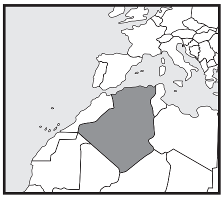
NATIONAL REPORTS

Outside the system but, safe from the crisis?



The weakest aspect of Algeria's economy is its heavy dependence on the production and export of hydrocarbons. Although this sector is highly developed, the financial sector has lagged far behind and become disconnected from global finance. Paradoxically, this backwardness prevented the banking system from becoming enmeshed in the international financial crisis. Even so, the crisis will infect the country through imports of goods and services.

El-Amel Association For Social Development
Research Team led by Selougha Kamel

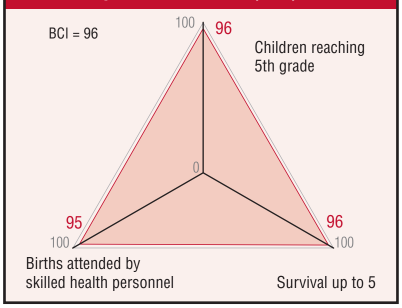
The breakdown of the US financial markets began during the summer of 2007. By autumn of 2008, the world was in the throes of a full-fledged financial crisis, with credit access drying up, stock markets plunging, and the entire international financial system threatened with collapse. Directly or indirectly, every country in the world has felt the impact, including Algeria.

The President blames the global economic crisis partly on the absence of financial regulation and inadequate efforts to clean up the economic environment, which had been abandoned to the law of the markets. In highlighting financial and economic traps to be avoided, the worldwide financial crisis should constitute a lesson for Algeria. Whether based on economic foresight or other considerations, Government directives have protected the national interest and limited the exposure of Algeria's economy and finances to the dangerous imbalances that the imposition of neo-liberalism has created in the global financial system.

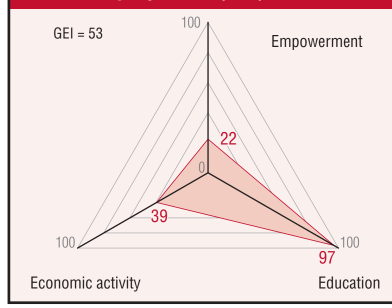
This strong position is partly the result of the country's oil wealth, the mainstay of its economy. Chakib Khelil, Minister of Energy and Mining and current President of the Organisation of the Petroleum Exporting Countries (OPEC) has observed that the oil market has experienced a spectacular evolution, influenced by structural volatility that is heightened by speculators.[1] The price of a barrel of oil in the OPEC basket rose beyond USD 140 in July 2008, and has since then tumbled to USD 59. The annual average price for 2008 up to 4 November was USD 103.56, compared to USD 65 in 2007. An Algerian barrel fetched USD 108.28, up from USD 71.13 in 2007.

As the table indicates, Algeria's economy is well positioned to withstand the global financial and economic crisis, at least for the next two years. This cushion can be credited to the country's limited exposure to international financial markets, prudent management of foreign exchange reserves (realized profit reached 4.6% in 2007), husbanding of a substantial proportion of revenue growth (an average of 20% of GDP in 2005-2007), and use of a structural surplus in domestic liquidity to finance the economy in local currency.

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



The need for reform

After a brief inter-governmental debate, efforts to transfer control of Crédit Populaire and the Bank for Local Development (BDL) to financial institutions in the US or France were dropped because officials decided the country was not prepared for a foreign takeover. To the extent that the economy has been liberalized and privatized, the anticipated benefits have not materialized.[2]

In September 2008 Sid Saïd, a leader of the General Union of Algerian Workers, announced that the Government had abandoned its "everything can be privatized" policy. The 220 public enterprises awaiting privatization as soon as new regulatory measures were implemented were cut from the list of companies to be sold. In addition, the Government's inter-ministerial council applied in January 2008 on bank credit and financial clean-up of public economic institutions by erasing the debts owed them by viable companies. The Government has given responsibility for supervising these clean-up measures to an inter-ministerial working group for the finance industry and investment promotion among small and medium enterprises.

Rural revitalization

Thanks to natural population growth averaging 1.62%, annually — up considerably from an already high 1.48% in 2000 — the number of the country's inhabitants swelled by 4.6 million between July 1998 and 1 July 2007. By the end of 2010, the population will reach 35.7 million. To feed this young and rapidly growing population, Algeria needs more food.

Algeria's waters have a biomass of 600,000 tonnes, which would allow an annual catch of 220,000 tonnes; however, a lack of material resources has limited the annual harvest to 170,000 tonnes.[3]

The country has a negative agricultural trade balance, and is one of the world's top ten food importers. Farm produce accounts for more than a quarter of the country's total imports. By value, the three main components are cereals and their by-products (40%), milk and other dairy products (14.3%) and oils and fats (10.5%).[4]

Spending on imported cereals and their by-products, drugs, milk and dairy products jumped to USD 2,600 million during the first half of 2008, up from a bit over USD 2,000 a year earlier. Spurred primarily by a 9.2% increase in the price of food, inflation reached 4.9% in the first half of 2008, though it was up only 2.5% for the entire year (June 2007-June 2008). In an attempt to temper price volatility, the Government launched

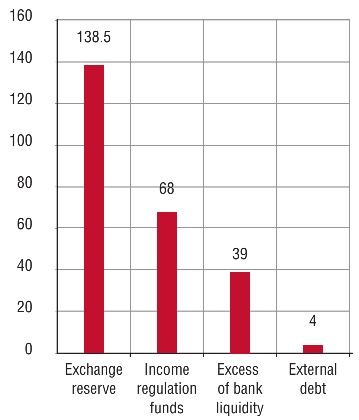
1 Chakib Khelil, Minister of Energy and Mining, President of OPEC, during a forum organised by *El-Moudjahid*, 3 March 2009.

2 See: Mohamed Gacem. "Crise financière mondiale: Vers un recadrage des réformes". Available from: <www.lesdébats.com/editionsdebats/221008/economie.htm>.

3 See: <jijelli.com/htdocs/modules/news/article.php?storyid=905>.

4 High Level Conference on Water for agriculture and energy in Africa: the challenges of climate change. The Algerian case. Sirte, Libya, 15-17 December 2008.

CHART 1.



Source: Bank of Algeria.

a regulatory system in July 2008. Since then, it has stored about 51,700 tonnes of potatoes.

To revitalize rural areas, which house a substantial proportion of the population, the Government has launched a multi-pronged development plan based on the following three elements:

- Improvements in the living conditions of the rural population, including the rehabilitation and modernization of villages and ksours (Berber villages throughout the oases).
- Diversification of rural economic activity to increase incomes, while protecting and increasing the value of natural resources, as well as both material and nonmaterial aspects of rural heritage.
- Building human resources through technical assistance. Almost all farming is private, with various forms of ownership. Traditionally, most farmers have been engaged in cultivating dry cereals and breeding small ruminants, however in recent years, some have begun sowing crops with higher value added, such as fruits and vegetables. With the exception of industrial tomatoes and olive oil, production of industrial crops remains limited.

In another effort to stimulate rural revitalization, the Government has initiated more than 5,000 local development projects benefiting more than 2 million households – which amount to nearly 8 million people.

The national highway plan for 2005-2025 produced by the Ministry of Public Works includes a 1,216 km-long network of east-west motorways connecting Annaba and Tlemcen. This will benefit 24 *wilayas* (provinces) and generate 100,000 construction jobs. The project is scheduled to begin in 2009.[5]

Conclusion

For at least a decade, two factors have had a powerful impact on Algeria's economy and finance. One is a hydrocarbon policy that has promoted development of the country's resources, leading to an increase in production capacity — oil production jumped from 0.9 million barrels a day in 2000 to 1.4 million in 2008, of which 1.2 million barrels were exported.[6] The other is unprecedented State support for public banks — 2.6% of the average annual GDP for the 1991-2002 period and 1.7% for 2005-2006 — within a context of monetary and financial reform.[7] These two polices brought a massive increase in foreign exchange reserves, robust income regulation funds, a surfeit of bank liquidity and a low level of foreign debt. ■

5 See: <www.mtp.gov.dz/autoroute%20est-ouest.htm>.

6 See: <www.lemaghrebdz.com/lire.php?id=13393>.

7 Intervention by Prof. Farid Yaici: "The effects of the crisis on the Algerian economy". Seminar organized in collaboration with the Ministry of Industry and Investment Promotion.

ARGENTINA

New context, old policies

Inflation, poverty and indigence levels are far higher than official statistics indicate. Measures taken to combat the imminent economic crisis should be designed to diminish the concentration of resources and inequality. This would require an agenda that includes social policies that reverse the dynamics of exclusion the country has endured in recent decades and create a citizenship based on individual and social rights. Sustaining these social policies will require ensuring access to reliable official information – a significant change from what has been provided lately.

Centro de Estudios Legales y Sociales (CELS)[1]

Without a doubt, the global financial crisis will soon hit Argentina, raising several questions: What policies are being proposed to mitigate the impending increase in poverty? Are the post-crisis policies of 2001, which have been sustained in a context of economic growth, still in effect? And, finally, what are the chances that current narrowly targeted national programmes to ameliorate exclusion, poverty and indigence (income transfers, for example) will be abandoned in favour of universal policies?

The 1990s were a period of economic, political and social transformation in Latin America. This was particularly true in Argentina, which implemented the policies dictated by international credit institutions more rigorously than any other country. At the same time, in the space of a few years the country transformed its economic system, regulatory framework and social security coverage; privatised its public services; abandoned State responsibility for a number of concerns and services; and adopted a concept of social policy that ignored human rights.

Contrary to the expectations of the initiators of these policies, unemployment, poverty, indigence and inequity rose steeply. In late 2001, in the midst of an acute institutional and economic crisis the Government fell; the country abandoned currency convertibility, which had been maintained for a decade. In October 2002 57.2% of the population was living in poverty; this includes 27.5% who were indigent.[2]

Although signs of economic recovery emerged after 2003, according to government figures (which are currently unreliable), 17.8% of the population was still below the poverty line in the first half of 2008, and 5.1% was indigent.[3] Private and independent reports estimate that more than 30% of the population remained below the poverty line in 2008 – about 12 million people; while 10% (about 4 million) were indigent.[4]

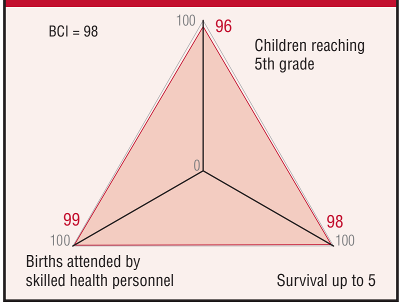
1 Written by Pilar Arcidiácono and Laura Royo, director and member of the Programme for Economic, Social and Cultural Rights at the Centre for Legal and Social Studies (CELS), and Facundo Capurro Robles, member of CELS. Our thanks to Gustavo Gamallo (University of Buenos Aires).

2 Statistics and Surveys Institute (INDEC). Permanent Household Survey and statistical regions (2001). Available from: <www.indec.gov.ar/>.

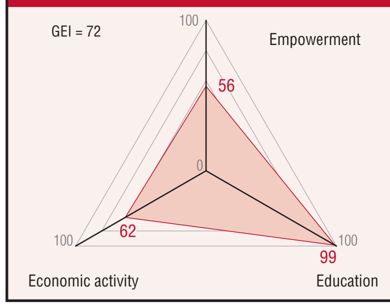
3 INDEC (2008).

4 *La Nación*, 4 March 2008.

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



The elevated level of poverty is particularly alarming at a time when the era of economic growth appears to be ending and the international crisis is making its way to Argentina. Social vulnerability is high. The greatest threat is inflation – which unofficial estimates calculate at four times the official figure. If the cost of the basic food basket outpaces wage increases, the narrow margin that separates many households from poverty will quickly disappear.

Unemployment

Between 2003 and 2007 the unemployment rate dropped by more than a third; during the fourth quarter of 2008 it was 7.3%.[5] Underemployment also fell significantly, to 9.1%. While welcome, these improvements are less heartening than they might appear at first glance. Many of the newly employed work in the informal sector; although unregistered employment has fallen from 47% of the workforce in the first quarter of 2003 to 37.8% in the final quarter of 2008, this is still an extremely high level. It means that four out of ten wage earners are excluded from labour regulations and public policies that promote indirect wage payments (such as increases in family allowances, regulations on benevolent funds, retirement schemes, etc.). Independent researchers estimate that only 125,000 people are collecting unemployment insurance out of the 1,200,000 who the Government officially reports are unemployed. The majority are discouraged, among other things, by the low benefit rate, which barely equals 20% of the average current salary. It should also be noted that gender inequities in the labour market persist, and the Government has done nothing to remove them.[6]

5 "Seguro de desempleo: lo piden pocos y está desactualizado". *Clarín*, 9 March 2009.

6 *Ibid.*

Access to information

The country's economic distress is exacerbated by the failure of the Government's National Institute of Statistics and Surveys (INDEC) to produce and disseminate reliable information on employment, poverty and inflation and other sensitive topics. This makes it difficult to develop a realistic analysis of the social situation and to design appropriate policies. The statistical user bases for the Permanent Household Survey and the Household Expenditure Survey, which are essential for analysing inequalities in household income, as well as the socioeconomic characteristics of households, are no longer made public. Other Government agencies are similarly unhelpful. The website of the Information, Monitoring and Evaluation System for Social Programmes (SIEMPRO) was suspended for a lengthy period; the relaunched site does not contain complete information. Other official websites do not provide current data, which makes it difficult to analyse social policies.

Inevitably, in the absence of good official data, alternative measurements have proliferated. They reveal, among other things, that levels of inflation, poverty and indigence are far higher than the official statistics indicate.

Government solutions

Since the 2002 crisis, Argentina's social policies can be grouped in two broad categories: policies aimed at workers in the formal labour market and policies designed to assist the rest of the population through social programmes that transfer income.

Aside from wage increases, the policies targeting workers in the formal labour market have also included reforms of social security and family allowances, along with incentives for employment registration and other measures. This approach appears to be grounded in a growing confidence in the market as a focal point for integration and the preferred mechanism for meeting individual and social needs, supplemented by a series of "temporary" policies.

Income transfer programmes for sectors outside the formal labour market experiencing various types of "vulnerability" include the Unemployed Heads of Household Plan (PJJHD), established in response to the economic crisis and high level of social conflict during final years of currency convertibility. This programme focuses on providing direct monetary aid (about USD 40 per beneficiary). It is billed as "guaranteeing the family right to social inclusion", which is understood to mean ensuring that children attend school, that people can get health care, that recipients participate in the formal education system and/or labour training activities that will contribute to their future employment, and that they have an opportunity to participate in productive projects or community service, in accordance with the method of "compensation".[7]

One of the plan's major achievements has doubtless been its success in assisting large numbers of people within a short period of time. The PJJHD began operations in June 2003, and reached 1,992,497 people. In November 2007 it had 795,274 recipients on its rolls.[8] Since then, the number of beneficiaries has dropped, due to rising employment, young people aging out as they passed their 19th birthday, and the transfer of many beneficiaries to other social programmes, such as the Families for Social Inclusion Programme (PF).

In March 2006, during the period of economic growth, the Government introduced a training and employment insurance plan for recipients of PJJHD aid who were considered "employable" or on the way to becoming so, however only 32,000 recipients joined the programme in its first 12 months.[9]

The PF was created within the orbit of the Ministry of Social Development to provide for people considered "unemployable", particularly women with children or who might give birth. According to official data, 504,784 families were in the programme by August 2007. Benefits to these families varied according to the number of children in the household below the age of 19, and disabled people of any age in their care. The basic benefit is 155 Argentine pesos (USD 42) and may be as much as 305 pesos (USD 82) if the family includes six minors. Mothers with seven or more children are eligible for a pension of 390 pesos (USD 105).

Despite the scale of these programmes, they are hardly responsible for the drop in poverty and indigence percentages between 2002 and 2007. Their contributions can at best be characterized as "relief", rather than a strategy to "overcome" poverty.[10] Above all, in the shadow of the international crisis, the persistent and intractable nature of the situation makes it truly alarming. Although PJJHD has far fewer recipients than it did during 2001-02 crisis, their numbers are still significant for a country that has experienced considerable economic growth. Furthermore, at this point access to both PJJDH and PF is only available to people who obtain a court order. For many sectors, universal coverage is only a dream.

Need for universal social policies

Increases in employment and income have been largely confined to the formal labour market. The State has created and maintained macroeconomic conditions that have spurred an economic revival and supplemented this resurgence by introducing a variety of policies and actions such as a minimum wage, aimed at boosting the incomes of wage-earners in the formal sector. The position of these workers has improved over what it was under the policies pursued in the 1990s. However the persistence of a high level of unregistered employment, poverty and indigence diminishes the impact of measures aimed at formal workers and increases the disparity between the two sectors.

This gap is accentuated by income transfer programmes. For example, workers within the formal labour market receive a family allowance (AAFF) per child. Those not eligible include workers in the informal economy, self-employed workers, unemployed workers who are not unemployment insurance beneficiaries (such as those who benefit from social plans), domestic workers, migrants, persons deprived of their freedom or persons who are institutionalized due to mental health problems. Thus, the 2001 National Population Census found that 70% of all children were excluded. Although it should be noted that the aim of the family allowance was not to cover each child directly, but to encourage family growth and promote an increase in the number of formal wage earners. A child whose father or mother is outside the formal labour market, as a self-employed worker or as a beneficiary of a social programme, should benefit from these programmes as well.

Similar discrimination is evident in income transfer social programmes. The PF provides mothers with 45 pesos (USD 12) per child, while a child who is lucky enough to have two parents in the formal work sector may receive as much as 100 pesos (USD 27) through the family allowance system.

The new scenario

It is possible that the international crisis may be sparking a "rediscovery" of poverty and open a window of opportunity for discussion of universality. In an encouraging sign, a range of political sectors have proposed income transfer plans for children, with a variety of benefit levels and various degrees of "universality". So far, they have been discussed only in parliamentary committees; none have reached the full Congress. However, the province of Buenos Aires, the most significant in the country in terms of both political influence and population, is gradually implementing a "universal" benefit policy.

Although the universal policies suggested so far will not solve the problem of poverty and exclusion, they could generate a social policy appropriate to the socio-economic context and the changes in the labour market. This will only happen if policymakers pay attention to the transformations the economy has undergone in recent years and avoid policies appropriate to other contexts, such as a full-employment economy.

The conclusion is obvious: during the economic recovery, the State has not substantially modified the country's high concentration of income and extreme inequality. A transformation agenda should be based on the principle that social policy is essential to the construction of citizenship based on respect and the enhancement of individual and social rights. Universal policies could provide an effective strategy for overcoming the exclusionary dynamics of recent decades. Formulating them will only be possible if the public has access to reliable and extensive government data on socio-economic conditions. ■

7 Decree Nº 565/02 2002.

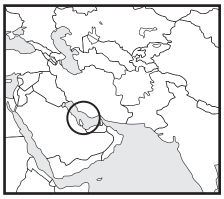
8 According to Ministry of Labour, Employment and Social Security information, in December 2008 the total number of employment programme beneficiaries amounted to 970,000. However, in establishing a non-differentiated benefit for every unemployed head of household, the PJJHD did not make any distinction regarding the composition of the family group. Thus, the larger number of people in the household, the smaller the impact of the benefit. It also lacked any administrative and/or judicial means of making claims. Although many appeals on the grounds of unconstitutionality have been submitted, the results are not encouraging, either with regard to changing public policy, or in terms of promoting dialogue and interaction.
See: Pilar Arcidiácono and Laura Royo. "More market and fewer rights: the State's response to the housing crisis". *Social Watch Report 2007.*

9 "The labyrinth of social plans". *La Nación*, 4 March 2007.

10 INDEC (2007).

■ BAHRAIN

The impact of globalization on Bahraini people



The Bahrain's economy is growing, along with per capita income. However, along with the increasing numbers of millionaires the middle class is shrinking and the lower class is becoming impoverished. There are increasing confrontations and tension between the impoverished groups and security forces. A strategy to shield society from the negative impacts of globalization is urgently needed.

Social Watch Bahrain[1]

Bahrain traditionally has had an open economy for trade, investment and exchange. Since its independence in 1971, the country has been a financial hub for international banks and financial institutions, joint Gulf Cooperation Council (GCC) ventures and a transit spot for trade and commodities. It has been a member of the World Trade Organisation since 1997, removing barriers to trade and investment and the movement of labour. Bahrain signed a Free Trade Agreement (FTA) with the US which facilitates trade, investment and labour movement between the two countries. As a member of the GCC, Bahrain is negotiating with the European Union (EU) regarding a FTA and recently hosted an ASEAN-GCC conference which debated the prospects of concluding an FTA between the two economic groups.

Like many other countries, Bahrain has been influenced positively and negatively by globalization. This report will concentrate on the impact of globalization on the well-being of Bahraini residents and consider this from a number of angles:

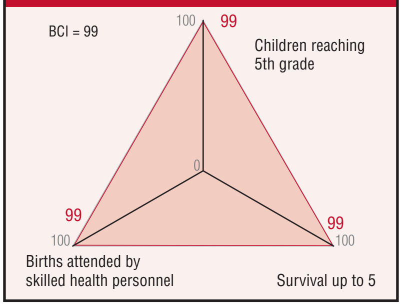
Liberalization of the economy

The Government has been steadily pursuing economic liberalization, which means less and less state involvement in running the economy. This has inevitably led to the State abandoning certain essential services it previously rendered to its citizens. It has also led to the opening of the market to competition between local and foreign companies. Furthermore, the reduction of restrictions on foreign residents has resulted in their occupying jobs traditionally limited to Bahrainis, such as legal counselors and auditors.

Privatization

In attempting to maintain pace with globalization and to be able to compete in an open market, the Government has resorted to privatizing a number of state institutions and services, including electricity and public transport. In addition, it has increasingly opened other sectors to private control, such as education, health care services, municipal services, administration of ports and air transportation.

Basic Capabilities Index (BCI)



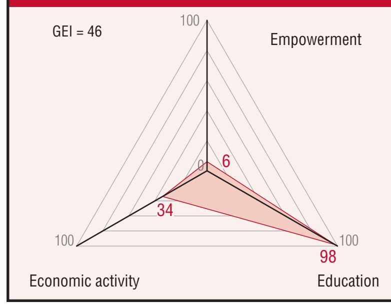
Housing

The Government has increasingly lifted restrictions on the acquisition of real estate by foreign residents, especially for GCC citizens, which has led to a rise in ownership of land and property in residential areas. Bahrainis now find themselves at a disadvantage in terms of purchasing power compared to other GCC citizens. This has led to an acute housing crisis: the demand for state-subsidized housing is surpassing supply and there is currently a backlog of some 60,000 applications. As a result, many families have been obliged to move back into extended family accommodations, many of them congested and poorly equipped to deal with overcrowding.

Employment

Due to the lax policy control on the flow of foreign workers, especially cheap labour, Bahraini job seekers are in a weak position when competing for jobs that require specific educational backgrounds and skills. Foreign workers are also more willing to accept lower salaries and tougher working conditions. So, despite increased employment opportunities generated by a growing economy, unemployment is growing among Bahraini citizens, especially among women and those whose educational qualifications (e.g., liberal arts or sociology degrees) are not well matched with the new jobs.

Gender Equity Index (GEI)



Inflation

The inflation rate has increased steadily, exceeding 7% annually for the last few years. There has been no substantial concurrent increase in salaries, especially in the public sector. In view of this, Parliament agreed in December 2008 to a BD50 (USD 133) allowance/bonus to Bahraini families annualy, for the next two years. However, this does little to alleviate the impact of inflation for most workers, including the low-income foreign residents who are in the same situation, with wages failing to keep pace with inflation. The disparity between a minority with very high incomes and a majority with very low incomes is increasing. There are some Bahraini families who are living on BD 120 per month (USD 319). Although the Government denies that this kind of relative poverty exists in Bahrain, it has been identified by independent researchers as well as the United Nations Development Programme (UNDP).[2]

Changing social fabric

The steady increase in foreign workers, especially from Asia, over the last decade has resulted in the growth of the expatriate population from 37% of the total in 2001 to 50% in 2007, altering the fabric of society. Foreign workers tend to live in work camps, isolated from indigenous communities, in derelict areas of town and in small groups adjacent to indigenous communities. There is, in general, little integration of these workers into the public arena, in social activities and in NGOs. Moreover, the majority of these workers live alone, with no family, which

1 Bahrain Social Watch Coalition is composed of Bahrain Transparency, Bahrain Human Rights Society, Bahraini Women Renaiscence Society, Awal Women Society, Sociologists Society Best.

2 UNDP's Human Development Report 2007-2008 gives Bahrain 0.88 points on the Human Development Index, despite its impressive *per capita* income of 20,800.

is viewed as a departure from the social norm and has caused friction between the two communities, especially those adjacent to each other. In general, the lower standard of living and lack of social life among these workers generates an environment conducive to crime, especially sexual assault, burglary, theft and physical abuse/assaults. Poor living conditions, mistreatment from employers, such as the withholding of payment, often for months, has led many foreign workers to suicide, since they find themselves in debt and unable to send money back to families in their countries of origin.

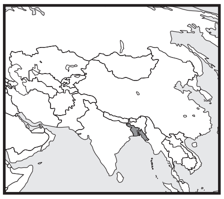
Conclusion

Despite the fact that the Bahraini economy is booming with a high growth rate and increasing per capita income, the benefits of globalization have not extended to the population as a whole. There are increasing numbers of millionaires, and a shrinking middle class and impoverished lower class. The country has been witnessing repeated confrontations and tension between impoverished communities and security forces, especially in the villages, which is why the World Bank now ranks Bahrain low in political stability.[3] There is need for a strategy to shield society from the negative impacts of globalization. ■

3 World Bank, *Governance Matters 2009: Worldwide Governance Indicators, 1996-2008* shows that Bahrain's ranking rose above .50 only in 2003, after which it declined steadily until 2007, improving only slightly in 2008 to about .36. Available at: <info.worldbank.org/governance/wg/pdf>.

BANGLADESH

More poverty, vulnerability and food insecurity



Poverty, vulnerability and food insecurity have increased in Bangladesh. The high price of food grains and the high level of inflation have led an additional 12.1 million people into poverty. There is increased frequency and severity of natural disasters. Two consecutive floods, plus Cyclone Sidr, together with the global price of food have led to food supply problems. It is the poorest and the female-headed households who are worst hit by the hike in prices for basic goods.

Unnayan Shamannay
Taifur Rahman
Arifur Rahman

Since its independence in 1971, Bangladesh pursued an inward looking development strategy with excessive government intervention in every aspect of economic activity. With the vision of a socialist type of agriculture, cooperative farming was encouraged while the procurement and distribution of seed, fertilizers, pesticides and all sorts of agricultural equipment was controlled by the Government. A series of measures, quantitative restrictions, highly differentiated tariff rates (ranging from 0% to 400%), and huge subsidies, along with an overvalued exchange rate, were put in place to protect domestic farms from competition. This restrictive environment was reinforced by domestic market policy interventions in the form of credit ceilings, arbitrary licensing and price controls.

These policies did not result in a sustained increase of production and productive efficiency; on the contrary, the gap between demand for and supply of agricultural products widened over the years. To find a way out of this crisis in the 1980s, the country pursued a policy shift away from state interventionism to more market-oriented policies which translated into sectoral policies that supported macroeconomic liberalization. Reform measures adopted included the rationalization of tariffs, the liberalization of investment in irrigation, the privatization of trade in fertilizers, agricultural machinery imports, seed delivery and food distribution systems, as well as management of agricultural research and extension systems. Moreover, reforms in farming led to a shrinking role of the Government; this was reflected in the distribution of goods, the reduction of subsidies, the liberalization of markets with producers' price incentives, the gradual elimination and narrowing down of the public grain distribution system, price stabilization through open tender procurement policies and the liberalization of food grain imports by the private sector.

