementation of social protection programs that transcend national borders. Social protection systems should become permanent features, dealing simultaneously with crises as well as taking on a central role in national poverty-reduction strategies. Such a move recognizes that most of the impacts of external shocks are exacerbated by deeper structural problems of underdevelopment. Developing such social protection systems is akin to investing in projects to enhance the long-term sustainability of economic growth. Consequently, creating and strengthening social protection systems should be an important priority for governments, donors, regional and UN agencies, the private sector, and civil society partners in the Pacific. Social protection can also build strong social foundations, making societies more crisis-resilient. Pacific Island governments can use this crisis to jump-start a reorientation of the development paradigm, with social protection at the heart of a more inclusive and sustainable pattern of economic growth in the region.

²⁸⁶ Lokshin, M. and Ravallion, M. (2000) "Welfare Impacts of Russia's 1998 Financial Crisis and the Response of the Public Safety Net." *Economics of Transition*, 8(2): 269-295.

²⁸⁷ Grosh, M., del Ninno, C., Tesliuc, E. and Ouerghi, A. with the assistance of Milazzo, A. and Weigand, C. (2008) *For Protection and Promotion: The Design and Implementation of Effective Safety Nets*. Washington D.C.: World Bank.
<http://siteresources.worldbank.org/SAFETYNETSANDTRANSFERS/Resources/ProtectionandPromotion-Overview.pdf>

What role can development partners play in supporting social protection?

3.89. Development partners play a vital role—sustain aid flows and improve aid quality. The primary response to the current must be from Pacific Island countries themselves. Important domestic policy responses include targeted spending to protect the poor, exchange rate flexibility to facilitate adjustment, and vigilant financial supervision. But some countries may be too overwhelmed by the deterioration of fiscal and external balances. For such countries, aid-led response packages will play a critical role in avoiding severe hardship. However, effective assistance requires more than just cash; stronger national capacities for aid management are also essential as are donor commitments to the principles of the Paris, Pacific, and Accra aid coordination agenda. To be effective, such resources need to be delivered quickly and with flexibility. Maintaining aid flows will be critical in order to enable governments to increase or maintain their budgets for basic services and the protection of children and women. National governments that maintain aid commitments can help mitigate the negative effects of the economic downturn in the Pacific, prevent countries from slipping into poverty traps, and ensure progress towards national and Millennium Development Goals. Regional institutions such as the Pacific Islands Forum Secretariat and the Secretariat of the Pacific Community can be a powerful force in providing advice as well as bringing countries together.

3.90. Within such an aid environment, there is a real danger that children’s rights to survival, development and protection will become less visible.²⁸⁸ In entering into new aid packages (loans, grants, etc.), Pacific Island countries must ensure that they continue to prioritize the basic services that their children and women need. The international development community must come forward and offer technical and financial assistance to ensure that the best interests of the child and women are protected. Donors should consider setting conditions, for example, requiring that governments protect core social expenditures for children and women (perhaps on a multi-year basis). The European Union’s linking of human rights, including child rights protection to preferential trade status agreements, is a possible model of good practice to ensure that children’s rights are sufficiently prioritized in aid packages.²⁸⁹ In addition, budget support provided could appropriately include sunset clauses, so that from the outset it is regarded as a temporary, specific response to the global economic crisis.²⁹⁰

3.91. The role of community-based and civil society organizations and the private sector, as service providers and advocates, comes to the fore particularly at times of crisis. Governments should recognize this role and use the assets they provide to the full. We noted earlier that networks of volunteers and committees in many of the poorest communities could be mobilized to monitor children, women and families at risk and report to local government services if they are in a position to respond appropriately. Scouts, guides, youth clubs, faith-based organizations, sports clubs, etc. could be considered for an enhanced role in protecting children and women. Non-Government Organizations that operate in the donor arena can also assist the relief efforts by developing awareness campaigns, securing additional funding to meet the challenges, and continuing their vital work to provide both development and humanitarian assistance. The private sector through protection of labour, skills training programs, involvement in workfare initiatives, enhanced corporate social responsibility and private regulation should be seen as a vital crisis response partner.

²⁸⁸ Harper, C. et al. (forthcoming) ‘Child Rights and Aid’. Report for UNICEF International Research Centre.

²⁸⁹ Harper, C., Jones, N., McKay, A. and Espey, J. (2009) Children in times of economic crisis: Past lessons, future policies. Overseas Development Institute, Chronic Poverty Research Centre, UNICEF. Background Note.
<http://www.odi.org.uk/resources/download/2865.pdf>

²⁹⁰ ADB (2009) Taking the Helm. A Policy Brief on a Response to the Global Economic Crisis. Manila: ADB.
<http://www.adb.org/Documents/Briefs/Taking-the-Helm/Taking-the-Helm.pdf>

Final remarks—investing in children and women is not just a moral imperative; it is at the very heart of smart economics

3.92. The negative impact of the global economic crisis on Pacific Island children and women is not inevitable. A strong policy response may not avoid all the negative consequences, but it can mitigate the impact. The future of Pacific Island countries depends critically on whether and to what extent children, young people and women are protected from adverse shocks and human capital is strengthened. Social budgeting and social protection will be critical in order to: (i) shield poor households and vulnerable children and women from the worst effects of these shocks; (ii) prevent the gains already made from being eroded; (iii) help to break the cycle of poverty; and (iv) to safeguard Pacific Island countries' future economic growth and human development. There is a strong moral imperative to advance children's rights. Empirical evidence also suggests that investments in children and women in good times as well as to protect them during periods of economic volatility and crises are eminently affordable and provide strong social and economic returns. ***Social budgeting and social protection need serious rethinking not just in light of the present crisis but also to prepare for future aggregate shocks which are sure to come.***

3.93. This year marks the 20th anniversary of the United Nations Convention on the Rights of the Child. The survival, protection and development of all Pacific Island children and their potential to lead quality lives ultimately depend on us prioritising their needs and ensuring that the environment can sustain their basic human rights as they grow to adulthood. By 2015, an additional 5,600 Pacific children under five could have died if the crisis persists; about the same number of all reported child deaths in all natural disasters occurring in the Pacific since 1950 (excluding Timor-Leste). We respond energetically and passionately to natural disasters that take young Pacific lives. We are about to be confronted by an economic tsunami that could claim just as many if not more children's lives as well as cause irreparable damage to the social fabric of Pacific Islands for years to come. ***The future of Pacific Island children and women hangs in the balance.***

