The differential impact on women, men and children of fiscal responses to the global economic crisis

Cambodia, China, Indonesia, Lao PDR and Viet Nam

UNICEF EAPRO Bangkok

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# Gender analysis of Government Fiscal Responses to the Economic Crisis

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List of Abbreviations

FDI         Foreign Direct Investment
GDP         Gross Domestic Product
GNI         Gross National Income
IDR         Indonesian Rupiah
IDRC        International Development Research Council (Canada)
ILO         International Labour Office
Lao PDR     Lao Peoples’ Democratic Republic
ODA         Overseas Development Assistance
PPP         Purchasing Power Parity
STD         Sexually Transmitted Diseases
UNDP        United Nations Development Fund
UNICEF      United Nations Fund for Children
UNIFEM      United Nations Development Fund for Women
VAT         Value-added Tax
WTO         World Trade Organization
1 Introduction

The evidence from past crises, whether the result of natural disasters or manmade economic crises, show that women and children, particularly those in poor households and socially excluded groups, are especially vulnerable to the negative impacts. In the East Asia and Pacific region, much should have been learned about the impact on women and girls from the experience of the Asian financial crisis of the late 1990s. Experience from other crises has also shown that inappropriate or inadequate responses by governments and others may exacerbate the initial impact on vulnerable groups. Although there is often little that governments can do to avoid the direct impacts of externally generated crises, there is much that they can and should do to mitigate the direct and indirect impacts on the population.

Governments need to pay more attention to women’s economic roles and to the potentially differential impact of economic crisis on women and men and girls and boys. The costs of failure are high and may last for a generation or more. Policy makers therefore need sex-disaggregated data and gender analysis of crisis impact to design fiscal stimulus response packages that address the needs of those most affected. In many cases, they will be women and children who, without specific gender analysis, are likely to remain invisible victims until the negative consequences for many - and for the nation - are beyond repair or recovery.

This study examines from a gender perspective the initiatives that were included in the fiscal response packages in five Asian countries, Cambodia, China, Indonesia, Lao PDR and Viet Nam. It identifies ways in which fiscal stimulus packages might have been more responsive to the different needs and situations of women and children and therefore more effective. However, like most policies, the fiscal response to a financial and economic crisis is likely to be based on political considerations and to address the interests of those best able to articulate their need and lobby for specific measures. It is therefore vital that women, women’s machineries and advocates for women and children become better informed and more engaged in economic and budgetary decision-making. They need to identify the particular needs of women and children during the early stages of a crisis and to engage in timely and targeted advocacy for specific measures to meet those needs.

1.1 Crisis and response may affect females and males differently

The first round impacts of both the global financial and economic crisis and the fiscal response to it fall initially on women and men. The second round impacts generated by household coping strategies may then affect girls and boys, who are the primary targets of the work of UNICEF. (Text box 1).
Any negative effects on women of the global crisis or government responses to it inevitably flow on to their families through various channels and mechanisms that may affect girls and boys differently (Figure 1).

Figure 1. Potentially harmful household strategies for coping with economic crisis

<table>
<thead>
<tr>
<th>Reduced lending and credit due to financial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced domestic demand</td>
</tr>
<tr>
<td>Firms lay off workers / close</td>
</tr>
<tr>
<td>Reduced demand for exports</td>
</tr>
<tr>
<td>Firms lay off workers / close</td>
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<tr>
<td>Reduced employment and labour migration</td>
</tr>
<tr>
<td>Reduced tax revenue</td>
</tr>
<tr>
<td>Pressure on govt budget</td>
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<tr>
<td>Decline in earnings and remittances</td>
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<tr>
<td>Government fiscal response</td>
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<tr>
<td></td>
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<tr>
<td>Women</td>
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<tr>
<td>Men</td>
</tr>
<tr>
<td>Girls</td>
</tr>
<tr>
<td>Boys</td>
</tr>
</tbody>
</table>

Potentially harmful household coping strategies
- Reduce spending – on health
- Reduce consumption – nutritious food
- Women increase hours of poorly paid work
- Girls substitute for mother at home
- Child labour

They include:

i. Reduced expenditure on services such as education or health
ii. Reduced consumption, including reducing total food intake (fewer meals per day) and reducing the nutritional value of foods consumed
iii. Withdrawing children from school – this may affect girls and boys differently depending on the country and culture. A study in the Philippines, for example, found that boys in secondary school were more likely to be withdrawn to work in the informal sector. However, in Indonesia more girls dropped out of elementary school.

iv. Girls are more likely than boys to do more unpaid household work and care of younger siblings to substitute for adult women who have increased their labour force participation.

The differential impact of economic crisis on women and men arises from:

v. their different roles in the household and the economy
vi. sex-segregation in the labour force by sector, occupation and type of employment contract.

Women’s reproductive roles tend to reduce their participation in other aspects of life, including the economy and decision making outside the household, which may also determine the way the economic crisis affects them. The crisis also affects women through their domestic work and responsibility for fetching water and fuel, particularly in rural areas. As incomes are reduced, families are forced to replace market goods and services with subsistence production and unpaid work. Women play a major role in the subsistence production, particularly of poultry and vegetables, and provide most of the unpaid work.

Because of the social significance attached to men’s primary role of breadwinner, unemployment may result in severe psychological effects on men that also have negative consequences for women. Unemployment may lead to depression and even suicide among some men. Male unemployment and the frustration associated with it may also increase the incidence of violence, particularly violence against women and children.

Men may be more reluctant than women to accept lower paid or lower status employment, resulting in increased labour force participation rates for women at the same time as men’s rates decrease.

Labour force segregation by sex also results in very different impacts of the crisis on women and men. Men typically have higher paying jobs in higher productivity sectors and are in more skilled occupations with benefits and unemployment insurance. Women often constitute the majority of temporary, low-skilled and informal workers in low productivity and often export-oriented sectors.

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3 Chavez, Jenina Joy and Rowena D. Cordero 2001: 41.
4 UN-ESCAP 1999: 126.
5 “SEOUL - A RECENT rash of suicides in South Korea is being blamed on the grim economic climate, a situation echoing the impact of the 1997 Asian financial crisis on the country, news reports said this week. Medical experts say mental illness has also been on the increase here amid the recent stock market meltdown.” The Straits Times, Oct 28, 2008
7 ILO 2009a: 7
with few or no benefits. These jobs require longer working hours and are also likely to be among the first to be eliminated during times of crisis as global demand for imports falls. Women are then often forced into even more poorly paid and riskier forms of employment in the informal sector that may lead to exploitation, as migrant workers that may lead to trafficking, or in entertainment-related occupations that may lead to commercial sex work (Text box 3).

Text box 3 Cambodia: more women entering the sex trade from declining industries

During the crisis, women who have entered the sex trade are increasingly coming from declining working conditions, such as in the garment sector, where they experienced long working hours and low pay. Debt bondage to sex establishment owners has increased, with an increasing proportion of cash going toward remittances to families. (United Nations Inter-Agency Project on Human Trafficking Survey: April-May 2009).

1.2 Crisis and coping strategies have long-term negative effects on women and children

The ways in which households in general and women in particular cope with the negative impact of financial and economic crisis may have permanent effects on the human resources and life chance of women and children. Women and girls have fewer mechanisms to manage economic hardship in ways that might avoid permanent effects. They often have limited legal rights and little protection against unemployment, fewer assets to fall back on, few savings due to their lower levels of earned income, and little decision-making authority within households so that they may not be able to control even the limited resources they have. Their coping mechanisms tend to involve long hours of poorly paid work in poor conditions, resulting in increased risk to their health and well-being. Due to the low returns obtained from their efforts, many may skip meals, medical check-ups and treatment with potentially long-term negative impacts on their health and the health and education of their children that may last for the rest of their lives (Text box 4).

Text box 4 Potential impact of the crisis and coping strategies on children in East Asia and the Pacific

- Maternal anaemia could increase by 10-20%
- Prevalence of low birth weight could increase by 5-10%
- Childhood stunting (low height for age, which is already high) could rise by 3-7%
- Childhood wasting (low weight for height) could increase by 8-16%
- Under 5 mortality rate in severely affected countries could increase 3-15% (Bhutta, 2009).

Effects of stunting include delayed motor development, impaired cognitive function and poor school performance, are largely irreversible. Wasting is a strong predictor of mortality among children under 5 years. (Global Social Policy. http://gsp.sagepub.com)

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8 ILO 2009a: 4-5

1.3 Crisis impact on women and girls is often overlooked by policy makers

It is particularly important, not only for the well-being of the women and children directly affected but also for the nation as a whole, that women’s and children’s needs are addressed during economic crisis. However, the specific impact on women and girls is the least considered by policy makers because most of them are men and they are more familiar with the effects on other men (Text box 5).

Text box 5 Korean media reported the impact of the Asian Financial Crisis on men but ignored the plight of women

Newspapers, television shows and soap operas [in Korea] constantly portray the plight of unemployed male workers and male business owners who go bankrupt are desperate and suicidal. The fact that the women are also fired from their jobs is not highlighted and their plight is completely ignored. (Victoria Tauli-Corpuz, 1998: 2.)

For example, several studies during the Asian financial crisis found a mismatch between the impact of the crisis on specific population groups, particularly women, and the distribution of the benefits of the responses to the crisis. In a number of cases, women lost their jobs but the jobs that were created were largely taken by men (Text box 6).

Text box 6. Women lost their jobs but employment creation benefited men

During the Asian financial crisis, more men than women lost their jobs in the Philippines, whereas in South Korea, for every man, seven women were laid off. A study by Oxfam in the Philippines revealed that, in response to the loss of 42,000 jobs in the garment and electronic industries, where female labour is predominant, the government created 41,000 new jobs through infrastructure projects. (Emmett, Bethan 2009: 9.)

The impact of unemployment on household income sometimes differed according to whether it was women or men who lost their jobs (Text box 7). However, responses in general paid little attention to such differences and men tended to benefit more than women from employment creation initiatives. Particularly in countries with small open economies where the size of the fiscal response was small, untargeted benefits were not sufficiently widely dispersed to reach disadvantaged regions or groups such as poor women and children.

Text box 7. Loss of women’s jobs had a greater impact on household income

During the Asian Financial Crisis, a survey in the Philippines found 94% of households in which a woman lost her job reported a decline in their incomes, compared with only 65% where it was a man who lost his job. Where men lost their jobs, women in the family may have been forced into distressed employment to replace the lost income. This may have been more difficult where women lost their jobs. (ILO February 2009a: 7.)
1.4 Women are under-represented in government economic decision making

Women are generally poorly represented in economic decision making in most countries (Text box 8) and therefore unable to ensure that their situation is taken into consideration and their needs met. Women’s groups such as the national machineries for women and most women parliamentarians have limited experience of economic and financial affairs at the policy level and are rarely part of government dialogues on crisis responses.¹⁰

**Text box 8. Few women are among the key economic policy makers**

Of 153 countries and self-governing territories with Trade or Commerce ministries, only seven had women ministers. Two were in Asia: Indonesia and Malaysia. (Progressive Policy Institute, Trade Fact of the Week, June 8, 2005. [http://www.ppionline.org/](http://www.ppionline.org/))

Men dominate economic decision making in all of the countries covered by this paper with the exception of Indonesia. All economic portfolios in the current Cambodian government are held by men,¹¹ as are the portfolios for finance and industry and commerce in Lao PDR. All members of the Government of Vietnam are men, except for the Minister of Labour, War Invalids and Social Affairs.¹² Indonesia is an interesting exception to this pattern of male domination in economic leadership. Currently both the Ministers for Finance and for Trade in Indonesia are women. In China, the ministries for finance and commerce are held by men, although one deputy minister for commerce and one of the ten members of the management team of the People’s Bank of China is a woman.¹³

Women’s increased participation in economic decision making has the potential to make a difference for both women and children. For example, the woman Minister for Finance has been a strong supporter of gender budgeting initiatives in the Indonesia. It is probably not a coincidence that Indonesia is the only country covered where employment creation programmes explicitly target women and a poverty alleviation programme provides cash transfers direct to mothers rather than to the heads of households.¹⁴


The Asian financial crisis that hit the Asian region in late 1997 suddenly and dramatically reversed decades of economic and social development (Text box 9).

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¹⁰ A donor-funded project of the national women’s machinery in one of the countries located in the same building as the planning ministry explained that her unit was totally focused on implementing the project. Although a gender focal point had been appointed in the planning ministry, her unit had limited contact with it and felt that the focal point had little input into policy.


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Text box 9. The Asian financial crisis had a devastating impact on the region

The Indonesian economy went from a growth rate of 7.8% in 1996 to -13% in real terms in 1998. The Thai economy shrank by 10.5% and the Republic of Korea and Malaysia were both reduced by 7% (Ramesh, 2009: 3 and 9).

In Indonesia, underemployment increased from one-third to one half of the labour force 1996-98 (Ramesh 2009: 4).

Indonesian unemployment climbed from 4.4% in 1996 to 5.4% in 1998. The larger impact, however, was on the number of workers in vulnerable employment: from 1997 to 1998, the level of formal wage employment shrank by 1.5 million (4.9%) while the number of workers in vulnerable employment increased by 3.7 million (6.8%). (ILO February 2009: 10.)

The impact of the Asian crisis was more severe than the current crisis: The widespread and visible unemployment concealed an even greater burden of underemployment and discouraged workers who were pushed entirely out of the labour market.

Manufacturing employment and SMEs were hard hit by the crisis but, somewhat paradoxically, it was the smallest micro enterprises, usually run by women, that were vital in keeping many families form poverty and protecting children from the most harmful effects of the crisis. Urban agriculture on vacant lots, often initiated by women, was another survival strategy that helped to maintain levels of nutrition for many urban families and children. Neither of these coping strategies received much attention or support from governments.

Poverty measured in the conventional way increased sharply while government revenues and expenditures both declined in absolute terms, although the fall in the share of GDP was smaller because of the negative growth. Social expenditures appeared to increase in several countries but this was also an illusion due to the reduction in the GDP. Only in Indonesia did the absolute size of social expenditures increase.\(^\text{15}\)

Text box 10. Education was less affected; the impact on health was larger

- Secondary school enrolment fell by 11% in Indonesia, 8% in Philippines (UNESCO 2000).
- Healthcare utilisation did not fall at the national level although it did in some areas.
- Percentage of moderately anaemic or severely underweight for height children in Indonesia actually fell
- But the nutritional status of adults deteriorated, especially for poor women
- Spending on education was maintained
- Share of household income spent on health fell significantly
- Health costs and waiting times increased
- Number of children visiting primary health care centres fell from 47% to 28% 1997-98.

( Health & Life Sciences Partnership: 8.)