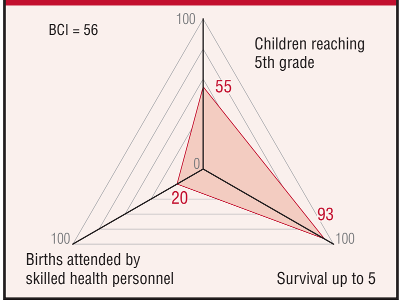
The liberalization efforts were not confined to the agricultural sector. The whole economy began to go through all-out liberalization, particularly after the early 1990s, and became one of the most rapidly liberalized in the world. Although some claim that this was done too rapidly, the World Bank observed, "While trade liberalization occurred in fits and starts in Bangladesh, stronger and more decisive commitment to trade liberalization was seen in the majority of the rest of the world. As a result Bangladesh lags behind on most measures of trade openness. Even after the reduction in nominal protection in the financial year 2007 budget, Bangladesh has the highest level of trade protection in the region, which itself is the most trade restrictive region in the world".[1]

Despite mounting pressure for more liberalization, the results of past liberalization measures must also be assessed. Did common people benefit from the process of liberalization or were the only beneficiaries some booming multinational giants? One of the major consequences of the all-out reforms has been increased dependency on imports, including agricultural products. As a result, despite being an agricultural nation, the country has been losing control of the prices of many ordinary products that people need every day.

The impact of the global crises

The diagram in the opposite page illustrates the impact of the inter-related global crises in climate change, commodity prices and economic and financial crises on poverty and food insecurity.

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)

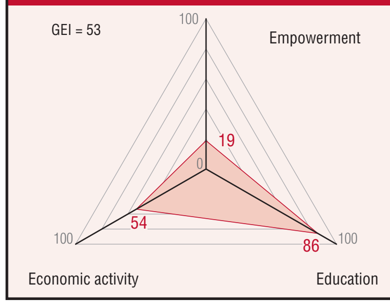
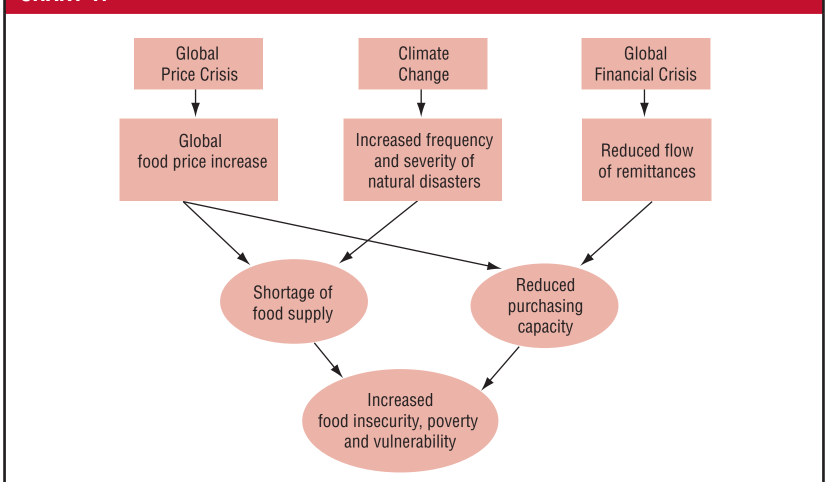


CHART 1.



Source: falta fuente falta fuente falta fuente!!!!

1 World Bank. *Bangladesh: Strategy for Sustained Growth*, Bangladesh Development Series, 2007.

Climate change

Bangladesh tops the list of countries worst affected by climate change. One of the recent changes that the country is facing is the increased frequency and severity of natural disasters. Cyclone Sidr, which hit the Bangladesh coastal belt in 2007, was one of the most devastating disasters in the history of the country, resulting in a huge loss in natural resources and, more importantly, contributing to one of the major food shortages since the 1974 famine. This coincided with peaking global food and commodity prices and an unprecedented shortage of food supplies around the world.

Sidr and its impact on food insecurity constitute only one example of the many problems Bangladesh faces as a result of climate change. The changes in seasonal patterns and temperature have a negative impact on agricultural yields and on production costs.[2] On the one hand the country is struggling to produce the food it requires, and on the other the price of food remains high due to the increased costs of production.

Climate change is particularly impacting some poverty pockets in Bangladesh, which are now being considered also as 'climate change hotspots'. The poor and extremely poor people living in these ecologically vulnerable pockets are facing increasingly harder realities due to changed patterns of nature. For example, in the northwest region the severity of soil erosion caused by river flows has increased substantially making poor inhabitants much more vulnerable to poverty and hunger. Similarly, in the northeast water basins, the changed timings of emergence and retreat of water are having significant negative impacts on agriculture and food production.

CHART 2. Food Inflation Rate: 2007-08

	Point to Point Inflation Rate			
	Sep 2008 over Sep 2007	Dec 2008 over Dec 2007	Jan 2009 over Jan 2008	Feb 2009 over Feb 2008
Official rate of food inflation	12.07	6.83	6.83	6.15
Inflation according to poverty line food basket (average for 4 major cities)	18.65	10.32	9.18	8.70
Inflation rate for low income groups	--	9.45	8.03	7.72

Source: Shamunnay (2009).

Food prices

In addition to the massive loss in domestic production in 2007 and 2008 following two devastating floods and cyclone Sidr, another major contributor was the global rise in food and commodity prices. The food inflation rate for the poor was much higher, exceeding 20% towards the end of 2007. Chart 2 presents the official food inflation rates, including the overall rate and the rate estimated for the poverty line food basket. It is worth to mention that although the bumper crops in 2008 and 2009 led to aggregate food supply and that, as a result of close monitoring by the Government, food prices, particularly those of rice and edible oil went down significantly, the problem remains in distribution. The level of food insecurity among the poorest households, particularly in the ecologically vulnerable areas, has not been solved. Moreover, the high costs of production have lowered the farmers' margin. A study by the Dhaka-based think tank Centre for Policy Dialogue (CPD) indicates that 48.5% of people in Bangladesh do not have enough money to buy basic food items such as rice, compared to 40% in 2005.[3] The CPD report stresses that, "as a consequence of high prices of food grains and high level of general Inflation, an additional 12.1 million people (8.5% of total population) became poor between January 2005 and March 2008".

Inflation

Starting in late 2007, the inflation rate in Bangladesh, which had been practically unseen during the last decade, reached double digits – hitting 11.21% in November, according to the Bangladesh Bureau of Statistics. The burden of inflation fell disproportionately on the poorer sectors of society. Some studies have showed that it was the poorest and the female-headed households who were hit the most from the hike in prices of essential goods.[4]

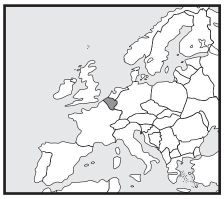
The net result of all this is that the extent of extreme poverty, vulnerability and food insecurity might have increased. It is feared that the rate of extreme poverty may have actually increased, aggravated by continuing food insecurity, especially in the pockets of extreme poverty and vulnerability. ■

2 European Parliament. "Climate Change Impacts and Responses in Bangladesh", 2008. Available from: <www.europarl.europa.eu/activities/committees/studies/download.do?file=19195>.

3 See: <www.idsa.in/publications/stratcomments/AnandKumar300708.htm>.

4 UNICEF. "A Matter of Magnitude. The Impact of the Economic Crisis on Women and Children in South Asia", 2009. Available from: <www.unicef.org/rosa/Complete_Matter_of_Magnitude.pdf>.

The high cost of the bank rescue



When the shares of banks and the principal enterprises in the country collapsed, the Government went to the rescue of the banks and provided deposit guarantees. The crisis is still causing unemployment to rise, while the cost of the bank rescue is making itself felt in the drastic increase of public debt, with serious repercussions in the provision of social security.

CNCD - 11.11.11
Arnaud Zacharie
Gaspard Denis

In 2008, two of the largest banks in Belgium, Fortis and Dexia, began to experience serious problems, worsened by the financial crisis which other banks in the world were suffering. The shares of Fortis and Dexia, like most of the shares in Belgian companies, collapsed. The Government's reaction was to go to the rescue of the banks and guarantee deposits, but the cost of the financial collapse has still been particularly serious, not because of the bail-out funds paid out by the State, but because of the vast increase in the level of public debt which the country had been attempting to reduce for about fifteen years.

The State has spent almost EUR 20 billion (USD 28 billion) in providing a capital increase for the banking sector. To this sum should be added EUR 25 billion (USD 35 billion) offered by the State in the form of guarantees, due to which the total bill for public aid given to banks is close to EUR 45 billion (USD 63 billion). In addition to debt, the consequences of the rescue also include budget problems, rising unemployment and uncertainty regarding the State's capacity to continue to finance its social model.

The cost of rescuing the banks

The rescue operations carried out by the Federal Government and the federated bodies led to the nationalization of Fortis Banque, as well as a capital increase for the Dexia Banque, the KBC group and Ethias, an insurance company. Within a term of three months, public authorities reappeared in the Belgian banking sector, after having abandoning it almost two decades earlier. However, conditions for the financial institutions' plans for a capital increase have been to a large extent, weak and obscure. Thus, rescue measures have adapted perfectly to the old liberal adage: "socialize losses, privatize profit".

Dexia, a Franco-Belgian-Luxembourg bank, received a capital increase of EUR 3 billion (USD 4.2 billion), from Belgian public authorities (the federal State and federated bodies). The French supplied an equivalent sum of EUR 2 billion (USD 2.8 billion) through the French state financial institution Caisse des Depots, and 1 billion (USD 1.4 billion) from the State. This investment has increased French participation from 11.5% to close to 28% of the bank's capital and, as a result, made it possible for the French share to achieve a minority with blocking capacity in the banking group. The KBC bank, for its part, has benefited from three successive rescue plans to date. First, in October 2008 the Federal State intervened providing EUR 3.5 billion (USD 4.9 billion). Then, in January 2009 the Flemish Region paid out EUR 2 billion (USD 2.8 billion) and lastly, in May it again issued State bonds for a total of EUR 2 billion (USD 2.8 billion) in order to finance the KBC group. In all, to date KBC has received close to EUR 7.5 billion (USD 10.5 billion) from Belgian tax-payers.

Regarding the bail-out of Fortis, the Belgian-Dutch group, capital participation of the Belgian State reached 99.93% in October 2008, which constitutes a total of EUR 9.4 billion (USD 13.16 billion). However, it has shown from the start a willingness to sell 75% of its holdings in Fortis to the French group BNP Paribas. Nevertheless, the opposition of Fortis Holding shareholders to the dismantling of their group has twice forced the Government and BNP to revise their agreement for the transfer of Fortis Banque. The third version was finally approved by the shareholders in two general assemblies held on 28 and 29 April 2009 in Gand (Belgium) and Utrecht (Netherlands). In short, in exchange for transferring its holdings in Fortis Banque to BNP Paribas, the Belgian State has received 11.6% of the French banking group's capital.

Public debt soars

When Belgium applied for inclusion in the European single currency in the early 1990s, a serious problem arose: the weight of the public debt. Although Maastricht convergence criteria stipulated that a member state's debt should not exceed 60% of its GDP, Belgian public debt exceeded it by 130% in 1993 and 1994.

Because of this, an austerity plan was implemented with painful results for the levels of public spending but it made possible to reduce the country's debt, which had descended to 84% of its GDP in 2007.

Today, the cost of the bank bail-outs and the impact of the financial crisis on public finance have resulted in a sharp increase in the rate of debt, reaching 89.7% in 2008, while the Belgian National Bank forecasts a rise to 103% in 2010. This constitutes a debt of over EUR 30,000 (USD 42,000) per inhabitant. The Government deficit has naturally followed the same curve: from 1.2% of the GDP in 2008 it is expected to soar to 5.5% in 2009.

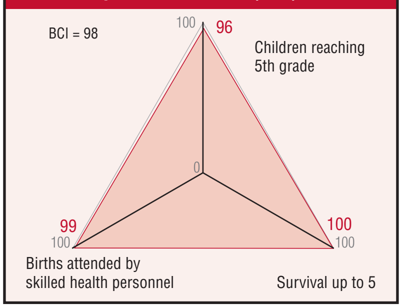
Social security and unemployment

Due to the Government deficit, financing for social security has also been affected, with a deficit of EUR 2.45 billion (USD 3.43 billion) in 2009 due to the drop in revenue from social security contributions and VAT. The Government forecasts a deficit increase for social security of EUR 5.3 billion (USD 7.42 billion) in 2010.

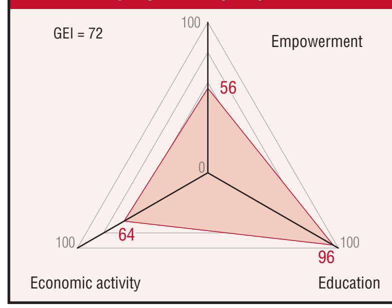
Lastly, unemployment is still on the rise due to the recession of the economy. In June 2009, 443,574 people were unemployed, which means that there are 43,433 new unemployed persons over the past year.

In June 2009, the High Council for Employment, which answers to the Ministry of Employment and Equal Opportunities, published a report

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



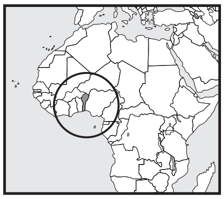
on “Recent evolution and the outlook for progress in labour”[1], devoted to the analysis of the global economic crisis and its consequences for employment.

According to this document, activity regressed 1.7% in the first quarter of 2009, as compared to the same period in 2008. After a zero-growth period for employment during the fourth quarter of 2008, close to 10,000 jobs disappeared in the first quarter of 2009. The number of hours worked in temporary jobs had not ceased to drop after the second quarter of 2008. This tendency became more marked in April with a 28% drop compared to the previous year. Belgium’s National Bank forecasts the disappearance of 36,000 jobs in 2009 and a further 80,000 in 2010. Bearing in mind the continuous growth of the active population, the number of persons seeking employment will increase in 2009 to 68,000 and to 111,000 in 2010. The unemployment rate will therefore rise from 7% in 2008 to 9.2% in 2010. ■

1 See: <www.emploi.belgique.be/defaultNews.aspx?id=23984>.

■ BENIN

Civil society to the fore



The multiple global crises have had a varied impact on Benin's economy and the population as a whole has become more vulnerable, especially the poorer members. Civil society has worked both as a partner and in liaison with Government in promoting ways to combat the crisis, develop a new green revolution and provide school food programmes. It has also encouraged investment in agriculture and combating climate change, as well as technological exchange.

Social Watch Benin

The multiple global crises have had a varied impact on the economy of Benin. Villages have become more vulnerable, especially the poorer ones. Everywhere, options are narrower; funding for small and medium enterprises, as well as public aid for development and direct foreign investment, may dwindle.

President Yayi Boni, a former banker, expressed indignation when the outgoing president of the United States, George Bush, sought to mitigate the US financial crisis by placing USD 710 billion at the disposal of large US banks facing bankruptcy. This policy was imitated in the European Union, which committed more than EUR 1.3 trillion (USD 1.7 trillion) to bailouts. Asking rhetorically where this money would come from, Boni predicted that the world's poorer countries would end up paying for the crisis in the long run. In response to this threat to the wellbeing of those who already have least, he called for better world governance and reform of the United Nations, including two seats for Africa on the Security Council.[1]

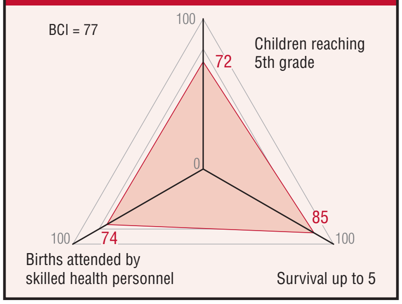
Financial and food crises

In Benin, the basic family basket is now beyond reach. Shipments of foodstuffs from rural areas to the cities have declined and the cost of building materials has increased. A number of construction projects have been halted, including some Government work. The State has had to use its power to requisition building materials for its most important projects. Rural villages, particularly the poorer ones, have been compelled to exhaust their economic resources; they can no longer invest in education and family health.

The increase in the cost of a barrel of oil, the development of agro-fuels and international speculation pushed the entire world, especially Africa, into an unprecedented crisis in 2008. Benin was hit by a general increase in the price of basic products. The price of maize, the most widely consumed product, soared 220%. Shortages exacerbated the hardships, as low farm productivity and growing demand led to the over-purchase of locally produced foodstuffs and reduced distribution to consumers, especially the more vulnerable ones.

1 See: <www.togocity.com/article.php3?id_article=3138>.

Basic Capabilities Index (BCI)



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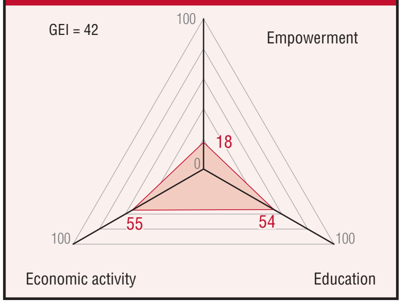


State measures

As it did in 2008, the Government has responded to the food crisis this year by cutting taxes and creating temporary food reserves through the National Bureau for Food Security. These measures partially eased the effects of the 2008 crisis. The chief beneficiaries, however, were traders, who continued to sell at high prices and made large profits at the expense of consumers and the State.

In other measures, the Government suspended the Value Added Tax and introduced subsidies for some foodstuffs (e.g., 25% for rice, milk and sugar) as well as price controls. To help enforce these, it launched a nationwide public awareness campaign and directed the National Bureau for Food Security to open offices in the country's 77 municipalities to monitor prices. The Government also established a national effort to control rises in the cost of living, decentralized through departmental and communal committees The country also benefitted from major donations of rice, maize and sugar from Libya and the Gulf states.

Despite these measures, poorer and more vulnerable consumers derive little benefit from the subsidies and continue to have great difficulty obtaining food. The Government has failed to provide promised funding for the committees, which are largely ineffectual. Two long term programmes to alleviate the food crisis are now being implemented: the Urgent Programme to Support Food Security, budgeted at USD 128 million, and the Agricultural Diversification Programme for the Increase in Value of the Valleys, estimated to cost USD 20.5 million.

The role of civil society

Government campaigns to minimize cost of living increases were supported by civil society organizations. Consumer associations collaborated with the State in supervising prices and helped formulate proposals through their participation in the work of the committees monitoring the cost of living, the publication of press releases and the organization of press conferences.

The energy crisis

In response to the sharp rise in the price of oil on the international market, the population is using more adulterated fuel, known as *kpayo*. Official service stations selling oil products are rarely visited, which reduces State income.

The high price of fuel is particularly onerous in a country where barely one household in five (22.4%) has had access to a public source of electricity, according to the 2002 general census of population and habitat (RGPH-3). The remaining 77% relied on oil-based lighting. As far as the provision of electricity goes, Benin appears to have learnt nothing from the previous crisis. After waiting nearly a year for a solution to come from abroad – principally from a hookup between the Transmission Company of Nigeria and the Electrical Community of Benin – the country belatedly decided to acquire gas turbines. This is taking a considerable amount of time.

In the meantime, much of the economy has been paralyzed, in particular major industries and microenterprises. Consequences have included an increase in the price of cement, interruptions in the supply of drinking water and repeated disruptions of appliances (electrical household appliances, computers, etc.) in villages and towns. This has damaged both public and private enterprises. Businessmen are finding it impossible to meet their commitments with financial institutions.

The State subsidized the price of oil for a considerable period of time, until it declared this had become financially impossible. When international oil prices fell, to discourage the informal sale of *kpayo*, which causes numerous problems for the population, the Government announced that it would sell oil at cost.

In response to Economic Community of West African States (ECOWAS) agreements at summit conferences in December 2001 and January 2006 to institute a system for exchanging electric power to meet growing demand in the region, member states created the Ghana-Togo-Benin 330kV Power Interconnection Project. This project, which requires a huge financial investment, is designed to encourage commercialization of electricity, improve distribution, help to reduce the cost of production and cover the shortfalls in hydroelectric power stations during periods of drought.

In addition, within the framework of its Strategy for Growth and to Reduce Poverty (SGRP), the Government has initiated reforms in the electrical power sector to a long-term increase in efficiency and provide a level of distribution that is satisfactory in both quantity and quality. It has also introduced tax incentives to encourage private operators to acquire electricity generation resources from the Beninese Society for Electric Energy.

The climate crisis

The climate crisis in Benin takes the form of increased variations in rainfall, a reduction in annual rainfall (projected to drop 15% by 2025) in the northeast of the country, an increase in extreme phenomena such as heavy rainfall and storms, a shorter rainy season, delays and irregularity in the commencement of the rains, and a long-term increase in the average temperature (up 1 to 2 degrees by the end of the 21st century). These changes will have a negative effect on agriculture, water reserves, and the lake ecosystems of lower Benin, as well as the country's coast, parks and natural reserves. Three-quarters of the port city of Grand-Popo is already submerged. Cotonou, the capital, to the east of the port, is being totally eroded. Some scenarios for 2035-2050 predict erosion will reach 40 cm.

The country's biodiversity is also expected to suffer. A major decrease in rainfall north of the 8th parallel will reduce the exchange of layers by 20% to 40%. In addition, it will lead to excessive exploitation of the water reserves on the Calavi Plateau, which will increase saline intrusion.

Forecasts indicate that by 2025, the proportion of the population living in cities will rise from 37% to 52%. The country urgently needs to review its urban transport system and the use of energy to reduce pollution. Climate change will have a direct impact on farm production. The rice yield is expected to fall 25% by 2050 and pole beans 15%, while production of yams, the basic food in central Benin, will increase by 4%. If these scenarios prove accurate, between 50% and 60% of the population of southern Benin will be facing food insufficiency, along with between 25.9% and 33% of inhabitants in the central areas of the country.

To secure sustainable exploitation of the basins in the Northwest despite climate change, the Government, with the support of German Technical Cooperation, has launched ProCGRN, a pilot project to conserve and manage natural resources. It focuses on 4 main areas:

- Raising awareness of the effect of climate change on living conditions amongst target groups and means of adaptation;
- Promoting integrated management of river basins to reduce erosion and improve water infiltration;
- Increasing the availability of drinking water and water resources for farming; and
- Disseminating the results achieved.

In addition, Benin prepared a National Adaptation Programme of Action (NAPA) for climate change, and has received USD 3.1 million from the World Environment Fund to implement it.

Climate change was discussed at the meeting of experts from Least Developed Countries (LDCs) in March 2009. The experts called for guarantees that the principal measures of an immediate and urgent nature contained in the NAPAs for climate change would be implemented. It was noted that by December 2008, 39 of the 48 LDCs had completed their NAPAs but only Bhutan had begun to implement its programme. This is an indication of the difficulty and complexity of applying the principal measures of adaptation. According to the Minister for the Environment and Protection of Nature, Justin Adanmayi, one of the critical points when applying a NAPA is access to LDC funds and the mobilization of the necessary complementary financial resources, especially the national contribution guaranteeing the realization of adaptation measures in situ.

Civil society groups have carried out awareness-raising campaigns in several populated areas regarding the degradation of the mangrove swamps, which reduces the productivity of lagoons considerably and threatens their ecosystem.

Recommendations

The food crisis

- Immediately respond to the urgent need for food to prevent malnutrition;
- Implement a new green revolution that greatly increases farm yield without depleting the soil, support small farmers as essential to sustained economic growth and the elimination of hunger;
- Introduce a national food programme for schools using locally produced foodstuffs and ensure that nutritional needs are met through national nutritional programmes;
- Greatly increase investment in farm research, in particular in the areas of high-yield crops and livestock, as well as sustainable farming techniques, water control, with particular attention to the likely effects of climate change;
- Promote the production, transformation and consumption of appetizing local foods; and
- Encourage disadvantaged members of the population to become economically active through Income-generating Activities (AGR, in French) and the development of micro-finance initiatives.

The climate crisis

- Strengthen the powers of leading actors in the issue and those with responsibilities relating to climate change at national, departmental and communal levels;
- Create a comprehensive strategy for dealing with the problems generated by climate change that includes plans of action at each level of the State;
- Integrate the theme of climate change into primary, secondary and tertiary curricula;
- Support NGOs, which are the real link between government and local communities;
- Initiate in-depth research regarding technological transfer and local knowledge that could facilitate adaptation to the negative effects of climate change. ■

BOLIVIA

The moment of truth

As a cycle of world growth roared past, Bolivia stood by and watched, unable to take advantage of the opportunity to establish its own rhythm of development. Its economy was just beginning to pick up speed, when the global boom began to stall and then go into reverse. In recent years, distributive tendencies in the world economy have been weak. Bolivian entrepreneurs are part of this trend, responding to the severe global downturn through unequal negotiations that shift the burden of the crisis onto the shoulders of their workers through layoffs and reductions in benefits and wages.

CEDLA
Javier Gómez and Gustavo Luna[1]

The first result of the world economic crisis was to shatter the myth that the capitalist system could bring about a sustained improvement in the living conditions of workers and their families. This basic failure, which is most evident in the wealthiest countries on the planet (the epicenter of the latest financial earthquake) has long been glaring in the less developed countries in the world periphery.

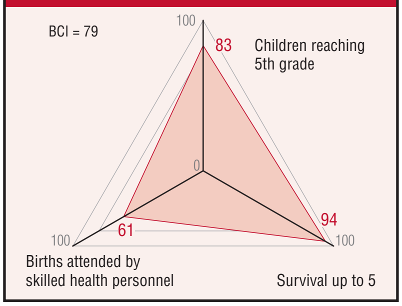
Bolivia's economy has been a testimony to the inability of capitalism, by its very nature and structure, to meet the needs of the majority. It initially became integrated into the world market as a colonial supplier of raw materials; despite nearly 200 years of independence, it has not been able to break that mold and overcome its structural vulnerability. This severely limits Bolivia's ability to take full advantage of cycles of economic expansion, and makes it extremely vulnerable to external shocks whenever the global cycle turns down.

The crisis

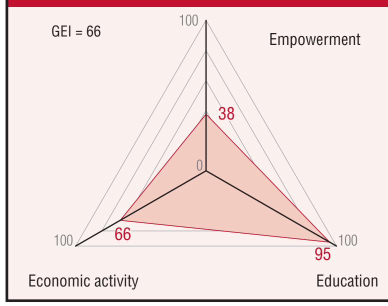
The current world economic crisis is not just one more "serious episode" caused by a lack of regulation in financial markets; it is a crisis throughout the global capitalist system, sending tremors through all spheres of production (energy, food, ecology, social and cultural). This earthquake has revealed the internal contradictions of over-production, the structural tendency for profit rates to fall and a general depression in consumption – all consequences of the pursuit of ever-greater profits through constantly increasing exploitation of the workforce. From this perspective, it is easier to understand the "irrationality" of financial speculation in monopolistic capitalism; the drive to scour liberalized financial markets throughout the world in search of extraordinary profits derived from the circulation of capital.

This is a serious crisis, and one that will be with us for a long time. Already, it has again exposed the extreme fragility of less developed economies. This fragility reflects the nature of capitalist development, which is based on realizing profits and in the process of doing that generates massive inequalities among and within countries.