Summary

3.94. Part 3 has promoted a framework for real-time monitoring of the social impacts of the economic crisis in Pacific Island countries and outlined immediate action that can be taken in the health, education, and social welfare sectors. It concluded by considering social protection to help aid recovery and to mitigate the impacts of future crises on Pacific Island children and women. The following points can be summarized:

- If ever there was a time for Pacific Island governments to improve their leadership, governance, and resource management, it is now. Only by putting in place measures that raise the levels of efficiency and effectiveness in the delivery of public services, will governments be able to pursue policies that adequately protect children and women.
- While each country must pursue a policy framework relevant to its own context, the broad regional focus will likely need to be at least threefold: maintain macro-economic fundamentals; protect social budgeting and budget for social protection; and undertake strategic long-term investments in physical and human capital.
- Although there are a number of countries that could take action alone to overcome the worst of the crisis, no one country can comprehensively address and recover from this economic downturn on its own. Policies that enhance regional coordination and enable the Pacific region to become progressively crisis-resistant are needed.
- There is a clear need for policy prioritization. Given the limited resources to formulate and then implement improved public policy as well as the diversities across the Pacific, existing crisis-response and recovery policies can be made more child- and women-focused.
- While it is important that all governments protect budgets for children and women, and that donors maintain their Overseas Development Assistance (ODA) commitments, ODA will be most effective if it is focused on countries which face the greatest vulnerability. Based on a combination of indicators, should the crisis response be ineffective, it is probable that a large number of children and women in Solomon Islands and Kiribati are likely to face extreme challenges. Many children and women in the Federated States of Micronesia, Fiji Islands, the Republic of Marshall Islands, Samoa, Tonga, Tuvalu, and Vanuatu are also likely to face substantial challenges should responses be ineffectual. Some children and women in Cook Islands, Nauru, Niue, Palau and Tokelau will also be at further risk if crisis responses are unsuccessful. (Analysis on Papua New Guinea and Timor-Leste is not included).
- Governments and development partners in the Pacific are making crisis response decisions based on a fragmented, patchwork of information. Investment needs to be made in better early warning

poverty and vulnerability data systems for rapid release of quantitative and qualitative indications of the impacts of the crisis on poor people. The first purpose of real-time social impact monitoring should be to identify the most vulnerable children and women before they are exposed to further risks that will affect their well-being. The second purpose should be that monitoring leads to just-in-time policy formulation and program action followed by timely feedback to policy-makers. A monitoring framework (see **Annex 1**) is proposed to help identify adverse changes happening at the community level with a focus on the most susceptible groups across health, food and nutrition, education, and other social dimensions.

- In several Pacific Island countries, there are networks of volunteers, committees and community-based groups in many of the poorest communities that could be mobilized to provide community vigilance of children, women and families at risk. Routine visits by government staff could be used to monitor families at risk. Where resources and capacities allow, crisis hotlines or other novel reporting mechanisms (e.g., SMS, email) could be established if considered useful.
- Monitoring social expenditures (inclusive of health, education, and welfare) will be vital. A simple measure would be to benchmark the overall annual budget's strategic intent as regards social expenditure—to “increase”, “maintain” or “reduce social spending”.
- Just as there have been calls for an early warning system for the economy at the International Monetary Fund, an early-warning system—a Pacific Hardship Alert System (linked to the proposed Global Impact and Vulnerability Alert System (GIVAS))—could be considered to provide real-time data so that governments can act in time to make a real difference for children and women. The objective of a Pacific Hardship Alert System could be to provide early indications of how an external shock, like the current economic crisis, is affecting the economic, social and political welfare of the most marginalized populations and countries within the Pacific. By analyzing both exposure and resilience of Pacific Island populations to the changing environment, the Pacific Hardship Alert System might also have the capability to signal emerging vulnerabilities. To maintain such a system within the Pacific will require resources and collaboration between organizations with complementary fields of expertise but start-up resources have already been mobilized and collaboration has already commenced.
- International organizations, donors, and national governments need to work together to ensure that recommendations for dealing with the economic crisis do not include, or result in, reduced spending on child priorities (such as basic health care, nutrition, child protection, clean water, education, social protection schemes). Governments have at least three options as regards social budgeting during the current crisis: “increase”, “maintain” or “reduce social expenditure”.
- **Increasing investments in children is a bold, innovative move.** This crisis presents an opportunity for Pacific Island countries to address long-standing barriers to progress for children. Ministries of Finance need strong arguments that demonstrate the economic benefits from investment in children. At least three points can be made:
 - First, programs to invest in children and policy interventions to protect them during periods of economic volatility provide strong social and economic returns on investment. More than 50 analysts including eight of the world's most distinguished economists and five Nobel Laureates have produced a list of the top 30 most economically productive investments to solve major development challenges. Fourteen out of the 30 directly relate to children and women: micronutrient supplements for children (vitamin A and zinc); micronutrient fortification (iron and salt iodization); expanded immunization coverage for children; deworming and other nutrition programs at school; lowering the price of schooling; increasing and improving girls' schooling; community-based nutrition promotion; providing support for women's reproductive role; malaria prevention and treatment; rural water supply; conditional cash transfers; HIV combination prevention; total sanitation campaign; and microfinance. It is essential also to focus on other major irreversibilities: if children are subject to neglect or violence and/or pushed into work, they live with the consequences for their whole life, sometimes passing the consequences onto their own children. Promoting a protective environment for children through improved legislation, strengthened social welfare services and justice systems, and societal behaviour change is fundamental. Many Pacific Island countries have policies and mechanisms that are delivering some if not most of these programs and interventions. The question is whether these efforts can be expanded or reinforced to cope with the effects of recession in varying contexts and with scarce resources. If they can, these responses are good for children and for development—they yield high returns in terms of containing current and future poverty—and should be enacted quickly.
 - Second, the resources needed for scaling up interventions for children are moderate. For example, UNICEF, the World Bank and UNESCO estimate that for no more than \$2,200 per child, we could not only save a young child from death, but we could also help him or her

complete basic education by the age of 13, with better earnings accruing to families in the long-term and large benefits to society as a whole.