\(^\text{15}\) Ramesh, M 2009: 6-7
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Education was less affected than many had feared, but households cut back on health expenditure (Text box 10Error! Reference source not found.). In Indonesia social protection measures were introduced only in mid-1998 with a Social Safety Net programme supported by the World Bank. Other initiatives included subsidized rice and fuel, labour-intensive public works programmes and micro credit initiatives. Education measures included scholarships, improved schools and school lunch programmes. Grants were provided to the poorest 60% of primary schools. Grants were also given to village health centres for services and nutritional services for mothers and infants (Text box 11).


<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>26%</td>
</tr>
<tr>
<td>Regional development</td>
<td>17%</td>
</tr>
<tr>
<td>Health</td>
<td>12%</td>
</tr>
<tr>
<td>Transportation infrastructure</td>
<td>8%</td>
</tr>
<tr>
<td>Total IDR 17.3 trillion</td>
<td>30%</td>
</tr>
<tr>
<td>(Ramesh, M 2009.)</td>
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</table>

In Indonesia two surveys were conducted to assess the immediate impact of the crisis, one by the World Bank and one by UNDP.16 One permitted spatial comparison across provinces, while the other did not. The three main findings of the first spatially oriented survey were that:

i. urban areas were harder hit than rural areas
ii. the impact varied markedly among regions, with some being little affected
iii. there was little connection between initial poverty levels and the extent to which an area was hit by the crisis. This suggests that targeting to minimize the impact of the crisis and poverty alleviation are quite different exercises.17

The UNDP survey found that the poorest were the hardest hit but coped by focusing on basic needs, particularly food, and reducing the resources devoted to health and education. Higher income groups maintained their expenditure levels but because of inflation reduced the quality of consumption. Most also maintained their savings levels and felt that they did not really need the government to provide basic goods such as rice, cooking oil and sugar. The urban population continued to fund education and health care while rural people were more likely to sacrifice these for basic needs. However, regardless of the severity of the crisis impact, most respondents did not sell assets. Coping strategies were mainly reducing the quantity or quality of consumption, finding another job, working longer hours or borrowing from relatives.

One of the most important fiscal instruments for mitigating the impact of the crisis at the regional level in Indonesia was Inpres (literally, Presidential Instruction), which disbursed funding grants directly to the local government level for primary schools, public health, services and regional development. Block grants under Inpres gave local governments more freedom to select the type of project that would most improve social welfare in the local context. Because it prioritized education and health, Inpres grants improved regional distribution, which has not usually been a focus of fiscal

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16 Kecamatan Survey, World Bank, Ford Foundation and ASEM Trust Fund; On the ground monitoring survey, UNDP
17 Sumarto, Wetterberg, and Pritchett, 1999
response packages. Regions severely hit by the crisis often received a very small share of the benefits from the fiscal policy response.

A major limitation of government responses to the Asian financial crisis was the lack of or limited availability of social protection and social insurance schemes. The impacts of the crisis disproportionately hit the poor, who were largely left outside of formal social insurance schemes.\textsuperscript{18}

\begin{table}[h]
\centering
\begin{tabular}{|p{15cm}|}
\hline
1. The impact of an economic crisis is not uniform across regions, sectors or between women and men
2. The fiscal response should be targeted to address the impact in the regions, sectors and households most directly affected
3. Urban populations may be more vulnerable because of their greater integration into the market economy
4. However, rural households are more likely to adopt coping strategies that may have a negative impact on the long-term welfare and capacity of women and children
5. Addressing the impact of the crisis and alleviating poverty are different and require different kinds of responses
6. Household expenditure on education tends to be maintained
7. Household expenditure on health services is more likely to be reduced with consequent negative effects for women, including pregnant and breastfeeding mothers, and children
8. Therefore fiscal stimulus packages should prioritize support for health care
9. Fiscal response programs should prioritize investments in infrastructure that are labour intensive and will contribute to productivity and long-term welfare without adding significant long-term costs to the routine budget.
10. Although the type of employment created by infrastructural investment tends to be dominated by men, women can and in many cases already do such work. Quotas may be needed to ensure that women gain access to a share of the jobs created that is commensurate with the impact of the crisis on female employment. Infrastructure programs can be designed specifically to create jobs for both women and men.
11. Small scale infrastructure investment that is based on the use of local resources for constructing local roads, bridges, water supplies, traditional markets, irrigation challenges and local electricity can fare more effective than large-scale equipment based infrastructural investments in generating employment and is more gender-responsive in ensuring that benefits reach the wives and families of those employed.
12. Local level infrastructure projects can also be more effective in providing appropriate employment for women.
13. The long-term impact of programs needs to be considered. In the past, welfare programs initiated during the crisis have later been abandoned as governments seek to reduce budget deficits. For example, expenditure on building schools creates employment and future benefits for children but increasing teachers’ salaries would create a permanent drain on the budget that may not be sustainable.
14. Governments need to explore ways of providing sustainable and affordable systems of basic social insurance to protect those most vulnerable to the negative effects of economic crisis. Systems are especially needed to cover the informal sector and women in casual employment.
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\end{tabular}
\end{table}

\textsuperscript{18} ILO February 2009:10.
3 Fiscal Policy as a Response to Economic Crisis

In the context of an economic or financial crisis, fiscal policy is a particularly important policy tool for governments. Fiscal policy refers to policies relating to both government expenditures to provide goods and services and to the way in which governments finance these expenditures. All government expenditures have a stimulating effect on the economy but different kinds of expenditures may affect sectors or other parts of the economy in different ways with different effects on the population sub-groups that depend on them. For example, some sectors that are seriously affected by the crisis, such as construction, may mainly employ men and be targeted for assistance by fiscal response packages. Other sectors such as petty trade and micro enterprises that mainly employ women may be equally negatively affected but largely overlooked in crisis responses (Text box 13).

Text box 13 Women were most affected by job losses during the Asian Financial Crisis in many countries and sectors

During the Asian Financial Crisis manufacturing and construction were most affected in Thailand. Women particularly vulnerable due to the decline in the export sector where they made up the majority of workers. As a result, women comprised 53 percent of laid-off workers.

Women’s share of retrenched workers in other industries was much higher: 95 percent in garments, 88 percent in toys, 80 percent in knitting and electrical appliances, 73 percent in jewellery, 71 percent in plastic products and 68 percent in footwear and leather products.

In Indonesia, the largest job losses were in non-oil manufacturing and construction but significant job losses also occurred in government, financial services and tourism, which were female-intensive.

In Korea, where manufacturing, construction, trade and financial services were hardest hit, 86 percent of retrenched workers in the banking and financial services sectors were women. (ILO 2009a; text box p.4)

The way in which expenditures are financed can also have different effects on the economy and on different population sub-groups, including on women, men and children. Governments can finance expenditures through taxation revenue or by borrowing from capital markets. Since men earn higher incomes than women, men tend to provide a larger share of taxation revenue than women. By contrast, borrowing shifts the burden of payment from the current to future generations and may involve risks with potentially higher costs for women and children. For example, if domestic savings are insufficient and governments borrow from overseas, economies may become vulnerable to volatile movements in international capital markets and fluctuations in currency exchange rates. The resulting economic instability, as was evident during both the 1980s period of structural adjustment and the 1990s Asian financial crisis, can have serious consequences for women and children in particular (Text box 14).

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19 ILO 2009a
On the other hand, borrowing may be necessary to raise the funds needed to stimulate economies in recession. During periods of high economic growth, businesses may benefit from increasing profits which are most likely to benefit men who own and control most large enterprises. However, high rates of growth often lead to pressure on the supply of goods and services resulting in rising prices. Repaying debt can be a useful means of controlling a booming economy and reducing inflation, thereby protect families, especially women and children, against rising costs of food, transport and other basic necessities. Thus, the particular context in which both fiscal and monetary policies are applied needs to be examined from the perspective of their specific and potentially differential impacts on women, men and children.

3.1 A broader view of government responses to global financial and economic crisis

Most studies of the social impact of crises tend to focus on the micro-level effects on women and children and poor households with limited attention to the macro policy context. However, it is at the macro level that crises tend to be generated and at which policy responses are formulated. Peaks and troughs in economic activity are part of the business cycle that macroeconomic policy seeks to manage in order to minimize negative impacts at the micro level impact on businesses, households and individuals. When macro policies fail or, as is often the case for developing economies, are faced with external shocks that are beyond than their capacity to manage, it is the most vulnerable, the poor and women and children, who suffer most. It is important therefore to locate the micro level impacts within the macro context and assess the extent to which different macro level policies or responses might have avoided or reduced the impact. The long-term consequences of the responses implemented to address the immediate impact of the crisis also need to be considered.

Two questions should be asked of governments’ responses to any financial or economic crisis. The first is whether the response was timely, appropriate and sufficient to address the impact. The second is: what are the long-term consequences of the response itself. Most of this analysis deals with the first question. However, the second is also important.

Other things being equal, responses that enhance productivity and competitiveness are better than those that do not. For example, a program that supports laid-off workers to increase their skills while seeking alternative employment is better that one that merely offers unemployment relief. Responses that address the negative social impact without imposing a long-term burden on future

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Text box 14. Women and children were hard hit by the Asian financial crisis in Indonesia

For example, in Indonesia data from a survey of 100 villages in 1997 and 1999 before and after the Asian financial crisis found that the number of children under five visiting community primary health care centres fell from 46 to 28%, accompanied by a fall in the number of children receiving vitamin A supplements.

The percentage of 7-12 year olds not enrolled in school doubled from 6 to 12% between 1996 and 1998, with rural areas being most adversely affected in education outcomes.

There was also a sharp increase in women’s employment (estimated as 61% of the total increase in employment 1997-98) which was seen as a coping strategy. It also reflected a deepening of poverty, since women’s increased labour was at lower real wages. Source: Miller 2005: 13-14
government budgets are more sustainable, particularly in the developing countries with limited budget resources. For example, well-designed labour-intensive infrastructure projects can provide employment for workers unemployed as a result of the crisis but have little impact on future government budgets.

Chart 1 Subsidies increased dramatically in Indonesia in 2008

By contrast, public subsidies for basic goods constitute a permanent drain on the government budget that reduces the capacity of government to invest in other areas and may also be politically difficult to withdraw. For example, government spending on subsidies in Indonesia ballooned in 2008 (Chart 1). However, the government made significant cuts in the 2009 budget, thereby freeing up funds for more productive investments (Text box 15).

Text box 15. Cutting Indonesian subsidies in 2009 frees resource for more productive measures

Subsidies were cut in 2009 from:
- Rp 57.6 trillion Rupiah in the 2009 Budget to Rp 24.5 trillion for the the fuel subsidy
- Rp 46.0 to Rp 42.5 trillion Rupiah for the electricity subsidy
- Rp 63.1 trillion in the 2009 Budget to Rp 56.6 trillion for non-energy fuels.

These reductions were obtained mainly from reducing the VAT subsidy for domestic subsidised fuels in line with the fuel subsidy reduction gained from the drop in the Indonesian Crude Price and lower subsidised fuel prices.

The non-energy subsidies for cooking oil, medicine and interest for water supply were retained. Savings from the subsidies could be transferred to education, agriculture and infrastructure. (2009 Revised budget fiscal stimulus programme: Mitigating the impact from the global crisis)
Governments can use two major kinds of economic policies to respond to externally generated financial and economic crises such as those that hit the Asian region in 1997-98 and 2008-09. The first is monetary policy, which focuses on repairing the financial system and restoring liquidity and confidence so that credit can again flow to enable industry to undertake investment and hire new workers. In October 2008 many central banks in the region followed the lead of the major global economies in lowering interest rates, although in countries such as Indonesia high inflation rates and weaknesses in the currency reduced banks’ ability to implement major interest rate cuts. However, by November declining export orders, falling growth in output and gloomy economic forecasts for 2009 shifted the response towards the second type of policy: fiscal measures to increase aggregate demand and restore business and consumer confidence.

3.2 Government capacity to respond to the global financial and economic crisis

The capacity of governments to undertake a fiscal stimulus depends on the debt position, capital inflows and foreign exchange reserves and the balance between imports and exports (the current account balance). The financial position of some countries in the region, such as Lao PDR and Cambodia, and their dependence on overseas aid to finance the national budget restricted their ability to provide a significant fiscal stimulus. The capacity to sufficiently increase aggregate demand to have a significant impact on the overall level of economic activity also depends on the openness of the economy and the size of the domestic market. In several countries in the Asian region the fate of some industries most severely affected by the global slowdown, such as garments and textiles, construction and tourism, are largely dependent on export markets and events taking place outside the national economy that are beyond the control of the government. It would be difficult for the government to create alternative local markets for these industries because of the small size of the domestic market and overall low level of income.

Countries like Vietnam, Lao and Cambodia may therefore not be able to avoid major job losses in these sectors. Their response is likely to concentrate on mitigating the negative impact on workers, many of whom are women, and their families and creating alternative employment opportunities for those displaced. Fiscal policy in these countries tends to focus on measures with the largest and most immediate impact on increasing employment and the employability of displaced workers.

The situation is different in economies such as China and Indonesia where the size of the domestic market, particularly compared to imports, may allow governments to stimulate their way out of the crisis if the fiscal stimulus package is sufficiently large and implemented in a timely manner. China was in a good position to do this with substantial reserves and a series of large and timely responses that were frequently adjusted to changing conditions. Indonesia, on the other hand was constrained by a tight budget and a considerable debt. However, compared to China, Indonesia was less exposed to the crisis in that the share of exports to GDP was much lower and the relative size of the domestic market much larger.

20 See below (p.22.)
3.3 Types of fiscal response

Governments can adopt different strategies and a variety of different kinds of measures within a fiscal response package to address an externally generated financial and economic crisis. Although they are not mutually incompatible, two major overall growth strategies can be considered:

i. Increasing domestic purchasing power to counteract the loss of export revenue resulting from recessions in overseas markets. This approach will be more effective in countries such as Indonesia where export income is a relatively small proportion of GDP. It may not be practical for smaller economies, particularly those with low incomes and therefore smaller domestic markets. It may also be less effective, particularly in the short term, even in larger economies such as China where export income is a significant share of GDP.

ii. Increasing the competitiveness of enterprises and the sustainability of exports in an effort to maintain export revenue. Countries with small domestic markets may be forced to focus on increasing their competitiveness in existing markets and/or shifting to products or markets that are less affected by the global crisis. Countries such as China that have a larger domestic market but are also deeply committed to the global economy have the medium to longer-term alternative of refocusing the source of growth away from such heavy dependence on exports to the domestic market and thus increasing their resistance to future external shocks.

In addition to seeking a path out of recession via either or both of these strategies, government response packages also include a variety of measures designed to protect the interests of particular groups within society that are affected by the crisis. These would include groups that are vulnerable due to their location within the economy combined with the nature of the crisis, such as export industries and their workers. They would also include groups that are vulnerable to crises of any kind due to poverty, disability, age, including both children and the elderly, and the socially excluded.