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



This profile is only too evident in Bolivia. Over the last seven years large infusions of transnational capital have expanded primary materials exports, mostly of natural gas and minerals. At the same time, the industrial base remains weak and wealth remains concentrated in the hands of a few, while the vast majority of households are permanently consigned to a precarious existence.

Behind the mirage

As the global economy recovered from the Asian crisis of 1999, trade expanded rapidly and demand for raw materials soared. Bolivia's annual growth has averaged about 5% over the last four years (2005-2008), spurred by export revenues reaped from high global prices for the country's raw materials. The administration of President Evo Morales has taken credit for this expansion, claiming that it proves the Government's post-neoliberal economic policy has been a success. However, Peru and other countries that remained faithful to neoliberalism achieved even greater increases in production and exports. In fact, the cyclical boom concealed severe structural defects in the Bolivian economy.

Despite the country's macroeconomic success, some social indicators failed to improve. Poverty reduction quickly stalled as soaring food prices squeezed poor households, which spend a large proportion of their income on their diet.

The economy enjoyed another artificial boost from money sent home by workers who had emigrated. In 2007 and 2008 these remittances poured more than USD 1 billion into the country, more than 6% of GDP.[2] This cash contributed to increase household consumption and accelerated growth in sectors like construction and services.[3] However, remittances are extremely volatile, which soon became only too clear. The countries of the European Union began implementing repatriation policies at the beginning of 2008, when the crisis was barely looming. It greatly intensified these policies in September as the crisis battered construction, manufacturing and personal services – sectors where most of these workers were employed. No longer needed, many immigrants were summarily expelled.

The return of workers who had emigrated has intensified pressures in the Bolivian labour market. Underemployment was already prevalent. The influx of repatriated workers has pushed wages down to even lower levels than before, increased the official unemployment rate and led to worsening working conditions.

Income: the Achilles heel

Per capita income in Bolivia jumped 34.3% between 2002 and 2007,[4] prompting international aid agencies to promote the country from low-income to middle-income. However most of the population did not benefit from the country's growth, as pay and employment levels and other indicators clearly show.

Because income is so unequally distributed, about 60% of the population is still below the poverty line. Between 2005 and 2007 the proportion living in extreme

1 Javier Gómez is an economist and executive director of CEDLA. Gustavo Luna is a commentator and general coordinator of CEDLA.

2 Central Bank, Bolivia. In 2008, remittances reached USD 1.097 billion, an increase of 7.5% compared to 2007. This figure was 6,4% of the GNP.

3 According to the National Statistics Institute, in 2007, the incidence of households final consumption expenditure was 2.98% of the GNP, an increase of 3.91% compared to 2008. This was a larger figure than the one reached in the previous decade (1998).

4 Escóbar, Silvia. *Desempleo, condiciones laborales e ingresos*. Mimeo. CEDLA, 2009.

poverty actually increased, from 36.7% to 37.7%. In rural areas, where poverty is pervasive, the Gini Index climbed from an already high 0.62 to reach 0.64.[5]

These trends reveal that recent economic policies and expansion have had a negligible effect on income distribution. Once again, the trickle-down effect has been exposed as a fallacy; economic prosperity for the majority requires effective public policies that generate greater access to productive resources and good jobs while raising wages and other income derived from work.

Although production expanded at a modest rate of 3.1% per year from 2001 to 2004, employment grew at a similar pace, indicating that productivity did not increase at all. This trend was evident in urban as well as rural areas. During the 2004 to 2007 period, production climbed steadily, with an average annual increase of 4.5%. Employment growth also accelerated, to 3.9% per year, but its lower rate of expansion reflects an annual productivity increase of 0.7%. In other words, although the economy generated new employment, most of the gains continued to be concentrated in low-quality jobs. Again, this was true in urban as well as rural areas.

Another mining boom

According to the National Statistics Institute (INE), in 2008 Bolivia's GDP jumped 6.15%, breaking the 1976 record of 6.1%. Most of this expansion was fueled by the explosion in world demand and prices for hydrocarbons and minerals. Bolivia's mining GDP was up 9.98% in 2007 and a spectacular 56.26% in 2008. This far outpaced the rate in other economic activities, which averaged only 4.33% growth. In consequence, mining's incidence rose from 0.41% to 2.41%, and its share in GDP rose from 5.81% to 8.55%.[6]

The boom in mining was not the fruit of a robust sector with several enterprises competing to export more. Quite the contrary, it was generated by a single enterprise, the San Cristóbal Mining Project (PMSC), operating with transnational capital. This company accounted for 40.7% of the total production value of minerals in the country. Without the PMSC, Bolivian GDP growth would have been only 5.13%, well below the level achieved in 1976. Another problem is that only a very small proportion of the wealth generated by the extraction of minerals remains in the country through taxation. In 2008, the aggregate value of mining production was around USD 2 billion; only USD 94.14 million of this (4.64%), flowed into state coffers.[7]

Now that the crisis has hit and world prices for minerals have fallen, the mining operations hardest hit are not giants such as the PMSC, but small-scale cooperatives. These enterprises provide most of the employment, but rely on primitive forms of work organization, perpetuating the vicious circle of low salaries and precarious existence.

Conclusion

The moment of truth has come. While the world enjoyed a cycle of economic expansion, Bolivia let it pass by. Mired in inertia, it failed to develop an internal capacity for growth. But that opportunity was just a chimera. Under the reign of capitalism booms merely reproduce the established order, with its built-in inequalities. And now that the worst global crisis in recent history has struck, the Bolivian economy is just waking up to what it missed out on.

The entrepreneurial class has reacted to the global downturn and the end of its run of extraordinary profits by taking advantage of worker vulnerability to insist on reductions in benefits and wages, as well as layoffs. While they are shifting the weight of the crisis onto workers' shoulders, they are also making sure that fees, bonuses and other subsidies to business owners remain untouched, or are increased.

The seasonal workers and so-called self-employed who make up the overwhelming majority of the labour force can do little except wait for the Government to offer another bond issue that might provide sufficient funds to somehow help them meet their basic needs. ■

5 In 2006 the Gini Index was 0.519 in Argentina, and 0.517 in Chile. Only Brazil, with a level of 0.593, exceeded the figure estimated for Bolivia. Based on per capita income, these are all middle-income countries.

6 Guachalla, Osvaldo. *Bolivia: el Producto Interno Bruto creció en 6,15%*. Mimeo. CEDLA. 2009

7 *Ibid.*

■ BRAZIL

Swimming through a tsunami?

Brazil has paid the price of being "integrated" into the global economy. As foreign investors and speculators pulled out, the securities markets slumped and the currency was sharply devalued. The Government's response has been somewhat timid, with expenditure lower and slower than needed. Brazil still may be able to ride out the crisis if the Government rises to the challenge, however. Meanwhile, the world economy has a unique opportunity to promote environmentally sustainable growth strategies and new rules for making financial systems work for development and the redistribution of income and wealth.

Social Watch Brazil
Fernando J. Cardim de Carvalho[1]

Many observers saw the relatively low level of contagion by emerging economies of the financial panic, that began in the United States in 2007, as a sign that these countries could successfully "decouple" their destiny from that of developed countries. Brazil was expected to be among the lucky ones – that is, those countries that could avoid being swallowed by the shock waves of the financial crisis, sustaining some degree of prosperity and reining in unemployment by redirecting productive activities to domestic markets.

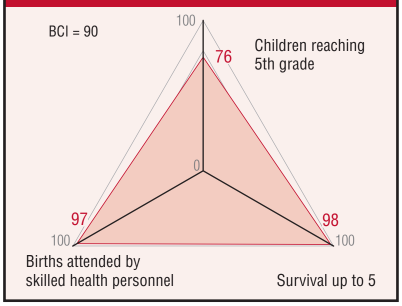
This view seemed to be vindicated by the vigorous growth of the Brazilian economy in the first three quarters of 2008. It did not grow at "Chinese rates", of course, but it grew fast enough not only to expand employment but also to move a growing share of the workforce from informal jobs to the better paid and more secure formal sector. Household consumption led overall growth, fed by the increase in real wages (particularly the minimum wage) and employment, as well as by the social policies that increased the purchasing power of the lowest income groups.

The Federal Government, with President Lula at its head, mounted a strong public campaign to keep up business and consumer morale so that demand would remain high, stimulating firms to keep producing and expand investment. The President frequently reminded the population that his Growth Acceleration Plan (PAC) should act as a lever to keep up demand, so that consumers should not fear unemployment and firms would not face idle capacity.

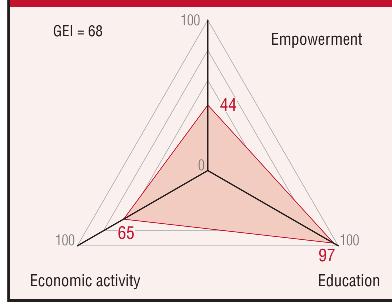
The strategy seemed to be successful until the virtuous path was abruptly interrupted in the last quarter of 2008, when GDP fell 3.6% in comparison with the previous quarter. All sectors of the economy actually contracted, but the manufacturing sector was by far the hardest hit, falling more than 7%. Investments, which had been growing at healthy rates, fell almost 10%. Consumers and investors could not sustain their previous spending, so the economy as a whole contracted significantly.

1 Professor of Economics at the Federal University of Rio de Janeiro and Consultant at the Brazilian Institute of Social and Economic Analyses (Ibase).

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



The Government's timid response

The Brazilian version of the international crisis has specific roots. The domestic banking system was not exposed to the kind of speculative investments that ruined the financial systems of the United States, Europe and parts of Asia. As a result of the high interest rates paid on domestic public debt, banks operating in Brazil preferred to invest in these securities instead of trying their luck with the "financial innovations" created in the United States. Nevertheless, the country could not avoid the consequences of becoming "integrated" into the global economy.

In recent years, the Brazilian economy has received a large amount of foreign capital, both in the form of direct investment and as speculative portfolio capital. The São Paulo Stock Exchange soared and large amounts of debt securities were placed on the market. When the crisis exploded in the United States and soon after in Western Europe, many of these investors and speculators took their money out, in many cases to cover their losses at home. As a result, not only did the Brazilian domestic securities markets slump but also the national currency, the real, went through a rapid and sharp process of devaluation.

The results were not as catastrophic as they had been in past crises, largely because the turmoil did not induce capital flight by residents. Domestic financial speculators, in fact, had no reason to flee since the Government was still paying the highest interest rates in the world. Besides, there was no safe place to go. In addition, Brazil holds a relatively large amount of international reserves. Thus, while foreign investors generally had little choice but to leave, Brazilian investors preferred to stay. As a result, the problems with the balance of payments did not become as serious and paralyzing as they had been in the recent past.

The disturbances in the domestic securities markets and the sharp devaluation of the real, however, were enough to induce local banks to curtail credit to firms and consumers, despite some timid attempts by the Central Bank to supply them with additional liquidity. The credit crunch created immediate difficulties in sectors such as consumer durables, particularly cars, the demand for which is heavily dependent on the availability of credit. Collective vacations and other tricks to temporarily reduce production were adopted in the automobile industry, but it could not help but transmit the fall in demand to other industries. The twin threats of idle capacity and unemployment broke the spirits of consumers and firms. Facing idle capacity, firms suspended investment plans, deepening the impact of the initial fall in demand. In the end, only the Government was still expanding its spending in the last quarter of 2008.

In contrast to the previous year, 2009 began with much more subdued expectations. Opinion polls show that fear of unemployment has made its way back to the top of most people's list of concerns, topping urban violence and public safety. In particular, and another serious cause for concern, it became clear that despite the aggressive rhetoric adopted by the President since the beginning of 2008, counter-cyclical policies have been much less vigorous and effective than they need to be. It is well known that President Lula, when he was inaugurated, acted to reassure financial markets by maintaining a *de facto* independent Central Bank, ruled mostly by functionaries of private financial institutions. It should surprise no one that monetary policy has been appallingly managed during the crisis by monetary authorities that are so far to the right of any other central banker in the world that even private banks seem to be bothered by their inability to offer any constructive contribution to economic recovery.

More surprising, perhaps, is the timidity of governmental spending policies. The President's calls for bold action seem to have fallen on deaf ears among his own Cabinet ministers. The Government has persisted with PAC, which was defined for normal times and is obviously insufficient to fight a recession that may end up longer and deeper than it seemed at first. However, even PAC has been implemented in an uncertain and timid way. Spending plans are delayed by bureaucratic obstacles, resulting in public expenditure that is lower and slower than required. The hesitant behaviour of leading authorities in the Government's economic team betrays a worrying lack of understanding of the potential damage that a crisis such as the one currently unfolding can cause to a developing country such as Brazil.

As the Brazilian economy continued to decline in the first quarter of 2009, however, more forceful policies were implemented, although still far from what is necessary to make up for the contractionary impulses coming from abroad. Public banks increased their supply of credit, at lower interest rates. Income transference to the poor, through the Family Grants program, sustained consumption in the lower income groups. The overall improvement of expectations, after what seemed to be an overreaction in the last quarter of 2008, led to a still tentative and timid recovery, which is presently going on. All things considered, all indications point to the same direction: a small recovery, which in itself, given the international context, is still a relief.

At a moment like this, one of the biggest risks a country can expose itself to is confusing the inability to act with financial and fiscal prudence. Afraid of increasing spending, governments can resign themselves to watching private demand fall and, as a result, production and employment fall too. In such a situation, tax revenues go down while social security spending rises. Fiscal deficits then rise precisely because governments were not bold enough to act against the contraction of the economy. Paradoxically, the attempt to look prudent puts a country in an even worse fiscal position than would be the case if its government had acted decisively to support demand, increasing income and tax revenues. Incidentally, this is precisely what President Obama is trying to accomplish in the United States. It is also what the Managing Director of the International Monetary Fund (IMF), Dominique Strauss-Kahn, has defended repeatedly since 2007.[2]

THE THREAT TO FOOD SECURITY

Francisco Menezes[1]

Brazil's Zero Hunger programme and the strengthening of a number of public policies have made it a recognized world leader in the fight against hunger. However, both the food and financial crises have had significant impacts on the country's food security.

In the second half of 2007, food prices started to increase, reversing the downward trend of the previous few years and putting the gains at risk. The most vulnerable social groups are the hardest hit by food price increases, as food takes up more of their budgets. Concerned with this, the Government increased by 8% the benefits distributed through the *Bolsa Família* (a guaranteed minimum income programme).[2] It also incorporated a larger number of families into the programme and took measures to boost food production through incentives and guarantees to rural producers.

In the second half of 2008, food prices levelled off or even fell, following the trend for commodities in world markets. However, new threats to food security have resulted from lower incomes among the poorest people, increased unemployment and a likely reduction in real wages. It is necessary to follow events very closely in 2009. The food security budget is certainly a relevant indicator of the direction being followed, both in terms of releasing funds for this year and the 2010 budgetary proposal.

1 Specialist on food security and co-Director of Ibase.

2 See: <www.ibase.br/modules.php?name=Conteudo&pid=2481>.

An opportunity to reset the world economy

The current international financial crisis represents the most serious disruption faced by the global economy since the Great Depression of the 1930s. Even its duration underlines its dangerous nature: the crisis is advancing through its third year and there is as yet no light at the end of the tunnel, no sign of recovery. It is most likely that, in the short term, the situation will become still more serious, with the increase in unemployment and social disruption this phenomenon causes everywhere. Brazil still has a chance to reduce these risks if the Government rises to the challenge.

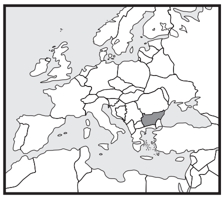
Nevertheless, it needs to be noted that crises such as this one always transform, more or less deeply, the way the economy and society work. Thus, as important as it is to stop the economic decline in the short term, it is also and perhaps even more vital to prepare for the future. The Great Depression resulted in the expansion of the welfare state and widespread public intervention in the economy, both ferociously combated by the neo-liberal revolution of the late 20th century.

Now there is another opportunity to reset the path of the world economy. All indications point to so-called "green investments" as the next frontier of investment and innovation, promoting environmentally sustainable growth strategies that increase efficiency in the generation and use of energy. Also important is to repair the damage caused by the dominance of neo-liberal ideologies that has fostered financial deregulation since the 1980s and led the world to the brink of disaster. New regulatory and supervisory strategies are necessary given their widespread failure. However, the new rules should focus on how to make financial systems work to promote development and the distribution of income and wealth, not the welfare of financial speculators. These rules are now decided in forums such as the Basle Committee and the Financial Stability Forum. The crisis forced the richest countries, which have traditionally monopolized these decisions, to open the door to emerging economies, making the G20, at least for the moment, the centre of attention. One may argue that it is better to have a G20 than a G7, but, in reality, no G can really provide the solution. These institutions must become representative, and this is not achieved by simply co-opting a few new members in order to allow existing clubs to maintain their exclusive nature. The current crisis creates an important opportunity to attain the effective democratization of international institutions. This chance should not be missed.[3]

2 Though the Fund itself has resisted adopting this view, as demonstrated by the conditionalities imposed on the Central European countries that were bailed out by the IMF.

3 In fact, this is precisely the goal of the project "Financial liberalization and global governance: the role of international entities", coordinated by Fernando J.C. Carvalho and Jan Kregel, developed by Ibase and sponsored by the Ford Foundation. See "Financial Crisis and Democratic Deficit". Available from: <www.ibase.br/modules.php?name=Conteudo&pid=1686>.

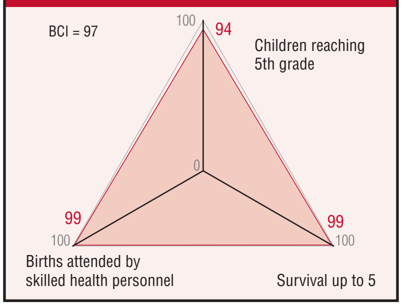
Social unrest



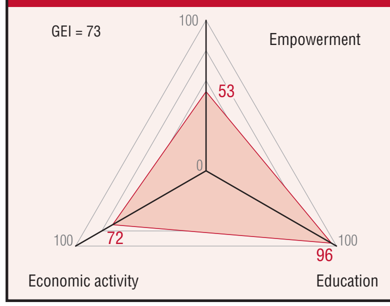
Bulgaria, the poorest country in the European Union, has been enjoying some economic benefits from joining the EU. However, Government assurances that the economy is solid notwithstanding, investment and exports are dropping and the GDP will soon contract. Government measures to mitigate the impact of the global crisis will probably not be sufficient. NGOs are demanding that both employers and the Government adopt emergency measures to rein in inflation, agree to wage settlements that increase real income and assess the impact of the crisis on the most vulnerable sectors of society.

Bulgarian Gender Research Foundation and Bulgarian-European Partnership Association

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



Although Bulgaria, the poorest EU country, has yet to feel the full impact of the global economic crisis, social protests have already erupted in response to the European Commission's decision to cut the country's pre-accession funding due to rampant corruption. Bulgarians demonstrated in front of the Parliament building in January 2009 to demand economic reforms, calling on the Government to act or step down. In the same month, farmers demonstrated throughout the country and blocked the only bridge to Romania, demanding that the Government set a minimum price for milk and stop imports of cheap foreign dairy products. Police officers, banned by law from striking, have been holding "silent" protests since December to obtain a 50% pay hike and better working conditions.

Despite this social unrest, as well as a global financial crisis that has inspired a re-examination of current economic policies all over the world, widespread questioning of the neo-liberal model and calls for stricter government regulation, the neo-liberal model remains fashionable in Bulgaria. Prime Minister Sergey Stanishev acknowledges that Bulgaria is experiencing its first economic crisis as a capitalist country and is not immune to the difficulties facing its economic partners. However, he continues to insist that the country's problems are less severe than those of other European Union members.

Boom and crunch

A currency board was introduced in 1997 after a severe crisis in the national bank system led to hyperinflation, bank closures, acute political crisis and mass impoverishment. Since then every government, whatever its political orientation, has favoured retaining it in order to avoid another massive crisis. The currency board's strategy has been to stabilize the macroeconomic environment while barring any increases in pay, even though Bulgaria has the lowest wages in the EU.

Since 2004, when agreement was reached on accession to the EU, Bulgaria has experienced a surge in capital inflows and a credit boom. The influx of capital was stimulated by expectations of rapid convergence with the EU, and further boosted by the presence of the currency board and a strong fiscal policy. The ratio of credit to GDP exploded from 36% in 2004 to 67% in 2007. By 2008, inflows made up about 30% of GDP.[1]

The surge in outside capital generated strong GDP growth, but sharply widened external and internal imbalances. GDP grew by more than 6% annually, one of the fastest rates in Europe.[2] Growth remained a strong 6.25% in 2008. However, the growth of domestic demand outpaced GDP growth, widening the current account deficit from 5% of GDP in 2003 to over 24% in 2008. This gap was accentuated by the concentration of growth in construction, real estate, and financial services according to the National Statistics Institute.

As unemployment dropped and the labour market tightened, wage growth accelerated to 24% in June 2008. The overheating of the economy, together with rising food and oil prices, accelerated inflation to a peak of 14.7% in June 2008, with food prices soaring more than 25%. Escalating prices of natural gas, electricity, central heating, road and railroad transport, water, and so on will push the cost of living up around 17% on an annual basis, while inflation for the full year will probably surpass 12%. The inflation forecast for 2009 is around 4%.[3] However, Centre for Economic Development experts are warning that the real danger ahead is deflation, not inflation.

Global financial turmoil and risk aversion by investors are likely to reduce capital flows to Central and Eastern Europe, including Bulgaria. Local bank subsidiaries are unlikely to continue receiving the large capital transfers from their parent banks that have funded credit growth. Without this financing, enterprises will reduce their production and services or shut down entirely, causing an increase in unemployment. Metallurgy and construction have already shrunk. In January 2009 industrial production plunged 19% from the previous month, according to the official Statistical Institute.

At the same time, shrinking foreign demand and declining commodity prices might lead to a drop in Bulgarian exports and a decline in tourism. The latest IMF projections show a contraction of more than 0.5% in G-7 GDP, which would squeeze Eastern Europe's growth and exports. In Bulgaria, exports have been hard hit by a decline in orders and metal prices.

Economic outlook

GDP growth in 2009 is likely to slow to about 2%, or even 0%, according to one recent forecast.[4] With slower growth, the current account deficit is projected to shrink to 15% of GDP, while a sharp drop in global commodity prices should temper inflation. However, there is significant risk that growth will slow even more. Fortunately, the country's public finances are in good shape, with one of the highest fiscal surpluses in Europe. Nevertheless, the dramatic shift in the balance of payments shows the severe shock the country is experiencing.

In the five months since October, net capital inflows totaled only EUR 800 million, down from EUR 6.1 billion in the previous five months and EUR 5.6 billion in the same period a year ago. Exports in the

1 IMF. Bulgaria. Article IV Consultation–Staff Report. Staff Statement; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for Bulgaria February 2009. p. 25.

2 World Bank. *EU 10 Regular Economic Report*, February 2009.

3 Confederation of Independent Trade Unions (2009). "Living standard". Available from: <www.knsb-bg.org/knsb/>.

4 IMF, Bulgaria. Staff Visit; Concluding Statement of IMF Mission, April 2009. See: <www.imf.org>.

first two months of 2009 were 27% lower than in the first two months of 2008, while the drop in imports was even sharper (32%), suggesting that domestic demand has contracted rapidly. As a result, the current account deficit declined from an annualized rate of 25.8% of GDP in the first two months of 2008 to 11.6% in the first two months of 2009.[5] Indeed, leading indicators of economic activity suggest that the economy may already be contracting**.** The International Monetary Fund (IMF) recently predicted that the Bulgarian economy will shrink by around 3.5% in 2009 and 1% in 2010, down 2% from its April 2009 projection.[6]

An international gas crisis in January 2009 practically erased whatever positive momentum remained from 2008. When the dispute between Russia and Ukraine cut gas supplies to Europe, Bulgaria was among the most unprepared countries, with no real alternative sources of gas. The cost in lost production is estimated at more than EUR 250 million (about USD 333 million). The Government officially requested compensation from Russia, but even if some compensation is provided, the long-term effects of the halt in production could pose risks to the entire economy.

Government priorities in fiscal policy

In this difficult environment, maintaining confidence in both the currency board and the financial system is crucial. The two are mutually dependent: a strong and resilient financial system is needed to sustain the currency board; and confidence in it bolsters the financial system. The IMF believes that the currency board can enable the country to cope with the turbulence, since Bulgaria has adequate fiscal and currency reserves. The IMF didn't even consider alternative measures to compensate for negative balance of payments, such as currency devaluation or adoption of the Euro.

Recommendations

Maintain surpluses

Fiscal policy should aim at maintaining large surpluses, not only because they have been a pillar for the currency board, but also to preserve balances in the fiscal reserve account – an important cushion in the event that problems emerge. For 2008, the Government targeted a surplus equal to 3.5% of GDP. Preserving the surpluses in a time of slow revenue increases will require a significant slowdown in the growth of expenditures. However, neither revenues nor expenditures projected in the current budget reflect the expected decline in GDP growth.

Make implementation of the 10% budget rule transparent

The Government plans to contain expenditure growth by restricting spending to 90% of what was originally budgeted for 2009, rather than by revising the budget. The remaining 10% is to be released based on budget developments.[7] This solution could be pragmatic, but it is far from transparent. Indeed, foreign observers, probably not aware of the 10% rule, perceive a budget based on unrealistic revenues.

It is important to ensure that mechanisms to implement the 10% rule are clearly understood. Some plans and programmes may need to be postponed. Ministries should signal their spending priorities early on and make sure they are clearly communicated to the public. Strict budget execution is also essential. Implementation of the 10% rule would only slow spending growth from a budgeted 17% to 11% in real terms. If GDP growth slows to the projected 2%, the fiscal surplus is likely to fall to 2% of GDP.[8]

Accelerate reforms

Fiscal and structural reforms should be accelerated, notwithstanding the election cycle. Problems regarding the disbursement of EU funds underscore the need to further upgrade control systems. The Government has introduced several changes to social security contributions and social policy-– e.g., a decrease in social insurance contribution rates paid by employers and an increase in maternity benefits. In making further reforms, maintaining fiscal neutrality is essential to ensuring the long-term sustainability of the public finances.[9] To accelerate convergence to EU standards, the State has to complete the reform of education, make progress in health care reform and improve the efficiency of the public and private sectors.

Increase wages as productivity increases

The Government is aware that the high growth rate in wages during 2008 cannot be sustained. Although wages are still low compared to those in Western Europe, further increases must be accompanied by improvements in productivity. According to the IMF, the current pace of wage growth is far too rapid for Bulgaria's relatively small productivity growth. Moreover, as the experience of other countries has demonstrated during the downturn, the faster wages grow, the more unemployment is likely to increase.[10]

Moderation in unit labour cost increases is essential given that resources will need to be shifted to export-oriented sectors. As domestic-market sector growth slows, GDP growth can be maintained only if exports take up the slack, but both sectors must remain competitive. Whether they are is a matter of dispute. Although the Government expresses confidence in corporate profitability, NGOs are less certain due to the paucity of data available.

The financial sector

Strong policies will also help the financial sector, which is currently well capitalized and profitable. In the period ahead profitability is likely to decline, as foreign funding is becoming scarce, strong competition for domestic deposits has raised the cost of funds, and lending growth is expected to slow. At the same time, the reliance of banks on foreign funding for new lending makes them vulnerable to the current disruption in international financial markets. Nevertheless, banks are well positioned for a slowdown, and have strong capital and liquidity cushions.