- Third, investing in children to help them realize their full human potential in times of economic growth and in times of crisis is a moral imperative. Access to health care, education, water, sanitation, nutrition, protection from violence and abuse, is an entitlement in its own right.
- **Maintaining social sector budgets is a steady, pro-child move.** Programs that support and protect children through basic health care and nutrition, clean water, basic education and child protection services should be maintained to avoid planting the seeds of poverty for future generations. Efforts to maintain government social expenditure as a proportion of Gross Domestic Product (GDP), or as a proportion of total government expenditure, do not guarantee that pro-poor services will be protected. The focus should be to help finance a specific set of services for the poorest and vulnerable people, protect expenditures on a per capita basis and in real terms, and where possible, fund existing, well-targeted and sustainable social protection programs.
- **Reducing social expenditure is a conservative but potentially reformative move.** The crisis may create opportunities to initiate and lock in reforms that will improve the performance of the public sector over the long term. Most Pacific economies can locate expenditures or revenue leakages in their budget that can be cut back and allocated to better uses or where better returns on investments can be made. Rationing decisions may be unavoidable but inadequately analyzed reductions in public spending on social infrastructure and services are likely to hurt poor households and children most. Ministries need to identify and agree on core areas, services and activities to be fully protected. Greater efficiency should be seen as a stimulus for smarter, more effective ways of working, not as another word for “cuts”.
- There is a need to focus on girls and women. Restricting women’s access to work, education and health services, especially in times of crisis, comes at significant economic costs. Among the greatest gender challenges in the Pacific are the low percentage of women in wage employment in the non-agricultural sector and the low representation of women in decision-making, especially at political level. The crisis calls for creative solutions to address gender gaps. Sound gender-based policies are more important than ever when resources are scarcer.
- Macro-economic policy calibration and analysis assumes that policies are gender-neutral but they are usually gender-blind. Policy responses which build on women’s roles as economic agents and their preference for investing resources in child well-being can go a long way towards mitigating the negative effects of the current and future economic crises. These responses are good for women and for development—they yield high returns in terms of containing current and future poverty—and should be enacted quickly.
- A lot could be achieved with fairly low-cost, high-return interventions—but it requires the vision and commitment at the highest political level. Some of these interventions include making secure access for girls to schools, providing separate toilets and wash areas for girls, and allowing more women to enter the teaching profession. Providing free lunch at school for children and special nutritional packages for pregnant women will go a long way in improving their health. Mobile clinics in remote areas and community-based emergency transport could drastically reduce maternal and infant deaths. Educating girls yields some of the highest returns of all development investments. Micro-credit schemes are a lifeline for women and need special protection.
- There remains a huge untapped labour potential of women and efforts must be made to provide every woman with the opportunity of decent employment. Fiscal stimulus packages as well as labour and trade policies need to be gendered. Large public infrastructure and public work projects are a common feature in all stimulus packages and should incorporate gender dimensions. It is important to look at the effect of trade liberalization through the prism of gender, focusing on its effects on overall growth, labour markets, and access to credit. Appropriate gender-sensitive financial incentives and regulatory frameworks are also needed to support both agricultural development and renewable energy goals.
- This is also an appropriate time to increase the ratification and improve the application of international instruments regarding gender discrimination such as the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) and the four key ILO gender equality Conventions.
- Pacific Island countries are well known for their informal, community or family-based systems of social support and reciprocity. Pacific communities have developed resilience to adversity through such systems. Traditional safety nets, however, can break down when confronted by a large external shock. Some researchers suggest these support mechanisms in the Pacific are indeed weakening in the face of the crisis, especially amongst the urban poor. Remittances from family members living

overseas—a major part of informal social protection—are also declining. Even if informal safety nets were not being damaged, their important existence should not stall earnest consideration of establishing state-run social protection systems and urgent efforts to improve those formal programs that already exist.

- It is now generally agreed that formal social protection—broadly defined as a set of policy initiatives that transfer income or assets to the poor, protecting vulnerable people against livelihood shocks, and seeking to enhance the social status and rights of the marginalized—is an essential element of pro-poor growth. Several robust evaluations have demonstrated that if well designed, social protection plays a crucial role in alleviating social hardship.
- Faced by the economic crisis, climate change impacts including decreasing food security, and the threat that high food and commodity prices may return, perhaps the question is not whether the Pacific can afford to support social protection initiatives; rather whether the region can afford not to? Social protection must be a priority consideration in this current crisis; the more severe the downturn, the greater the consideration. It is crucial to note that social protection policies have emerged as core elements of long-term poverty reduction strategies, rather than ad hoc crisis-driven initiatives.
- There is a wide range of available social protection instruments from which governments can choose depending on their administrative capacity, resource availabilities, and target populations including: conditional or unconditional cash transfers, direct distribution of food or nutritional supplements, school-based feeding programs, childcare support, maternal/paternal benefit payments, disability allowance, education bursaries, fee waivers, pensions, unemployment benefits, price subsidies, agricultural inputs, public works programs, health insurance, asset insurance, life insurance, and microfinance.
- Ideally, social protection should be in place before a crisis occurs since it can address the needs of the poor in good economic times and be adaptable to combat the effects of crisis, but there are examples where countries have used a crisis as an entry point to initiate social protection.
- Existing social protection programs that target the structurally poor (i.e., those poor before the economic crisis) do not always have a clear mechanism to deal with the “new poor” (i.e., those near poor pushed into poverty by the economic crisis). It is important that social protection programs remain responsive to changes in the need for assistance.
- Establishing social protection programs can depend on the relative priority given to social sector programming in general and the extent to which poverty is recognized and identified as a priority concern. Starting and sustaining social protection programs is a highly contextual process where ideas, ideology and politics may matter more than data.
- The Pacific region does have some experience with formal social protection programs. The Asian Development Bank has developed a Social Protection Index (SPI) and recently assessed eight Pacific Island countries to determine their SPI.²⁹¹ The Pacific Island country with the highest SPI in the ADB study is Cook Islands; the lowest is Papua New Guinea. The ADB has classified Cook Islands in an “above average category” (alongside Asian countries such as Azerbaijan, Kazakhstan, and Mongolia). Nauru, Marshall Islands and Tuvalu are placed in an “average” category (together with Asian countries such as Bangladesh, China and Malaysia). Fiji, Tonga, Vanuatu and PNG are considered in a “below average” category (which also features Asian countries such as Cambodia, Nepal, and Philippines).
- Pacific Island countries may want to consider initiating or reforming existing social protection programs. Ways to improve aspects of existing social protection in Pacific Island countries, especially in response to the crisis, include: (i) increase the quality of existing formal social protection programs and especially improve social protection access to and specific expenditures on the poor; (ii) reduce fragmentation of social protection programs; (iii) better understand and, where possible, strengthen traditional social safety nets; (iv) strengthen policy coordination and coherence across several sectors to avoid piecemeal and reactive responses; (v) improve coordination between governments, the private sector, civil society and other development partners to ensure linkage between policies that, for example, stabilize commodity prices, provide for basic health services, help people find decent work, and keep children in education; (vi) increase public knowledge of entitlements to increase uptake through information campaigns and partnerships between government, NGOs and community-based or religious structures.