Within these broad parameters, the countries covered by the study have adopted a variety of measures that promote either or both of the broad growth strategies or the interests of vulnerable groups. They include:

i. Income taxation concessions to stimulate domestic demand
ii. Consumption subsidies to stimulate domestic demand
iii. Producer taxation concessions to assist enterprises to survive the crisis, contribute to national output and continue to provide employment to their workers
iv. Production-oriented subsidies also to assist enterprises
v. Public investment programs to stimulate economic activity through employment creation and/or to provide jobs for the unemployed to reduce the negative impact on vulnerable groups and the poor
vi. Infrastructure programmes – most public investment programmes in fiscal response packages involve investments in public infrastructure, ranging from roads, irrigation, energy and communications infrastructure to hospitals, public housing and schools. Apart from generating jobs, these may be designed to increase long-term competitiveness or to provide social infrastructure.

21 Economic crisis in Cambodia, from the World Bank’s point of view: with bad luck comes some good? Contributed by Stéphanie Gée Thursday, 11 December 2008
vii. Social protection and social insurance programmes to ameliorate the negative effects of the crisis on vulnerable groups, including women and children.

4 Roles of women during economic crisis

Women are significant economic actors in the household and the national economy in all five countries. They tend to be concentrated in the agricultural sector, in low paid unskilled work in export-oriented industries such as textiles and garments and in informal sector employment. Many are vulnerable to unemployment during economic crisis because of their exposed location within the economy and their insecure labour force status.

Women are also the primary caregivers within most households. This affects the way in which they spend the incomes they earn as economic actors. Women tend to spend more of their earnings than men on meeting the needs of their children and other family members, which may become critically important for children’s welfare and even their survival during economic crisis. Women’s role as caregivers also affects their response to unemployment and decreasing household income during an economic crisis. When men lose their jobs, women often become the economic mainstay of households in order to ensure the survival of their families.

i. Women are important contributors to household income in all countries.

Women are important economic actors who contribute significantly to household income and the national economy in all five countries. The conventional stereotype is that men are breadwinners who provide the incomes on which families depend for their basic needs and women do not contribute significantly to household income. Chart 2 shows that this stereotype is quite inaccurate in the five selected countries.

[Graph showing women's share of the labour force across five countries]

Chart 2 Women’s Share of the labour force

( http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTGENDER/.../EXTGENDERSTATS/ )
Gender analysis of Government Fiscal Responses to the Economic Crisis

Women are significant providers of household income in all countries. They provide more than half of the labour force in Lao PDR and almost half in both Cambodia and Vietnam. In most female-headed households, which comprised 24% of all households in Cambodia in 2007, and 12% in Indonesia and 27% in Viet Nam in 2004, women are the only sources of income for their families.

Chart 3 similarly challenges the stereotype that women are not economically active. Although reported labour force participation rates for women are lower than for men in Indonesia, the difference is much smaller in the other countries and participation rates are actually slightly higher for women than men in Lao PDR.

Text box 16. Women spend more of their income than men on children

IDRC found that poor women spent 75% of available funds on food, compared with only 22% for men (http://www.idrc.ca/en/ev-109210-201-1-DO_TOPIC.html). Studies in South Asia have also shown that women spend a higher proportion of their income on food and health care for children, while men use more of their wages for personal expenditure. Women’s incomes are more strongly associated with improvements in children’s health and nutritional status. (Devi Sridhar 2008)

Women’s contribution unpaid contribution to the economy is usually unrecognized and uncounted. However, if unpaid family work, informal sector work, carrying water and fetching water were included in the measurement of the labour force, the economic contribution of women would exceed that of men. In terms of the impact on children, women’s role as economic agents is even more important than the size of their contribution to household income might suggest because they tend to spend more of their earnings on the needs of the family than men (Text box 16). Reference source not found.

ii. In times of crisis, women are providers of last resort.

The initial impact of a crisis often deprives households of their main sources of income and employment. Whether that is through the loss of men’s or women’s jobs or incomes, the major impact is typically on the women who are obliged by their traditional caregiver role to find some way to provide for their families’ needs.

One strategy often observed in a crisis is that women’s hours of labour force work increases, while men’s decreases (Figure 2). However, this crisis work is a matter of necessity rather than choice. It usually involves long hours, low levels of pay and poor working conditions in the informal sector or petty trade. It is sometimes described as distress employment and has a negative effect not only on women’s health and stress levels but often on girls’ education and health if they have to take over adult women’s roles in the household and therefore be unable to continue their education.

iii. Women’s unpaid work tends to increase during economic crisis

During economic crisis, women’s household work is likely to increase as households replace market goods and services with household production and unpaid work largely provided by women. Unpaid household work, including care work, is an essential element of daily life that promotes well-being and supports economic activity. Time use surveys show that women work more hours than men because most work in the economy as well as doing most of the unpaid and care work in the household (Text box 17). Poorer households in particular rely more on unpaid household and care work for children, the elderly, the sick and the disabled because they cannot afford market substitutes.

**Text box 17. Korean women provided three times as much personal care as Korean men**

The 2004 time use survey in the Republic of Korea showed that women spent 13% of their time on household and family care compared with 3% for men.

In 2004, 17% of males aged 10 and over provided some person care averaging one hour per day compared with 39% of women who averaged three hours per day. (Miyoung An, 2008: 8, 10.)

Although in gender terms, care-giving is women’s primary role, in the midst of economic crisis their role in providing physical and personal care must often be given lower priority than their role as economic providers. As a result, girls in the household may have to take over the roles of adult women with potentially negative effects on their education, health and general development. Under some circumstances boys may also be affected, particularly in agriculture and care of large livestock although usually not to the same extent as girls.
5 Crisis and response in the selected countries

Sparked by sub-prime mortgage foreclosures and delinquencies in the United States, the global financial crisis soon became an economic crisis as credit dried up and the general level of economic activity began to slow down around the globe. Although none of the five countries were very directly involved in sub-prime mortgages, the financial contagion led to falls in stock markets and tightening credit in banking systems throughout the region. The real economy soon faced the threat of significant falls in the rate of growth.

A chain of complex economic relationships links men, women and children in households to the global economic crisis (Chart 4). Although the linkages between the global crisis and its domestic impact were similar in all the countries, each was affected in specific ways and developed different responses. This section describes both the crisis and response in each, focusing particularly on the situation of women and children and the extent to which the response addresses their needs.

The size of the official fiscal response to the crisis should be viewed with some caution. First, it is not always clear whether the spending identified in the fiscal stimulus package is new spending or was already planned. Second, some packages include measures that are part of monetary rather than fiscal policy. Third, like budgets in general, the packages can be misleading.

For a variety of reasons, allocations may not be actually spent. In some countries as much as half of regular budget allocations are not spent within the relevant budget year and a significant proportion of those that are spent only reach the implementation level at the end of the financial year (Text box 18).

Text box 18. Not all of funds allocated in government budgets are actually spent

For example, 2008 was a particularly bad year for budget disbursements in Indonesia. The government spent only 51% of the allocated budget in the first nine months of the year. As late as January 2009, 57% of all regional governments had not completed their budgets.

Source: Titheruw, Ira S, Hadi Soesastro and Raymond Atje, 2009: 25-6

Such delays tend to affect the kinds of expenditures made. Capital and equipment expenditures tend to be favoured over services and more routine expenditures, although these are usually of most direct benefit to women and children.

Finally, some governments had already initiated policies and programs, including reforms to labour laws, social protection and social insurance schemes, that are now mitigating some of the negative impacts of the crisis but which are not regarded as part of the stimulus package. For example, both Indonesia and Viet Nam had initiated social protection reform prior to the crisis. 24

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24 GTZ September 2009.
Chart 4. Transmission mechanisms from the global economic crisis to households
The packages are also subject to review and modification to meet new challenges and address emerging issues. Some countries brought out as many as three versions of their fiscal response to the crisis within a year. This offers the possibility that responses that are currently completely gender blind might yet be modified to increase their positive impact on women and children, particularly girls.

The tables in the following analysis summarize both the impacts of the global crisis and the composition of the fiscal response for each country. The tables have been organized to show, as far as possible, the linkages between impacts and responses.

5.1 Cambodia

Prior to the crisis, Cambodia had been growing rapidly and steadily. The World Bank Development Report 2009 placed it among the ten developing countries with the highest rates of economic growth rate. From 1994–2007, GDP grew at an exceptional average rate of 10 percent, while poverty fell by 10 percent.25

Women were among the beneficiaries of this rapid growth. For example, more than 90% of garment workers were women.26 Most migrated from rural areas and continued to support their families who remained behind. In December 2005, the Senior Minister for Commerce estimated that the jobs created and wages earned in the garment sector had helped to improve the livelihoods of more than two million Cambodians, as well as contributing to government revenue. However, despite these benefits, the wages earned by the women were low and they lacked job security or access to social protection.

Despite rapid economic growth (and sometimes because of it), children in Cambodia are at risk of many violations of their rights from child labour to trafficking and sexual exploitation. In 2001, 45% of boys and almost 45% of girls aged 5-15 were in child labour, almost 9% without attending school. Around three-quarters worked in agriculture, 6% in industry and 18% in services. Boys were more likely to work in agriculture while girls were more likely to be employed in services.27 A 2003 survey on Child Domestic Workers estimated that almost 28,000 children aged 7-17 years were in domestic service in Phnom Penh alone.28

Cambodia was not directly exposed to the global financial crisis. The banking sector, although dynamic and growing, was small and had limited direct exposure to the global financial turmoil. However, the small size of the domestic economy and the importance of export industries in providing employment and contributing to government revenue inevitably created vulnerability to the flow-on economic crisis through declines in commodity prices, exports and tourism revenues.29

25 CDRI Outlook Brief no. 1 2009
26 Chandrararot et al 2009: 1
29 Chhibber, Ajay, Jayati Ghosh and Thangavel Palanivel 2009: 5.
Cambodia was particularly vulnerable to externally-generated economic crisis because its sources of growth are few. It is heavily dependent on exports, which made up more than 40% of its GDP in 2007. Three of its growth engines were directly affected by the global crisis. The demand for garment exports fell sharply, the construction industry slowed down and the number of tourist arrivals fell together with the amount they spent. This led to a recession in 2009.

The textile and clothing sector is expected to lay off more than 44,000 workers from 2008 to the end of 2009. Women were particularly affected by the lay-offs in the garment sector and the decline in tourism. More than 80% of garment workers are female. Those who do not lose their jobs are likely to face reduced working hours and lower wages. This will have an inevitable impact on the rural families they are supporting, including on the children in those families.

The Government’s capacity to respond to the impact of the crisis has been limited by its dependence on overseas aid, which finances a quarter of the national budget. The financing of the deficit has been described as “alarming” by the World Bank because of doubts about its sustainability. Government expenditures as a share of GDP increased from 14 to 20% due to higher capital spending, increase in military allowances and wage and rise in civil service salaries. However, government revenues have increased due to improved collection of customs and taxes.

### Table 1. Major impacts of and responses to the global crisis: Cambodia

<table>
<thead>
<tr>
<th>Impact 2008-09</th>
<th>Fiscal Response</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Macro economy</strong></td>
<td></td>
</tr>
<tr>
<td>• Economic growth 2008 around 7% compared to an annual average of 9.8% 2000-07+</td>
<td>• Cambodia lacks sufficient funding for a comprehensive fiscal stimulus package.</td>
</tr>
<tr>
<td>• GDP growth recession 2009 - -2.75% growth</td>
<td>• Ongoing public sector finance reform should improve budget efficiency and effectiveness</td>
</tr>
<tr>
<td>• Steel imports fall 30%, other construction materials fall 25%</td>
<td>• Real wages of civil servants were increased - the base wage by 20%, spouse and children allowances by 100%, and teacher allowances by 10%, costing an additional 20,000 riels</td>
</tr>
<tr>
<td>• 30-40% decline in motorcycle and car imports in 2009</td>
<td>• July 2009, a consultative forum of national and sub-national stakeholders agreed to incorporate social protection into the National Strategic Development Plan update for 2009-2013.</td>
</tr>
<tr>
<td>• Construction and retail industries are very weak</td>
<td>• Subsidies to offset higher fuel and electricity costs</td>
</tr>
<tr>
<td>• Economic migrants in Thailand, Korea, and Malaysia face increasing pressure to return home; fewer remittances sent back to rural families</td>
<td></td>
</tr>
<tr>
<td>• It is estimated that the lay-offs of between 20-30 percent of workers in garment factories, construction sites and the tourism industry are resulting in a loss of between of US$30-45 million in remittances. (UN)</td>
<td></td>
</tr>
</tbody>
</table>
### Impact 2008-09

**Social impacts**
- Wasting among poor urban children increased from 9.6 % 2005 to 15.9 % 2008*  
- Wat revenues fall by 27% - reduces capacity of temples to provide social protection.

**Slowdown in construction**
- Reduced foreign direct investment has seen a further 25,000 jobs lost in construction.

**Reduced demand for garment exports**
- Since September 2008, 50 factories have closed and 63,000 garment workers have been laid off\(^{[UN]}\).
- Workforce is 90 percent women and predominantly from areas (Ministry of Commerce figures\(^{[UN]}\)).

**Agricultural production maintained but farm debt increasing**
- Increased insecurity leads to more industrial unrest and disputes in 2008. Many laid-off workers do not receive their pay or entitlements.
- Cuts to hours of work and wages expected for those still in employment.

**Fewer tourist arrivals, lower spending per head**
- air arrivals down by 13%, sharp increase in one-day arrivals but length of stay decreased and per capita spending fell
- Hotel occupancies well below last year
- No massive lay-offs in tourism but under-employment has increased and incomes likely to fall\(^{[UN]}\)
- Angkor SMEs, which employ 85% of the urban labour force, are also under pressure due to lack of access to credit

### Fiscal Response

- Export fees and other bureaucratic costs reduced to assist textiles and garments enterprises
- Special financing for rice millers to increase rice stocks and internal distribution systems
- Reduced taxation on the importation of agricultural machinery.
- Ongoing reforms to labour laws are helpful
- Admission fee to Angkor Wat halved
- National Bank provided a $100 million short-term loan fund targeting SMEs

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**Sources:**
World Bank, World Development Report 2009: 356, Table 3.\(^{[9]}\)
\(^{[UN]}\) United Nations Country Team (Cambodia), The global economic downturn: Opportunity or crisis? November 2009
5.1.1 Gender assessment of the Cambodian fiscal response:

Concerns have been expressed that the household coping strategies most likely to be adopted in Cambodia may have long-term harmful effects on women and children in particular. \(^ {33} \) The 2008 increase in acute malnutrition among poor urban children aged less than five years has already been linked to the higher food prices and reduced earnings among the urban poor. It is feared that poor families may reduce the number of meals per day or eat less nutritious foods, reduce their use of health services, withdraw children from school and place them in work, or sell household assets or land.