Unemployment will probably not reach double digits. Those most likely to be jobless are young people who lack an employment history, low-skilled workers, elderly workers, people with disabilities and women. It should be noted that the number of unregistered unemployed is at least equal to the number registered, and may be higher. Migrant workers are also returning, which ends the remittances they were sending home to their families. Some projections estimate that some 20% of short-term emigrants may come back—mainly from Greece, Spain and several other EU countries where unemployment is rising sharply.

The civil society perspective

NGOs and trade unions do not agree that reducing social expenditures is acceptable in times of crisis. They have been meager expenses since the establishment of the currency board. Any further reduction could shatter the country's social peace. Although NGO experts support the increase in the share of investment going to transport infrastructure, they are sharply critical of the Government's failure to use EU structural funds allocated to Bulgaria during its first two years of full membership. Only 0.6% of the EUR 2.2 billion had been spent by the end of 2008. Lack of financial capacity, excessive bureaucracy and scarcely transparent procedures have all prevented the funds from reaching their intended beneficiaries.

NGOs insist that both employers and the Government take emergency measures to rein in inflation, negotiate compensation for decreases in real income, guarantee wages, assess the impact of the crisis on the most vulnerable groups in society and take measures to protect basic social and economic rights. ■

5 Government of Bulgaria. "Plan for economic stability and progress in 2009" [only in Bulgarian]. Available from: <www.government.bg>.

6 International Monetary Fund. *World Economic Outlook*, April 2009.

7 Ministry of Finance. *Report to the Draft Law on State Budget for 2009* [only in Bulgarian]. Available from: <www.minfin.bg/>.

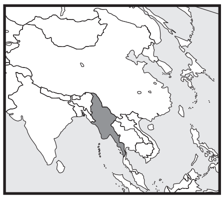
8 Government of Bulgari, *op. cit.*, p.1.

9 Confederation of Independent Trade Union, *op. cit.*

10 Bulgarian workers and employees continue to receive the lowest remuneration in Europe**,** while the level of prices remains comparatively high – with an average monthly salary of EUR 255 (USD 339). This means that with 20% of the average European salary one must cope with price levels that come up to approximately 46% the average European price levels. – This is one of the main claims of the Confederation of Independent Trade Unions (KNSB) for a just and decent pay. May 2008.

■ BURMA

Many crises, no response



Under the ruling Military Junta, the Burmese people live with perpetual crises, whether related to the economy, politics, food or the environment. These have combined to create a situation of extreme poverty, lack of basic rights and increasingly deteriorating social conditions. People's organizations, which may constitute a part of civil society in the future, are underdeveloped, banned or persecuted by the Government. Rights are reserved only for the military elite and their cronies, while the most vulnerable citizens are disproportionately affected by crises and disaster.

Burma Lawyers' Council

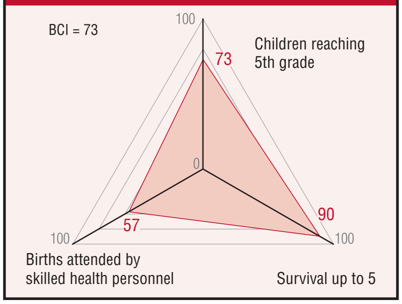
As a result of 47 years of misguided policies, oppression and corruption by the ruling State Peace and Development Council (SPDC), the current global crises that are affecting financial markets, the availability of basic goods and the environment have hit the Burmese faster and harder than other peoples around the world.

Late in 2006, with the annual per capita income at around USD 300, the cost of basic food commodities rose in Burma between 30 and 40% – a tremendous threat for people who spend 70% of their income on food.[1] In August 2007, the Government reduced fuel subsidies, leading to gas price increases. Many people could not even travel to work. As the price of basic goods increased another four to five times, widespread peaceful protests led by Buddhist monks and the vestiges of Burmese civil society broke out across the country. In response, the Government brutally cracked down, firing into unarmed crowds and ransacking monasteries at night. Nearly 2,000 civilians were taken as political prisoners.[2] Participants were sentenced to long prison terms.

Then, in May 2008, the Government failed to provide warning about the impending landfall of Cyclone Nargis, which struck the Irrawaddy Delta with devastating force. An estimated 140,000 people died in the immediate aftermath, while the disaster directly affected at least 3.4 million. The Government refused aid workers entry into the most devastated regions and closed aid camps for displaced citizens, forcing them to return to flood-stricken areas without food, water, shelter or medical care.[3] The SPDC also repackaged foreign aid deliveries to make it seem that the Government was the donor. Amnesty International expressed concern that the Government was using its citizens' suffering in the wake of the cyclone to tighten its grip and expand the reach of its forced labour programmes among a population lacking basic necessities.[4]

In the same month, the Government held a discredited referendum on the new Constitution, taking advantage of the displacement of cyclone victim. Many of the victims could not vote either in the originally scheduled 10 May balloting or in the additional voting held on 24 May, on the pretext of accommodating displaced voters. Reports also note that Government officials exchanged foreign aid packages for votes and labour.[5] The current global financial, environmental and food crises have intensified the hardships that the Burmese were already suffering. In the face of this dire situation, however, the SPDC has shown no willingness to change its policies or system of governance.

Basic Capabilities Index (BCI)



The financial crisis

Burma has long suffered internal domestic financial crises. Inflation in basic commodity prices, including food and fuel, led to widespread protests because individuals could no longer afford these goods and because the price increases translated into job losses. Furthermore, the credit crunch has indirectly affected workers by depressing investment in domestic industries. The market for consumer or small business credit is functionally non-existent. At its heart, the development of a free market economy in the country is a myth, and the right to develop industries is reserved for the ruling Military Junta, their families and their cronies.[6]

Additionally, the SPDC's misuse of the nation's funds for increased military spending continues to have serious consequences for the poorest and most desperate. While the Government was unable to support its citizens in the aftermath of the cyclone without significant foreign aid, it spends nearly half of its budget on the military.

The global financial crisis has worsened the economic reality of the country. The fishing, mining, garment, food processing and advertising industries, for instance, have all suffered.[7] Burmese living abroad are also financially distressed and thus unable to send as much money back to their families as they did before. Developed countries' demand for goods from factories where Burmese migrants work has decreased, both lowering the availability of jobs for migrant workers and increasing abuse as employers attempt to maximize profit margins.[8]

The environmental crisis

There is increasing environmental degradation as the SPDC is putting on sale the rights to domestic resources, both mineral and biological. Burma's neighbours, along with a compliant Government, exploit the country's natural resources without attention to the environmental and cultural consequences. In Kachin state, Chinese loggers are currently extracting wood without considering either the short- or long-term impact, without employing Burmese workers and without providing any stimulus to the

* There are no available data on GEI.

1 Head, J. "The Hardship that Sparked Burma's Unrest". *BBC News*, 2 October 2007. Available from: <news.bbc.co.uk/1/hi/world/asia-pacific/7023548.stm>.

2 See: Head, J. "Burma Leaders Double Fuel Prices". *BBC News*, 15 August 2007. Available from: <news.bbc.co.uk/2/hi/asia-pacific/6947251.stm>. And also: Assistance Association for Political Prisoners. *Crackdown in Burma Continues*, 31 January 2008. Available from: <www.aappb.org/release100.html>.

3 Tun, A. H. "Myanmar Cyclone Toll Rises to 138,000 Dead, Missing". *Reuters*, 24 June 2008. Available from: <uk.reuters.com/article/featuredCrisis/idUKBKK15852620080624?>.

4 Amnesty International. "Myanmar Briefing: Human Right Concerns a Month after Cyclone Nargis". 2 June 2008. Available from: <www.amnesty.org/en/library/asset/ASA16/013/2008/en/85931049-32e5-11dd-863f-e9cd398f74da/asa160132008eng.pdf>.

5 Yeni and Min Lwin. "Massive Cheating Reported from Polling Stations". *The Irrawaddy*, 10 May 2008. Available from: <www.irrawaddy.org/article.php?art_id=11923>.

6 Pepper. D. "In Burma, Business Ventures Start with Military". *SFGate*, 13 November 2008. Available from: <www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/11/12/MNNU12SBS8.DTL>.

7 See, for example, Mizzima, "Burmese Fishery Export Hit Hard", 27 November 2008; "China Slowdown Hits Burmese Mining", 28 January 2009; "Ad Industry in Burma in Doldrums", 14 February 2009; "Rangoon Factories Begin Cutting Jobs", 5 February 2009. Available from: <www.mizzima.com/news/global-financial-crisis-a-burma.html>.

8 Interviews with Mae Sot, Thailand area factory workers by Burma Lawyers' Council staff, June 2008.

local economy.[9] Similarly, the SPDC has long sold rights to Burma's rich mineral reserves, including gold and gems, without any regulatory oversight of the effects on the environment.

Over the past two decades, Burma has suffered from one of the highest rates of deforestation, losing close to 20% of its forests.[10] This has occurred despite warnings of widespread environmental damage when development ignores the interdependence of ecosystems.[11] A number of large dams that are currently being planned and constructed on Burma's major rivers by Chinese, Indian and Thai corporations and governments threaten the country's biodiversity.[12] The financial benefit goes to the military leaders, while the harm is suffered by the people.

The food crisis

The global food crisis has directly affected Burma, where for decades people have been suffering a localized, domestic alimentary crisis, including a dramatic reduction in protein.[13] While Burma is technically a "food surplus" country because it produces more food than it consumes, inadequate distribution schemes have left the population severely malnourished, with 32% of children underweight.[14] Much of the population is at high risk of food shortages when natural disasters and environmental incidents are poorly managed, illustrated by the aftermath of Cyclone Nargis. In Chin state, a recent plague of rats placed 100,000 people at risk of starvation, yet the Government provided no aid.[15]

Crisis in education

Burmese funding for education, both as a percentage of GDP and in absolute numbers, ranks towards the very bottom globally at a mere 1.2% of GDP.[16] Nationally, only about one-third of students who enter primary or secondary schools finish the full curriculum.[17]

Political crisis

Overarching all the other factors is the broken political system. The SPDC and its predecessor dictators have refused to allow a true transition to democracy, despite the steep decline of the country since the military seized power. The regime's "Seven-Step Road to Democracy" is widely viewed as a seven-step road to permanent military entrenchment. Among other points, the new Constitution reinforces the military's unlimited control over government operations, fails to provide for an independent judiciary and lacks meaningful human rights protections.[18] A number of prominent political groups, such as the National League for Democracy (NLD), the New Mon State Party, the Mon National Democratic Front, and the Kachin Independence Organization, refused to participate in the constitutional referendum. Key opposition groups, led by the NLD, plan to boycott the upcoming 2010 election.

In addition, among military ranks a potential crisis is brewing between the SPDC and the United Wa state Army (USWA), which controls part of the Shan State. Although the groups agreed on a ceasefire in 1989, the USWA rejected the order to disarm and become a government-controlled militia. The USWA has been printing official documents as "Government of Wa State, Special Autonomous Region, Union of Myanmar", and have stated that it will neither disarm nor participate in the 2010 elections unless this status is granted.[19]

The SPDC's continued arrests and detention of anyone who dares to criticize Government policy is a clear indicator of its unwillingness to allow meaningful change in the political sphere. In the past year, the house arrest of Daw Aung San Suu Kyi, Nobel Laureate and democratically elected leader, was extended. The popular Burmese comedian and social commentator Zaganar was sentenced to 45 years in prison for his criticism of the Government's response to Cyclone Nargis. Currently, there are an estimated 2,100 political prisoners.[20]

Civil society under suspicion

In times of crisis, civil society organizations are crucial in providing relief and an alternative voice to help solve a nation's most pressing problems. In Burma, however, such organizations are underdeveloped, banned or persecuted by the SPDC. The prominent groups that are allowed to exist merely help to prop up the military. For example, the Auxiliary Fire Squad primarily serves as an anti-riot force. Likewise, government-sanctioned women's groups promote government policy rather than lobby to change it. While some community-based organizations do exist, they must receive Government permission to undertake any activity.[21] Furthermore, members of organizations found to have done something "unlawful", which often merely means opposing the Government, are often punished.[22]

Conclusion

Under the ruling Junta, the Burmese people live with perpetual crises, whether economic, political or environmental. In recent years, these crises have frequently served to fuel one another and to perpetuate a harmful status quo. In response, the Government increases its crackdowns and arrests and refuses to provide any form of safety net to its citizens. It has created a country with rights reserved only for its military elite and their cronies, while the most vulnerable citizens are disproportionately affected by crises and disaster. ■

9 Kachin News Group. "China Resumes Importing Timber from Northern Burma". *Kachin News*, 17 December 2008. Available from: <www.kachinnews.com/index.php?option=com_content&view=article&id=678:china-resumes-importing-timber-from-northern-burma&catid=1:latest-news&Itemid=50>.

10 Mongobay.com (nd). "Myanmar: Environmental Profile". Available from: <rainforests.mongabay.com/20myanmar.htm>.

11 Curtis, G. "Christian Aid Warns of Burma Environmental Damage". *Christian Today*, 15 May 2007. Available from: <www.christiantoday.com/article/christian.aid.warns.of.burma.environmental.damage/107>.

12 Pichai, U. "Environmentalists Demand Halt to US $ 35 Billion Burma Dams". Mizzima, 16 March 2009. Available at <www.mizzima.com/news/inside-burma/1844-environmentalists-demand-halt-to-us-35-billion-burma-dams.html>.

13 Suu Kyi, A.S. "Breakfast Blues". In *Letters from Burma,* 27-30. 1998.

14 WFP (nd). "Myanmar". World Food Programme (WFP). Available from: <www.wfp.org/countries/Myanmar>.

15 Carroll, B. "Rampaging Rats Bring Starvation to Burma". *BBC News*, 26 September 2008. Available from: <news.bbc.co.uk/2/hi/asia-pacific/7633986.stm>.

16 CIA (2009). World Factbook, *Burma*. Available from: <www.cia.gov/library/publications/the-world-factbook/geos/bm.html>.

17 "Child Education in Burma". *Asian Tribune*, 3 September 2003. Available from: <www.asiantribune.com/oldsite/show_article.php?id=850>.

18 See: Htoo, A.U. "Analysis of the SPDC's Constitution from the Perspective of Human Rights". *Legal Issues on Burma Journal,* No. 30. 2008; and two publications by the Burma Lawyers' Council."2010 Elections: No Hope for Human Rights". *Legal Issues on Burma Journal,* No. 30.2008, and "Statement on the Failure of the 2008 SPDC Constitution to Protect Judicial Independence". 4 December 2008.

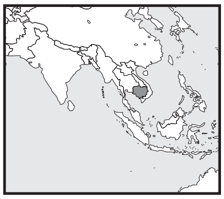
19 Weng. L. "UWSP Proposes Autonomous Wa Region". *The Irrawaddy*, 5 January 2009. Available from: <www.irrawaddy.org/highlight.php?art_id=14874>.

20 France 24. "Online Mobilization for Political Prisoners in Burma". Available from: <www.france24.com/en/20090319-web-mobilisation-political-prisoners-burma-egypt-activist-rio-wireless-brazil>.

21 Ni Aung, M.A. "Creating Space in Myanmar/Burma". In Zarni (ed.) *Active Citizens Under Political Wraps: Experiences from Myanmar/Burma and Vietnam.* Chaing Mai: Heinrich Boll Foundation. 2006.

22 Lorch, J. "Civil Society Actors and Their Room for Maneuver in Myanmar/Burma". In Zarni (ed.) *Active Citizens Under Political Wraps: Experiences from Myanmar/Burma and Vietnam.* Chaing Mai: Heinrich Boll Foundation. 2006.

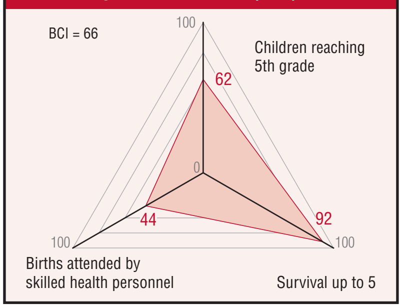
Economic growth must be re-directed



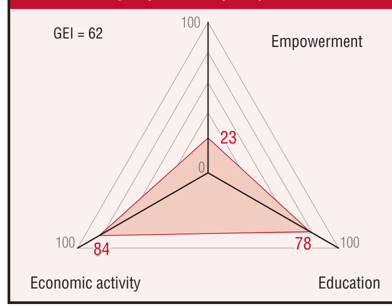
After two decades of war, Cambodia is rebuilding its State institutions. Economic growth has been high, but the country needs significant investment in human resources, especially in areas such as education and health. The global economic crisis is having a devastating impact, jeopardizing the realization of some national development programmes. Some NGOs are defending the rights of indigenous peoples, which have been threatened by government land concessions for plantations and development infrastructure. Other NGOs are demanding greater budget transparency.

SILAKA
Gender and Development of Cambodia
COMFREL
NICFEL
NGO Commitee on CEDAW
The NGO Forum
CEDAC
Thida C. Khus

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



From 1997 to 2007, Cambodia enjoyed an average economic growth of 9.5% annually, including a double-digit increase during the years 2005-2007. Although the gross domestic product (GDP) continued to climb quickly in the first half of 2008, in the final months of the year the economy was crippled by the global meltdown. The collapse of the local real estate market, along with a slowdown in garment exports and foreign tourism, dragged 2008 growth down to 5.5%. For 2009, the Government has predicted a 6% increase in GDP but international institutions are much gloomier about the country's prospects. The Asian Development Bank expects 2.5% growth; the International Monetary Fund a meagre 0.5%; and the World Bank predicts a contraction of -1%.

Cambodia's economy relies heavily on tourism, garment exports, construction and agriculture, all industries extremely vulnerable to the global meltdown. Services industries, mainly tourism, have been the main source of income, and the recent decline in foreign visitors – down 2% in January 2009 from a year earlier – is expected to worsen over the next two to three years.[1]

Cambodia also relies on remittances from exporting labour abroad, primarily to Thailand, Malaysia and South Korea. As of the first quarter of 2009, Thailand and Malaysia had cancelled all imports of labour, and Korea had cut the quota for Cambodian workers for 2009 to 1,000, one-quarter of the 2008 rate.[2] Employment has also plunged in the garment industry. By March 2009, 51,000 of 400,000 total jobs had disappeared. More than 90% of the workers laid off were women from rural communities, who typically send much of their income home to support siblings in school. Garment factories are operating at only 40%-50% of capacity, and more than 80 factories have shut down entirely. The Government has given garment manufacturers generous incentives to keep them in business, but has not provided significant support to the garment workers. Unable to survive on a minimum wage too meagre to cover living expenses, many of them have gone home to farm.

The cost of food and oil skyrocketed in the first half of 2008, accelerating a rise in the consumer price index (CPI) from 13.7% in January 2008 to 25.7% in May. However prices of basic commodities eased during the second half of the year, and CPI inflation slowly followed, hovering at 13.5% in December.

The sudden increase in the global price of rice provided a handsome profit for rice surplus traders, but cut deeply into the food security of 31% of the population[3] – nearly 4 million people who do not produce enough rice to meet their own needs.[4] People living around Tonle Sap, the country's major lake, are especially vulnerable, since they had already gone into debt to make ends meet. Last year they had to sell productive assets and pull their children out of school to go to work. The Government has responded with a USD 40 million food emergency programme for vulnerable populations in these provinces.

Real estate prices went through the roof from 2005 to 2008, and the Government responded by jacking up the bank security rate, from 8% to 16% (later reduced to 12% as the global financial crisis began to bite) and introduced monetary measures to deter banks from extending credit for property development. Since 2008, real estate in Phnom Penh has been plunging, and is already down 30%-40% from its 2008 peak, causing heavy losses among investors.[5]

Compared to financial institutions in other parts of the region and in the West, Cambodian banks appear to be functioning quite well. Their interest rates range between 3% and 7%, depending on the amount and duration of the investment. However, some economists have expressed concerns about non-performing loans (those in or close to default), which have reached 3.4% in Cambodia, compared to 5.7% in the Asian Pacific and 1.8% in developed countries[6], as well as about the inadequacy of the infrastructure for extending credit to agribusiness.

The challenge to human development

Notwithstanding recent socio-economic progress, Cambodia remains one of the poorest countries in Asia. In the decade ending in 2007, the national poverty rate edged down from 34.8% to 30.1%, but given the high and rising levels of inequality and vulnerability, it is likely the food and energy crises of 2008 have set back efforts to alleviate poverty.

Due to the weakness of public health services, even families of modest means can fall into poverty when a member gets sick. The Government has introduced programmes to provide free

1 Tith Chinda, Director General of the Ministry of Tourism, 12 March 2009.

2 Ministry of Labor and Vocational Training, via Free Asia Radio, 7 April 2009.

3 Chan Sophal. "Impact of High Food Prices in Cambodia." *Annual Development Review 2008-09.*

4 In the nine villages studied by CDRI in 2001 and 2004, up to 65% of households did not cultivate enough rice for their own consumption.

5 Cambodia Reality. *Seng Bunna, Bunna Reality*, 20 March 2009.

6 *Ibid.*

medical care to poor families, but these tend to be inadequate and unreliable. Policy makers have been considering several safety net options for the general population, but none have been implemented.

Other development indicators are distressing, especially the maternal mortality rate. According to the Cambodia Demographic and Health Survey, it has remained stagnant at a high level: 432 per 10,000 live births in 2000 to 472 per 10,000 in 2005. Five women per day die giving birth, the same number as 9 years ago. Dr. Te Kuy Seang, Secretary of State of the Ministry of Health, declared that his office does not have the funds to implement its plan to increase the number of midwives by 300, from the current 3,000, and build facilities for expectant mothers in rural communities.

Girls still experience discrimination within both their families and the public educational system. In 2007, girls made up 47% of the enrolment in primary school, 46% in lower secondary school, 40% in upper secondary school and only 35% in higher education. To address this inequality, the Government and international organizations have been introducing programmes to provide school meals, free boarding for girls, scholarship awards and other incentives for girls, however these programmes have yet to reach the entire population.

At projected growth rates for 2009, the likelihood of raising sufficient revenues to finance the planned social programmes appears limited. For a variety of reasons, ranging from natural disasters to inadequate agricultural policies, both the distribution of food and access to it are becoming problems for a significant and growing portion of the population. The Government is providing food to the World Food Programme, which is currently assisting more than 1 million Cambodians. It is also altering the current budget to increase the allocation to the Rural Development Bank for farm credits. So far, however, it has provided little information on how much money will be provided and how it will ensure the benefit of those in need.

Indigenous communities and NGO work

Government land concessions for rubber plantations have usurped the ancestral land of indigenous communities in the provinces of Stung Treng, Rattanakiri and Mondulkiri. Despite a communal land law passed in 2001, none of these communities were able to register their communal land. The seizure violates these communities' right to their only source of survival and identity. Plans for hydropower plants are also threatening the livelihood of many indigenous communities across the country, which were not consulted on most of these plans. Local NGOs and international organizations are working with these communities to help them learn about their rights and land ownership legislation.

While some civil society organizations are providing information to protect vulnerable populations, others are monitoring land grabbing and dislocations of rural communities that violate human rights. Some NGOs are monitoring the national budget, identifying discrepancies between policy priorities and budget allocations and demanding more transparency. Others are concentrating on building the capacity of civil society organizations to promote citizen engagement in local and national governance. A group of civil society organizations has demanded that oil, gas and mining be managed more effectively to ensure the transparency of revenues and sustainability for future generations.

Cambodia is still rebuilding its economic and political institutions, which have been shattered by two decades of war. The country achieved high economic growth but failed to diversify economic investments or make urgently needed investments in education and health services. Despite some slow progress in reducing poverty, a lack of transparency in decision-making and mismanagement of state affairs continue to be issues of concern. ■

CHART 1. Share of Labour and Economic Contribution

	Total	Agriculture	Industries	Services
% in the total economy	100%	31.9%	28.0%	40.0%
% total labor	100%	60.3%	12.5%	27.2%

Source: Heng Sour, Director General of Administration and Finance, Ministry of Labour and Vocational Training; *Human Rights, development and the impacts of the global economic crisis*, 12 March 2009

CHART 2. Increase in basic food prices (USD 1 = KHR 4,100)

Food Per kilo	March 07 in KHR	March 08 in KHR	Cost Increase %
Rice No. 2	1,770	2,933	66%
Pork Quality 2	9,000	15,750	75%
Chicken	12,000	21,000	75%
Mud fish	9,800	12,667	29%

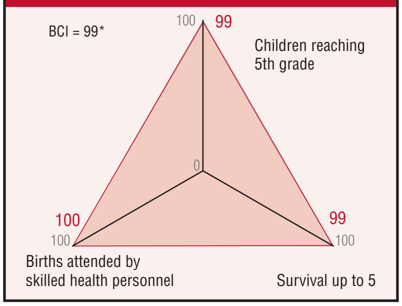
Source: National Institute of Statistics, Consumer Price Index Bulletin, March 2007, and *Koh Santepheap* Newspaper, 4 March, 2008.

Economic stimulus 2009: opportunity lost

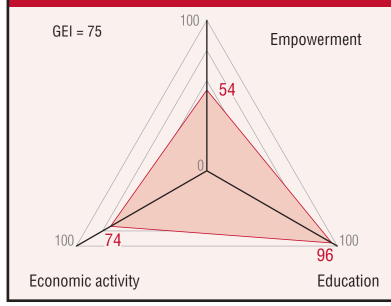
Budget 2009 was an opportunity for the Government to lessen the blow of the recession by focusing on the most vulnerable citizens, but political jockeying led to a short-sighted economic stimulus plan that does not meet the needs of the thousands of citizens feeling the brunt of the crisis. Jobs being created by Government investments are in male-dominated industries, while women are over-represented in part-time and precarious work and are often the first to be laid off. Civil society organizations are concerned that, as Canada focuses on reversing the economic downturn, environmental and sustainability standards will drop.

Canadian Feminist Alliance for International Action
Nancy Baroni & Nancy Peckford
North-South Institute
John Foster
Canadian Centre for Policy Alternatives
Armine Yalnizyan

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



During the October 2008 General Election, which coincided with a growing awareness that Canada could face a possible recession, Prime Minister Stephen Harper assured voters that the economy would be immune to the global difficulties, that their savings, pensions and assets would be secure and that his Government would never go into deficit. He asserted this on the basis that Canada's banking system is well regulated and stable, and largely ignored the fact that the country would be heavily affected as the United States is, by far, the country's largest trade partner.

What the Prime Minister did not say was that the unemployment rates would likely skyrocket, or that low-income Canadians would feel the brunt of a weakened economy, especially since there had been so little investment in social programmes in the previous decade. He also said very little about the choices his Government – if elected – would make to head off the worst effects of a possible recession. Despite the fact that many Canadians were worried about this "head in the sand" approach, the governing Conservative Party was re-elected with 37.6% of the vote (on the basis of less than 60% of the eligible vote, the lowest turnout in history).[1]

When the newly elected Government set out its priorities, Canadians were expecting a solid economic stimulus package in order to protect jobs, invest in a strengthened social safety net for low-income citizens and make strategic investments to lessen the blow of the recession. Instead, it delivered a highly partisan and ideological agenda that would, among other measures, eliminate financial support for political parties and no longer uphold pay equity in the public service as a human right, leaving it to unions to negotiate this through the collective bargaining process.