²⁹¹ The SPI is a combination of expenditure on social protection (% of GDP spent on social protection activities); the combined percentage coverage of seven target populations (the unemployed/under-employed, the elderly, the sick, the poor, people living with disabilities, and children with special needs) who receive some social protection; a poverty targeting rate (the % of the poor in a country who receive some social protection transfers or other social protection benefits); and the amount of social protection expenditure going to the poor (derived by applying the poverty targeting rates to the total expenditure on each social protection program).

- Where adequate social protection programs exist then their coverage should be expanded and their targeting improved in the short term through the adoption of simple targeting methods focusing, for example, on: (i) geographic characteristics; (ii) family size and housing conditions; and (iii) categories of the most vulnerable populations such as the disabled and elderly living alone.
- The departure point for many Pacific Island countries, however, will likely be from a weak or non-existent social protection system. Where political leadership is strong, the current economic crisis provides an opportunity to create formal social protection from scratch.
- If starting from scratch and depending on national and sub-national administrative capacities and resources, some social protection schemes to consider are: In-kind Transfers (e.g., therapeutic foods, long-lasting insecticidal bed-nets, etc.), School Feeding Programs, Poll Transfers (targeted or untargeted), Conditional Cash Transfers (targeted or untargeted), and Workfare Programs (for young people in particular). Single schemes such as these, even if well designed and managed, are most effective when part of a comprehensive and transformative social protection system. Basic social services must also be improved where they are weak, legislation that promotes children's and women's rights must be strengthened where these rights are denied or compromised, and societal attitudes and practices must be changed where they are harmful to children and women. Just getting started may require Pacific Islands with weak or no formal social protection programs to adopt a phased approach, perhaps starting with a Workfare or social transfer program (cash or in-kind), and bringing further schemes on stream when real-time monitoring indicates and the situation allows.
- Too much haste may lead to poorly designed social protection programs that may become a drain on fiscal positions and can give rise to "poverty traps" when people are encouraged to "stay poor" by the availability of assistance. Nevertheless, the success of Indonesia's National Safety Net Program demonstrates that it is possible for governments to rapidly launch a massive social protection response in a crisis and improve it as the program proceeds.
- There is a strong case to be made for children to be put at the centre of formal social protection systems. Reaching the most vulnerable children will be critical in the effectiveness of policies to break the cycle of poverty. In the Pacific, children (under 18 years of age) comprise almost half of the population and are over-represented among the poor. Children and young people will constitute a large section of the population for some time to come. Children are practically and legally less able to make these vulnerabilities visible and to claim their rights without support, and unable to take legal action in the case of abuse. A number of principles that can be applied to make formal social protection more child-centred.
- Integrating child protection mechanisms into social protection packages at a time of crisis is vital. Possible synergies include: (i) integrating child protection issues (e.g. no tolerance of child labour) into cash transfer conditionalities; (ii) using interactions with program beneficiaries to raise awareness about child protection vulnerabilities; (iii) supporting the development of a single registry system so that the well-being outcomes of children receiving transfers can be better monitored and supported by cross-agency services; and (iv) linking child abuse referral systems to the implementing office of cash transfers or workfare programs.
- Governments must focus on macro-economic fundamentals to create fiscal space to fund social protection. Establishing new or expanding existing social protection programs may also be an area where donors can provide valuable support. Tax-based social protection may become a viable option for Pacific Island countries to pursue in the longer-term. The World Bank's decision to launch a new Vulnerability Finance Facility to help mobilize more funding to protect the poorest is welcome. The budgetary cost of establishing permanent social protection programs need not be very high and could well bring longer-term efficiency gains to the economy. A recent ADB study showed that eight Pacific Island countries currently spend around 4.5% of their GDP on social protection but have scope to become far more cost-effective. Cost-benefit analyses also reveal that social protection programs could actually pay for themselves.
- Although short-term measures to mitigate negative consequences of the crisis are urgent, a longer-term perspective is also important in order to make Pacific Island nations more resilient in the future. The current global economic crisis is not the only risk facing the region—notably there is the ever present risk of natural disasters. Periods of stability are the exception rather than the rule and we can expect aggregate shocks to be an increasingly common feature of the global economic landscape. Recent experience in some Asian countries has shown that a social protection system can mitigate the impacts of crises by means of automatic stabilizers—measures of support that automatically increase during times of crises or increased household vulnerability.
- Policies to protect vulnerable families and children from shocks should be central rather than merely palliative, ad hoc, and peripheral to development strategies. Increases in national expenditure on the

social sector and social protection in particular do not impede economic growth. On the contrary, if strong government investment is made in high return interventions alongside well-designed social protection programs, this investment can boost economic growth and improve its pro-poor quality. Pacific Island country policymakers need to seize this opportunity to build political support for initiating new or widening the coverage of existing social protection programs and embed them within national budgets.