The fiscal response in Cambodia has been neither timely nor sufficient to address these concerns. The response is particularly limited due to the lack of budgetary resources and is unlikely to have a major impact on these negative impacts of the crisis on women and children. The official response has been, at best, ad hoc and unstructured. Efforts have been made to address the needs of special interest groups such as rice millers, farmers, SMEs and the textile and garment industries. However, fiscal space is limited and there has been little systematic analysis of the crisis impact on specific groups in the population to guide prioritization of the limited response that might have been possible.

Ad hoc initiatives such as increasing the wages of civil servants and teachers will do little to help the majority of women and children. Few women are among the special interest groups benefiting from targeted measures such as the specific financing for rice millers, reduced taxation on imports of agricultural machinery relief, short-term loans for SMEs and reduced fees and other bureaucratic costs for export industries. Such measures are also basically irrelevant to the women and children most affected by the crisis. While some textile and garment producers may survive the crisis, the evidence suggests that this is due to cuts to the work force, working conditions and wages for their women workers rather than any components of the official fiscal response (Text box 19).

Text box 19 Garment companies reduce wages and working conditions of women workers in Cambodia

‘First the company reduced our pay, then we lost our jobs. They have refused to pay us severance or other benefits. Since I lost my job sometimes we eat only once or twice a day. I don’t know what to do, we are just camping in front of the factory gates, waiting for the company to pay us.’ Ms Kry Chamnan, Cambodia (Emmett, Bethan 2009: 6).

In 2008, 27,000 workers were retrenched from the sector, and in 2009 it is estimated that this figure has now reached 70,000. In addition to retrenchment, many garment manufacturing firms have also resorted to a range of other structural and adjustment mechanisms in a bid to ride out the economic downturn. These include work suspensions, bans on overtime, and reduced working hours, all of which have had an acute financial impact on the sector’s majority-female workforce—the majority of whom are poor, have little savings and large financial obligations to dependents in the provinces (i.e. children, parents, grandparents). Kang Chandrararot et al 2009:

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\(^ {33} \) SAY Vathany, Cambodian Women’s Crisis Centre, Implication of Economic Crisis on Women and Children in Cambodia: Notes from the field 2009.
In the Cambodian context, donor responses to the crisis are potentially critical, particularly in terms of providing the social support which government lacks the capacity to deliver. Cambodia’s international development partners play an important role in the overall Cambodian development context. The government response to the crisis has been weak due to lack of fiscal space and fiscal resources, both of which are heavily influenced by its development partners. Approximately two million people benefited from social assistance in Cambodia in 2007 in the form of social safety nets and social protection, most provided by projects funded by development partners. For example, UNICEF provided $3.6 million in 2008 through the Child Survival Project.

Due to a general lack of data on the impact of the crisis in Cambodia the initial UN response focused on data collection. ILO rapid conducted a rapid assessment in March 2009, UNDP conducted interviews in May 2009 with several at-risk groups and UNIAP conducted an assessment of the situation of women in the entertainment industry. UNDP and ILO also plan a tracking study of garment workers. This was closely followed by support for donor-government dialogue on developing a national social security scheme. Following the July 2009 forum between national and sub-national stakeholders including line ministries, development partners, civil society and the private sector, agreement was reached to incorporate social protection into the National Strategic Development Plan update for 2009-2013.

However, any scheme that is to be incorporated in the Development Plan for 2009-2013 is not going to deliver the support that is needed by vulnerable women and children in 2009. The UN Country Team web site and those of individual agencies show the data collection efforts outlined above but little evidence of concrete actions to address the immediate needs of those affected by the crisis. The World Bank December 2009 Newsletter records the negative impact of the crisis on Charya, a young woman former garment worker now working in the entertainment industry, and notes the slow pace of economic recovery but makes no mention of programmes or activities to assist either women in Charya’s situation or the government to increase the pace of recovery. It seems that international agencies are better organized to handle natural disasters such as floods and famines than to address the impacts of economic disasters, which may be less dramatic and more dispersed but equally profound.

5.2 China

China, the fourth largest economy in the world, recorded a steady and impressive average of more than 10% real GDP growth for most of the first decade of the century. Investment accounted for 40% of GDP, while net exports also made a significant contribution. Private consumption was the third most important component of growth with public consumption the smallest component. Inflation was also low.

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34 The main government social protection programme is the National Social Security Fund covering civil servants. A National Vocational Training Fund primarily targets laid-off garment workers. Government spending on social protection is less than 1 percent of GDP, one of the lowest figures in the region (UN Country Team 2009).
35 UN Country Team 2009: Table 12.
36 UN Country Team 2009: section iv.
37 UN Country Team 2009: 47.
38 Economic and Social Survey of Asia and the Pacific 2009,
As a result of its strong economic performance, China is in a better position to deal with the crisis than many other countries. The government has a budget surplus of 1-2% of GDP and the total public sector debt is less than 20% of GDP, one of the smallest of any large economy. A number of key indicators, such as school enrolment ratios and under-five mortality ratios, are now comparable to those in many advanced economies. China’s population is wealthier, better educated and healthier than it has ever been, and the benefits of economic growth have reached most of the population, including the poorest groups.

Paradoxically, China’s economic success has also rendered it vulnerable to the global financial and economic crisis due to its high dependence on foreign trade. Manufacturing exports were around 30% of GDP prior to the crisis. The impact of the financial and economic crisis in its main markets immediately threatened China’s export processing and export oriented industries, especially in the export processing zones.

Rural migrant workers in urban areas were especially vulnerable to the impact of the economic crisis. The rapid growth of industry in China, especially along the Eastern seaboard, had created a huge demand for migrant workers. Some 150 - 200 million Chinese peasants left their villages for better paid jobs in the cities. Factory cities such as Dongguan drew young and unskilled women into assembly line employment while construction and heavy industry were the largest employers of male migrant labour. The jobs of both women migrant workers in the export sector and men in construction were particularly endangered. While the direct impact of job loss would fall on the migrant workers, the elderly and women left behind in the countryside who were dependent on remittances were equally vulnerable. The vulnerability of both groups was exacerbated by their limited access to the public services that might ameliorate the negative consequences of unemployment.

In China, women and girls are especially vulnerable to the impact of the crisis. The China Human Development Report 2007/08 reported the gender gap in human development and access to public services as a matter of national concern (Text box 20). It noted that women continue to face discrimination in the labour market and other areas of life, including health care, and carry a heavy burden of unpaid domestic and care work. It also noted the extreme distortion in the sex ratio at birth in China. In 2005, at the national level 118.9 male babies were born for every 100 female babies. Female infant mortality is also persistently higher than male infant mortality, although the natural rate is normally higher for male infants. China is also the only country in the world where official statistics show higher rates of suicide among women than men. These trends reflect deep underlying inequalities between women and men with particularly negative consequences for the birth and survival of female children that are likely to be exacerbated during economic crisis.

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39 Chang Hee Lee (2009): 1
41 UNDP 2008: 99
42 UNDP 2008: 100
43 The normal range is 103 to 107 males per 100 females (UNDP 2008: 102).
44 Liu, Si-Si 2005
The first fiscal response program for China was debated in the National People’s Congress in March 2009, resulting in cuts to planned spending on basic investment and energy saving/environmental protection and increases in planned spending on low cost housing, health, education and culture as well as innovation and structural change. However, although the spending has been approved, more than two-thirds was to come from local governments, banks and enterprises. It is unclear whether they are willing or able to implement the central Government’s plans.

Table 2 identifies the date of specific responses and tries to link specific responses to particular impacts. However, the major objective of each round of responses in China was the broad one of stimulating domestic demand to compensate for the loss of export income due to declining demand in its main markets. A secondary objective was also a broad one of improving social services and social protection in order to avoid social conflict, public unrest and political instability.

<table>
<thead>
<tr>
<th>Impact 2008-09</th>
<th>Fiscal Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slow down in rate of growth from 10.6% in the first quarter of 2008 to 6.8% in the fourth quarter and 6.1 in first quarter of 2009</td>
<td>9 NOV 2008</td>
</tr>
<tr>
<td>Consumer and producer price indexes decreasing since mid 2008</td>
<td>Fiscal expenditure 13% of GDP - CNY 4 trillion - USD 585 billion</td>
</tr>
<tr>
<td>Declining demand in major export markets</td>
<td>Infrastructure – low income housing (280 billion CNY)</td>
</tr>
<tr>
<td>Impact on jobs is unclear because numbers on employment have not been released</td>
<td>Improving rural living standards (370 billion)</td>
</tr>
<tr>
<td></td>
<td>Technological innovation (160 billion)</td>
</tr>
<tr>
<td></td>
<td>Infrastructure – railways, highways, airports, power grids (1.8 trillion)</td>
</tr>
<tr>
<td></td>
<td>Health care, education (40 billion)</td>
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<td>Ecological and environmental protection (350 billion)</td>
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<tr>
<td></td>
<td>Post-disaster reconstruction (1 trillion)</td>
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<tr>
<td></td>
<td>Increased value-added tax rebates for 3,770 export items</td>
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</tbody>
</table>

One key finding [of the Human Development Report 2007/08] is that women bear the greatest impacts of the other gaps identified in this report. In poor rural areas, poorer interior provinces and among migrant workers, women face the most limited access to basic public services. (UNDP 2008: 100)
## Gender analysis of Government Fiscal Responses to the Economic Crisis

<table>
<thead>
<tr>
<th>Impact 2008-09</th>
<th>Fiscal Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>In March 2009, the package introduced on 9 November 2008 was reviewed by the National People’s Congress as follows:</td>
<td>• Reduced allocation for basic infrastructure from 1800 to 1500 billion</td>
</tr>
<tr>
<td>• Reduced allocation for energy and environment from 350 to 210 billion</td>
<td>• Increased allocation for innovation and structural change from 150 to 370 billion</td>
</tr>
<tr>
<td>• Estimates suggest that as many as 20 million migrant workers may lose their jobs in factories and cities and return to their home villages⁴⁵</td>
<td>JAN 2009</td>
</tr>
<tr>
<td>• Number of ‘working places’ in industrial enterprises fell by 7.3% late 2008-March 2009</td>
<td>• Expedited spending of planned projects (600 billion)</td>
</tr>
<tr>
<td>• Official rate of registered unemployed urban people increased from 4 to 4.3% in the same period</td>
<td>• Recovery program for 10 major industries – all largely male-dominated sectors</td>
</tr>
<tr>
<td></td>
<td>• Health care reform to provide basic medical security for all</td>
</tr>
<tr>
<td></td>
<td>• Improve quality of medical services</td>
</tr>
<tr>
<td></td>
<td>• Make medical services more accessible</td>
</tr>
<tr>
<td>FEB 2009</td>
<td>• tax rebate rate rise for textile and garment exports</td>
</tr>
<tr>
<td></td>
<td>• Household Electronics for Villages program to improve rural living conditions and stimulate domestic demand for consumer durable goods via a subsidy of 13% to each rural household for two household electronic goods</td>
</tr>
<tr>
<td></td>
<td>• Special program to encourage job placement for university graduates, with subsidies and social insurance for those willing to work in villages and local communities.</td>
</tr>
<tr>
<td></td>
<td>• designated 10 sectors (mostly capital intensive industries) for an industry revitalization plan supported by tax incentives, subsidies and loans</td>
</tr>
<tr>
<td>MARCH 2009</td>
<td>• Increased allocation for health, hygiene, education and culture from 40 to 150 billion</td>
</tr>
</tbody>
</table>

Sources: Sarah Y Tong and Zhang Yang 2009; Chang Hee Lee 2009; Yu Yongding 2009;

⁴⁵ Chang Hee Lee 2009: 2
5.2.1 Gender assessment of China fiscal response

The Chinese response to the economic crisis is heavily biased toward spending on infrastructure: 47% of the initial total was allocated to investment in infrastructure, including 9% on rural infrastructure. A further 25% was allocated to earthquake reconstruction, much of which would also involve reconstruction of infrastructure. In addition, 7% was for construction of housing for the low income group. One estimate suggested that as much as three quarters of the total might be spent on infrastructure, including transport and power generation infrastructure, earthquake reconstruction, and rural infrastructure. 46 Most of the jobs created from these investments are likely to be taken by men, who are also likely to form a majority of laid-off workers, particularly in construction and heavy industry. Women migrant workers laid-off from the export sector and women entering the labour force are unlikely to benefit directly from infrastructure investment although they may benefit from service sector employment generated through the multiplier effects of the increased household spending that should result from the incomes of men employed in infrastructure construction.

The second emphasis in the initial stimulus package was sustainable development, with allocations of about 14% of the total to environmental protection, conservation of natural resources and strengthening technological capacity. Given the impact of urban pollution on health and of rural environmental degradation on agricultural productivity and access to water, more sustainable development will obviously benefit women and children and potentially reduce some of the burden of care and household chores on women. However, the benefits are likely to be achieved only in the longer term. Within the time frame of the immediate impact of the crisis, men are likely to obtain the greater benefits through increased access to employment in these sectors.

Employment generation is a key issue for China for economic, social and political reasons. It is also an important issue for women and an area in which they experience discrimination. 47 More women than men are in informal sector employment. Unemployment is higher among women but they have less access to employment services and a smaller proportion of those that use these services gain job placements. Women earn around 70% of men’s earnings for the same work and have less access to social security benefits. 48 Migrant women workers are particularly disadvantaged in all these areas, and are likely to be the majority of the laid-off workers in export industries such as textiles. Although this is well documented, the government fiscal response package takes no account of women’s different needs or experiences in the labour market. In March 2009, the National People’s Congress introduced additional measures to promote employment for university graduates and migrant workers. Forty-two billion RMB was provided to create nine million new urban jobs in 2009 and try to keep the registered jobless rate below 4.6%. 49 The programme offered subsidies and social insurance to those willing to work in villages and local communities. Female graduates may benefit, although it is unlikely that consideration has been given to their particular needs for accommodation and personal safety.

46 Sarah Y Tong and Zhang Yang 2009: 4
47 UNDP 2008: 100
48 UNDP 2008: 99-102
49 Sarah Y Tong and Zhang Yang 2009: 2
The official response package also addressed social issues through an allocation of 10% of the total to provide affordable housing for low income households and initially 4% - later increased to 6% - to spending on healthcare and education. Other more socially-oriented measures added to the response in early 2009 potentially offer benefits more relevant to the needs of women and children. For example, the 21 January 2009 spending plan to improve health care and provide universal health coverage within three years offers important benefits for women and children, particularly if it succeeds in providing coverage to previously excluded groups such as the families of migrant workers. Female infants in particular may then gain access to the health care required to reduce female infant mortality, which appears to largely reflect lack of health care, and to bring sex-specific infant mortality differentials back to more normal levels. Similarly, the extension of the anti-poverty programme to an additional 28.41 million low income rural residents offers women and girls some protection from the negative effects of the most damaging household coping strategies in beneficiary households. However, a more comprehensive social safety net is required to meet the needs of the many women in informal and self employment.