Parliamentary response

In an unprecedented step, the three elected opposition parties then negotiated an agreement to form a coalition government. Many civil society organizations were supportive of this move to replace the Conservative government with a more progressive one that would represent the majority of Canadians. However, as the proposed coalition government gathered momentum and threatened to take power through a vote of no confidence in Parliament, the Prime Minister requested and was granted prorogation (essentially an extended parliamentary break) from the Governor General, Canada's head of State. The Government committed to reconvening Parliament six weeks later with a full budget outlining an economic stimulus plan. During the six weeks of prorogation, the leader of the official opposition party resigned, a new leader was named, and the coalition alternative was taken off the table.

Budget 2009 and civil society

During the prorogation of Parliament, individuals and organizations were invited to make submissions to the Department of Finance consultations regarding what should be included in the budget. During this period, the Canadian Centre for Policy Alternatives (CCPA) released their annual Alternative Federal Budget (AFB), a participatory budget created by civil society with a heavy focus on creating and sustaining green jobs, investing in social and physical infrastructure, strengthening employment insurance and supporting low-income Canadians. Participants proposed five tests for the efficacy of the federal budget:[2]

- Does it help the hundreds of thousands of newly unemployed Canadians by increasing employment insurance benefits from 55% to 60% of insured earnings and extending the period for receiving those benefits to 50 weeks?
- Does it support those who need it most, such as unemployed, low-income Canadians and hard hit communities, by making a commitment to reduce poverty by 25% in the next five years?
- Does it implement an ambitious social, physical and green public infrastructure programme, creating jobs in both male- and female-dominated professions?
- Does it support key value-added sectors with restructuring criteria to ensure they become green and sustainable?
- Does it emphasize spending over tax cuts?

Budget 2009 failed all five tests.

Support for unemployed workers

In terms of employment insurance, Budget 2009 announced changes that allow claimants five additional weeks of benefits over the next two years. This is not sufficient given the record job losses being reported. Moreover, relatively few Canadians are eligible to receive these benefits despite all workers earning taxable income making mandatory payments into the programme. Some 44% of those who are currently unemployed are drawing insurance benefits. In 1990 that figure was 83%.[3]

* "Children reaching…" estimated following procedure "1" in p. 209.

1 CBC. "Voter Turnout Drops to Record Low". 15 October 2008. Available from: <www.cbc.ca/news/canadavotes/story/2008/10/15/voter-turnout.html>.

2 Canadian Centre for Policy Alternatives (CCPA) "Five Tests for Canada's Next Federal Budget". Press Release, 23 January 2009. Available from: <www.policyalternatives.ca/news/2009/01/pressrelease2080/>.

3 Battle, K., Mendelson M. and Torjman S. *Towards a New Architecture for Canada's Adult Benefits*. Ottawa: Caledon Institute of Social Policy (2006).

The employment insurance programme was greatly weakened by deep government spending cuts made in the 1990s. Although before the recession Canada saw nearly a decade of economic growth and government surpluses, spending to social programmes was never restored. There is almost universal agreement across the political spectrum and among analysts that employment insurance needs to be fixed to improve access to jobless benefits. The opposition parties unanimously supported a motion in the House of Commons calling for reform in the programme. It is only the minority Conservatives who are opposed.

Canada's weakened social safety net

Although touted as the Government's economic stimulus package, Budget 2009 saw no commitment to reduce poverty or any measures to help Canada's most vulnerable. In November 2008, the UN Committee on the Elimination of Discrimination against Women called on Canada to act immediately to address inadequate and impoverishing social assistance rates.[4] As jobs are lost and people are not qualifying for insurance benefits, more and more Canadians will need to turn to social assistance. Deep cuts to these programs in the 1990s means that that form of income support will not be available to hundreds of thousands of unemployed Canadians. Substantial investments are needed to improve the rates as well as undertake welfare system reform so that eligibility requirements are broadened, clawbacks of Government benefits for recipients are eliminated and recipients can earn more income. This would enable more low-income Canadians to lift themselves out of the poverty trap that the current welfare system has become since the spending cuts mentioned above.

Budget 2009 and infrastructure

Budget 2009 saw some investment in physical infrastructure projects. Canada has an estimated USD 105 billion municipal infrastructure deficit due to years of under-funding and the amount announced is a drop in the bucket. Further, it relies heavily on Government partnership with private industry.[5] In most cases, municipalities have to match federal funding in order to access these infrastructure monies.

The Budget made some investments in key sectors, although many sector representatives argue that these are not strategic and do not foster the growth of a sustainable, green economy. Civil society organizations are concerned that, as Canada focuses on reversing the economic downturn, environmental and sustainability standards will drop. Further, jobs that are being created are in male-dominated industries such as bridge building and road repair. Women continue to bear the brunt of this economic crisis. They are over-represented in part-time and precarious work and are often the first to be laid off. Because of this work pattern, women are more likely to be ineligible for employment insurance benefits.

ODA: good news and bad

One of the most significant advances in 2008 was the passage of the Official Development Assistance Accountability Act, which requires the Government to report to Parliament on how Canada's aid coincides with official human rights commitments, relieves poverty and meets needs expressed by the poor. All parties supported the motion. However, later in the year, the Government announced that it was removing a number of African countries from priority focus (including Cameroon, Kenya, Malawi and Zambia) and focusing instead on a number of Western Hemisphere countries including Bolivia, Colombia, Haiti, Honduras and Peru. The full implications of the change are not yet visible, but in such fields as HIV and AIDS and poverty relief, it means a switch from high-incidence countries to low. The Government assures Canadians that the long-standing commitment to increase aid to Africa, overall, remains.

Tax cuts for the wealthy over social investment

While civil society groups have long called on the Government to make lasting social investments that would be of most benefit to low-income Canadians, Budget 2009 continued a trend of tax cuts and credits targeted to high income Canadians and corporations. Before Budget 2009, the Government had introduced $ 200 billion (USD 184,2 billion) in tax cuts. The "stimulus" budget added another $ 20 billion (USD 18,4 billion) in permanent tax cuts. Nearly 40% of women in Canada and 24% of men earned so little income in 2007 that they do not pay income taxes,[6] and thus do not benefit from any of the proposed tax credits and cuts aimed at stimulating the economy (all of the tax cuts are permanent, except for one temporary capital cost allowance for computers purchased between 27 January 2009 and 11 February 2011). In contrast, every single spending measure is temporary, with a "best before" date stamped on each measure of no longer than two years from the adoption of the budget.

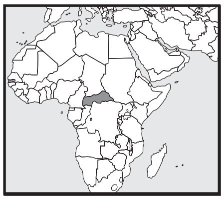
Canada's fiscal situation going into the recession was increasingly precarious due to aggressive tax cutting, with budget balances so razor thin that spending cuts were all but assured by 2010. The economic crisis was an opportunity to use government stimulus to start to address a number of unsustainable features of the economy such as inequality, climate change and overstretched public infrastructure, including soft infrastructure such as health care and child care. The Government chose to deal with the circumstances by consistently underplaying both the severity and potential duration of the downturn, and by treating the stimulus plan as something for getting the economy "back to normal". This is short sighted and does not do enough to meet the needs of the thousands of Canadians feeling the brunt of the economic crisis. ■

4 Canadian Feminist Alliance for International Action (FAFIA). "UN Asks Canada to Report Back on Poverty and Murdered Aboriginal Women".Press Release, 24 November 2008. Available from: <www.fafia-afai.org/files/CEDAW_PR_EN.pdf>.

5 "Federal Budget 2009 and Municipal Infrastructure". Canadian Union of Public Employees (CUPE). 29 January 2009. Available from: <cupe.ca/budget/2009-budget-municipal-infrastructure>.

6 Canada Customs and Revenue Agency (2007). "Tax Statistics".

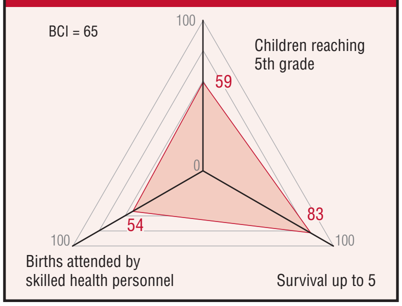
The reduction of poverty: a very distant objective



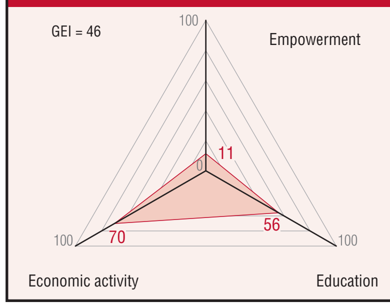
Instead of diminishing, poverty has increased significantly in the Central African Republic since 1990. The disturbances, looting and destruction that accompanied the rebellion that placed General François Bozizé in the presidency ruined the already weak economy. While the Government is proposing a strategy for poverty reduction, it is unlikely that this will succeed in reducing poverty in half unless the country is able to chart an immediate and lasting change of direction towards peace and security, accompanied by an exceptionally high level of growth benefitting the poor.

GAPAFOT
Pastor Clotaire Rodonne Siribi

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



Despite its many resources, the economy of the Central African Republic has been sabotaged by years of plundering of public funds and recurring political and military crises. The rebellion of 15 March 2003 that placed General François Bozizé in the presidency was accompanied by disturbances, looting and destruction. This shredded an economic fabric already ripped apart by more than 20 years of gangster-like rule that emptied state coffers and devastated production.

A large part of the republic's 623,000 km² is covered in forests; its soil is rich in diamonds. However this natural wealth– the country's principal source of income – has long been exploited to fill the pockets of whoever happens to be in power and his cronies. Even though the soil is fertile – only a fifth of it is cultivated – and the climate favourable, cotton and coffee production have steadily declined in recent years. The 2004-2005 cotton harvest was 5,000 tonnes, down from 50,000 in 1998. This is partly a result of erratic support, but primarily due to a system of international commerce that tips the scales against African producers – most heavily by permitting industrialized countries to subsidize their producers. In the past, the country harvested more than 18,000 tonnes of coffee annually, but the crop has virtually disappeared. Agriculture in general is in ruins. The country's farmers, who were devastated during the rebellion, are living in a state of chronic insecurity and barely able to continue harvesting subsistence crops.

The steady decline in production has decimated income from taxes and customs tariffs, already limited by inefficient tax collection – a problem regularly cited by the IMF, which granted the country a USD 8.2 million loan in July 2004 to support a post-conflict rehabilitation programme. While revenues are down, the country still has to make payments on a crushing foreign debt, which had reached more than USD 1 billion by the end of 2002. Servicing it devoured 44.7% of the budget in 2003, according to the Bank of the Central African States (BEAC).

The State's incapacity

All foreign aid has been suspended since an attempted *coup d'état* in May 2001. The country has only been able to keep its head above water thanks to donations in 2004 from the country's traditional partners – the European Union, France, China and the Central African Economic and Monetary Community. The State appears to be incapable of paying salaries to its civil servants, let alone pensions and grants. When President Ange Patassé was deposed in March 2003, government employees were owed 36 months' salary. When his successor, François Bozizé, wiped the slate clean, he made a commitment to pay salaries on time. The Ministry of Economy soon admitted that this was impossible; civil servants received their July 2004 salaries in January 2008. These delays have reduced domestic consumption and generated social tension, which has been exacerbated by high inflation, particularly in food prices. Despite these difficulties, the economy inched ahead 2.5% in 2004 after several years of stagnation.

For Central Africans, the Millennium Development Goals (MDGs) will continue to be a distant dream. According to the United Nations Development Programme (UNDP), two thirds of the population (3.8 million people) subsist below the poverty level. Life expectancy is 39.5; more than one child in ten (11.5%) dies before the age of five. Less than half the adult population (48.6%) is literate. These statistics place the Central African Republic in 169th place amongst the 177 countries classified in the Human Development Index.

In the course of a decade in which life expectancy at birth dropped by six months each year and the country experienced one of the highest HIV/AIDS rates in the region, official development assistance plunged 80%.

A strategy for poverty reduction

To ameliorate this disastrous situation, the Government is attempting to implement a Poverty Reduction Strategy (PRS) with two major goals:

- Creating wealth by strengthening human and institutional capabilities within the productive system, including those of the poorest inhabitants, through good governance and the reestablishment of security.
- Improving and expanding basic social services through a participatory approach to implementation and control/evaluation of the country's Poverty Reduction Strategy.

The strategy has four main objectives:

- Restoration of security, consolidation of peace and prevention of conflict. The reforms this will require include reinforcement of the material and human capabilities of the Social Development Fund (SDF) as well as reform, restructuring, territorial reorganization and participatory and coordinated transformation of the security sector.
- Promotion of good governance and the rule of law through reforms that include reinforcing political and judicial governance, improving economic governance, improving local governance and gender participation and promotion.
- Reconstruction and diversification of the economy through macroeconomic stabilisation, rural development, transparent and effective administration of natural resources, promotion of tourism and crafts, and development of infrastructure that supports production.
- Development of human capital through reforms that include expansion of education, particularly primary and secondary schools; accessibility to health services; the fight against HIV/AIDS; and measures to generate employment.

Analysing poverty

The current analysis of poverty in the Central African Republic is based on two studies conducted by the Ministry of Planning on living conditions in urban and rural settings. They were carried out in 2003 with technical and financial support from the UNDP, and supplemented in 2006 with a participatory research study financed by the World Bank.

These studies identified 10 major problems: bad governance, insecurity, low income, inefficient education and training, poor health, corruption, lack of employment and the absence of opportunities, lack of drinking water, the absence of a policy for strengthening of national capabilities and environmental issues. Amongst these 10, group or individual statements of participants in every region singled out three as most pressing: poor governance, insecurity and lack of peace.

Poor conditions are prevalent throughout the country. Some neighbourhoods of Bangui, the capital city, have electricity only four days out of seven; most neighbourhoods have no access to drinking water. Faced with a sharp drop in income, many Central Africans are invading green space in cities and forested areas. With inflation rapidly eroding already meagre incomes, selling wood for fuel is often the only alternative to the more precarious, badly-paid and illicit ways of earning an income that have also proliferated. As a result, the savannah is advancing at a rate of nearly 500 meters a year on each side of the Bangui-Boal axis; it has already moved almost 30 kilometers toward the south and southwest.

Overall, the poverty rate is 73% in cities and 69% in rural areas. This deprivation is heightened by huge disparities in income and domestic expenses. The consumption level of the poorest 10% of households is barely one-tenth that of the wealthiest 10%. It is highly unlikely that the objective of reducing poverty to 31% by 2015 will be attained unless the country achieves a rapid and lasting return to peace and security throughout its territory, as well as an exceptionally high level of growth that benefits the poor, particularly in rural areas. ■

CHART 1. Progress towards achieving the MDGs between 1990 and 2003

	1990	1995	2003
GOAL 1. Eradicate Extreme Poverty and Hunger			
Incidence of poverty (%)	62		67
Percentage of children with insufficient weight (below the weight considered healthy) (%)		23	21
GOAL 2. Achieve Universal Primary Education			
Net school enrolment rate (%)	47	62	40
Literacy rate between 15 and 24 years of age (%)	26	39.1	46.7
GOAL 3. Promote Gender Equality & Empower Women			
Girl/boy ratio in primary school (%)	64		69
Girl/boy ratio in secondary school (%)	39	41	60
GOAL 4. Reduce Child Mortality Below Age 5			
Child mortality rate (per 1000 births)	212	157	220
Child mortality rate (per 1000 live births)		97	132
Measles immunization rate (%)	83	46	35
GOAL 5. Improve Maternal Health			
Maternal mortality rate (per 100,000 live births)	683	948	1,355
Rate of births assisted by skilled health personnel (%)		50	44
GOAL 6. Combat Hiv/Aids, Malaria And Other Diseases			
People living with AIDS (% women 15-49 years)	2		10.7
People living with malaria (%)			
GOAL 7. Ensure Environmental Sustainability			
Area of protected land (km²)			67,615
% of the population with access to an improved water source (%)	52		75
% of the population with access to drinking water (%)	17.5		26.1
% of the population with access to sanitation (%)			30

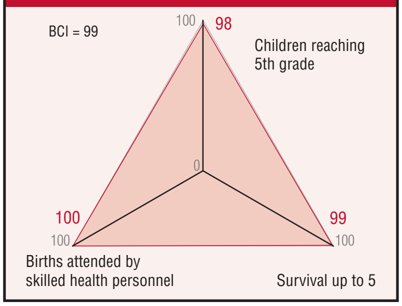
Source: United Nations Development Group.

The social impact of the crisis and the people's response

While recession and unemployment advance, pension funds are depleted and income drops, the Government puts pressure on wages in order to expand the economy. The unions and civil society propose other solutions: workers defend their wages, rights, funds and the right to decent work for all, and NGOs stress the need to build together an economy that prioritizes people and the planet.

Centro de Estudios Nacionales de Desarrollo Alternativo (CENDA)
Hugo Fazio
Martín Pascual

Basic Capabilities Index (BCI)



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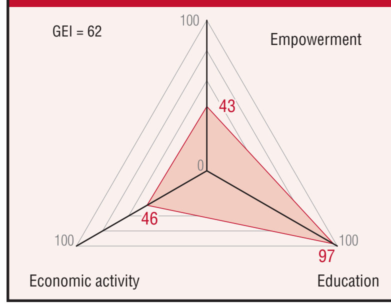

In 2009 Chile is being hard hit by the economic crisis, which started in mid 2007 due to the collapse of the sub-prime market in the United States and rapidly became global. The Chilean economy is extraordinarily open and therefore external phenomena can have major impacts. The fall in the international price of commodities, which began in 2008, has been felt acutely since the country's economic and trade structure is heavily dependent on the export of a limited range of primary products with low added value.

For example, the price of a pound of copper reached its highest nominal level in July 2008 when it surpassed USD 4. By the end of the year it was averaging USD 1.40, although it recovered slightly in the first months of 2009. The drop in the price of copper affects, among other things, the rate of exchange, the terms of trade, the balance of payments and general economic activity, all of which in turn have negative social repercussions.

In the fourth quarter of 2008 the Chilean economy entered a recession. Economic activity declined dramatically, in step with similar worldwide tendencies and clearly highlighting the strong relationship between the national reality and the general trend of the crisis. During October–December the seasonally adjusted and annualized figures fell for the second consecutive quarter, when compared to the three preceding months. In the third quarter the reduction, according to National Accounts fell by 0.1%. In the fourth quarter, on the same basis, it is estimated to have contracted by 5%.

Industrial production declined over a period of 12 months; during the fourth quarter it fell by 3.6%, the largest drop since 1999. In December the annually adjusted figures showed an even steeper decline: 4.3%. In the fourth quarter, in comparison with the same period in 2007, total sales fell by 4%, while those on the internal market fell by 4.7%.[1]

Consumption and inflation

During the fourth quarter there was a considerable reduction in consumption, mostly caused by reduced spending by the poorer sections of the population, which continued to decline and reached 9% over 12 months. At the same time, the fall in the price of commodities led to the attenuation of one of the main social problems of 2008 – the high rate of inflation, which also mainly affected the poor. In October 2008 the annually adjusted rate of inflation reached 9.9%. This percentage was higher for the poorer two-fifths of the population due to a higher-than-average increase in the price of foodstuffs. As internal demand fell, inflationary pressure was reduced and, partly for this reason, the Consumer Price Index (CPI) began to fall in November and is expected to continue to do so during the year.

Another major reason for the drop in inflation is the reduction in the international price of oil, which is the country's main import. On the other hand, due to the Government's policy of stimulating investment in certain sectors at the expense of consumers, the price of electricity continues to be high. This is also the case for water rates and sanitation.

Unemployment

One of the major social costs of the recession is the increase in unemployment. According to the statistics of the Department of Economics at the University of Chile, unemployment in Greater Santiago (the capital and the metropolitan area) began to approach double figures for the three-month period from December to February, increasing two percentage points from 7.7% of the work force to 9.7%, despite the fact that seasonal employment increases in the summer. The recent official figure for national unemployment for the same quarter is 8.5%, which is 0.5 percentage points higher than the previous quarter.[2]

Pension funds

Another noticeable impact of the crisis is the fall in pension fund holdings, which are invested in Chilean and foreign financial assets. The collapse of financial markets during the crisis caused a considerable reduction in retirement savings, amounting to a loss of USD 27 billion, more than 26% of the total funds, by the end of 2008. A study by the Asian Development Bank analysing the events of 2008 lists Chile as the Latin American country in which household wealth suffered the greatest losses, due largely to the influence of the pension funds. Despite repeated protests from the people who have been affected, neither the private funds nor the Government have taken any action to compensate them.

Remuneration

Official policy to confront the contraction of the economy has been to lobby for the reduction of real wages – unfortunately with success. The concept of wage adjustment is based on the Government's estimates of future inflation – as has been the practice during the governments of the "Concertación" (a coalition of political parties) since 1990 – and not on the loss in value of real wages. This has an adverse effect on workers' incomes, and official attempts to apply this policy were met at the end of 2008 with mass protests organized by civil servants.

An assessment of the variations in the general index of wages per hour and the cost of staff power, prepared monthly by the National Statistics Institute, shows the consequences. Wages were negative as from June 2008, having experienced no changes during May, but lower than the second index, which considers wages from the employer's perspective.

1 Central Bank of Chile.

2 National Statistics Institute (INE).

To the reduction reflected in the wage charts one must add the reduction in credit that affects the general population, in particular the poorest, and small and medium-sized enterprises.

Non-governmental proposals

During this period of crisis, the Chilean Unitarian Workers' Centre has combined proposals for Un Chile Justo [A Fair Chile] into five main demands: (i) prevent using the crisis as an excuse to abandon workers' rights; (ii) defend jobs; (iii) defend wages; (iv) defend pension funds affected by the crisis and ask for government intervention in the pension system; and (v) defend decent employment.

In a broader social and transnational context, ACCIÓN, the Chilean association of NGOs consisting of over 70 development organizations, has sent a letter to the world leaders that constitute the G-20 with four major proposals regarding the current world crisis:

- Guarantee democratic governance of the economy, regulating financial activities, creating new fiscal instruments, creating barriers and restrictions to speculation, forbidding 'casino' financial products and ensuring that the resources from private and public savings are effectively routed towards productive activities. World leaders must insist on reforms regarding the governance of the World Bank and the International Monetary Fund (IMF) in order to make them more democratic, and ensure that all financial institutions, financial products and multinational enterprises operate with transparency and are publicly accountable for their activities. This should include the elimination of bank secrecy and tax havens, as well as the introduction of public control in all countries by means of international standards of accountancy.
- Generate decent jobs and public services for all, guaranteeing massive investment in a "green new deal", in order to create a green economy based on decent jobs and fair wages, investing in and strengthening the provision of essential public services, and working in favour of financing the development of all those countries that need it, without restrictive conditions attached.
- Put an end to world poverty and inequality, dedicating 0.7% of national income to development by 2013, making these resources more effective and lobbying for the cancellation of all the illegitimate and unpayable debts of developing countries.
- Build a green economy, pressing world leaders at the Copenhagen Climate Change Conference to agree to substantial and verifiable reductions of greenhouse gases and to undertake new and substantial transfers of resources from the North to the South in order to support the adaptation and sustainable development of poor countries. There is an urgent need to implement policies that set aside the liberalization and deregulation measures that characterized the 1990s. The letter calls on the governments of the G-20 as well as other countries to take advantage of this opportunity to begin to build an economy that places people and the planet in the forefront, in order to achieve a fairer and more equitable society. ■

CHART 1: Monthly variations in 2008 in the indices for wages and staff power costs per hour

Wages per hour		Staff power costs per hour	
Month	%	Month	%
January	1.3	January	-0.7
February	0.6	February	-1.4
March	0.1	March	-1.8
April	0.3	April	-1.4
May	0.0	May	-1.5
June	-0.8	June	-1.9
July	-1.3	July	-2.1
August	-1.0	August	-1.7
September	-0.9	September	-1.6
October	-1.4	October	-2.0
November	-0.6	November	-1.1
December	1.3	December	1.1
Annual average	**-0.2**	**Annual average**	**-1.3**

Source: INE, a percentage comparison with the same month in 2007.

One crisis, two country visions

Costa Rican society has been witnessing the confrontation between two opposing ways of perceiving and projecting the country. While some sectors advocate a market model, others expect the Welfare State to deal with matters such as the social, economic and cultural rights of the population. The crisis and the possible ways out of it constitute the new arena in which these two visions collide. While the Government proposes a package of measures which seems diffident and overdue, civil society stands behind stronger social and productive intervention.

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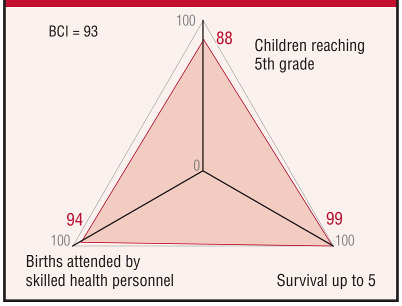
CEP-Alforja[1]
Mario Céspedes and Carmen Chacón

Basic Capabilities Index (BCI)



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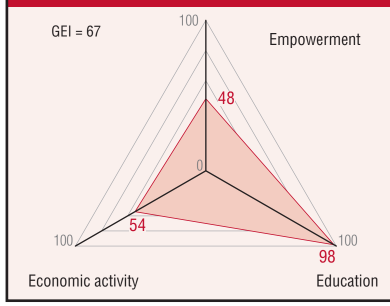


The impact of the world crisis began to make itself felt in Costa Rica as from the second half of 2008. Some of the relevant data includes the decrease (year-to-year) of the Monthly Index of Economic Activity (MIEA) given as -1.0% in October 2008, -2.5% in November, -3.7% in December and -4.5% in January 2009. According to some opinions, "a sector-by-sector analysis based on the MIEA itself would show that the agricultural, manufacturing industry, commercial and hotel sectors are already in a recession, since the MIEA rate for December 2008 is lower than the rate for December 2007".[2]

In July 2008 the *Caja Costarricense del Seguro Social*, CCSS (the Costa Rican social security bank), reported 1,376,667 insured workers; six months later it reported 1,385,350, which represents an increase of only 0.1% of the monthly average. There were in all 8,683 new workers. This means that the reduction of productive growth had already affected the generation of sources of employment during the second half of 2008.[3]

There are two specific examples related to migrants and women which illustrate this last point. CCSS's report specifies that there were just under 90,000 insured construction workers, but that in January 2009 barely 74,000 were employed;[4] that is, a loss of 16,000 jobs in six months. This fact is particularly significant as it involves the most affected sector of the population: migrants; above all, Nicaraguans.

A study carried out by the Ministry of Labour and Social Security concludes, in its section on migrants, that two years ago 65% of some 150,000 construction workers were Nicaraguan.[5] It should be noted that figures reported by the CCSS are far lower than the real numbers, since most of the migrant population hired in construction do not contribute to the CCSS, which puts them in an extremely vulnerable position and deprives them of multiple benefits.

Gender and the crisis

The consequences of the impact on women lead to an increase in unemployment and a widening pay gap between men and women. An ILO report published on 8 May 2009 states with regard to the first outcome that nearly half a million people – most of them women – will lose their jobs in Central America during 2009. This means that the unemployment rate for women will rise 3.5 percentage points to 14%.