- The primary response to the current must be from Pacific Island countries themselves but some countries may be too overwhelmed by the deterioration of fiscal and external balances. For such countries, aid-led response packages will play a critical role in avoiding severe hardship. However, effective assistance requires more than just cash; stronger national capacities for aid management are also essential as are donor commitments to the principles of the Paris, Pacific, and Accra aid coordination agenda. Within such an aid environment, there is a real danger that children's rights to survival, development and protection will become less visible. In entering into new aid packages (loans, grants, etc.), Pacific Island countries must ensure that they continue to prioritize the basic services that their children and women need. The international development community must come forward and offer technical and financial assistance to ensure that the best interests of the child and women are protected. The European Union's linking of human rights, including child rights protection to preferential trade status agreements, is a possible model of good practice to ensure that children's rights are sufficiently prioritized in aid packages.
- The role of community-based and civil society organizations and the private sector, as service providers and advocates, comes to the fore particularly at times of crisis. Governments should recognize this role and use the assets they provide to the full.

3.95. The negative impact of the global economic crisis on Pacific Island children and women is not inevitable. A strong policy response may not avoid all the negative consequences, but it can mitigate the impact. The future of Pacific Island countries depends critically on whether and to what extent children, young people and women are protected from adverse shocks and human capital is strengthened. Social budgeting and social protection need serious rethinking not just in light of the present crisis but also to prepare for future aggregate shocks which are sure to come.

3.96. This year marks the 20th anniversary of the United Nations Convention on the Rights of the Child. The survival, protection and development of all Pacific Island children and their potential to lead quality lives ultimately depend on us prioritising their needs and ensuring that the environment can sustain their basic human rights as they grow to adulthood. We respond energetically and passionately to natural disasters that take young Pacific lives. We are now confronted by an economic tsunami that could claim just as many if not more children's lives as well as cause irreparable damage to the social fabric of Pacific Islands for years to come. The future of Pacific Island children and women hangs in the balance. We must place them at the centre of our concerns. Pacific Island governments can use this crisis to jump-start a new development paradigm, one in which social expenditure on children and women is at the heart of a more inclusive and sustainable pattern of economic growth in the region. ***Unquestionable evidence exists that investing in children and women is very, very smart economics.***

Annex 1: Some guiding principles of real-time social impact monitoring and a possible indicator framework

Box 16: Principles of real-time monitoring of social impacts on children and women in the Pacific

- **Relevance to national context**—indicators and data sources should relate to crisis impact transmission channels and specific child- and women-vulnerabilities as known in country.
- **Direct linkage to policy action**—data and analysis must inform policy response and assist with policy evaluation. Within resources and capacities available, there must be rigorous analyses to refine policy needs and identify additional data/information needed. It will be important for governments to continue, if not, strengthen existing policy and program monitoring and assessments to make sure policies and programs are working and not increasing risk or having negative effects.
- **Use existing systems/datasets**—wherever feasible, reliance on existing administrative systems, social service staff networks, and sub-national and national capacities should be encouraged. Where these systems, networks and capacities are weak, they should be supplemented and strengthened. Using or adapting existing systems can: reduce the risk of misunderstandings in interpretation of results and policy responses; reduce risk in project initiation costs and delay; provide cost-effective long term as well as short term outputs for policy development and evaluation; can provide for future scaling up and down as circumstances change; and can build local capacity for future similar situations. To function in crisis monitoring mode, it may be that existing monitoring systems/ datasets simply require: more analysis and reporting of current data; speeding up in the development, enumeration, and output cycle; expanded content; and/or increased data collection frequency. The problems of using existing systems/datasets, however, need to be carefully balanced against the benefits. There may be costs involved in dovetailing or augmenting existing systems. For example, all available resources (staff, capacity, time and funds) may already be committed. There will be a need to manage expectations with emerging new poverty measures (the same is true if new monitoring systems are to be established)—especially in early implementation period (e.g., communities may expect new services or additional support that cannot be delivered). There may be reservations about the need to rework existing policy or revise previous trends based on the new data. And it must be remembered that even large administrative data systems and representative sample surveys (existing or new) are not universal in coverage and can and will miss hot spots. Existing data platforms, however, can be used to build a sensible sampling frame for constructing an insightful picture of the impact of the crisis. They also provide valuable baseline information against which to compare real-time monitoring indicator levels.
- If a new monitoring system is needed, **consider existing pilot schemes**—if there are pilot social impact monitoring systems already in place (such as Community-Based Monitoring Systems (see 3.22), food security monitoring, periodic labour surveys, youth health surveys, etc.), these should be investigated to see if they can be taken to scale or their frequency increased to provide useful policy input as necessary. If a new source of monitoring data is deemed necessary, then it must be: clear in what it adds to the existing system; very quick and relatively easy to initiate and sustain; and be positioned relative to existing/ alternative measures to limit confusion and increase acceptance of policy decisions.
- **Use of existing institutions**—wherever feasible, national statistics offices, social data focal points in Ministries, and national research institutions should be directly involved (including a role in accelerating retrieval of information), and if not, their technical or managerial oversight function should be formally established.
- **Credibility**—within the resources and capacities available, real-time monitoring should use valid and reliable methodologies, draw upon informative if not representative sampling strategies, and provide timely data for policy action purposes. Periodicity must be carefully thought through to ensure early warning is early enough or policy impact monitoring is not too premature to draw meaningful insights.
- **Consistency in interpretation**—within countries, across rounds of data collection, and between countries, data should be analysed and interpreted in a consistent manner; regular intra- and inter-country dialogue during analysis and policy uptake will be vital.
- **Participatory**—wherever feasible, involvement of stakeholders, from children and women, to community groups, to social service staff and NGOs, and a cross-section of government departments should be fostered and sustained. There should be scope for relevant information to be disseminated to communities and to enable local responses.
- **Multi-level**—recognizing the multi-dimensional nature of the impacts but within the resources and capacities available, useful social impact data should be collected from households, communities, service points, institutions; and across different social sectors and parts of a country.
- **Qualitative and quantitative**—to enhance credibility through triangulation, while keeping costs low, complementary data collection methods and samples should be used. Recognizing the multi-dimensional nature of the impacts but within the resources and capacities available, a mixture of stories, observations, and numerical measures will provide real-time monitoring with depth and breadth, explanatory and statistical power. Concrete leading (e.g., food intake) and lagging indicators (e.g. child nutrition status) should be considered.
- **Disaggregated**—to determine different vulnerability parameters (gender, age, urban, rural, etc.) and to assess the degree of impact severity and variation across regions and types of community livelihoods. Particular attention should be given to gender disaggregated data with a focus on the situation of women and girls to facilitate the choice of strategies to apply in particular contexts.