Other ad hoc programmes directed at increasing consumption expenditure may benefit women to some extent. For example, depending on the type of consumer durable goods chosen by rural households utilizing the Household Electronics for Villages subsidy, women may benefit from access to labour and time-saving devices such as washing machines, water heaters and motorcycles. However, since men continue to be the main decision makers in Chinese households, particularly in rural areas, the bulk of the purchases may benefit men. Some local governments have tried to boost consumption expenditure. Some have offered shopping coupons to low income households, which would directly benefit women. Most have issued to encourage domestic tourism. Since women tend to be employed in the service sector, including in food and beverages and accommodation, they may benefit from the increased demand created.

Overall, women and children in China stand to benefit most directly from the government fiscal stimulus package if it succeeds in boosting domestic demand sufficiently to protect the economy from the worst effects of declining export demand. However, this is likely to involve significant shifts in the composition of production to meet the different needs and tastes of domestic consumers. As a result, women migrant workers in the export sectors would still face major dislocation of employment. The current gender-blind employment generation and vocational training programmes seem insufficient to protect many women and girls from the harsh consequences of unemployment, poverty and coping strategies that deprive them of health care, nutritious food and other basic necessities.

5.3 Indonesia

Indonesia has struggled to overcome the Asian financial crisis, in the face of persistent poverty and unemployment, inadequate infrastructure, corruption, a fragile banking sector, a poor investment climate, and unequal resource distribution among regions. The December 2004 tsunami and an earthquake in central Java in May 2006 placed continuing strain on the economy while falling oil

50 Sarah Y Tong and Zhang Yang 2009: 3. The initial allocation for health and education in the first draft of the plan was only one percent (Tong and Zhang: 4 footnote 2).
production and lack of new exploration investment turned Indonesia into a net oil importer in 2004. The cost of subsidizing domestic fuel and misjudged monetary policy led to a run on the currency, inflation and increased interest rates that reduced growth into 2006. Large increases in rice prices pushed millions more people under the national poverty line.

Three policy packages were introduced in 2006 to improve the investment climate, infrastructure, and the financial sector, although implementation has proved difficult. Despite the political risks, the government took the decision to cut the costly fuel subsidy, thereby releasing an extra US$ 10 billion for much needed development programs. By 2006 real income per head had reached the levels of 1996/1997 and the country was able to maintain low budget deficits. However, economic growth has been driven primarily by domestic consumption, which accounts for roughly three-quarters of Indonesia's gross domestic product. It has not been accompanied by an equivalent level of job creation, making it difficult to achieve sustainable reductions in poverty. Poverty levels fell steadily from 1990 to 1997, when they jumped sharply from 11.3% to over 24% in 1998. By 2005, the poverty level had fallen to 16%, rising again to 17.5% the following year due to large increases in the price of rice and domestic fuel after the government removed the fuel subsidy.

The 2001 “big bang” decentralization transferred over one-third of all government spending to sub-national governments by 2006. While this has relieved pressure on the central government, it has created major challenges for budget implementation in the regions. Responsibility for the provision of basic services has now been decentralized to the regency level but there has been continuing confusion about the roles of provincial and lower levels of government and the funding that reaches service providers is often inadequate to meet their obligations. This creates problems for women and children who are most dependent on basic services, particularly in education and health.

The 2007 MDG report for Indonesia noted gradual improvements towards all the goals. Indonesia was on track to meet many of the MDG targets. However, the report expressed concern over lack of progress on maternal health, child nutrition, and environment, including access to safe drinking water. It also noted that the national averages and aggregates concealed disparities at the local level and that many districts and provinces in the outer islands are highly unlikely to meet the targets. Severe malnutrition is still widespread in all provinces. Employment was identified as the major gender gap. This included the lack of social security for workers in the informal sector, the majority being women. The report also identified a need to improve protection of women workers, including compliance with international labour agreements and effective monitoring of labour practices in the regions. Women also needed to be given equal opportunities with men in employment and businesses.

The Ministry of Finance is currently moving toward performance-based budgeting including the introduction of a pilot program of gender-responsive budgeting at the national level in seven sectors/agencies. It plans to extend both performance-based and gender-responsive budgeting,

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51 ADB 2006.
52 Titiheru, Ira S, Hadi Soesastro and Raymond Atje May 2009: 20
53 National Development Planning Agency 2008: Figures 1.1 and 1.2
54 World Bank, Indonesia Public Expenditure Review 2007: 3
which it regards as an indivisible package, in future budget years. This provides women with a golden opportunity to work with the Ministry toward increased allocations for women’s and children’s needs and priorities. As the new budgeting approach is rolled out to the sub-national level in future years, the issue of gender-responsive and child-oriented implementation of budgets will also need to be addressed.

As late as September 2008, Indonesia appeared to be in a good position in terms of the main economic indicators: growth was still running at 6.1% for the year, and although export growth had weakened, the import of capital goods was still increasing. Indonesia is also favoured by the size of its domestic market: although it is typically regarded as a very open economy and therefore quite exposed to external economic forces, household consumption is 2.6 times the size of exports (compared with only around 80% for China).  

The Indonesian economy is relatively open and therefore exposed to the global economic crisis through falling demand for its exports. However, the initial impact of the crisis was financial, as the rather volatile Indonesian stock market tumbled, investors fled to more quality investments and the rupiah depreciated. The financial impact was soon followed by the anticipated decline in exports and lay-offs in export-oriented industries. As during the Asian financial crisis, many of the workers who lost their jobs were women and few women had access to social insurance.

Many Indonesian women working overseas also lost their jobs so remittance income in many rural households declined and increasing numbers of women migrant workers returned home. Many Indonesian migrant workers are married with children who are left in the care of other family members, either grandparents or, in some cases, the father. The loss of remittance income therefore has a potentially significant impact on the welfare of the migrants’ children, most living in rural areas.

Indonesia identified three strategies for addressing the crisis:

i. increasing household purchasing power to counteract the loss of export revenue
ii. increasing the competitiveness and sustainability of enterprises and exports to avoid job losses
iii. increasing budget allocations for locally-based infrastructure projects using local labour and resources to create new jobs for the unemployed, as well as providing training to increase their skills and employability.

The Indonesian fiscal response has two major components: increased government expenditure and taxation cuts. The dominant role of taxation cuts, which make up more than three-quarters of the total package, is unique in the region. The emphasis on taxation is an extension of a policy shift that began in January 2009, before the size of the crisis impact was apparent, when marginal taxation rates were reduced and the taxation free income threshold was raised. The tax cuts that formed part of the August 2009 fiscal stimulus package were targeted toward particular sectors, including the VAT on oil & gas exploration and low-cost household cooking oil, import duties on imported raw materials and capital goods, and the payroll tax for firms in labour-intensive industries. Taxation relief targeted both consumers, as part of the strategy for maintaining household spending, and
producers, to help avoid job losses. The total fiscal response package is approximately 1.5 percent of GDP.\(^{58}\)

The increased government spending for infrastructure concentrated on labour-intensive projects such as road maintenance and rural irrigation that could be initiated quickly. Funds were also added to an existing community support programme and some funding was allocated for training and retraining to assist laid-off workers to obtain new employment. The reaction of the Indonesian government to the 2008-09 global financial and economic crisis stands in contrast to policies adopted during the Asian financial crisis, when infrastructure and social support expenditures were reduced. The August 2009 fiscal response package increased spending on both infrastructure and social support.

Another significant difference from the response to the earlier Asian crisis was explicit recognition at the programme level that women might be affected differently from men. In developing the infrastructure component of the package, the government recognized that women might find it harder than men to obtain new jobs\(^{59}\). Locally-based infrastructure projects, which would be close to their homes, were promoted to increase women’s access to the jobs created and the broader benefits of the infrastructure programme for women. The locally-based infrastructure projects not only maximise local employment in ways most likely to benefit women and the families of the men employed, but also provides basic needs such as drinking water, irrigation, housing and electricity that will improve people’s lives in the long term. Investment in drinking water, housing and electricity in particular should also save time and reduce the burden of women’s domestic work, while the multiplier effects of the infrastructure programme through the increased spending of those employed would provide second round employment for others in the community, including women in the service sector.\(^{60}\) Women were also expected to benefit from the National Program of Community Empowerment that allocated USD 0.3 million to more than 5,720 districts for the construction of roads, bridges, water supplies, traditional markets, irrigation channels and electricity. ILO and the Department of Manpower were also reported to be working to implement a quota of jobs for women in the implementation of these programmes.\(^{61}\) Women were also targeted as the primary beneficiaries in the 18.2 million poor households due to receive cash transfers of Rp. 100,000 per month for two months.\(^{62}\)

All three strategies in the Indonesian fiscal response focus on promoting economic growth to build a stronger, more resilient and competitive economy that better able to manage and resist external shocks. The response also included a small import substitution strategy to improve the balance of trade.

\(^{58}\) World Bank June 2009: 29  
\(^{59}\) Santoro, Bambang 2009:  
\(^{60}\) Santoro, Bambang 2009. However, the employment benefits of the fiscal response are tempered by the fact that even before the crisis the number of new entrants to the labour force exceeded the number of new jobs created each year (Titiheruw, Ira S, Hadi Soesastro and Raymond Atje 2009: 20).  
\(^{61}\) Personal communication, ILO Jakarta November 2009.  
\(^{62}\) Cash transfers had first been introduced in 2006 to compensate the poor for loss of real income due to spiraling inflation. (Titiheruw, Ira S, Hadi Soesastro and Raymond Atje May 2009: 18)
### Table 3. Major impacts of and responses to the global crisis: Indonesia

<table>
<thead>
<tr>
<th>Impact 2008-09</th>
<th>Fiscal Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Financial sector hit by negative sentiments - stock market tumbled during</td>
<td>Macro policy</td>
</tr>
<tr>
<td>the first half of 2009</td>
<td></td>
</tr>
<tr>
<td>• Reduced capital inflows</td>
<td>• Deficit</td>
</tr>
<tr>
<td>• Reduced income from remittances from overseas migrant workers</td>
<td>financing</td>
</tr>
<tr>
<td>• Rupiah depreciated by 17.5% in 2008</td>
<td>• 2009 fiscal</td>
</tr>
<tr>
<td>• Food-driven inflation</td>
<td>deficit 1.2% of</td>
</tr>
<tr>
<td>• Decline in growth from 6.2% in 2008 to a projected 4.5% in 2009</td>
<td>GDP</td>
</tr>
<tr>
<td>• Decline in investment growth – down to 5.9% from projected 7.5%</td>
<td>• Fiscal stimulus</td>
</tr>
<tr>
<td>• CPI rose to 12% in 2008 compared with 6.6% in 2007</td>
<td>Jan 2009</td>
</tr>
<tr>
<td>• Food prices accounted for 49% of rise in inflation (CPI weight for food is</td>
<td>• USD 6.7 billion - 1.4% of GDP</td>
</tr>
<tr>
<td>36%)</td>
<td>• 76.5% of this</td>
</tr>
<tr>
<td>• Declining exports - footwear and textile exports fell - 60% of production</td>
<td>• 16.8% expenditure</td>
</tr>
<tr>
<td>is exported</td>
<td>on infrastructure</td>
</tr>
<tr>
<td>• In the second quarter of 2009 - rubber exports fell 32%</td>
<td>• 6.7% on subsidies</td>
</tr>
<tr>
<td>• Price of tin fell from US$23,595 per ton Jul 08 to US$12,355 Apr 09</td>
<td>• Monetary policy</td>
</tr>
<tr>
<td>• Reduced remittances to households from migrant workers overseas, many of</td>
<td>• Interest rates cut from 9.5% 2008 to 7.8% 2009</td>
</tr>
<tr>
<td>them women, and increased numbers returning due to loss of employment</td>
<td></td>
</tr>
<tr>
<td>• During the last two months of 2008, job reductions in Indonesia exceeded</td>
<td>Aug 2009</td>
</tr>
<tr>
<td>40,000, mostly in electronics and manufacturing sectors</td>
<td>Import substitution strategy</td>
</tr>
<tr>
<td>• Additional retrenchments expected in construction and textiles</td>
<td>• Scheme to increase cotton production by 48,000 tons</td>
</tr>
<tr>
<td>• Temporary lay-offs in wood-based and estate industries</td>
<td>• Increase area under cotton to 40,000 hectares</td>
</tr>
<tr>
<td>• Three objectives of the overall fiscal response</td>
<td>• Subsidies for seeds and farm inputs</td>
</tr>
<tr>
<td>1. Maintain consumption growth above 4%</td>
<td></td>
</tr>
<tr>
<td>• Reduce personal income tax rates and increase tax free income band (January</td>
<td></td>
</tr>
<tr>
<td>2009)</td>
<td>• Subsidies for medicines and cooking oil</td>
</tr>
<tr>
<td>• Subsidies for consumption growth above 4%</td>
<td>• Cuts in fuel prices</td>
</tr>
<tr>
<td>• Direct cash transfers to poor households</td>
<td>• Pay increases for civil service, military and police,</td>
</tr>
<tr>
<td>• General income tax cut (43 trillion Rupiah)</td>
<td>retired government personnel and teachers and</td>
</tr>
<tr>
<td></td>
<td>lecturers</td>
</tr>
</tbody>
</table>

*Import substitution strategy*
Gender analysis of Government Fiscal Responses to the Economic Crisis

<table>
<thead>
<tr>
<th>Impact 2008-09</th>
<th>Fiscal Response</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2. Prevent worker lay-offs</td>
</tr>
<tr>
<td></td>
<td>• Support to industry</td>
</tr>
<tr>
<td></td>
<td>• Reduce company taxes, subsidise import duties and VAT,</td>
</tr>
<tr>
<td></td>
<td>• Reduce electricity billing rates</td>
</tr>
<tr>
<td></td>
<td>• Expand domestic market for footwear and textiles</td>
</tr>
<tr>
<td></td>
<td>• Direct subsidies for purchase of machinery</td>
</tr>
<tr>
<td></td>
<td>• USD 5.17 billion for footwear industry</td>
</tr>
<tr>
<td></td>
<td>• USD 22.1 billion for textile industry</td>
</tr>
<tr>
<td></td>
<td>• Government borne-tax and import duties (13.3 trillion Rupiah)</td>
</tr>
<tr>
<td></td>
<td>3. Mitigate impact of job losses</td>
</tr>
<tr>
<td></td>
<td>• Expenditure on labour-intensive infrastructure development</td>
</tr>
<tr>
<td></td>
<td>• Infrastructure spending (9.7 trillion Rupiah)</td>
</tr>
<tr>
<td></td>
<td>• Energy subsidy and financing for the support of small business activities (7.3 trillion Rupiah)</td>
</tr>
</tbody>
</table>

**Sources:** International Policy Centre, June 2009; Komara Djaja (2009)

5.3.1 Gender assessment of Indonesian fiscal response

Despite some recognition at the sector level of the gendered nature of the impact of the crisis, the main objectives of the Indonesian fiscal response focus on the macro level of economic activity. More than three-quarters of the fiscal stimulus is obtained through tax cuts. Apart from their general impact on overall economic growth, the January 2009 taxation reforms will be of limited immediate benefit to poor households, vulnerable children or to women in general, whose earnings are usually below the taxation threshold. Since men earn higher incomes, even when women do benefit they tend to benefit less than men because of their lower marginal tax rates.