Women's average hourly wages – as compared to men's – have fallen from 99.1% in 1999 to 83.9% in 2007. The pay gap is even wider in agriculture and fishing – in which they devote 13 hours more to non-remunerated labour – followed by professional activities and unqualified workers, with a difference of 10 hours. Although the time women actually devote to remunerated work is comparable to the time men devote to it, and despite their increasing participation in the labour market, the non-remunerated dimension of the work which is socially necessary in order to reproduce and care for not only the labour force but also the old and the sick, still falls to women to a disproportionate degree. Women devote an additional working day plus one further hour to dealing with these social demands.[6]

The Government's response

In January 2009 President Oscar Arias launched the so-called *Plan Escudo* ("Shield Plan") in response to the crisis – a response which is overdue and insufficient. The project, which aims to support families, workers, enterprises and the financial sector, consists in the implementation of new measures – such as the Law for the Protection of Employment in Times of Crisis – and in the continuation of others which are already in place. Amongst these are a 15% increase in the CCSS's non-contributive pensions, a food programme for more vulnerable children on week-ends, the *Avancemos* ("Moving Forward") Programme,[7] a housing subsidy and the write-off of overdue debts for 2,100 underprivileged families.

Some of these proposals reinforce strategies which focus on dealing with poverty, thus consolidating the welfare system and running the risk of becoming pork-barrel handouts during the electoral campaign which has already begun. The Plan's omissions regarding specific measures to cover the needs of women are particularly serious. In fact, there is no mention of any steps to eliminate gender discrimination in the labour market and the exploitation of women in the area of reproductive and care labour, or to improve the quality of their jobs.[8]

The draft Law for the Protection of Employment in Times of Crisis, which will require enterprises to undertake to reduce the working day without reducing wages or firing personnel, deserves a special mention.

Other measures involve the promotion of micro, small and medium enterprises and capital increases for state banks and investments in public infrastructure, particularly education and the national road network, for which loans are being negotiated with the Inter-American Development Bank and other international financial organizations.

1 This article is derived from Dialogue Series: Global Crisis and its Impacts on Costa Rica, organized by the Alforja Studies and Publications Centre and the Citizen Control Network in March 2009.

2 Helio Fallas. *Crisis Económica Mundial y la economía política en CR* ("World Economic Crisis and Economic Policy in Costa Rica"), 23 January 2009.

3 *La Nación*, 5 March 2009.

4 *Ibidem.*

5 *El Centroamericano*, 9 March 2009.

6 *Ibidem.*

7 A government programme for economic transfers on condition that families keep their children within the educational system.

8 Msc. María Flores-Estrada. Technical Coordinator of the Economic Programme for Women. "Plan Escudo: why it is not enough for women", 2009.

According to Dr. Luis Paulino Vargas,[9] foreign debt contracted in order to confront the crisis in compliance with the Plan, will amount to USD 1.4 billion, merely to cover expenditure on public works. "This implies an increase in the foreign debt of approximately 25% in one go, which is no small thing. At the very least, this demands meticulous planning for the use of such resources".[10] A further problem is the contrast between the urgency with which these resources are needed and the complexity and slowness of the loan negotiation process, parliamentary approval and the concession of public works contracts.

Social, political and entrepreneurial sectors – possibly dissatisfied with how the initiative was presented by the Government – state that so far the results of the *Plan Escudo* do not fulfil expectations. President Arias did not instigate national dialogue processes in order to construct a wide social consensus. Furthermore, the initiative was launched during a pre-electoral year, which makes the execution of measures more complex, distorts parliamentary debate and deepens citizens' distrust regarding the "good intentions" of the president and his party.

A proposal made by social organizations

Three months after the presentation of the *Plan Escudo*, several social organizations submitted to national public opinion a proposal called "Ten Steps to Confront the Crisis through Social and Productive Inclusion".

This proposal is included within a context in which social organizations have been able to strengthen their resistance to the neo-liberal model; for example, regarding the Free Trade Agreement with the United States, greater influence in national debates on the country's position and a greater capacity for the submission of proposals. Its points are:

- *Recovering the socio-productive function of the financial system.* Redirecting the financial system towards the national productive sector through the flexibilization of financial indicators and the establishment of social and productive performance requirements.
- *Guaranteeing food security and autonomy as well as agricultural employment.* The reactivation of agriculture and guarantees for the provision of basic food items through price stability, the promotion of production and the marketing of small food-producing crop and cattle undertakings.
- *PROWORK / A conditioned transfer system to promote decent work.* In the face of proposals to reduce the cost of production, either in fact or by law (labour flexibilization and reduction of the working day and wages), we propose a "rewards and punishments" system in order to promote the protection and creation of jobs and decent work, complying with basic standards, minimizing layoffs for economic reasons, discouraging the unfair competition of informal labour and encouraging social, labour and environmental investment.
- *Joint social responsibility and decent work through infrastructure for social care.* Confronted with the Government's exclusively compensatory proposal in the matter of social investment, we suggest generating jobs and overcoming barriers to women's access to the labour market by widening and creating a social care infrastructure which will increase the income of households and reduce school dropout rates.
- *Towards a new role for the Central Bank: redefining exchange and balance of payments policy.* Efforts should be made to achieve a transparent monetary policy which is subject to accountability, which contemplates the objectives of price stability and the achievement of full employment in a balanced manner and which makes it possible to return to the mini-devaluation system.
- *A humanitarian plan for the rescue of heavily indebted persons.* It is urgent to have a financial rescue plan in place for persons who are heavily indebted, which will guarantee the restructure of their debt, the recovery of their self-esteem, training with regard to responsible consumption and family budget management. Credit card limits should be fixed, at least in terms of a passive basic rate plus a predefined percentage of 10%. These criteria should apply for a period of at least two years, after which they may be flexibilized to a certain extent.
- *"Home-made" consumption.* The promotion of the responsible consumption of national products and the promotion of equitable local markets. Since all national goods and services involve hundreds and thousands of jobs, we should aim at consuming national goods and services. In addition, it is essential to develop local markets, social economic systems, fair trade and social commercialization strategies, understood and declared to be public interest activities, and which enable the coordination of the supply of national production, particularly in the case of small producers, by means of short commercialization chains.
- *Public employment stability.* At this juncture it is essential to ensure the availability of public and private employment. In the case of public employment, central and decentralized government should provide security through a massive process of tenure appointments, both by means of appropriate civil service examinations, and through competition-free appointments according to the terms stipulated by law. In addition, dismissals for economic reasons or due to institutional restructuring should be frozen for a prudential period.
- *A policy for the recovery of purchasing power and the progressive increase of salaries.* It is essential to deal with the depressed salaries of non-professional personnel in the public sector. Furthermore, both in the public and in the private sectors the purchasing power of the working population in general – and the population with the lowest salaries in particular – should be maintained.
- *Community property in coastal communities and other forms of gaining access to property.* In coastal communities, the sustainability of families depends on avoiding eviction under the pretext of the construction of mega-projects which are now paralyzed because of the crisis. The social impact of mega-projects – ongoing or paralyzed – is enormous. This is why a community property system must be promoted which will allow families who live on the coastal fringe to remain there, and also foster sustainable forms of production, including sustainable tourism, and the improvement of the capacity for responsible consumption. In addition to the coastal communities, it is necessary to generate forms of gaining access to land through rentals or the use of idle land.

In expectation of national dialogue

Costa Rican society is split into two visions of the country which have been confronting each other for some time. For example, in resistance and mobilization against the ICE[11] *Combo* (2000), in the 2006 elections and in the fight against the FTA through the 2007 referendum. On the one hand are the sectors which promote the free trade model. On the other, those promoting the Welfare State model but who also wish to see progress in the increase of social, economic and cultural rights, and a higher degree of democracy.

Regarding the Government's timid responses, social organizations warn that "…if these challenges are not dealt with on the basis of social dialogue and by means of a firm change of course, the persistence of traditional solutions (one-time cash handouts and cuts in public spending, as well as the reduction of rights) will doubtless lead to greater inequality and poverty and to the risk we have already pointed out of turning conjunctural poverty due to the loss of income, into structural poverty, and increasing violence against women, children and the elderly".[12]

It remains to be seen whether the proposals of the social organizations are capable of overcoming the economicist interpretations of the crisis, focusing on people's lives, on how they are situated and how they are recognized in production, labour, recreation or household administration, amongst other areas. If such an approach is not included, the so-called alternative vision would remain in accord with the prevalent economic paradigms which exclude a variety of activities traditionally considered typical of the "private sphere". In those, women are persistently made to appear invisible in their role as subjects in the development and reproduction of life, their exclusion and subordination increases and their productive and reproductive labour put to use for the operation of the system itself. ■

9 Vargas, Luis. "*Plan Escudo*". Extract from the article submitted during "Global Crisis and its Impacts on Costa Rica", a series organized by the Alforja Studies and Publications Centre and the Citizen Control Network in March 2009.

10 *Ibidem*.

11 An attempt at legislation to privatize telecommunications in Costa Rica, which are under a monopoly held by the Costa Rican Electricity Institute (ICE) with a social projection.

12 Several authors. *Diez medidas para enfrentar la crisis económica con inclusión social y productiva* ("Ten Steps to Confront the Economic Crisis through Social and Productive Inclusion"), 2009.

Time to re-evaluate policies

The global economic crisis will damage tourism and real estate, two of the country's major industries, and raise unemployment levels. Government measures taken to alleviate the crisis will not benefit some of the most vulnerable sectors of society. The Government should open the way for civil society to provide assistance, specifically NGOs that are in close contact with all sectors of society. This would require reform of the legal and regulatory framework regulating NGOs.

CARDET
Charalambos Vrasidas
Myria Koushiappi
Michalinos Zembylas

The collapse of markets around the world has hit emerging markets hard. Governments are faced with the complex task of ensuring equal access to basic needs while securing human rights for all individuals living within their borders. The economic crisis is just beginning to buffet Cyprus; its effects are expected to grow more severe by the end of 2009. The most marginalized sectors of society will bear the brunt of the downturn.

Cyprus has always had a mixed economy with a strong State role, especially in basic services such as electricity, water, telecommunications, health care, education and transport. In recent years growth has been strong, and the Minister of Finance announced that the 2009 state budget will run a surplus that will be invested in public services.[1] However it is becoming clear that the value added tax and other indirect taxes, the major sources of government revenue, are falling as the economy falters, which will restrict the Government's ability to fund public investments and programmes to help mitigate the impact of the crisis.[2] Chronic low productivity in the public sector will also restrict the Government's ability to respond to the rapidly escalating economic crisis quickly, effectively and efficiently.[3]

Impact of the crisis

Unavoidably, Cyprus will have to cope with unemployment, which is expected to rise to 4.5% in 2009, from 3.9% in 2008. The growth rate is expected to remain positive in 2009, at around 2.1%.[4] This is a much stronger performance than in the EU as a whole, where unemployment is expected to reach 8% and economic growth in most countries will be negative.[5]

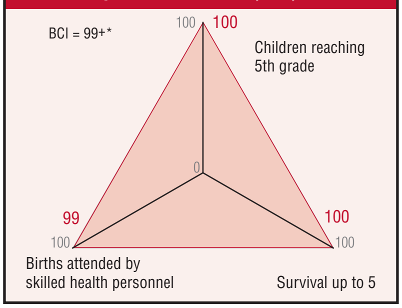
Tourism and real estate, two of the most important industries, are already reeling from the global crisis. Predictions for tourism, which contributes 20% of the country's GDP, range from pessimistic to dire.[6] The construction and real estate sector has been hit hard as well. Both sectors employ substantial numbers of migrants and women.[7] As a result, these vulnerable groups will suffer more than the population as a whole.

Women are traditionally marginalized in the country's socio-economic life, and absent from decision making bodies, a situation that is unlikely to improve during the economic crisis.[8] As a service-based sector employing seasonal workers, tourism relies primarily on female workers, many of whom are likely to lose their jobs.[9] Even before the downturn, only 62.4% of the female workforce was employed, versus 80% of the adult male workforce. In addition, the 20% wage gap between male and female workers is one of the largest in Europe.[10]

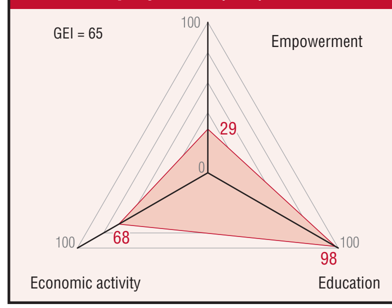
Over the last decade, the immigrant population has climbed by 15% a year. By 2007, non-citizens made up 25% of the country's labour force.[11] Along with gradually increasing economic disparities, this has contributed to increasing mistrust of immigrants among Cypriots. Employers tend to hire undocumented immigrants to reduce their costs, and migrant workers endure the worst employment conditions. To discourage applications for asylum, the Government has adopted policies such as limiting immigrants and asylum seekers to employment in sectors such as house cleaning, farming and agriculture. Although schools have made some progress in integrating migrant children, opportunities for adult immigrants to learn Greek are limited.

On many occasions, the media have used immigrants as scapegoats, holding them responsible for economic and social problems.[12] Stereotypes attract readers and viewers, and in Cyprus the media often present one-sided reports on incidents involving immigrants, and rarely give exposure to their point of view. Despite their contribution to the national economy, migrant workers remain excluded from

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



* "Birth attended…" estimated following procedure "1" in p. 209.

1 KIPE (2008). "The Most Stable Bank System in Europe". Cyprus News Agency (KIPE), 13 October 2008. Retrieved 25 February 2009 from <www.singmalive.com>.

2 Antoniadou, C. (2009). "Falling Psychology in the Cyprus Market". *Simerini.* Retrieved 25 February 2009 from <www.sigmalive.com>.

3 Hadjiloe, T. (2008). "Financial Crisis and Development". *Simerini.* Retrieved 25 February 2009 from <www.sigmalive.com>.

4 MoF (2009). Cyprus Economy, Overview and Potentials. Ministry of Finance. Presented by Charilaos Stavrakis at Press Conference. Retrieved 25 February 2009 from <www.mof.gov.cy>.

5 ECEFA (2009). Interim Forecast January 2009. European Commission Economic and Financial Affairs. Retrieved 25 February 2009 from <ec.europa.eu/economy_finance/>.

6 Polemitou, M. (2009). "Fears for Massive Redundancies in Hotels by April". *Simerini.* Retrieved 25 February 2009 from <www.sigmalive.com>.

7 Pallala Charidi, N. (2009). "Red Card on Unemployment". *Simerini.* Retrieved 25 February 2009 from <www.sigmalive.com>.

8 EWL (2008) "Women and the Economic Crisis–An opportunity to assert another vision of the world?", European Women's Lobby, Retrieved 25 April 2009 from www.womenlobby.org.

9 Nicolaou-Pavlidi, E (2009). "Wage Gap between Genders". Retrieved 25 February 2009 from <www.sigmalive.com>.

10 Lokar, S. (2009). "Women's Lobby of Cyprus 50-50 campaign for EU elections". Retrieved 25 February 2009 from <www.europeanforum.net>.

11 Michail, M, Hadjigiannis, K, Stafanidis, M, Christoforidis, L, Kliridis, S and Mixalakopoullou, M. (2008). "The Effects of Immigration on Unemployment, Part-Time Jops and Participation in Workforce". *Essays of Economic Policies,* 08-08. Retrieved 25 February 2009 from <www.erc.ucy.ac.cy>.

12 ENAR (2008). "Communication consultation on Opportunities, Access and Solidarity Towards a New Social Vision for 21st Century Europe". European Network Against Racism. Retrieved 25 February 2009 from <www.enar-eu.org>.

public benefits. They have limited labour and social rights, and no political rights whatsoever. During the last five years, 700 cases of racism and xenophobia have been reported.[13] Although in recent years the Government has attempted to enforce several European directives on immigration, so far these polices have not been fully effective.[14]

Response to the crisis

The Government has announced several measures designed to boost the economy. In a classic Keynesian economic move,[15] it has attempted to speed up several development projects for new buildings, roads, and infrastructure. It has also spent EUR 470 million (about USD 622 million) to support the tourism industry. These measures are expected to keep the unemployment rate low and ensure GDP growth of 2%. A fair amount of this countercyclical spending is designed to assist vulnerable and marginalized Cypriots, including increases in pensions, financial aid for university students and financial housing support for low-income couples. In addition, a new law has been adopted that increases the social security contributions of both employers and employees by 1.3% for the next five years.

Government, trade unions and the federation of employers have also recently agreed on a programme to combat hiring illegal workers, including a hotline for reporting illegal immigrants and employers who offer them jobs. This opens up opportunities for further discrimination and exploitation of "cheap" labour, however, as employers seeking to maximize profits will adhere to the agreement selectively to suit their interests.

Critics argue that the measures proposed so far are inadequate and will not be sufficient to boost the economy, nor will they protect the rights of everyone who lives and works within the country's borders. For example, the measure to provide financial support to university students excludes foreign students and migrants. Foreign students are only allowed to work 20 hours a week, and are restricted to employment in areas such as agriculture, cleaning, construction and restaurant work.

Role of civil society

Given the multifaceted nature of the current crisis, the Governments should re-evaluate all policies and practices to ensure that they help protect the civil and human rights of all residents. One immediate measure to achieve this should be to invite all civil society actors to participate in a public debate on the economic crisis and appropriate responses. Because their specialized grassroots work keeps NGOs in touch with social needs, they are more flexible than Government and can be more effective in reaching marginalized groups. Their expertise could be indirectly employed by State institutions to accomplish strategic goals. Furthermore, NGOs could recommend innovative and creative practices for promoting the education, empowerment, gender equality, and human and labour rights of those who are currently disempowered.

Empowering civil society is crucial to cushioning the impact of the economic crisis. One of the primary challenges confronting NGOs in Cyprus is to make their voice heard in society. Despite substantial progress in recent years, NGOs that support marginalized groups must still overcome mistrust and prejudice. The absence of a coherent and transparent framework of cooperation between civil society actors and public institutions significantly reduces the efficacy of national policies.

Expert reviews of the current legal and regulatory framework affecting NGOs have concluded that it needs to be reformed and modernized to meet European best-practice requirements and to be consistent with international law. The Planning Bureau, through CyprusAid, initiated this process in 2008, when NGOs were invited to participate and voice their opinions. They have urged the State to create a coherent legal and political framework for cooperation, arguing that this would allow civil society to empower itself and make it possible for the State to implement national policies more efficiently and effectively.

Particularly in this time of economic crisis, the Government must engage all stakeholders in developing and implementing ameliorative measures. The absence of a legal framework makes it difficult for NGOs to take action to secure the rights of the entire population. NGOs and the Government need to establish better channels of communication and information exchange so that NGOs can become vehicles for implementing national policies in every corner of the island. In addition, as the crisis generates increased xenophobia in European countries, it is essential for the Government and NGOs to engage in an information and education campaign to raise awareness about the causes of unemployment and the effects of the crisis in order to help reduce bias against immigrants. ■

13 Tsiartas, A. (2009). "Human Rights Issues in Cyprus". Presentation at the Living Together conference. Nicosia, Cyprus, March 6, 2009.

14 Demetriou, O. (2009). *Living Together. Migrant Cities Research: Nicosia South.* Nicosia: British Council.

15 British economist John Maynard Keynes advocated interventionist policies (e.g., encouraging consumption by increasing public investment) as a form of mitigating the effects of economic recessions.

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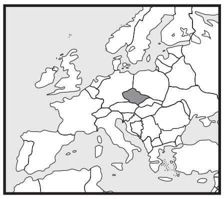
Democracy at a dead end



Last year President Vaclav Klaus proclaimed that the country was living in its prime, with a "faith in today". That euphoria is now evaporating as the economy begins showing signs of weakness. Reforms in public finances, such as lower taxation for the wealthiest and increasing the value added tax (VAT) on basic articles, have created new burdens for poor. Conditions of some marginalized groups such as the Roma have become so difficult that they are emigrating. On a positive note, the country has made some progress – though not enough– in bridging the gender gap.

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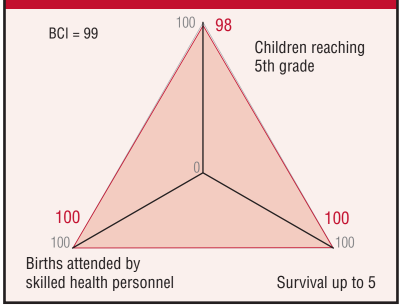
Basic Capabilities Index (BCI)



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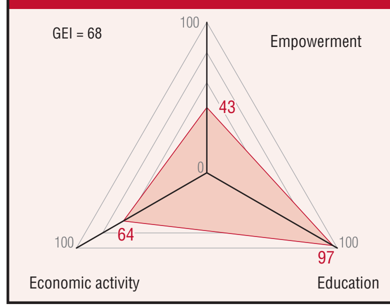


President Vaclav Klaus began the year 2008 by declaring this the best period in Czech history, noting that the enormous increase in loans and mortgages was a symptom of "faith in today". He also boasted of the country's robust national currency, asserting that it was evidence of a strengthening economy. In fact, the Czech Crone (CZK) was being artificially bolstered by speculation. The right-wing Government, in tune with the President, remained in denial, refusing to acknowledge that the global economic crisis would affect the Czech Republic. This optimism began to evaporate only when statistics and the daily reality experienced by the most of the population made it impossible to deny that production was plummeting at an unprecedented rate, the fifth worst performance in the EU.[1]

The impact of government reforms and the financial crisis

In 2007, the Government initiated a reform of public finances, lowering taxes on earners in the highest income bracket and increasing the value added tax on basic articles, which increased the tax burden on multi-member and low-income households. While the Ministry of Finance predicted 3.8% inflation for 2008, the consumer price index jumped 6.3% [2] and real incomes declined by -2.7% [3] year-on-year by the third quarter of 2008. Even before the impact of the world economic crisis became evident in the Czech Republic, predictions that reforms would hurt most of the population became reality.

The global economic crisis, only now beginning to hit the country, is lowering the standard of living even further. In the third quarter of 2008, the number of unemployed workers was higher than in the previous quarter, the first time this had happened since 2005. By the end of 2008, the official unemployment rate hit 4.4%. However, the official figure omitted 178,000 people who were considered to be not actively seeking employment; adding this group would have pushed the unemployment rate 50% higher.[4] Foreign workers, particularly those from Asia, are typically the first to be dismissed and are suffering the most. Their legislative protection is inadequate; most are dependent on job agencies, which makes their work status precarious, and the majority borrowed money to immigrate. In addition to being a personal economic disaster, returning home would jeopardize the livelihoods of their families.

Since the impact of the crisis began to be felt, every second small or medium size company has already dismissed employees and cut working hours or is preparing to do so in the immediate future.[5] Stock exchange indices are down more than 50% from their 2007 peaks. Nevertheless, the Government has not abandoned its plans to privatize the pension system.[6] By late 2008, it began to consider anti-crisis measures, largely in response to growing global concern as well as pressure from domestic industry.

The huge increase in household debt has put the financial industry in a precarious position. Until recently, personal borrowing was increasing by one-third every year. The bulk of this was mortgage debt, but nearly 20% consisted of loans from non-banking institutions, mainly for instalment purchases. In some cases, these loans come with an effective annual interest rate greater than 200%. The state is supporting this usury, for instance by introducing mechanisms to facilitate debt collection. A 2008 insolvency law includes a bankruptcy option for private individuals, however using it is very difficult.

Health system reform

Since the Minister of Health declared, "I want capitalism to be in the health system", he has done his best to achieve this goal.[7] Several regional hospitals have been privatized; they have reduced so-called non-lucrative services, primarily treatment of difficult or long-term cases. Responsibility for these cases is being shifted to large state hospitals and teaching hospitals. In 2008, government health care expenditures fell to less than 7% of GDP, one of the lowest proportions in the EU, and about 20,000 employees (8%) left the health care system.[8] The introduction of fees for services and attempts to decrease social insurance taxes, especially for the wealthiest taxpayers, are key components of the Government's regressive taxation strategy.

The Roma and social exclusion

Antisocial reforms and the onset of the economic crisis have been most harmful to those already excluded, such as old age pensioners, single mothers and other vulnerable groups. Not all Roma are socially excluded, however most of the 250,000 in the Czech Republic have been directly affected by the declining economy. In 2006, when the most recent data were compiled, 80,000 Roma lived in some 300 socially excluded localities[9]. This was mainly due to

1 See <www.ct24.cz/ekonomika/ceska-republika/45209-smutny-pohled-do-statistik-prumysl-v-prosinci-klesl-o-14-6-procenta/>.

2 See <www.czso.cz/csu/redakce.nsf/i/mira_inflace>.

3 See <www.czso.cz/csu/csu.nsf/informace/cpmz120108.doc>.

4 See <www.czso.cz/csu/csu.nsf/informace/czam020209.doc>.

5 See <ekonomika.ihned.cz/c1-34782520-temer-polovina-ceskych-firem-rozda-kvuli-krizi-vypovedi>.

6 See <www.cbw.cz/cs/article/penzijni-reformamene-statuvice-sobe.aspx>.

7 See <www.cuni.cz/IFORUM-5916.html>.

8 See <osz.cmkos.cz/CZ/Z_tisku/Bulletin/12_2008/39.html>

9 See <www.mpsv.cz/files/clanky/3043/Analyza_romskych_lokalit.pdf str.15>.

institutionalized discrimination and a lack of Government interest in resolving Roma problems.

In January 2008, the Agency for Social Inclusion in Roma localities opened its doors,[10] with a mission of raising the standard of living of socially excluded Roma and facilitating their inclusion in Czech society. The main vehicle for accomplishing this was supposed to be providing funding for immediate purchase of services. However, the Government ordered the agency to establish a framework for cooperation with interested parties in each region before ordering any services. The staff spent the entire year on this task, after which an internal audit concluded that the agency's approach violated Cabinet policies.

The agency has been a disappointment. Its mandate is weak. Instead of money, it offers only advice. The State's long-standing neglect and extensive economic problems have made some groups of Roma in socially excluded localities targets of racial hatred. In one extreme example, in 2008 neo-Nazis and other inhabitants held mass anti-Roma demonstrations in Litvinov.[11] In April 2009, a two-year-old girl was severely burned in a petrol bomb attack on the house of a Roma family in Vítkov; her parents and other family members were wounded.

During 2008, the Government ascribed the increase in the number of Roma applying for asylum in Canada to economic difficulties.[12] It is true that the Roma face severe economic hardship; however this is only one factor among many driving them to emigrate. They do not feel welcome in the Czech Republic and fear the country's rising fascist tide.[13]

The status of women

Participation of women in public life and decision-making remains minimal. Even so, the Government has not adopted any measures to bridge the gender gap in political and decision-making positions. The proportion of women in the lower chamber of parliament stands at 15.5%, putting the country at 69 on the Inter-Parliamentary Union data base. With the exception of the judicial system, where 64.5% of district court judges and 60.4% of regional court judges are women, they hold less than 25% of most legislative and executive positions. Even in the judiciary, the higher the court, the lower the proportion of women.[14]

In recent years, the country has made significant progress with regard to violence against women, enacting legislation to prevent domestic violence and making stalking a criminal offence. However, these measures are still insufficient to constrain all forms of gender-based violence. Regrettably, women's groups have a hard time getting funding, in part due to their exclusion from the Ministry of Work and Social Affairs 2008 grant competition which stipulates that projects "may not have political elements and cannot promote any political or ideological causes, including feminist ideology." As a result, many of these groups have had to terminate their activities.

The Czech legal system does not have laws that prohibit discrimination. The President vetoed anti-discrimination legislation that would have brought the Czech Republic into conformity with European law; an absolute majority in parliament is required to override his veto. Until it does, the Czech Republic will be in breach of its commitments as a member of the EU. Serious gaps remain in the protection of individual rights. These are particularly egregious in the labour code, which had been amended in the legislation vetoed by the President.

In the economic sphere, statistics show that far more men than women between the ages of 20 to 35 are economically active,[15] primarily because raising children is still considered to be mainly women's responsibility. This is only one of the many gender stereotypes linked to maternity that place women at a disadvantage in the labour market—during the hiring process, on the career ladder and in their access to further education.