- **Short-term and medium/long term perspectives**—to provide initial early warning to guide immediate crisis response packages but with potential to adapt to track both deeper crisis impacts and policy action as well as to link to ongoing monitoring of social outcomes such as National and Millennium Development Goals (through education and health information systems, Census, Household Income and Expenditure Surveys, Demographic Health Surveys, etc.).
- **Complementarities**—ongoing data collection mechanisms should be complemented such as routine use of information systems in education and health (EMIS and HIS), labour market monitoring, disease surveillance, water and sanitation monitoring, MDG and National Development Plan Reporting, media monitoring (where this is conducted), and periodic opinion polls (where these are conducted, e.g., Fiji Islands).
- **Adaptability**—flexible and responsive to changing situations.

AREAS TO MONITOR AND INDICATORS	SOURCE	FREQUENCY	RESPONSIBLE	REMARKS
A. HEALTH				
Number of new all-cause Outpatient consultations by age and sex	Health facility questionnaire (health facility records)	Quarterly	MOH	<p>Indicator definition: Trend in the number of people, disaggregated by age group and gender, seeking health care as registered in outpatient department register in OPD facilities in the sentinel area</p> <p>Rationale: Economic constraints may directly (e.g. user fees) or indirectly (e.g. transport cost) affect health service utilization</p> <p>Numerator: New all-cause OPD consultations</p> <p>Denominator: Baseline number of OPD consultations in the same period for the selected baseline year</p> <p>Interpretation: reduction in health service utilization may indicate negative impact of crises on household financial capacity</p>
Number of cases selected causes of consultation	Health facility questionnaire (health facility records)	Quarterly	MOH	<p>Indicator definition: Main five causes of consultation</p> <p>Rationale: shifts in relative importance of non-communicable diseases (NCDs) and Infectious diseases have been observed in previous crises mainly due to worsening of living standards; NCDs prevalence tend to increase due to worsening in healthy habits (e.g. poor nutrition, increased alcohol consumption, etc.); follow up of chronic diseases may decrease due to decrease on financial access</p> <p>Numerator: Number of cases for the five most frequent diagnosis among different age groups and sex (diseases to be decided in each country)</p> <p>Denominator: Baseline new all-cause outpatient consultations for the selected baseline year</p> <p>Interpretation: case by case; increases in prevalence of NCDs beyond expected could indicate (long term??) negative effect of crises on households</p>
Number of inpatient admissions by age group and sex	Health facility questionnaire (health facility records)	Quarterly	MOH	<p>Indicator definition: Trend in the number of people, disaggregated by age group and gender, admitted in selected public and private hospital in the sentinel area</p> <p>Rationale: Economic constraints may directly (e.g. user fees) or indirectly (e.g. transport cost) affect health service utilization</p> <p>Numerator: New all-cause IPD admissions</p> <p>Denominator: Baseline number of IPD admissions for the selected baseline year</p> <p>Interpretation: reduction in health service utilization indicates negative impact of crises on household health security</p>

AREAS TO MONITOR AND INDICATORS	SOURCE	FREQUENCY	RESPONSIBLE	REMARKS
Number of admissions for selected causes of admission	Health facility questionnaire (health facility records)	Quarterly	MOH	<p>Indicator definition: Main five causes of admission</p> <p>Rationale: shifts in relative importance of NCDs and Infectious diseases have been observed in previous crises mainly due to worsening of living standards; NCDs prevalence tend to increase due to worsening in healthy habits (e.g. poor nutrition, increased alcohol consumption, etc.); follow up of chronic diseases may decrease due to decrease on financial access leading to increase in number of admissions due to these diseases</p> <p>Numerator: Number of admissions for the five most frequent causes of inpatient admission</p> <p>Denominator: all admissions</p> <p>Interpretation: case by case; increases in prevalence of NCDs beyond expected could indicate negative effect of crises on households</p>
Shift from public to self-care (drug outlet) or traditional medicine	Household pulse survey	Quarterly	NGO	<p>Indicator definition: Proportion of illnesses reported among household members over the last one month that received health care from health facility or any other source of health care. Open and closed questions will be included.</p> <p>Rationale: Shifts from health service care to self-administered health care may indicate diminishing access due to financial barriers</p> <p>Analysis: quantitative for closed questions and qualitative for open questions</p> <p>Interpretation: analysis of responses will provide information about health seeking behaviour and other aspects of health status perception and the impact of crises on well-being</p>
Availability of 20 essential drugs at health facility level	Health facility questionnaire (health facility records)	Quarterly	MOH	<p>Indicator definition: availability of essential drugs in health facilities</p> <p>Rationale: pharmaceutical supply is a capital intensive element of the system that may be greatly sensitive to economic downturn; consumption in public facilities providing free access is expected to increase during economic crises; if charged consumption will decrease</p> <p>Numerator: number of drugs among 20 selected available</p> <p>Denominator: 20</p> <p>Interpretation: decreased availability may indicate reductions in budgets from Governments or difficulties in the supply system due to transport costs or similar reasons</p>
Pharmaceutical out of pocket expenditure	Household pulse survey	Quarterly	NGO	<p>Indicator definition: Expenditure incurred on drugs and medical supplies</p> <p>Rationale: It is expected that access to drugs from private providers will decrease but drug consumption from public facilities with free access may increase due to increased self-care</p> <p>Analysis: quantification of closed responses and qualitative analysis of open responses</p> <p>Interpretation: increased out of pocket expenditure may indicate economic struggle and may push households into poverty</p>