However, women and children should benefit more directly from the targeted VAT cut on low-cost household cooking oil, subsidies for generic medicines and bio fuel and an additional ten-month subsidy on low cost cooking oil targeted to 100 percent of low income households. Some infrastructure investments, such as the provision of clean water to an additional 10 million low income households and the planned 10 percent reduction in transport fares through subsidised automotive diesel, should also provide direct benefits to women and children. Some women workers may also benefit from cuts to the payroll tax for firms in labour-intensive industries. However, men are more likely to benefit because they are more likely than women to be in the regular wage employment that is subject to payroll tax.

Explicit consideration of women beneficiaries at the implementation level for both public infrastructure and social protection programmes makes Indonesia unique in this study. Women
have been identified by the coordinating ministry as one of the groups targeted to benefit from the jobs created through small-scale public infrastructure projects using locally-based resources and labour.63 A quota of the new jobs created through these projects is planned for women. Women in poor households are also the direct recipients of the direct cash transfer programme. However, although the Ministry of Finance is in the process of implementing performance-based gender-responsive budgeting, there is little indication that this has influenced the design of the fiscal response package.

5.4 Lao PDR

Prior to the crisis, real GDP growth in Lao PDR was strong, rising to just above 8% in 2006. Mining and hydro-electric power contributed around two percentage points of this growth, the non-resource economy making up almost five percentage points. Apart from natural resources, the leading sectors were construction, trade and other services, including tourism. Food and non-food processing industries were also expanding. However, agriculture was expected to grow only slowly in 2008 due to flooding and falling prices.64

Inflation peaked at 10.3% in May 2008 due to rising global food and fuel prices which rose by 16.5% in June 2008. When these began to fall, the overall inflation rate fell to 6.5% in October 2008. Core inflation without food and energy and fuel was a low 4%. The main food items accounting for the high food inflation were rice, poultry and vegetables due to seasonality, which is a significant factor in price changes in Lao PDR, and the impact of flooding and avian influenza. Fuel prices were very high during 2008 but the increase fell from 32% in July to 6.6% in October.65

Despite the need for emergency spending in 2008, the government achieved its revenue target for the third consecutive year. However, it faced significant risks related to decreases in commodity prices. At the end of 2008, although the debt service indicators were below the indicative thresholds for low income countries, the World Bank assessed Lao PDR as being at high risk of debt distress.66 As in Cambodia, the small size of the domestic economy and the importance of export industries inevitably created vulnerabilities to the emerging economic crisis.

However, Lao PDR seems to be weathering the global financial crisis better than many other countries in the region.67 The real sector continues to perform reasonably well although fiscal management, particularly the budget deficit and off-budget spending, is considered by the World Bank to be of concern.68 The impacts of the crisis are felt through falling foreign direct investment, weaker prices and declining demand for exports, especially in the resource sectors and agriculture. Tourism and garment manufacturing, in which a large proportion of workers are women, were less affected by the crisis in early 2009 but remain vulnerable.

63 Santono 2009
64 World Bank, Lao PDR Economic Monitor, November 2008: 3 and Figure 1
65 World Bank, Lao PDR Economic Monitor, November 2008: 4
66 World Bank, Lao PDR Economic Monitor, November 2008: 6
67 World Bank, Lao PDR Economic Monitor, November 2008: 1
68 World Bank June 2009: 1
However, growth in agriculture and mining remains strong at 2.6% and 18.6% respectively. Hydro and mining projects and increased outputs contributed around two percentage points of the 7.0% real GDP growth in 2008. The remaining five percentage points came from investment in plantations for agricultural crops and industrial forestry, manufacturing (including garments), steadily rising tourism revenues, retail and construction and new food and non-food processing industries.\(^{69}\)

The crisis story in Lao PDR is not so much one of the impact on the population but of the impact on government finances. Revenues have fallen at a time when there is a high demand for public infrastructure investment. This has resulted in increasingly risky funding strategies that would seriously jeopardize the government’s capacity to respond should the impact of the global economic crisis on the Lao economy suddenly increase.

Table 4. Major impacts of and responses to the global crisis: Lao PDR

<table>
<thead>
<tr>
<th>Impact 2008-09</th>
<th>Fiscal Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth expected to fall from 7% in 2008 to around 5% in 2009</td>
<td>Main challenge is financing the deficit</td>
</tr>
<tr>
<td>Reduced external demand and tourism receipts</td>
<td>• Government facing difficulties in financing the deficit budget and responding to the crisis without appropriate fiscal space</td>
</tr>
<tr>
<td>• Fiscal deficit likely to increase sharply due to pressure from SEA Games and other infrastructure projects</td>
<td>Three main sources to finance the deficit</td>
</tr>
<tr>
<td>• Rapid fall in reserves</td>
<td>i. Additional excise and luxury taxes and fees and reducing leakage of revenues</td>
</tr>
<tr>
<td>• Decline in net capital inflows</td>
<td>ii. Mobilizing additional donor funding</td>
</tr>
<tr>
<td>• 69% of firms report their businesses have been affected by the crisis but limited impact on business performance and operations</td>
<td>iii. Increasing domestic financing through a bonds issue</td>
</tr>
<tr>
<td>• 44% reported higher revenues in first quarter 2009 compared with 2008</td>
<td>• In response to a request from the Government of Laos, the Australian Government will contribute $250,000 to fund an independent audit of the seven State-owned commercial banks.</td>
</tr>
<tr>
<td>• Little impact on employment or working hours</td>
<td></td>
</tr>
<tr>
<td>• Business confidence remains strong in manufacturing, retail and tourism sectors</td>
<td></td>
</tr>
<tr>
<td>• Impact of the crisis in second half of 2009 may be greater</td>
<td></td>
</tr>
</tbody>
</table>

Sources: World Bank, Lao PDR Economic Monitor, November 2008; World Bank June 2009

5.4.1 Gender assessment of Lao PDR fiscal response

There is no real fiscal response to the global financial and economic crisis in Lao PDR because it has so far had limited impact on the population. The main impact has been on the fiscal situation of the government and the main responses relate to the difficulties the government faces in funding a significant and growing budget deficit. These difficulties have recently been compounded by the effect of a major flooding disaster in the south of the country which had a far greater effect on the population, particularly women and children, than the global economic crisis.
Although the global crisis has had limited impact on women and children to date, both remain vulnerable to external shocks. Lao is a small open economy as well as one of the least developed and land-locked countries. The need for most trade to pass through Thailand creates another level of vulnerability to developments in and relations with the neighbouring economy. Garment and other exports and tourism are increasingly important sources of income for the country and for the large numbers of women who work in these sectors.

Women in Lao PDR make up more than half of the labour force and child labour is widespread. Around 10% of children aged 5-11 are involved in child labour, mostly in agriculture, urban shops or private households. Sexual exploitation of children continues to be reported and Lao is a country of both origin and transit for human trafficking.

The Secretariat of the National Council of Women (NCOW) is located in the building of the Ministry for Planning and Investment. Each Ministry has a unit of NCOW that is responsible for ensuring the integration of women’s concerns and gender equality in policies, plans and programs. However, the Secretariat lacks the capacity to facilitate their effective development, particularly in economic policy in which it lacks technical capacity. Similarly, it lacks the technical capacity to advocate on economic issues such as the global crisis. It focuses on its five year plan, which does not provide for monitoring or responding to emerging issues.

It is interesting to observe that development partner responses (including from UNICEF) to the flooding disaster in Lao have been larger and more timely than responses to the economic crisis in countries such as Cambodia, where the impact of the economic crisis may be comparable to that of a natural disaster. It is also noteworthy that, although the general impact of the crisis has been limited, one development partner has responded to a government request for crisis-related assistance. However, this is to audit a part of the financial system rather than to address any social impact.

5.5 Viet Nam

From 1996 to 2007 average annual real GDP growth rate in Viet Nam was 7.4 percent, exceeding 8% between 2003 and 2007, making it one of the fastest growing economies in the world. However, within a year of its accession to the World Trade Organization (WTO) in January 2007, Viet Nam experienced a huge inflow of Foreign Direct Investment that exceeded the absorptive capacity of the economy. This led to surging inflation that reached 28% in August 2008, a growing fiscal deficit of around 5% of GDP in 2008 and a current account deficit of more than 20% of GDP. Although this mini crisis was contained by the government, the openness of the economy and the concentration of its exports on the US, the EU and Japan created a significant vulnerability to external economic shocks.

During the period of rapid growth, Viet Nam achieved significant gains in the welfare of its people. The latest (2008) Millennium Development Goal report shows that poverty has been reduced from 29% in 2002 to 16% in 2006. Malnutrition among children under five years of age was more than

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Kane, June 2009: 16
Riedel 2009: 8
halved from 41% in 1990 to 20% in 2006. In 2006, Viet Nam achieved 96% enrolment in primary education and by 2007, 42 of 64 provinces had achieved the national standard of universal lower secondary education. The average time spent at school in 2008 was 10.8 years. Maternal mortality has been reduced from 203 per 100,000 cases in 1990 to only 75 in 2007. The proportion of births attended by health personnel remains around 95% at the national level and 98% in the urban and delta areas. The Government finances health insurance for the poor and a free health check for children less than six years of age. The proportion of both men and women holding voluntary health insurance is the same at 10%; 54% of all women and 13% of poor women have health insurance. The ratio of men and women eligible for compulsory health insurance is 22% and 22% respectively.72

Viet Nam was also in the process of reforming and developing a national system of social protection before the economic crisis appeared on the horizon. It already had in place mandatory social insurance systems for illness, old age, death, disability, work accidents and industrial diseases for public and private sector employees. It also had a voluntary social insurance system for the self-employed, farmers, students and those employed on a short-term basis or without labour contracts. Free means-tested social assistance was available for vulnerable groups to provide cash transfers, access to health care and other basic services. A gradual process of reform to extend coverage of voluntary social insurance, implement unemployment insurance and improve outreach of social assistance delivery was being introduced on a gradual basis.73

Viet Nam was just emerging from the 2008 mini economic crisis and continuing its social reform programme when it was hit by the global financial crisis. Although it was shielded to some extent from the direct effects of the financial crisis by the fact that half of the banking system was state owned, like other countries it was affected by a decline in inflows of capital, particularly portfolio investment, falling export income due to decreasing demand in its overseas markets, and an increasing government budget deficit. Although, exports to its main market in the US fell less than for other countries, export income fell from September 2008, hitting negative figures in January 2009, recovering slightly and again registering negative growth from April 2009.74 FDI inflows were expected to have fallen by half by mid-2009. As a result, the government deficit increased from one percent of GDP in 2006 to eight percent in 2009, five percentage points of this change being due to a decline in revenues.75

This sharp rise in the deficit created difficulties for the government in responding to the impact of the global financial and economic crisis. Where other governments were releasing large public expenditure packages to stimulate the economy, the first Viet Nam package in April 2008 cut public expenditure to reduce the budget deficit. It was only after the tight fiscal policy was successful that Viet Nam was able to stimulate economic activity through budget expenditures. One estimate classified the cost of the December 2008 measures in terms of 10.2 trillion Vn Dong revenue

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72 Ministry of Planning And Investment Viet Nam continues to achieve The Millennium Development Goals December 2008
73 GTZ September 2009.
74 General Statistics Office online database
75 Riedel 2009: 32-36
foregone and 15.2 trillion Vn Dong additional expenditures. Despite Viet Nam’s delayed response, in terms of share of GDP it ranked among the largest in the region (after China and Malaysia).

Table 5. Major impacts of and responses to the global crisis: Viet Nam

<table>
<thead>
<tr>
<th>Economic growth</th>
<th>Fiscal Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact 2008-09</td>
<td>April 2008 Resolution</td>
</tr>
</tbody>
</table>

- Growth fell from 8.48% in 2007 to 6.23% in 2008, the lowest level in almost a decade
- Export revenues fell 6.5% in November 2008 and a further 24% in January 2009 (year on year)
- Major falls in orders for manufactured exports including garments, footwear and furniture, as well as seafood products
- Export growth is forecast to decline from 30% in 2008 to 13% in 2009
- FDI inflows also fell; many projects are likely to be delayed or cancelled
- Stock market recorded its worst performance in its eight years of operation – the VN-Index fell 66.9%
- Surging trade deficit since September 2008
- Non-Performing Loans in the banking system
- Unemployment increased
- Estimated 88,000 workers lost their jobs in 2008
- Viet Nam Labour and Employment Agency forecasts 400,000 will lose their jobs in 2009
- Unemployment stood at 4.65% in February 2009
- Business difficulties, particularly among export producers
- Reverse migration of the unemployed from the cities to the countryside
- Decreasing remittances from overseas workers, which stood at 5-10% of GDP

- Measures to restrain inflation, stabilize the macro economy and ensure social security and sustainable growth
- Tight fiscal policy to reduce the budget deficit
- Reduced public investment, especially in state-owned enterprises
- Prioritized investment in the economic sectors

Dec 2008 Resolution

- Fiscal expenditure (VND 100 trillion, USD 6 billion, 6.8% of GDP)

Boosting production and supporting businesses, strengthening exports

- 4% interest subsidy on loans to SMEs
- Reduction in corporate income tax for SMEs
- Temporary refund of VAT for exported goods
- Extension of time for payment of taxes

Stimulating investment and consumption

- Exemption on personal income tax from Jan to May 2009
- Investment in infrastructure for housing, schools, hospitals
- Tet bonus (200,000 VND or USD 12 per poor person, up to 1,000,000 VND or USD 56 per poor household).
- Support to 61 poorest districts
- Housing support for the poor (around 0.5 million rural households to receive 7.2 million VND or USD 400 each)
- Support for low income civil servants

Guaranteeing social security

- Launched an unemployment insurance scheme with effect from 1 January 2009 (limited eligibility)

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76 World Bank 2009b: 21-24
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Impact 2008-09

- Local consumer demand has collapsed.
- Sales during the Tet holiday in January 2009 were down 50% from the previous year.
- Car sales were down 68%.
- The downturn is also being felt by the middle class, and the rich.