The gender gap in income is another discrimination issue. In 2007, this was 19.8%, higher than the European average.[16] The public considers this a significant concern. Nearly two-fifths of women (39%) and a quarter of men (25%) think that women receive less pay than men do when they perform the same tasks. According to opinion polls, the Czech public regards age (64%) and gender (45%) as the most prevalent barriers to success in the labour market.[17]

In January 2008, the Government adopted a new policy on parental allowances, known as "three speed" parental leave. Parents can now choose the amount of time they will get a parental allowance. The duration determines the monthly benefit. Women with high incomes get the most, while women with low income receive the least. The Ministry of Work and Social Issues, which is extremely conservative on gender issues, refuses to support and develop childcare institutions and is moving to abolish crèches, of which there are only about 40 in the country. The Government's so-called pro-family package does not include comprehensive support for childcare institutions.

Another problem is the lack of support for policies that combine childcare and family programmes with activities that promote integration of female immigrants. Entering the labour market, these women are also at a disadvantage due to their lack of academic credentials and skills. Job opportunities for single mothers are severely limited as well. Immigrants of both sexes are generally limited to less attractive, poorly paid jobs, but immigrant women frequently endure unequal treatment. These conditions are partly the result of their ethnicity or nationality, but also due to gender discrimination in the recruitment process, as well as inequities in working conditions and remuneration.[18]

Development cooperation

Czech Overseas Development Assistance (ODA) is largely devoted to transformation cooperation. Its aim is to promote the so called Western-style democracy in the countries of the former Soviet Union, Cuba, Burma and Iraq. According to the Government, this focus is justified primarily by the Czech Republic's experience in post-communist transformation. Nevertheless, the Government has given up on fulfilling its EU commitment to increase ODA. Growth ceased in 2007 and aid actually decreased for the first time as a proportion of gross national income (GNI) – from 0.12% to 0.11%, despite pressure from NGOs and other parties. Ministerial representatives told a parliamentary foreign affairs committee meeting that the percentage contribution will increase, primarily due to a decrease in GNI. The programme is not transparent – the 2008 tender process for the transformational project in Cuba was not made public. Projects that obtained funding were co-financed by neo-liberal institutions such as the National Endowment for Democracy in the US.

Non-governmental organisations and the media

Czech NGOs are under huge financial pressure; their financing has gradually become dependent on the State or on foreign foundations, few of which provide significant support for independent civic initiatives. Successful grant applicants must fulfil political criteria and their activities must be in conformity with the donor policies. To avoid criticism and exclusion, most organizations are eschewing advocacy work and focusing on service work. The least restrictive financial support comes from the European Commission, particularly those administered directly by the Commission. The largest civic campaign remains Czechs Against Poverty, which participates in the Global Call to Action Against Poverty and focuses on advocacy and fulfilling the Millennium Development Goals.

Independent journalism is practically nonexistent. Exposure of political scandals very frequently appears to be generated by political directives, rather than independent investigative work. The media provide information that is selective and incomplete; their objective often seems to be providing support for the interests of particular economic and political groups. In this environment, democracy in the Czech Republic is at a dead end. ■

10 See <www.socialni-zaclenovani.cz/>.

11 See <www.romea.cz/romeatv/index.php?id=detail&source=t&vid=ukbpGyZFEbE&detail=ukbpGyZFEbE>.

12 See <www.vlada.cz/cz/media-centrum/tiskove-konference/tiskova-konference-premiera-mirka-topolanka-a-ministryne-pro-lidska-prava-a-narodnostni-mensiny-dzamily-stehlikove-28—srpna-2008-40581/>.

13 Taylor, L. "Czech minister blasted by Roma". *The Star*, 19 November 2008. Available from:<www.thestar.com/News/GTA/article/539490>.

14 Zeny a muzi v datech (2008). *CSU, Urad vlady.* Available from: <www.czso.cz/csu/2008edicniplan.nsf/t/23003275C8/$File/14150807.pdf>.

15 Zeny a muzi v datech. Prague: Urad vlady, Cesky statisticky urad, 2008.

16 *Ibid.*

17 Quantitative research was done in September-October 2008 to find out how male and female employees perceive equality of opportunities, as well as whether they think their employer enables them to harmonize their work with private and family life. See Gender Studies, o.p.s. available at: <www.genderstudies.cz>.

18 Krchova, A., Viznerova, H. and Kutalkova, P. *Zeny migrantky v Ceske republice. Uvedeni do problematiky.* Prague: Fes Prag, 2008.

An unprotected economy

The food price crisis in 2008 showed that after decades of paying no attention to its agricultural sector, Egypt lacks food sovereignty. Today the Egyptian economy is beginning to feel the impact of the global crisis. The drop in remittances and the return of émigrés has put pressure on a labour market badly prepared to absorb more unemployed workers. The Government has adopted measures to promote investment and economic recovery. While these are long overdue, it remains to be seen whether they can deliver the needed stimulus before rising unemployment and lack of food security lead to widespread social unrest.

The Egyptian Association for Community Participation Enhancement (EACPE)[1]
Afaf Marei

Although the Egyptian economy has experienced rapid growth over the last five years, the fact that the country imports two-thirds of its food has put it in a vulnerable position. As a consequence of the soaring increase in international food prices in 2008, a great part of the population had difficulties in feeding their families, and social tensions grew. On the other hand, the global food crisis revealed the importance of food self-sufficiency for developing countries such as Egypt, most of which have neglected investment in agriculture during the last 25 years due to low prices for food commodities in international markets.

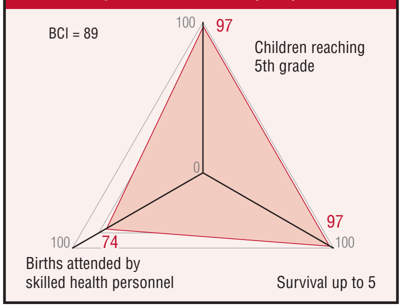
In addition, with the constant deterioration of land fertility, climate change and water scarcity, crop yields in Egypt are declining each year while, at the same time, imports of agricultural products have increased to meet the demands of a growing population. All of these contributed to the overall loss of food sovereignty.

A slowdown in growth

Since 2004, following the election of Prime Minister Ahmed Nazif, the Government has promoted a highly open market economy. An inflow of foreign investment and record income from tourism, shipping and other activities related to the Suez Canal allowed the country to experience the most rapid economic growth in decades. Nevertheless, since the last quarter of the fiscal year 2007-08, this growth has started to slow down. According to the Minister of Economic Development, Osman Mohamed Osman, growth slowed by 5.8 per cent in the first quarter of the fiscal year 2008-09. At the same time, the rise in food prices, which led to an index of inflation of over 20 per cent, has had a negative impact on consumption.

The Government anticipates a continued drop in exports for 2009, together with declining foreign investment and reduced income from the Suez Canal and tourism—all due to the global slowdown.

Basic Capabilities Index (BCI)



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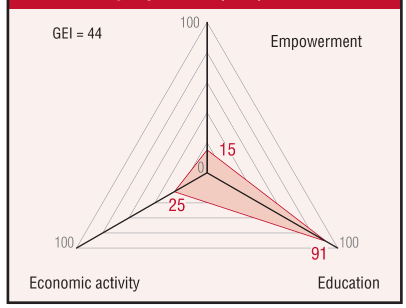


The same will happen with the indexes of growth. As 70 per cent of the country's currency revenue comes from the services sector and the crisis has hit the global demand for tourism particularly hard, the Egyptian economy during the present fiscal year is expected to have its slowest annual growth in five years.

At a luncheon of the American Chamber of Commerce held in Cairo in October 2008, Minister of Trade and Industry Rachid Mohamed Rachid stated that additional measures were needed if the country wanted to maintain the same level of growth. "If we keep on doing what we have been doing to reach a 7 per cent growth," he stated, "it is very clear we will not be achieving that 7 per cent, neither in 2008 nor in 2009". He noted that assuring the viability of the financial sector was as important as supporting the most vulnerable sectors in order to keep on growing. He also pointed out that the fact that the banking sector was healthy and had enough liquidity was good news, and that this liquidity should be assigned to the export sector, investment and consumption.[2]

Impacts on agriculture

The lack of investment in agriculture will result in an inevitable increase in the unemployment rate and, as consequence, an increase of the number of people living in poverty along with the level of out-migration – especially in Upper Egypt. Comprehensive development of the agricultural sector, enhanced support for farmers and the adoption of alternative agricultural policies are needed to provide food safety and to dignify the life of Egyptians by means of a system that addresses their social, economic and political rights.

Unemployment

The Executive Director of the Centre for Industrial Modernization, Adham Nadim, announced the loss of 45 per cent of existing jobs, due to the fact that they were not professional jobs. Thirty-five per cent of the 2 million people in the industrial workforce have no labour protection. According to Nadim, immediate measures are needed to correct the situation.

In March 2009, the Minister of Economic Development declared that the social development plan for 2009-10 will be difficult to implement due to the global crisis and its impact on the Egyptian economy. He estimated that growth slowdown would lead to an increase in unemployment, with the loss of about 150,000 jobs.

A survey carried out by the Centre for Trade Union and Workers Services (CTUWS) in April 2009 showed that 6,100 workers had been laid off in several sectors, including 3,100 in the textile sector and 270 in tourism, both of which employ predominantly women. A tourism company in Hurghada dismissed 200 of its 890 personnel. In other tourist cities, 25 per cent of workers' benefits have been cut off.

In addition, some 1,400 workers have been laid off in construction, 700 in the food sector and 550 in the mining sector. When the Assiut Cement company, which belongs to French Siemens, decided to stop production to carry out 'maintenance' work, only 680 of a total of 4,400 employees had work contracts, while the rest worked on a daily or temporary basis. In addition, Orascom Construction dismissed 400 temporary employees in March 2009, and the building company CEAC

1 This report draws on reports from the Land Center for Human Rights (LCHR) and Center for Trade Unions & Workers Services (CTUWS).

2 Rachid, R.M. "The Financial Crisis: Repercussions on Egypt", 2008. Available from: <www.amcham.org.eg/operation/events/events08/FinancialCrisis/FinancialCrisis.asp>.

dismissed 150 in January.[3] The banking sector has also announced staff retrenchments in the coming months.

Investment and savings

According to the Economic Development minister, reduced growth along with increased public investment –in human development, infrastructure, education and health programmes, among others – will produce a deficit between investment and domestic savings that could reach EGP 85 billion (just over USD 13 billion). As for remittances, EGP 40 billion (some USD 7.2 billion) are expected in 2009-10, some USD 180 million less than the previous year. The same will happen with the share of private investment in total investment – it is expected that this will reach 57%, compared to 67% in the previous period.[4]

The loss of jobs among Egyptians living abroad is estimated to result in the return of approximately 250,000 out of a total of 6 million, which will further stress the labour market. On the one hand, the Government is in no condition to absorb the returning workers; on the other, private companies increasingly demand better qualifications and expertise when hiring new employees. This situation can only serve to increase unemployment dramatically.

The Government's response

In response to the crisis, the Government has implemented a series of measures to strengthen sectors of the economy that are likely to stimulate renewed growth.[5] These measures include:

- Increased expenditure on public investment, including the implementation of urgent labour-intensive projects to boost consumption and revitalize the economic cycle.
- Reduced tariffs on intermediate goods and capital to help companies compete abroad and to encourage investment.
- Lifting of taxes on imports of capital goods for one year, in order to promote investment.
- Investment of some EGP 15 billion in projects with public and private participation.
- Plans to attract foreign investment, particularly from the Arab region, amounting to USD 10 billion annually.
- New investment opportunities in feasible projects such as oil, irrigation, civil aviation, free trade zones, tourism, urban development, housing, agriculture, trade and information technologies, among others.
- The establishment of investment promotion bodies at local government level.
- Efforts to solve problems and simplify investment procedures, especially in labour-intensive sectors, such as agriculture, industry and services.
- Efforts to achieve price stability of energy for industries.
- Increased support to the productive and exporting sectors.
- Provision of land needed for infrastructure projects and productive activities.
- Improved coordination with the Central Bank in order to provide credit to small and medium enterprises and to develop big surpluses of liquidity to finance productive projects.

In addition, a number of long-overdue banking reforms have also been announced. At this point, however, it remains to be seen what sort of impact these measures will have in terms of renewed growth. In the meantime, it is increasingly urgent to provide measures to mitigate the impact of the economic crisis on the population, particularly those who have lost their jobs and can no longer pay for basic food items. Without such measures, social unrest is likely to escalate dramatically, and it is only a matter of time before people take to the streets. ■

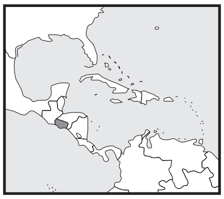
3 CTUWS. "Impacts of the Global Financial Crisis on Egyptian Workers". 2009. Available from: <www.ituc-csi.org/IMG/pdf/Impacts_of_the_Global_Financial_Crisis_Report_3.pdf>.

4 CTUWS. *op. cit.*

5 Alasrag, Hussein. Impact of the global financial crisis on the Egyptian economy.

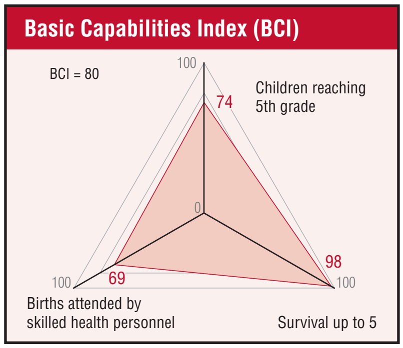
■ EL SALVADOR

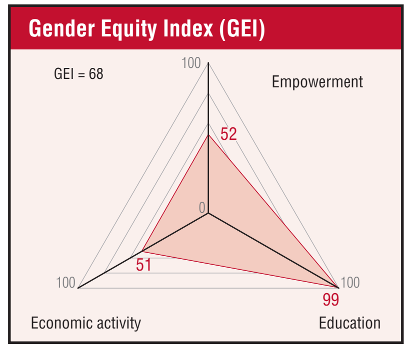
The crisis and some encouraging changes



Two decades of neoliberal economic policies have left the country in an extremely vulnerable situation in the face of the global economic crisis. Deteriorating social, economic, political and environmental conditions, social and labour market exclusion, falling remittances and rising prices of basic goods are just some of the devastating effects. Although part of the problem has been the high degree of dependency on the United States, political changes in both countries could make this very dependency conducive to finding a way out.

Social Watch El Salvador
Mario Paniagua
Armando Pérez
Scarlett Cortez[1]





El Salvador has experienced 20 years of neoliberal government that infringed the economic, social, cultural and environmental rights of broad sections of the population. This situation is further complicated by the fact that no provision has been made to counteract the effects of the recession in the United States, the crisis in food and fuel prices or the environmental crisis.

Deteriorating public services and conditions of employment

There has been a deterioration in the quality and scope of public services due to the erosion of the role of the State. The proportion of the budget assigned to provide these services has been reduced and a market approach has been imposed involving privatization of state-owned companies and the sale of state assets. Housing, health care, education and water are increasingly under pressure and, if the economic crisis becomes prolonged, this is likely to provoke further social tensions, weakening the State and increasing the likelihood of instability and violence. Amongst the most vulnerable populations there is concern over the increase in the number of working children,[2] in gastrointestinal and respiratory diseases, in people with HIV, and in insecurity, as well as in children and teenagers joining urban gangs.

In addition, flexibilization of the labour market as a "business incentive" for reducing labour costs has led to a deterioration in working conditions, the loss of purchasing power of salaries, and the creation of low-productivity jobs and productive jobs carried out in precarious conditions.[3] Apart from limited access to public services and livelihoods for the unemployed, there is a lack of access to productive, quality jobs that are sufficiently attractive to retain the employed population.[4] While for the last five-year period the unemployed population is estimated to be less than 7% of the economically active population (EAP), UNDP reports that only 20% of the EAP has a permanent, well-paid job with all social benefits.[5]

An economy dependent on the United States

Although various global financial institutions have noted that El Salvador's economy is one of the most sound in Central America, it is highly dependent on trade with the United States and the effects of the crisis were soon felt. According to the Central Reserve Bank (BCR), 51% of Salvadoran exports went to the United States in 2007. In October 2008 banks began increasing interest rates and restricting access to credit, leading to uncertainty. Exports, tourism and family remittances began to fall.[6]

More than 300,000 families – 26.7% of the population – receive money from abroad, which helps defray the cost of food, clothing and basic services. The BCR reported that between 1998 and 2008 remittances had trebled to reach nearly USD 3.8 million, most of it from the United States. Flows of remittances went up 2.5% in 2008 over 2007, but this was a notable decline compared with 2004 when they had increased 17% over the previous year. There are signs that in 2009 and 2010 remittances will fall by around 3% of the total received so far. One of the sectors most affected by the deceleration in the United States has been the building trade, which employs a considerable proportion of the Salvadoran population resident there,[7] and this will have a significant impact.

The food and fuel crisis

Privatization schemes put in place by the Government turned away from agricultural production focused on guaranteeing food security, to focus on the import of basic grains. Free trade led to inflation and a lack of purchasing power by the population due to the absence of any State regulation of the market. Estimates by the Economic Commission for Latin America and the Caribbean (ECLAC) show that for every 15% rise in food prices, there is a 2.8% increase in poverty in countries in the region. Since El Salvador has seen the greatest price increases, chances are that it has also suffered the greatest increase in poverty.

The impact of the increase in oil prices can be seen in the higher cost of the basic shopping basket, producing a rapid decrease in purchasing power and subsequent impoverishment of broad sections of the population. Since 2007 the price of food has been continuously increasing. Average inflation over the last four years was 4.9%, and in April 2008 it hit 6.8%. Cumulative inflation in this

1 Members of the organizations that make up Social Watch El Salvador are APSAL, CIDEP, CODEFAM, FUMA and MEC. Thanks to Yvette Aguilar, Ana Ella Gómez, Carolina Constanza, Jeannette Alvarado, Ana María Galdámez and Karen Martínez for their support.

2 The Mesa de Concertación para la Lucha contra la Pobreza [Coalition to Fight Poverty] (MCLCP) and Save the Children, which jointly organized a forum on the impact of the crisis on Peruvian and other Latin American children, warn about the increase in child labour in the region.

3 Weller, Jürgen. "Procesos de exclusión e inclusión laboral: la expansión del empleo del sector terciario" [Processes of occupational exclusion and inclusion: the expansion of work in the services sector]. Macroeconomía del Desarrollo Series, 6. Santiago, Chile: ECLAC, 2001.

4 UNDP. El empleo en uno de los pueblos más trabajadores del mundo [Employment in one of the most hardworking nations in the world]. *Report on Human Development Report in El Salvador*. San Salvador: United Nations Development Programme (UNDP), 2008.

5 *Ibid.*

6 *El Periódico*. "Economías centroamericanas reciben impacto de la crisis financiera" [Central American economies feel the impact of the financial crisis]. *El Periódico*. Mexico, 24 January, 2009.

7 UNDP. "Una mirada al nuevo nosotros: el impacto de las migraciones" [A new look at ourselves: the impact of migrations]. *Human Development Report on El Salvador*. San Salvador: UNDP, 2005.

period was 19.5%. The minimum monthly salary is between SVC 85.58 (USD 10) and SVC 183 (USD 21). In February 2008 the basic food basket (BFB) cost SVC 163 (USD 19), while the basket of goods and services, which includes all the average family's needs (food, health, education, housing, clothing), cost SVC 703 (USD 82).[8]

According to the 2006 National Income and Expenditure Survey, food represents some 30% of the budget in lower-income homes. In June 2008 the cost of the urban BFB increased around 22% compared to June 2007, while the rural BFB has in recent months seen increases close to 25% compared with the same period a year earlier. This seems to be leading to a rapid increase in national poverty and extreme poverty rates.[9]

It is worth noting that although the impact of the price increases for basic products is greater and more dramatic in lower-income homes, it is also having a considerable effect on middle-income homes. Food, electricity and transport – the three areas most affected by changes at the international level – account for around 50% of the average monthly expenditure of Salvadoran families.[10]

Given this situation, social and economic policies are required to stimulate national production, particularly farming. This means price regulation, productive investment, higher salaries, job creation and the intervention of the State to control flaws in the market. Food security should be at the centre of Government action.

Inequalities heightened by the crisis

The climate crisis – higher temperatures, changes in the pattern of rainfall and greater frequency and intensity of droughts, floods, landslides and hurricane-force winds – has increased economic, gender, ethnic and other inequalities. It has also heightened existing fragilities associated with the most vulnerable population groups, such as women, children, the elderly, indigenous peoples and the rural and urban poor.

Year after year rural families lose their crops and smallholdings, which reduces their access to land and water for human consumption. As a result, their income falls and they abandon their places of origin, emigrating to major cities or abroad. The country's economic system multiplies the effects of environmental vulnerability on poor populations. Phenomena such as deforestation, forest degradation and pollution of rivers and other water courses paved the way for abandoning rural agriculture in the face of an adverse economic climate, leading to a shortage of housing and basic services for both the rural and urban poor, thus putting them at permanent risk. Infectious and vector-transmitted diseases are on the increase.

Given the environmental situation it is estimated that the target under Goal 7 of the Millennium Development Goals (MDGs), "To reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation by 2015", will be almost impossible to achieve, like most other MDG targets. However, lack of clear, objective information on MDG indicators related to drinking water and sanitation make it difficult to gauge advances and backward steps in this field. Official statistics for the scope, quality and availability of drinking water and sanitation differ from those given by environmental institutions and fail to recognize that simply having a standpipe is no guarantee of access to good-quality water.

For example, the Multipurpose Household Survey (EHPM) reports that by 2007 the total proportion of homes with private running water was 74%,[11] while the National Administration of Waterways and Drainage Systems (ANDA) reports that it was 54.2%.[12] The EHPM gives the coverage by public fountains or standpipes as 4.2%, but ANDA reports it as 6.2%. In either case these figures are alarming and indicate the shortages in drinking water that working class areas have to put up with.

The MDG progress report prepared by UNDP in 2007 highlights advances in achieving the MDG target on water and sanitation but environmental and consumer organizations find this questionable when the Government has used provision of domestic connections, standpipes, water wells, springs and rainwater reservoirs as indicators of progress in sustainable access to improved water sources. There is no reliable information to indicate whether these resources are really protected and comply with quality standards for water fit for human consumption.

Conclusions

Changes in the political leadership of the United States and El Salvador bring hope that a way will be found to overcome the effects of the crisis, given the close trading links between the two countries. It is imperative that a new relationship is based on autonomy, respect, equity and solidarity. The Salvadoran electoral results of March 2009, granting executive power to the democratic opposition, make possible a new direction and lay the foundations for a model of development that will rebuild agricultural and industrial capacity and generate social welfare.

Social Watch El Salvador will be playing a vigilant role on the country's new political stage from 2009 regarding compliance with Economic, Social, Cultural and Environmental Rights and MDGs, not only resulting from the change of government, but also because there is a debt owing from previous governments in this respect, already seen to have been due to the lack of any will to comply with them.[13] ■

8 Goitia, A. *Crisis alimentaria y crisis del modelo neoliberal en El Salvador* [Food crisis and crisis of the neoliberal model in El Salvador].

9 UNDP. "Contrarrestando el impacto de la crisis internacional sobre la economía de los hogares salvadoreños [Counteracting the impact of the international crisis on the economy of Salvadorean households]. Final Report of the UNDP Multidisciplinary Commission. San Salvador: Impresos Múltiples S.A. de C.V., 2008.

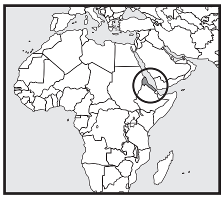
10 Goitia, A., *op. cit.*

11 Ministry of the Economy. *2007 Multipurpose Household Survey*. San Salvador: General Directorate of Statistics and Censuses.

12 ANDA. *Report on National Coverage of Drinking Water and Sanitation 2003-2007*. San Salvador: Administración Nacional de Acueductos y Alcantarillados (ANDA), 2007.

13 "Economic and social rights: there is no political will". *Social Watch Report 2008*. El Salvador.

An open-air prison confronts the global crisis



With no working constitution, functioning parliament, independent judiciary, free press, bureaucratic accountability or officially published national budget, Eritrea, the most militarized country in the world, lacks the mechanisms required to tackle the current global crisis. The shrinking global economy has drained remittances to Eritrea, while prices of food and fuel have skyrocketed. The country needs an immediate transition to a democratic system of governance that has the support of the international community. Humanitarian aid monitored by independent international NGOs appears to be the most effective emergency plan to save the lives of helpless Eritreans.

Eritrean Movement for Democracy and Human Rights (EMDHR)
Daniel R Mekonnen

Long before the global financial crisis became acute in late 2008, Eritrea was already in a deep economic, social and political mess of its own making. The country has one of the poorest records of human rights protection in the world, as attested by regional and international human rights monitoring bodies, including the African Commission on Human and Peoples' Rights and the UN Working Group on Arbitrary Detention. The human rights crisis worsened after the 1998-2000 border conflict with Ethiopia, since then the Government has used the repercussions of the conflict as a pretext to suppress fundamental rights and freedoms.

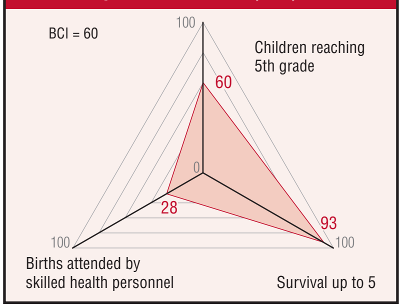
An open-air prison

An independent state since 1991, Eritrea has yet to offer its citizens true freedom. In fact, conventional features of a free and democratic government are barely visible.[1] Virtually all countries in the world have an enforceable national constitution, and most also have functioning parliaments. They conduct regular and periodic elections, irrespective of whether they are free or fair in real terms. They allow private media outlets, even if regulations become so restrictive that they give zero freedom to the press. In Eritrea, the Government adopted a Constitution in 1997, but has never implemented it. The nominal parliament ceased functioning in February 2002. Private media (radio, TV, print and electronic) disappeared between 1997 and 2001; only Government-owned outlets remain, and their allegiance has always been to the ruling elite rather than to the truth. Worst of all, since it gained independence, the country has never enjoyed free and fair elections.

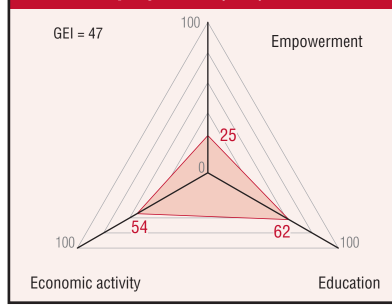
Today, as bread queues spread in the streets of Asmara, the capital city, life has become extremely difficult for Eritreans. Like the former occupation authorities of the Derg (a coordinating committee of the armed forces, police and territorial army) in the 1970s, the Government seems to have declared war against its own people. Today, a common adage among Eritreans is that the only difference between the Derg regime and the current rule of the People's Front for Democracy and Justice (PFDJ) is that the officials of the Derg used to speak in Amharic (the Ethiopian official language) while the PFDJ officials converse in Tigrinya, a vernacular dialect with *de facto* official status.