AREAS TO MONITOR AND INDICATORS	SOURCE	FREQUENCY	RESPONSIBLE	REMARKS
Availability and price of 20 essential drugs	Pharmacy/medicine outlet questionnaire	Quarterly	NGO	<p>Indicator definition: Availability and price of drugs in private pharmacies/medicines retailers</p> <p>Rationale: Price of medicines and medical supplies is very sensitive to economic downturn</p> <p>Numerator: Price of selected medicines during the period of study</p> <p>Denominator: Baseline prices of selected medicines</p> <p>Interpretation: Increase in price reduces access</p>
DTP 3 coverage	Health facility questionnaire (health facility records)	Quarterly	MOH	<p>Indicator definition: Number of children having received the 3rd dose of DTP</p> <p>Rationale: Indicator measures the access of children to health services and the adherence to prevention programs</p> <p>Numerator: Number of children having received DTP 3 in the last quarter</p> <p>Denominator: Number of children expected to have received DTP 3 in the same period</p> <p>Interpretation: DTP 3 below expected may indicate economic struggle in households; this indicator is sensitive to short terms changes in financial access as previous doses are administered in short intervals</p>
Number of antenatal (ANC) visits (1 and 4)	Health facility questionnaire (health facility records)	Quarterly	MOH	<p>Indicator definition: Number of pregnant women attending/adhering to ANC program</p> <p>Rationale: Indicator measures the access of women to health services and the adherence to prevention programs</p> <p>Numerator: Number of pregnant women attending ANC clinic in the last quarter (specific for visit 1 and 4)</p> <p>Denominator: Number of pregnant women expected to have attended ANC in the same period.</p> <p>Interpretation: relative decrease in first visits may indicate difficulties in accessing services while change in attendance for 4th visit may indicate changes in situation due to economic constraints</p>
Number of Family Planning visit	Health center/clinic family planning unit	Quarterly	MOH	<p>Indicator definition: Number of women visiting health facilities for purposes of family planning</p> <p>Rationale: Indicator measures the desire to limit childbearing as preventive measure (as opposed to seeking curative care)</p> <p>Numerator: Number of women visiting health facilities for purposes of family planning in the current quarter</p> <p>Denominator: Number of women visiting health facilities for purposes of family planning in the past quarter</p> <p>Interpretation: a positive trend in this indicator suggests postponement of childbearing, a negative trend could point to reduced service delivery</p>

AREAS TO MONITOR AND INDICATORS	SOURCE	FREQUENCY	RESPONSIBLE	REMARKS
Number of Post-natal visit	Health facility questionnaire (health facility records)	Quarterly	MOH	<p>Indicator definition: Number of women visiting health facilities for purposes of post-natal care</p> <p>Rationale: Indicator measures impact on preventive care seeking behavior</p> <p>Numerator: Number of women visiting health facilities for purposes of post-natal care</p> <p>Denominator: Number of deliveries in same time reference period</p> <p>Interpretation: Negative trend may indicate financial stress or reduced service availability</p>
Number of institutional deliveries	Health facility questionnaire (health facility records)	Quarterly	MOH	<p>Indicator definition: Number women delivering with a skilled attendant</p> <p>Rationale: Indicator measures the access of women to obstetric health services</p> <p>Numerator: Number of women having delivered attended by a skilled professional in the last quarter</p> <p>Denominator: Number of expected deliveries in the same period.</p> <p>Interpretation: Women may go back to traditional methods which are more affordable indicating economic difficulties</p>
Availability of HIV prevention & Reproductive health commodities (e.g. condom)	Health facility questionnaire (health facility records)	Quarterly	MOH	<p>Indicator definition: Number and quantities of modern contraceptive methods available at family planning units including quantity of HIV prevention commodities (post-exposure prophylactic kits, HIV test) at health facilities</p> <p>Rationale: Indicator measures a) range of choice available to clients and b) risk of stock-outs</p> <p>Numerator: a) Number of different modern methods available b) Quantities of selected contraceptive & HIV prevention commodities</p> <p>Denominator: a) and b) same, but for previous reference period</p> <p>Interpretation: reduction in the availability of health commodities may indicate reduction in budgetary allocations to peripheral activities</p>
Number of outreach activities undertaken	Health facility questionnaire (health facility records)	Quarterly	MOH	<p>Indicator definition: Outreach activities by all programs of the ministry of health visiting the sentinel area</p> <p>Rationale: Indicator measures budgetary allocation and expenditure to the ministry of health and indicates potential negative impact on the health system and health services</p> <p>Numerator: Number of outreach and supervisory activities undertaken in the last quarter</p> <p>Denominator: Number of outreach and supervisory activities that was planned for the quarter according to the national operational plans</p> <p>Interpretation: Reduction in health service activities may indicate reduction in budgetary allocations to peripheral activities</p>

AREAS TO MONITOR AND INDICATORS	SOURCE	FREQUENCY	RESPONSIBLE	REMARKS
B. FOOD/NUTRITION				
Food basket monitoring	Household pulse survey/specific data collection tool	Quarterly	NGO	<p>Indicator definition: diet composition and food availability</p> <p>Rationale: financial constraints may push changes in diet composition with implications for health (nutritional status deterioration and poor growth and development in children)</p> <p>Measurement: quantification (weight) and classification of all food items available at the HH at the moment of data collection; questionnaire including frequency of consumption of selected food items (e.g. eggs, meat, poultry, vegetables, etc.) during the week before data collection; questions about number of meals per day;</p> <p>Interpretation: observation of quantitative and qualitative changes in diet. Availability of household food production to be recorded for comparison between self-sufficient and non-self sufficient households</p>
Nutrition status of children aged 12-24 months	Mid-Upper Arm Circumference (MUAC) screening ²⁹²	Quarterly	NGO	<p>Indicator definition: This is a direct impact of reduced quantity and quality of food in a household manifested largely in the nutrition status of children aged 6 to 59 months (disaggregation by age sub-group will enable for narrow focus on the most vulnerable group (e.g. 12-24 months))</p> <p>Rationale: Nutrition status of children changes rapidly depending on the intake of food by children and/or their health status</p> <p>Numerator: Number of children between 6 -59 months under 13.5 cm MUAC</p> <p>Denominator: Total number of children 6-59 months surveyed</p> <p>Interpretation: Increasing number of children below 13.5 cm MUAC indicates severe impact of crises on child nutrition and growth. This information indicates that coping mechanisms are being implemented at household level</p>
Market prices monitoring	Household pulse survey / Market prices of selected foods	Quarterly	NGO	<p>Indicator definition: Market prices of selected essential food items</p> <p>Rationale: Market prices are sensitive to economic constraints and precede adjustments in household coping mechanisms</p> <p>Analysis: comparative trends in food prices</p> <p>Interpretation: Trends interpreted together with trend in other surveillance indicators. Market price monitoring of essential food items; provide useful information when analyzing HH experience in getting needed nutrition</p>