Fiscal Response

- Interest free loans to enterprises to pay salaries, social insurance or unemployment subsidies for their workers
- If companies cannot pay workers entitlements, workers can ask local governments to pay

**January 2009 Decision No. 131/QD-TTg**
- Stimulus package of USD 1 billion to subsidize interest-rates for short-term loan contracts

**Mar 2009**
- Fiscal expenditure (VND 300 trillion, USD 17.6 billion, 21% of GDP)
- Infrastructure projects
- Measures to support manufacturing and export sectors
- Projects designed to support social security and welfare
- A comprehensive revision of the Labour Code that should result in market-based rules for employment contracts; employment of women, young workers and persons with disabilities; working time; protection of wages; and labour inspection.

Sources: Riedel 2009; GTZ September 2009; Kane, June 2009; World Bank 2009b; Le Thi Thuy Van 2009.

5.5.1 Gender assessment of Viet Nam fiscal response

The fiscal response in Viet Nam was late due to the impact of the prior mini crisis on the government budget, which also restricted the capacity of the government to respond. Although the initial response appears large if measured as a percentage of GDP, the real fiscal impact seems likely to be much smaller. The response includes a number of measures that address the social impact of the crisis, including the impact on vulnerable groups, such as housing support for the poor and support to the 61 poorest districts. However, since there is no recognition that the impact and the effects of the response may be systematically different for women and men, in a patriarchal society such as Viet Nam it is likely that men will be the main beneficiaries within these vulnerable groups.

Many of the measures included in the Viet Nam fiscal response package are similarly more likely to benefit men than women. For example, the support provided to firms and enterprises is likely to benefit more men in the short term because more men than women are business owners and decision makers. Men are also most likely to be the immediate beneficiaries of the public sector investment programme. It is focused on labour-intensive projects that will create the most new

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77 World Bank 2009b: 22
78 Lien, To Kim 2007.
jobs, including the construction of infrastructure, housing, schools and hospitals. Although these will eventually provide services for women and children, as well as men, the initial construction work is most likely to provide employment for men. By the time the buildings are in service, the economic crisis may be over. In the meantime, women who have lost their jobs and are unable to find other employment may have to adopt coping strategies that have long-term damaging effects on themselves or their children.

Other socially-oriented programmes are more likely to benefit men because they are more likely to meet the eligibility criteria. An unemployment insurance scheme for wage earners was introduced as part of the December 2008 package. However, it is only available to workers who sign at least a one-year contract with a foreign, government or individual company. Wage earning workers account for less than 22% of total employment. It is likely that many of these workers would not meet the criteria for the unemployment insurance scheme and also that fewer women than men would be eligible.

6 Overview and recommended actions

6.1 Overview

None of the fiscal responses from the five countries reviewed in this study could be described as gender-responsive. Only Indonesia appears to have included any consideration of women’s specific needs and situation in relation to participating in programmes under the fiscal response and that was only at the implementation level. Despite strong gender mainstreaming and gender equality policies in all five countries, gender considerations do not seem to have played any part in the design of the fiscal response packages.

Although women and children will obviously benefit to some extent from most programmes within the packages, the benefit in most cases is likely to be less than the benefits for men. In most cases any initial benefit will only be realized indirectly through the income obtained by a male who is able to

- obtain employment (for example in an infrastructure project funded under the response package), vocational training and employment placement services or unemployment benefits
- obtain support for a business in the form of reduced taxes or other charges, subsidized inputs, concessionary finance etc
- pay lower personal taxes or
- obtain other social protection benefits.

This is problematic for women and children, particularly in female-headed households where there is no adult male or where unemployed adult male(s) also fail to find a new job, a training place or social protection benefits.

In general, as all five governments recognized through their response measures, employment is the key to survival and recovery from the effects of the economic crisis. Laid-off women workers, young

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women entering the labour market for the first time, and other women who do not obtain a job as a direct result of the fiscal stimulus may find employment through the multiplier effects of the response package. Those who succeed in finding employment can create a secondary round of new jobs by spending their earnings on consumption goods and services. However, this impact is likely to be delayed compared with obtaining a first round job and may be too late to prevent hardship and possible lasting damage due to coping strategies such as withdrawing children from school, reducing nutritional intake and going without needed health care.

Similarly, although the restoration of economic growth and improved distribution of the benefits of growth through an effective crisis response package may deliver the largest benefits for women and children, such benefits are long-term. They are unlikely to address the immediate needs of the most vulnerable women and children directly affected by loss of employment and income.

What is needed to avoid repeating the mistakes of the Asian financial crisis? How can the differences between the needs and situations of women and men, girls and boys be taken into consideration and integrated into fiscal response packages? Some types of fiscal response measures are more likely to deliver benefits to women and children than others, while most measures can be modified to enable women to benefit more equally with men. Table 6 summarises the differential effects of the main measures on women and men and outlines strategies for increasing women’s access to and benefits from each.

Table 6. Gender analysis of the main types of fiscal response measures

<table>
<thead>
<tr>
<th>Fiscal response measure</th>
<th>Differential impact on women and men</th>
<th>How to make it gender-responsive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public investment in infrastructure (China, Indonesia, Viet Nam)</td>
<td>Jobs created tend to be ‘masculine’ and taken by men</td>
<td>Provide an employment quota for women</td>
</tr>
<tr>
<td></td>
<td>May require men to work far from their families</td>
<td>Fund social infrastructure investments that require more ‘feminine’ types of jobs, such as public service provision</td>
</tr>
<tr>
<td></td>
<td>‘Leakage’ of men’s earnings in the location of the employment; much of the income generated may not benefit their families</td>
<td>Train women to do the jobs that are available, including those stereotypically regarded as ‘masculine’</td>
</tr>
<tr>
<td></td>
<td>Possible negative effects through increased risk of infection with HIV/AIDS and STDs</td>
<td>Actively recruit women</td>
</tr>
<tr>
<td></td>
<td>Transportation and other ‘through’ types of infrastructure may have negative impacts on the communities they pass through; some (increased risk of accidents, increased demand for sex workers) may particularly affect women and children</td>
<td>Provide appropriate working conditions for women, such as access to separate toilet facilities, safe transport to the work place, flexible hours</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fund smaller infrastructure projects using locally-based resources and benefiting the local community</td>
</tr>
</tbody>
</table>
### Gender analysis of Government Fiscal Responses to the Economic Crisis

<table>
<thead>
<tr>
<th>Fiscal response measure</th>
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<th>How to make it gender-responsive</th>
</tr>
</thead>
</table>
| **Personal taxation relief (Indonesia)** | Men benefit more because:  
- they are more likely to pay income tax  
- they earn more so have a higher marginal rate of taxation  

The most vulnerable women and children are unlikely to benefit from this measure. | Ensure that women are taxed as individuals rather than as part of a family unit  
Make this automatic. Do not require women to choose. |
| **Enterprise taxation relief (Indonesia, China)** | Men are more likely to benefit because:  
- they are more likely to own or control businesses that pay taxes  
- their businesses are likely to be bigger and thus benefit more  

The most vulnerable women and children are unlikely to benefit directly from this measure. However, if the benefit is large enough it may protect women’s jobs. | Develop alternative strategies to support small and micro enterprises that are more likely to be owned by women  
Monitor access to such schemes by the sex of the main beneficiary where that is an individual  
Target sectors and enterprises that employ a large proportion of women workers |
| **Consumption goods subsidies (cooking oil, Indonesia)** | Women likely to benefit directly because they are the primary user or purchaser  
May impose an unsustainable burden on future budgets and be politically difficult to remove. If maintained in the long run they may cause governments to cut spending in areas such as education, health and social services that would provide much greater benefits to women and children.  
Subsidies do not facilitate consumer choice and may not address the real needs of the most vulnerable. | Consult women and women’s groups on the benefits of such subsidies |

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80 A survey in Indonesia found that most consumers felt that they did not need the government to provide basic necessities or the cooking oil subsidy and would have preferred the budget allocated to the subsidy to be used elsewhere.
## Gender analysis of Government Fiscal Responses to the Economic Crisis

<table>
<thead>
<tr>
<th>Fiscal response measure</th>
<th>Differential impact on women and men</th>
<th>How to make it gender-responsive</th>
</tr>
</thead>
</table>
| Producer goods subsidies (agricultural equipment, China) | Men more likely to benefit because  
- they own businesses using such producer goods (machinery etc)  
- they have better access to knowledge and information about such subsidies  
The most vulnerable women and children are unlikely to benefit directly from this measure. However, if the benefit is large enough it may protect women’s jobs  
May impose an unsustainable burden on future budgets and be politically difficult to remove. If maintained in the long run they may cause governments to cut spending in areas such as education, health and social services that would provide much greater benefits to women and children. | Target women-owned businesses  
Provide information to women in business networks  
Monitor utilization by the sex of the main beneficiary where that is an individual  
Target sectors and enterprises that employ a large proportion of women workers |
| Social protection programmes | Men may have greater access because  
- Eligibility may be tied to employment and earnings (contributory schemes). Men are more likely to be employed and to have larger earnings from which to contribute  
- Eligibility criteria may require formal employment status (Viet Nam) but women are more likely to be employed on an informal or casual basis | Provide a comprehensive social safety net for all with a means test to target those in greatest need  
Review eligibility criteria from a gender perspective  
Review access conditions from a gender perspective (location of service, operating hours etc)  
Ensure that information on benefits and access is disseminated explicitly to women and women’s groups and networks |

Governments and in general economic decision makers in particular need to recognize that they have a responsibility under international law for protecting women and children from the harmful effects of the global crisis and develop specific measures to meet that obligation.

### 6.2 States’ are obliged to protect women’s and children’s rights

States Parties have a primary responsibility under international law and their ratification of human rights instruments to ensure that the potentially negative impacts of the crisis on women and girls are addressed within policy responses to the economic crisis. The UN Convention on the Rights of
Gender analysis of Government Fiscal Responses to the Economic Crisis

the Child Rights (CRC) and the Convention on the Elimination of All Forms of Violence Against Women (CEDAW) specifically require Governments as the duty bearers to protect women's rights and the rights of both girls and boys.

In the context of potentially harmful household strategies to cope with the impact of the economic crisis three articles of the CRC are especially relevant. Article 24 requires protection of the child’s right to the highest attainable standard of health. Article 28 protects the child’s right to compulsory and free primary education, as well as access to secondary education. Article 32 requires children to be protected from economic exploitation and from performing any work that would interfere with education or personal development.

In 2009, the Commission on the Status of Women called on governments to integrate a gender perspective into all measures to counter the negative impact of the financial and economic crisis on women and girls. As signatories to the Millennium Declaration, governments are also obliged to do all in their power to achieve their objectives under the Millennium Development Goals. However, many find it difficult to give practical expression to these responsibilities within the context of their response to the economic crisis.

The rights of future generations of men, women and children must be considered and protected within the framework of both expenditure and revenue decisions related to the crisis response. Decisions about how to finance the government expenditures included in a fiscal stimulus package are particularly important for the children of today who are the adults of the future. For example, failure to protect children’s rights to adequate food, health care and education may violate their rights and result in long-term damage to their life chances.

Decision makers may choose to preserve unsustainable lifestyles that reduce the ability of future generations to attain or maintain a lifestyle comparable to that enjoyed by their parents due to the burden of debt that must be borne or to burdens imposed by global warming and climate change that could have been avoided by different public expenditure choices. Similarly, decisions on the financing of welfare payments and pensions for the current generation of adults may reduce the capacity of future generations to achieve similar levels of welfare or retirement incomes.

6.3 Gender-responsive budgeting protects women’s rights

Under CEDAW, which has been ratified by all five countries covered in this study, States Parties are legally obliged to protect women’s rights and eliminate discrimination in all areas of life. The lack of reference to women’s needs or participation in fiscal response packages suggests that the rights of women displaced by the crisis are not being adequately protected. Failure to recognize and address the potentially differential impact of the crisis and fiscal responses on women and men results in de facto discrimination against women. Budgets should allocate resources in line with the policies and priorities of governments, which in all five countries include gender equality and gender mainstreaming policies. Fiscal response packages should similarly reflect government priorities.

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81 An interesting exception is a presentation by the Indonesian Deputy Minister for Infrastructure and Regional Development, Office of the Coordinating Minister for Coordinating Affairs on the fiscal stimulus package that explicitly referred to the need to ensure women’s participation in the package. The presentation concluded with a picture of women engaged in a public works road building project. Susantono, Bambang.
Their failure to include specific provision to address the impact of the global economic crisis on women constitutes a violation of governments’ obligations under CEDAW.

Gender-responsive budgeting is needed in both the national budgeting processes and the formulation and implementation of fiscal response packages. Gender-responsive budgeting integrates consideration of the different needs of women and men, and boys and girls, into budget-related processes (Text box 21). It also considers the specific situations of women and girls in socially excluded groups.

Text box 21. Gender-responsive budgets promote equal benefits for males and females

Gender-responsive budgeting involves integrating the different needs and conditions of access of women and men and girls and boys into all budget-related processes. These include planning, budget formulation and allocation, programming and budget implementation. Gender-responsive budgeting is designed to ensure that both sexes will benefit equally from the use of public resources.

Gender-responsive budgeting is most effective when used by the government budget authority in the preparation and implementation of national and sub-national budgets.

It can also be used by women’s groups to monitor and analyse the use and flows of public expenditures advocate for increased resources to ensure that adequate funds are provided to meet the specific needs of women and girls.

Communities and advocate groups can work with governments, especially at the local level, to lobby for or changes to disbursement or implementation processes to ensure that services and programs meet the needs of both females and males and are equally accessible to both sexes.

These differences need to be considered at all stages of budgeting, from macro policies to budget implementation at the local level in order to ensure that all have the opportunity to benefit equally from government programs and expenditures, including fiscal response measures. Countries such as Indonesia and Cambodia are progressing toward gender-responsive budgeting but none of the five countries under review has yet institutionalized a comprehensive system of gender-responsive budgeting at all levels.

6.4 Children’s budgeting can be used to protect children’s rights

Children’s budgeting is also a useful tool to monitor the protection of children’s rights and ensure that potentially negative impacts of the global economic crisis on children, especially girls, are being addressed by governments’ responses (Text box 22). Both gender-responsive budgeting and children’s budgeting require monitoring and sex-disaggregated data in order to assess the specific impact of the fiscal response on women and men and girls and boys. Because of their focus on results, both budgeting tools also offer governments a potentially useful way of monitoring the effectiveness and efficiency of expenditures under the fiscal response.
Gender analysis of Government Fiscal Responses to the Economic Crisis

6.5 Recommended actions for a gender-responsive child-focused fiscal crisis response

i. Present a timely case

Advocates for women and children, including national women’s machineries, need to participate in the dialogue on the crisis and provide input to formulation of the fiscal response from the earliest stages of discussion. The women’s machinery needs to present a convincing case for gender-responsive and child-friendly fiscal responses to economic decision makers. They need to have or be able access sufficient economic expertise to demonstrate the benefits to be gained from gender-sensitive strategies and the high costs of failure to prevent households from adopting coping strategies that may result in long-term damage to human resource development in the next generation (Figure 1).

Where national women’s machineries lack in-house capacity on economic policy they should be resourced to access it through consultants and advisers in the same way that other line ministries do. However, they do need to make themselves aware of emerging economic issues on a continuing basis in order to take timely action.

ii. NGOs and other advocates should support the women’s machinery

Civil society and academic women’s groups, other advocates for women and children’s interests and particularly gender budgeting and children’s budgeting groups can provide some of the expertise that the national women’s machinery needs in order to monitor, lobby and advocate for improved fiscal responses to economic crises.

iii. Recognise the different impacts on women and men; design responses accordingly

Gender analysis to show where women and men are located in the labour force and how they have been affected by the crisis provides the basic information necessary for the design of an appropriate fiscal response package. Failure to start with such information will lead to misdirected and therefore inefficient investments. For example, if the majority of laid-off workers in export-oriented sectors are women a labour-intensive investment program that creates jobs in construction and transport where the majority employed are men will do little to mitigate the impact of these job losses. Smaller scale public infrastructure investments based on the use of local resources, as are currently being adopted in Indonesia, potentially offer a more gender-responsive approach.

iv. Consider women’s domestic and care roles in designing the fiscal response

During economic crisis, women in poor households are likely to be forced to juggle their household roles and child care with income generating activities to provide for their families. Programmes
intended to support them by, for example, providing free health care or skills training should consider the duration and timing of the programme to ensure that women will have access. If the programme is only available when most women are working in the fields, doing the daily marketing or taking children to school then they will not have access and the programme will not be effective.

Women’s care roles may also help make programmes targeting children more effective. Indonesia has been implementing a conditional cash transfer program since 2007 and will expand it as part of its crisis response. Under the programme, parents must ensure a minimum level of school attendance by their child in order to receive the cash benefit. In the context of the crisis, one of the main objectives is to increase the level of aggregate demand in the economy. Providing the transfer to women rather than men does not affect this objective. However, in order to maximise program impact, the cash is normally given to mothers. This is more likely to contribute to further future poverty reduction because women tend to spend more of the income under their control on children’s nutrition, health and schooling.

v. Provide access to basic social protection for poor households.

In order to avoid potentially harmful coping strategies in the poorest households, access to publicly-funded basic social protection is essential. Without social support, families in the most vulnerable forms of employment may be unable to avoid harmful coping strategies. Countries as diverse as China, Viet Nam and Indonesia are demonstrating that it is possible to provide a minimum level of social security even in low income countries and areas. All aim to provide universal coverage in the long term. They currently have a mix of mandatory contributory schemes for workers in regular waged or salaried employment, voluntary contributory schemes for other groups, and publicly funded means-tested schemes for vulnerable groups. The publicly-funded schemes are essential during periods of economic crisis because a major impact of crisis is often a sharp increase in the number of workers in vulnerable employment.

vi. Monitor the impact of the crisis through gender-sensitive child-centred data

The impact of a crisis is specific to the particular situation. Responses that were effective on one setting may not be in another. Negative and unexpected impacts can arise very quickly. For example, in Viet Nam serious malnutrition among under five children was evident in 2008. Effective monitoring of both the impact of the crisis and the impact of components of the fiscal response are necessary to enable emerging issues to be identified, components to be fine-tuned and excluded groups to be brought into the program. The 100 Villages survey used in Indonesia to assess the impact of the Asian financial crisis combined with maximising use of existing administrative data from the relevant sectors and local governments offer a useful model for developing such a system.

Although it is probably now too late for major changes to allocations within the current fiscal response packages, it is not too late to change the way in which they are implemented. The devil is in the detail: whether women and children benefit from even the more socially-oriented measures in packages depends on how they are implemented. It is not too late to address these issues.

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82 Oxfam 2009: 3; Governance and Social Development Resource Centre 2009: 1
vii. Promote a rights-based approach
The national women’s machinery and other advocates should promote a rights-based approach as a tool for improving the effectiveness and impact of government fiscal responses to the global economic crisis. A rights-based approach promotes transparent, fair, responsive and participatory governance. On the one hand, women and children are affected by policy and budget decisions in ways that may violate their human rights and the obligations of governments and economic decision makers to protect those rights under international law. On the other, through its emphasis on empowerment, participation and accountability a rights-based approach to the design and implementation of fiscal response programs has the potential to increase impact and efficiency. A rights-based approach and reference to governments’ accountability under CEDAW, CRC and other human rights instruments can be used to advocate for fiscal response packages to explicitly monitor their impact on, and protect, women’s and children’s rights. A rights-based approach also supports promote capacity-building, empowerment and participatory responses that are more sustainable, as well as more effective and efficient.

viii. Consider the long-term implications of the fiscal response
The experience of earlier economic crises shows that women and children have more to lose than men from poor economic policy choices. Women’s and children’s advocates must consider the long-term implications of the policies they are promoting to address the short-term impacts of the global crisis. One-off short-term solutions are often not sustainable and their withdrawal may result in further negative effects on those they were designed to assist. The most appropriate fiscal responses are those that respond to the needs of women and children, provide them with genuine access, increase their future productivity and minimise their vulnerability to future shocks. Such responses are not only best for women and children. They will also contribute to the productivity and minimize the vulnerability of the nation as a whole.

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83 Theis, Joachim 2004: 15.
84 World Bank 2009a: ix
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__________ (November 2008). Lao PDR Economic Monitor

__________ (June 2009). Lao PDR Economic Monitor
8 Selected indicators on women and children in the pre-crisis economies

Table 7. Pre-crisis situation - MDG and economic indicators

<table>
<thead>
<tr>
<th>MDG/Selected Economic variable</th>
<th>Indicator</th>
<th>Cambodia</th>
<th>China</th>
<th>Indonesia</th>
<th>Lao PDR</th>
<th>Viet Nam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic growth</td>
<td>Average annual % growth 2000-07</td>
<td>9.8</td>
<td>10.2</td>
<td>5.1</td>
<td>6.6</td>
<td>7.8</td>
</tr>
<tr>
<td>Gross National Income</td>
<td>PPP GNI $ per capita 2007</td>
<td>1,690</td>
<td>5,370</td>
<td>3,580</td>
<td>1,940</td>
<td>2,550</td>
</tr>
<tr>
<td>Gross Domestic Product</td>
<td>% growth in gross domestic product per head 2006-07</td>
<td>8.4</td>
<td>11.2</td>
<td>5.1</td>
<td>5.3</td>
<td>7.2</td>
</tr>
<tr>
<td></td>
<td>Avg. Annual % growth in GDP 2000-07</td>
<td>9.8</td>
<td>10.2</td>
<td>5.1</td>
<td>6.6</td>
<td>7.8</td>
</tr>
<tr>
<td>Official development assistance</td>
<td>ODA $ per head 2006</td>
<td>37</td>
<td>1</td>
<td>6</td>
<td>63</td>
<td>22</td>
</tr>
<tr>
<td>Goal 1: Eradicate extreme poverty and hunger</td>
<td>Share of poorest quintile in national consumption or income (%) 1992-2005</td>
<td>6.8</td>
<td>4.3</td>
<td>7.1</td>
<td>8.1</td>
<td>7.1</td>
</tr>
<tr>
<td></td>
<td>% of malnutrition among children under 5 average 2000-07</td>
<td>28.4</td>
<td>6.8</td>
<td>24.4</td>
<td>36.4</td>
<td>20.2</td>
</tr>
<tr>
<td>Goal 2: Achieve universal primary education</td>
<td>Primary education completion rate 2006</td>
<td>87</td>
<td>..</td>
<td>99</td>
<td>75</td>
<td>..</td>
</tr>
<tr>
<td>Goal 3: Promote gender equality and empower women</td>
<td>Ratio of girls to boys enrolments in primary and secondary school 2006</td>
<td>89</td>
<td>100</td>
<td>98</td>
<td>85</td>
<td>..</td>
</tr>
<tr>
<td>Goal 4: Reduce child mortality</td>
<td>Under-five mortality rate per 1,000 2006</td>
<td>82</td>
<td>24</td>
<td>34</td>
<td>75</td>
<td>17</td>
</tr>
<tr>
<td>Goal 5: Improve maternal health</td>
<td>% total births attended by skilled health staff 2000-07</td>
<td>44</td>
<td>98</td>
<td>72</td>
<td>19</td>
<td>88</td>
</tr>
<tr>
<td>Goal 6: Combat HIV/AIDS, malaria and other diseases</td>
<td>Contraceptive prevalence rate (% of married women ages 15-49) 2000-07</td>
<td>40</td>
<td>87</td>
<td>57</td>
<td>32</td>
<td>76</td>
</tr>
<tr>
<td></td>
<td>HIV prevalence % of population ages 15-49</td>
<td>1.6</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.5</td>
</tr>
</tbody>
</table>

### Table 8 Pre-crisis condition of women and men in the selected economies

<table>
<thead>
<tr>
<th></th>
<th>Cambodia</th>
<th>China</th>
<th>Indonesia</th>
<th>Lao PDR</th>
<th>Viet Nam</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Women</td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td><strong>Labour force participation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participation rate</td>
<td>77%</td>
<td>88%</td>
<td>77%</td>
<td>85%</td>
<td>52%</td>
</tr>
<tr>
<td>Female share of labour force</td>
<td>49%</td>
<td>46%</td>
<td>38%</td>
<td>65%</td>
<td>51%</td>
</tr>
<tr>
<td><strong>Sex division of labour</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees, agriculture, % of employment by sex</td>
<td>70%</td>
<td>71%</td>
<td>41%</td>
<td>41%</td>
<td>60%</td>
</tr>
<tr>
<td>Employees, industry, % of employment by sex</td>
<td>12%</td>
<td>9%</td>
<td>15%</td>
<td>21%</td>
<td>14%</td>
</tr>
<tr>
<td>Employees, services, % of employment by sex</td>
<td>18%</td>
<td></td>
<td>44%</td>
<td></td>
<td>26%</td>
</tr>
<tr>
<td>Female share of non-agricultural workforce wage employment (2004)</td>
<td>52%</td>
<td>29%</td>
<td></td>
<td></td>
<td>46%</td>
</tr>
<tr>
<td>Wage and salaried workers (% of employed by sex)</td>
<td>14%</td>
<td>19%</td>
<td>36%</td>
<td>56%</td>
<td></td>
</tr>
<tr>
<td>Unemployment (% of labour force by sex)</td>
<td>2%</td>
<td>1%</td>
<td>11%</td>
<td>8%</td>
<td>1%</td>
</tr>
<tr>
<td>Self-employed (% of employed by sex)</td>
<td>33%</td>
<td>49%</td>
<td>36%</td>
<td>56%</td>
<td></td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ratio of female to male enrolments in tertiary enrolment</td>
<td>56%</td>
<td>96%</td>
<td>79%</td>
<td>68%</td>
<td>74%</td>
</tr>
<tr>
<td>Ratio of female to male enrolments in secondary enrolment</td>
<td>82%</td>
<td>101%</td>
<td>99%</td>
<td>79%</td>
<td>92%</td>
</tr>
<tr>
<td>Ratio of female to male enrolments in primary enrolment</td>
<td>93%</td>
<td>98%</td>
<td>97%</td>
<td>90%</td>
<td>94%</td>
</tr>
<tr>
<td><strong>Leadership</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female share of administrative and managerial positions (2005)</td>
<td>7%</td>
<td>6%</td>
<td>11%</td>
<td></td>
<td>12%</td>
</tr>
<tr>
<td>Proportion of seats held by women in national parliament (2008)</td>
<td>16%</td>
<td>21%</td>
<td></td>
<td>12%</td>
<td>25%</td>
</tr>
<tr>
<td>Female headed households</td>
<td>24%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Access to social support</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of women with health insurance+</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>54%</td>
</tr>
<tr>
<td>% of poor with health insurance by sex+</td>
<td></td>
<td></td>
<td></td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>% eligible for compulsory health insurance+</td>
<td></td>
<td></td>
<td></td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>% of job-seekers registered with job agencies by sex 2005*</td>
<td></td>
<td></td>
<td></td>
<td>43%</td>
<td>57%</td>
</tr>
<tr>
<td>% successful female job seekers placed through job agencies*</td>
<td></td>
<td></td>
<td></td>
<td>47%</td>
<td></td>
</tr>
<tr>
<td>% participating in job training*</td>
<td></td>
<td></td>
<td></td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td>% female migrant workers with maternity insurance</td>
<td></td>
<td></td>
<td></td>
<td>7%</td>
<td></td>
</tr>
</tbody>
</table>

**Sources:** * UNDP (2008), China Human Development Report 2007/08 Access for all: Basic public services for 1.3 billion people; +Ministry of Planning And Investment Viet Nam continues to achieve The Millennium Development Goals December 2008
Charts 5-7 provide an overview of the growth experience of the five economies prior to the crisis.

**GDP per head was growing in all five economies prior to the crisis**

<table>
<thead>
<tr>
<th>GDP per head (%)</th>
<th>Cambodia</th>
<th>China</th>
<th>Indonesia</th>
<th>Lao PDR</th>
<th>Viet Nam</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>11.2</td>
<td>9.4</td>
<td>5.1</td>
<td>7.2</td>
<td>7.2</td>
</tr>
</tbody>
</table>

**Average annual percentage growth was also strong**

<table>
<thead>
<tr>
<th>Average annual growth (%)</th>
<th>Cambodia</th>
<th>China</th>
<th>Indonesia</th>
<th>Lao PDR</th>
<th>Viet Nam</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-07</td>
<td>9.9</td>
<td>10.2</td>
<td>5.1</td>
<td>6.6</td>
<td>7.8</td>
</tr>
</tbody>
</table>

**Chart 5. Growth in GDP per head 2006-07 (%)**

**Chart 6. Average annual growth 2000-07 (%)**

Cambodia and Lao are heavily aid dependent

**Chart 7. ODA USD per head 2006**

**Source:** World Bank, World Development Report 2009: 354-55 Table 2
Child health indicators vary considerably among the five countries

Chart 8. Selected indicators of child health
Only China and Indonesia have achieved equal school enrolment between girls and boys

<table>
<thead>
<tr>
<th>Country</th>
<th>Ratio of Girls to Boys Enrolments in Primary and Secondary School 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>100</td>
</tr>
<tr>
<td>China</td>
<td>100</td>
</tr>
<tr>
<td>Indonesia</td>
<td>96</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>85</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Chart 9. Ratio of girls to boys enrolments in primary and secondary school 2006

Text box 23. Provision for social protection varies

- Indonesian and Viet Nam spent 7.4% and 9.1% respectively of total government expenditure on public social protection and health expenditure in 2004.
- Public social protection (excluding health) expenditure was 1.1% of GDP for Indonesia and 2.7% for Vietnam.
- In 2005, China announced it would widen coverage of the pension scheme from 173 million people in 2005 to more than 220 million in 2010.
- The Vietnamese government launched a limited unemployment insurance scheme commencing January 1, 2009.