²⁹² <http://motherchildnutrition.org/early-malnutrition-detection/detection-referral-children-with-acute-malnutrition/interpretation-of-muac-indicators.html>. Weighing is actually a more sensitive indicator. If the barrier on implementation (e.g., Carrying the scale from one household to the other) can be overcome by convening the children into one place (i.e., household must be randomly selected to be invited to join the exercise) for easy monitoring, weighing can be considered.

AREAS TO MONITOR AND INDICATORS	SOURCE	FREQUENCY	RESPONSIBLE	REMARKS
C. EDUCATION				
School attendance (3 indicators)	Administrative data (school-based attendance records) Household survey report of school attendance Household survey to capture reasons for absence from school	End of every term	MOE/NGO	Indicator definition: Early Childhood, Primary and secondary school students who fail to attend school for reasons directly or indirectly related to crises Rationale: Reduced household income lead to inability to pay school fees, provide uniforms and other necessities needed for students. Students may be stopped from going to school to attend to sick family members or take over the sick person's livelihood functions Numerator: Absent student or student who failed to go to school by level of education Denominator: Number of students enrolled at that level or number of children aged 3-to 18 years in the household survey Interpretation: Trends interpreted together with trend in other surveillance indicators
Provision of school goods and services	School survey	End of every term	MOE/NGO	Indicator definition: School based services Rationale: Inadequate provision of schools' goods and services not only indicates governments' or managements reduced ability to provide the service, but also parents' ability to support the schools to provide education/school based services Numerator: Changes in he level of goods and services Denominator: Baseline level of goods and services Interpretation: Trends interpreted together with trend in other surveillance indicators
Schools financial situation	School survey (interview) Supported by; Cash flow records Assets and liabilities Household pulse survey (triangulation)	End of every term	MOE	Indicator definition: School financing Rationale: Impact of cut in budget and financing should be tracked at the facility level to see if the schools are actually experiencing the decreased revenue. Component of revenue needs some analysis to find out more revenue has been raised by the school extra-fundraising effort, rather than government disbursement Analysis: Funding availability at school level measured as revenues (Government and fees) and expenditure per capita (student)
D. SOCIAL DIMENSIONS				
Crimes (disaggregated by age and type)	Police records at police posts & Special Administrative data Focus Group Discussion (FGD) with women and children	3-6 months	NGO/POL	Quantitative: increased number of crime cases by both adult and juvenile offenders Qualitative: analysis of data obtained through FGDs Rationale: measures the level and type of crime, including gender-based & child violence and suicides, which could be related to the economic situation.
Gender based violence & child abuse	FGD with women and children Women's crisis centre or similar	3-6 months	NGO	Qualitative analysis of FGD data with women and children

AREAS TO MONITOR AND INDICATORS	SOURCE	FREQUENCY	RESPONSIBLE	REMARKS
Changes in livelihoods: formal employment; (wage); remittance; unemployment insurance; and support from family/relative; child labour; disposal or pawning of household assets	Household pulse survey	Quarterly	NGO	<p>Qualitative: Female member or child who are not previously working started to work; work sharing among households; loss of livelihood due to crises, shift in type of employment (formal to informal), other issues regarding to employment and means of livelihood (increased level of subsistence farming, withdrawal of pension fund/receipt of social welfare benefit)</p> <p>Quantitative: Amount of remittances received in past month; Number of household members previously worked being unemployed</p>

Key points:

- The central lesson learned from every previous economic crisis is that the poorest people in developing countries suffer the most and that not enough is done to help them. Beneath the current crisis lies a “Development Emergency” with catastrophic implications if we fail to respond effectively.
- While there is still uncertainty about the scope and impact of the economic crisis in the region, it is clear that children and women in many Pacific Island countries are likely to be amongst those most severely affected, and that those already most vulnerable will face the greatest impact. The crisis compounds the recent shock from high food and fuel prices. The region has a very short window of opportunity (due to lag time in the transmission of global impacts to the Pacific) to prepare by readjusting fiscal and monetary policy, creating an enabling environment in which alternative livelihood opportunities can be found, establishing early warning and response tracking systems, and developing immediate and longer-term social protection (safety net) policy responses.
- It is essential to maintain, and where possible increase, the collection of data (disaggregated by sex and age when feasible) to closely monitor the effects of the crisis on children and women in the Pacific. An early warning system—a Pacific Hardship Alert—linked to the proposed Global Impact and Vulnerability Alert System could be a medium-term consideration.
- Investing in children and women is not only a moral imperative; it also brings positive benefits to economies and societies. Governments in the Pacific must not stray from their commitments to children and women in this time of crisis. They must take all necessary measures to enhance the role of women as economic agents and to protect social sector budgets, especially to maintain and, if warranted, expand essential social services for children and women (health, education, HIV prevention, and protection from abuse, violence and exploitation). Donors should maintain their aid commitments to the Pacific in this time of crisis and must ensure investments benefit those most in need.
- A new set of policy options including formal social protection (safety net) mechanisms such as school feeding programs, cash and in-kind transfers to the most vulnerable, and workfare programs (targeting youth and women in particular) should be considered in the response to the current crisis, to aid recovery of any lost economic and social development, and to lessen the impact of future crises.

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