Individuals who do not subscribe to state ideology or followers of religious beliefs not officially sanctioned by the Government are systematically targeted and severely punished by the security and military apparatus. As a result, human rights violations are rampant; violation is the norm and protection the exception. Some conservative estimates suggest that more than 20,000 people are in detention without trial or any contact with the outside in more than 300 formal and informal sites all over the country. Most of these sites are administered by army generals, who are not accountable to either the police or ordinary courts. In short, the country has been transformed into an open-air prison where all fundamental rights and freedoms are completely muzzled by nightmarish, Kafkaesque, pervasive and abusive practices.

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



Social and development indicators

Developments indicators are contradictory. Reports from some sources indicate "progress" in certain areas, such as infant mortality and maternal morbidity. However, the extremely repressive political atmosphere and the impossibility of obtaining reliable data make it difficult to take these accounts at face value. In truth, the flawed economic policies of the authoritarian PFDJ totally depleted the national and local economies long before the global financial crisis hit in late 2008.

Many reports from independent sources rank Eritrea miserably. For example, the Global Hunger Index puts Eritrea third from the bottom, 116th among the 118 countries assessed by the report.[2] The country receives critical grades on the Basic Capabilities Index, denoting serious difficulties in every dimension of social development.[3] In press freedom, Eritrea is ranked worst in the world, replacing North Korea, according to Reporters without Borders.[4] Despite its small population of four million, the country's alarming record of human rights violations has caused it to be ranked as the fourth largest source of refugees in the world. The 19,400 new claims during 2005-2006 place it just above the failed or chaotic states of Somalia, Iraq and Zimbabwe.[5]

The most militarized country

Excessive militarization is another major evil. High school students are forced to enrol in military camps for "formal education". Among them is the notorious Sawa Military Training Camp, where the students are disciplined under strict martial rule. The abusive National Military Service Programme (NMSP), which starts at the age of eighteen and ends nowhere, continues this preparatory stage of indoctrination.

1 See Mekonnen, D.R. (2008). 'Transitional Justice: Framing a Model for Eritrea', unpublished LLD thesis, University of the Free State.

2 Welt Hunger Ilfe (2007). *The Challenge of Hunger 2007.* Available from: <www.welthungerhilfe.de/fileadmin/media/pdf/Pressemitteilungen/DWHH_GHI_english.pdf>. Accessed 4 January 2008

3 *Social Watch Report 2008.*

4 Reporters without Borders (2007). *Annual Worldwide Press Freedom Index.* Available from: <www.rsf.org/article.php3?id_article=24025>. Accessed 16 October 2007.

5 UN High Commission for Refugees (UNHCR) (2007). *Global Trends: Refugees, Asylum Seekers, Returnees, Internally Displaced and Stateless Persons.* Geneva. Available from: <www.unhcr.dk/Pdf/statistics/global_trends_2006.pdf>.

The numerous abhorrent violations of human rights perpetrated under the NMSP include rape and other sexual violence against female conscripts. In recent years, military commanders have been in effective control of all senior academic institutions. In 2003, the country ranked as the most militarized state in the world and third highest, after North Korea and Angola, in percentage of Gross National Product going to the military.[6] By mid-2000, Eritrea military had 300,000 people in its ranks, more than at any other time in its history. Since then the number of personnel is believed to have increased exponentially. Female conscripts make up 45.27% of the total national army, and their vulnerability is proportional to their number.

The country's pervasive crisis has been exacerbated by the shrinking global economy, which has choked off remittances from abroad. The cost of food and fuel has skyrocketed. Prices at fuel pumps, strictly regulated by the Government, are said to be the highest in the world. Actually, fuel is hardly available. Food can be purchased legally only at Government-owned outlets, and farmers have to sell their grain to these stores at a fixed price. Sale of grain in local markets has been effectively criminalized, as the President himself stated in an extensive media briefing in January 2009.

Governmental response

The Government categorically dismisses reports of economic deprivation, as well as reports on political repression, as "enemy propaganda". In fact, the President quipped that accounts of pervasive economic hardship represent nothing more than the frustrations of "overfed and spoilt people" who do not know how to spend their resources. In reality, people are literally dying on their knees of hunger – in a famine caused by the PFDJ. With no working constitution, functioning parliament, independent judiciary, free press, bureaucratic accountability or even an officially published national budget, Eritrea acutely lacks the legislative, administrative and institutional mechanisms required to respond to the current global crisis. Moreover, traditional mechanisms for coping with crises such as emigration are hardly available. Under the suffocating martial law, exit and entry points are closed tight. After depleting whatever meagre resources they may have, the starving masses, particularly women, the elderly and children, are unable to go anywhere and have to resign themselves to dying in their villages. The Government has yet to adopt any programmes to protect the most vulnerable population.

GONGOs (Government-operated NGOs)

A sound development agenda driven by a rights-based approach gives strategic preference to empowerment of local communities and accountability. This approach endows people with the power and capacity to become the major actors in their own lives. One way to achieve this is through the involvement of independent civil society organizations and local NGOs representing the interests of their communities. Sadly, the repressive atmosphere renders impossible the work of independent civil society. The country has only three active local organizations engaged in the national development agenda purported to benefit the general population: the National Union of Eritrean Women (NUEW), the National Union of Eritrean Youth and Students (NUEYS) and the National Confederation of Eritrean Workers (NCEW). Other "civil society organizations" are timorous and exist in name only.

Even the three active organizations are not genuine or independent enough to represent the interests of their constituencies, as is widely known. They function as the women's, the youth's and the workers' leagues (branches) of the ruling party, which picks their leaders and commands their allegiance. In other words, they are typical examples of Government-operated NGOs (GONGOs), designed to conceal the country's dependency on foreign aid and pay lip service to civil society participation.[7] The only independent civil society organizations, such as the Eritrean Movement for Democracy and Human Rights, work in exile, excoriated by the Government as "enemy stooges"; if caught inside the country, their members are jailed and tortured.

International cooperation

International cooperation is crucial in resolving the multiple global crises disproportionately scourging people in developing countries. For many years, Eritrea's food deficit has been covered by food aid donated by the international community (although the Government does not acknowledge this). International aid organizations and NGOs have played a pivotal role in this regard. Nonetheless, many of them were expelled as a result of the Government's illusory policy of "self reliance". When not refusing food aid, the Government makes it difficult for this assistance to enter into the country. It prefers international aid in the form of cash.

The European Union (EU) remains one of the leading international providers of food and development aid to Eritrea. It is currently debating the release of development aid worth EUR 122 million (about USD 161 million) from the 10th European Development Fund, but has legitimate concerns regarding the Eritrean Government's contempt for the legal requirements attached to any responsible development aid plan. These include commitment to the principles of good governance, accountability, and respect for human rights and the rule of law, none of which exist in Eritrea. The country has neither the political will nor the means to ensure a genuine development policy, and lacks a transparent decision-making process for formulating and implementing state policies to overcome the current global crisis.

Eritrea needs an immediate transition to a democratic system of governance that has the support of the international community. Until that occurs, humanitarian aid monitored by independent international NGOs appears to be the most effective emergency approach to saving the lives of the helpless population, suffocated by severe political repression as well as an economic meltdown. ■

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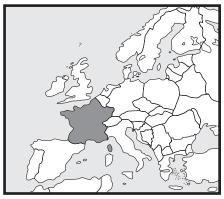
Welt Hunger Ilfe (2007). *The Challenge of Hunger 2007*. Available from: <www.welthungerhilfe.de/fileadmin/media/pdf/Pressemitteilungen/DWHH_GHI_english.pdf>. Accessed 4 January 2008.

6 Awate Team (2003). Defending Indefensible, Indulging Incompetence. Available from: <www.unhcr.dk/Pdf/statistics/global_trends_2006.pdf>.

7 For further discussion on this see Daniel R. Mekonnen "The Abolition of Female Circumcision in Eritrea: Inadequacies of New Legislation". *African Human Rights Law Journal 2007* 7(2): 407-408.

FRANCE

Unemployment, exclusion and ineffective aid

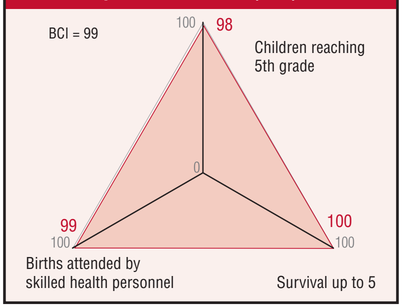


In France the world crisis has had a direct impact on the people, as it has in all the developed countries – which is where it began. The most obvious effects have been rising unemployment and increased social exclusion, and sectors that not long ago were in a comfortable situation are even suffering food shortages. In addition, because of the crisis and the country's inability to create new resources for Official Development Assistance, this aid has been cut back sharply and France will not fulfil its commitments in this area.

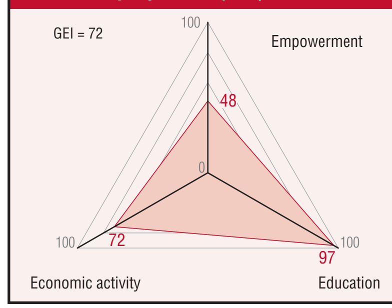
Coordination SUD
Katia Hergott
Secours Catholique
Yves Casalis

This report is an analysis of the consequences of the economic crisis not only in terms of its impact on the French people, which is evident in rising unemployment, increased marginalisation and even food shortages, but also as regards its negative repercussions for the country's official development assistance effort, thus affecting the beneficiaries of these programmes.

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



Unemployment and exclusion: the face of the crisis

France's socio-economic structure has been tottering since the last quarter of 2008, and social plans in enterprises have multiplied. In December the Natixis Bank announced the loss of 450 jobs on top of the 850 layoffs that occurred in May. In November 2008, PSA Peugeot Citroën implemented the 'voluntary retirement' of 3,550 employees. In October, the computer supplies group Hewlett-Packard announced 580 redundancies, and in December the automobile equipment manufacturer Valeo reported the loss of 1,600 jobs.

In the first six months of 2009, Sanofi-Aventis, the leading pharmaceutical group in France, announced the first phase of a 'voluntary retirement' scheme affecting approximately 1,300 employees, and it plans to close down four research centres in the country. In February 2009, the specialist telecommunications group Alcatel-Lucent laid off 200 direct employees, and a further 400 sub-contractors lost their jobs too. According to the French Economic Observatory (OFCE), "The French economy could lose approximately 800,000 jobs in 2009 and 2010".

According to Cáritas France, a total of "...492,000 euros in supplementary aid was allocated in the first eight months of 2008. In Savoy (in the south-east), unemployed day labourers are coming in to our refuge centres. In the Eure (in the west), a rural area, temporary employment agencies are overwhelmed and are having to refuse new registrations. In the so called Gold Coast (south-east of Paris), the high cost of petrol and food have had a severe impact since the start of the year. In this sector, people in need are coming to us more and more frequently just to try to survive to the end of the month(…) In the Val-de-Marne, the Paris region itself, there has been a big increase in the number of food parcels distributed".

In January 2009, the Research Centre for the Study of the Conditions of Life (CREDOC) presented evidence of the impact the economic crisis is having on the supply of food: some 66% of households that are below the poverty threshold (880 euros per month per person) have had to reduce their consumption of meat, fish, fruit and vegetables, and in some homes people even skip lunch or dinner.

Nothing left but self-respect

The numbers of people soliciting food, the unemployed, people in debt and/or who are denied access to support, have multiplied. In 2009, according to the Bank of France over-indebtedness barometer, some 20,225 people filed in February and 21,247 in March, which is 16% more than during the same period in 2008. Some 85% of these involve renewable credits, and these open-ended loans are very costly and cannot be controlled by the lenders.

We hear a similar diagnosis from the Doctors of the World association: "Poor workers are coming into our centres again, in many cases undocumented workers, the beneficiaries of social assistance, and people who do not have the means to pay health insurance. Most people with economic problems delay seeking assistance ...When people who are socially included but cannot get to the end of the month come to us, they've got to set their self-respect aside", said one director of a charity organization. "Many of them tell us that".

The response

Action is urgently needed to cope with this continuing or even worsening fracture in the social structure. What is needed is to deal as closely as possible with people who are excluded and give them clear priority in policies. Are government initiatives doing this? In the spring, the authorities launched an emergency plan to help the 434,300 young people under 25 who are unemployed. This involved creating around 100,000 supplementary alternative contracts in the private sector (for learning, for vocational training), and there are special premiums whereby enterprises are paid between EUR 1,000 and 2,000 for each contract created. The most important measure, the Active Solidarity Income scheme (RSA) began to be implemented last June. Poor workers (some 800,000) receive a supplementary wage – and an acceptable level of income – when they resume an activity.

However, the RSA only really serves to help people who are close to the labour market and have some minimum level of skills, but it does not have the same results for those who have been most affected by years of exclusion from the system.

The crisis and ODA

France has reiterated its commitment to increasing Official Development Assistance (ODA) at every international summit – most recently at the last meeting of the G8 – but there is serious doubt about the credibility of these promises. There was a considerable fall in French ODA in 2007 but in 2008 it increased slightly, and according to the 2009-2012 public finances programming law, France will not fulfil its European commitments in 2010.[1] With an ODA level of around 0.41% of Gross National Income (GNI) in 2010, France will fall far short of the 0.51% that it has committed itself to in the European Union.

1 The countries belonging to the European Union have made a collective commitment to allocate 0.56% of their GNI to ODA, which translates into an objective of 0.51% for France and 14 other older members.

If France is to make good on its commitment to allocate 0.7% of GNI to ODA by 2015, it will have to increase the amount it donates by EUR 1,500 million per year. However, bearing in mind the financial restrictions the country is labouring under, which are further aggravated by the world crisis, it is most unlikely that this will happen if there is no strong political move to support it. French cooperation policy does not have an overall strategy, so ODA is dependent on the priorities of the government of the day. In addition, a large proportion of French assistance does not create fresh resources to finance development.

An illusory increase

France is one of the leading countries in the world in terms of ODA contributions. In 2008, its contribution was EUR 7,600 million, and the OECD[2] Development Assistance Committee (CAD) ranked it fourth for its net amount of ODA and 13th for the percentage of GNI it allocated to assistance (0.39%). There was a big drop in its 2007 level (-16%), but French assistance has still increased markedly since 2002.

However, a considerable portion of this increase is due to an artificial inflation of the statistics and not to the creation of fresh resources to finance development, which in fact hardly occurred at all. This accounting manoeuvre mainly involves implementing multilateral debt cancellation plans. Leaving the 2007 ODA fall of more than 50% aside, in the 2001 to 2007 period debt reductions accounted for an average of 27% of French ODA.

In fact, for the most part these debt cancellations were no more than a bookkeeping exercise to tidy up unpaid credits, so the impact in the beneficiary countries was extremely limited. These countries are very poor, they had fallen into a spiral of over-indebtedness and were hardly able to pay their debt. What is more, a large proportion of the cancelled debt was generated by an active French policy to support its exports by providing state guarantees to underpin sales abroad, a scheme that is managed by the *Compagnie Française pour le Comerce Extérieur* (COFACE – the French Company for Foreign Trade). This system to promote exports is clearly a different thing altogether from the promotion of development, and there is nothing to justify its inclusion in the accounting of ODA.

To evaluate 'real' French ODA, *Coordination SUD* had recourse to a procedure recommended by Daniel Cohen.[3] Since most of the total debt reductions were in fact liquidations in the accounting of unpaid credits, he recommends that only 10% of these cancellations should figure as ODA, and the remaining 90% should appear as losses from debt reductions.

Quite apart from the cancellation of debt, for some years French ODA accounting has included the fast growth of certain *ex post* statistical additions that do not correspond to new resources for development – such as the "reception of refugees" (EUR 275 million in 2007) or expenditure for foreign students in France (EUR 879 million). Besides this, some expenditure (EUR 345 million) that is included does not go to foreign countries at all but to two French overseas territories (Mayotte – the top beneficiary of French assistance apart from the debt cancellation countries – and Wallis and Futuna) and to provide credits to promote French cultural influence and the diffusion of the French language abroad.

When the main components of all this 'artificial' ODA are eliminated from the statistics, the extent of France's real contribution to financing development is revealed, and it is considerably lower than what is claimed. In 2007, according to the Government, ODA amounted to EUR 7,200 million (0.38% of GNI), but the 'real' figure was only EUR 4,700 million (0.25% of GNI).

ODA at the service of French commercial and strategic interests

Even in the realm of ODA that is considered 'real' there is a certain amount of expenditure that is geared to objectives that are not connected to the fight against poverty and inequality. In particular, as part of its assistance policy, France is lending more and more to emerging countries in pursuit of diplomatic objectives to promote its influence and disseminate its culture.[4]

In order to develop its activities in a context in which budget resources are limited, the French Development Agency (AFD), the country's main instrument for implementing its cooperation for development policy, has oriented its activities to fostering loans, especially to private parties, at a lower cost for the State. The amount of these loans included in ODA statistics increased by 98% from 2008 to 2009 (from EUR 469 to 927 million).

In order to reduce its costs for these loans, the State, which participates with an allowance geared to lowering the interest rate on financial resources proposed by the AFD for developing countries, is seeking to maximise its leverage.[5] Thus, more loans are granted, they carry interest rates as close as possible to those pertaining in the market, and while it is true they go to emerging and middle income countries it is mainly the private sector that receives them.

The CAD stresses that "the objective of the fight against poverty that is being pursued in the poorest countries in the Priority Solidarity Area is therefore limited by resources in the form of donations, whereas the objective of preserving world public goods that is pursued in the emerging and middle income countries can take advantage of loan instruments for which authorisations for commitments are much higher".[6] However, as the CAD has emphasised, the allocation of assistance in terms of geography and sectors should be based on a strategic vision and not on the suitability of instruments. The expansion of loans to emerging and middle income countries is built around the logic of economic cooperation, so there is no reason at all why it should be counted as part of French ODA.

In France the creation of the Ministry of Immigration, National Identity, Integration and Solidarity Development (MIIDS) has consecrated the increasing interconnectedness between cooperation to promote development in the countries of the South and the control of migratory flows – a trend which is beginning to make itself felt not only in France but throughout Europe. This translates in particular into MIIDS participation in the various spheres of decision-making about development cooperation policies and the negotiation of agreements for the 'concerted' management of migratory flows, which includes a rather opaque MIIDS programme of assistance for development which has not been coordinated in any way with the Foreign Ministry.[7]

The poorer countries in the world are also those that have been hardest hit by the food, climate, financial and economic crises, but today a large proportion of French assistance does not respond to the fundamental objective, which is to fight poverty and inequality. Moreover, although France has been able to mobilise considerable resources to cope with the economic and financial consequences of the crisis at home, it has already confirmed that it will not fulfil its European ODA commitment in 2010. While budgetary allocations for ODA have not been reduced in 2009, they are simply not sufficient for France to meet the challenges that the various world crises have brought about in the poor countries. ■

2 The CAD is made up of twenty-three of the main 'traditional' donors of bilateral funds. Emerging donors like China or India are not members of the CAD. Neither are the new members of the European Union, and for them cooperation for development is in most cases a recent policy.

3 Cohen Daniel, OECD Development Centre, *Technical paper No. 166, The HIPC initiative: true and false promises*, October 2000.

4 Coordination SUD. Analyses, PLF 2009 et budget pluriannuel 2009-2011, 3 November 2008.

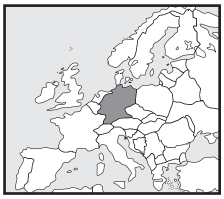
5 The amount of loan generated by one euro of state subsidy.

6 CAD/OCDE, *op. cit.* p.48.

7 For further information on this subject see the France section in the Social Watch Europe report on migration.

GERMANY

Before the storm: social impacts of the financial crisis



The German Government's crisis management strategy does not include social or indeed ecological goals. Its stimulus packages and tax cuts are socially inequitable; layoffs and the rise in part-time workers are revealing the ugly face of deregulation. Although German ODA has increased and commitments for the Least Developed Countries (LDCs) in 2009 are higher than ever before, they are still insufficient. Declarations of Chancellor Angela Merkel may promise a new approach in international relations, but in practice, the Government's crisis management policies have been focused on the G20.

Social Watch Germany
Uwe Kerkow

The last three years were marked by a reduction in unemployment but stagnating real wages.[1] However, it is becoming increasingly apparent that, contrary to the Government's claims, its deregulation of the labour market did not spur the growth in employment; the credit should go to the healthy economy. Now that the (credit-financed) boom is ending, the ugly face of deregulation is being revealed. Unemployment is climbing. Informal jobs have been the first to go: Annelie Buntenbach, a member of the Federal Executive Board of the German Trade Union Confederation (DGB, in German), estimates that by the end of January 2009, roughly 120,000 temporary workers had already been dismissed.[2]

Official jobless figures are also rising, though not yet alarmingly. According to the Federal Employment Agency, in January 2009 unemployment was actually down 170,000 from a year earlier. Nonetheless, the seasonally adjusted unemployment rate was moving higher, while the number of reported vacancies was plunging.[3] Frank-Jürgen Weise, head of the agency, is worried that the number of jobless could climb from the current 3.4 million to almost 4 million before the end of 2009.

The real surge, however, has occurred in part-time work. In February 2009 alone, more than 16,900 companies applied to put 700,000 workers on part time for economic reasons; that was 648,800 more than a year earlier. The employees affected are only paid for the hours they work, but they also get a state-subsidized part-time-work supplement for a specified period—recently extended to 18 months. They thus receive two-thirds of their normal income without losing their jobs, at least at first.[4] Despite these subsidies, it is already clear that the economic and financial crisis will damage the social welfare of several million people.

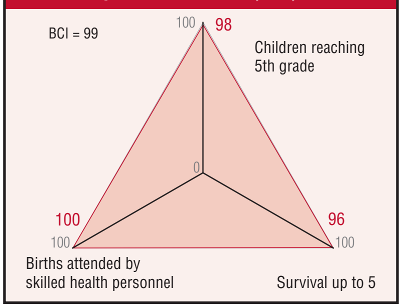
1 Social Watch Germany has decided to focus this year's report on economic policy responses to the systemic crisis as this is where the social impact is most evident in Germany.

2 See: <www.welt.de/wirtschaft/article3146760/Schon-bis-zu-120-000-Leiharbeiter-entlassen.html>.

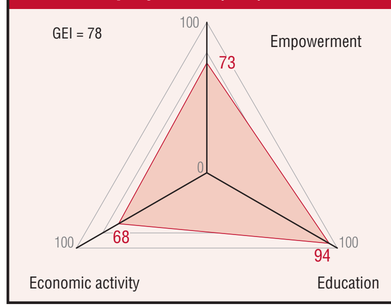
3 See: <www.arbeitsagentur.de/zentraler-Content/Pressemeldungen/2009/Presse_09_007>.

4 See: <www.arbeitsagentur.de/zentraler-Content/Veroeffentlichungen/Merkblatt-Sammlung/MB-08b-Kurzarbeitergeld-AN.pdf>.

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



Government response

Government measures to ease the crisis include the following:

- EUR 480 billion earmarked for a special Financial Markets Stabilization Fund, to bail out troubled banks. An additional EUR 80 billion is available for recapitalization and absorbing toxic assets.
- EUR 100 billion for liquidity guarantees and credit facilities/loans for industry, with a strong focus on the car industry.
- EUR 11 billion for a first stimulus package (*Konjunkturpaket I*), which offers tax breaks and provides funding for infrastructure projects, with a focus on transport.
- EUR 50 billion for a second stimulus package (*Konjunkturpaket II*). In addition to a one-time extra child benefit, known as the *Kinderbonus,* and investments in infrastructure, this package includes tax cuts and a "scrapping premium" that gives Germans who buy a new car an extra EUR 2,500 for their old one.

Figures on economic stimulus allocations from the ministries concerned are in some cases far higher than those stated above. For example, in November 2008 the Ministry of Economics and Technology and the Ministry of Finance announced that the first economic stimulus package would cost a total of EUR 32 billion through 2010. However, the Government is pouring 9-10 times more cash into private debt (the "bailout") than it is spending to promote economic activity. As these packages also include tax breaks, investments that have a direct effect on the economy are likely to be relatively small. Indeed, according to some calculations, the second stimulus package is likely to provide only EUR 9 billion per year in extra investment[5]—certainly not enough to break the public investment bottleneck. Just to match the European average, Germany would have to spend an additional EUR 25 billion – and the emphasis on road-building projects, the "scrapping premium" for cars and the renovation of military barracks hardly inspires confidence.

Not only will tax cuts undermine impact of the stimulus programmes; they are also socially inequitable, as the following examples indicate:

- According to calculations by the DGB, municipalities are supposed to receive EUR 11.51 billion from the two economic stimulus packages. However, tax cuts implemented at the same time will reduce municipal budgets by EUR 6 billion. "Ultimately, not even half the amount pledged will be available (...) It's debatable whether this can actually save jobs", says the DGB.[6]
- The tax cuts for households are structured in a way that is socially inequitable. Earners with annual incomes up to EUR 10,000 will receive tax cuts totalling EUR 0.15 billion, whereas those with annual incomes above EUR 53,000 will get nearly 10 times as much. As one analysis concluded, "Other than raising the subsistence level for children from low-income families with the *kinderbonus* (...), no other measures are included."[7]

This depressing trend will be reinforced by the "debt brake" unveiled to the German Bundestag, which is intended to limit annual net borrowing

5 *Junge Welt*. See: <www.jungewelt.de/2009/02-07/023.php>.

6 See: <www.dgb.de/themen/themen_a_z/abisz_doks/k/klartext05_2009.pdf/view?showdesc=1>.

7 *Junge Welt*, *op.cit.*

to 0.35% of gross national income (GNI).[8] Critics expect that austerity policies being pursued in the social sector will continue unabated in the wake of the massive bank bailout. Hendrik Auhagen, a member of ATTAC Germany's Coordinating Council, has warned that "public debt to serve the interests of the banks and corporations, tax cuts for the affluent, plus a debt brake in future all set the course for a further dismantling of the welfare state (...) and for mass poverty and rising crime".[9]

Development policy

German ODA increased to USD 13.91 billion in 2008, up from USD 9 billion in 2007. In absolute terms, this makes Germany the world's second largest donor of ODA. However, if ODA is measured as a share of Gross National Product (GNP), its ratio of 0.38% gives it a rank of 14th amongst the lead donor nations. It is also noteworthy that in 2008 around one-fifth of German ODA consisted of debt relief.[10] The 2009 ODA budget, however, contains some good news: commitments for less developed countries (LDCs) are higher than ever before, at EUR 827 million (USD 1.09 billion); they make up more than half of country's total aid commitments.

As part of the second economic stimulus package, the Government made an extra-budgetary allocation of EUR 100 million (USD 132 million) to the Federal Ministry for Economic Cooperation and Development in order to 'support' World Bank infrastructure projects.[11] The Association of German Development Non-Governmental Organizations (VENRO, in German) applauded this as a step in the right direction, but characterized this "economic stimulus package for developing countries" as inadequate: "The poorest of the poor are being fobbed off with charity despite being hardest hit by the impacts of the crisis", objected Claudia Warning, chairperson of the VENRO Board. [12] Development Minister Heidemarie Wieczorek-Zeul maintains that "the financial plan for the period 2008-2012 includes further measures to stimulate growth",[13] but the prospects for fulfilling this pledge appear poor. To reach the European Union target of development spending equal to 0.51% of GNP by 2010, Germany would have to increase its ODA to EUR 13.1 billion (USD 17.33 billion).[14]

A new approach in international relations?

German Chancellor Angela Merkel raised some eyebrows with her recent proposal to create a UN World Economic Council. "The G20 is a step forward, of course, but it certainly does not represent a complete picture of the world", she declared at a Christian Democratic Union party conference in December 2008. "I am firmly convinced that we need a world economic council to deal with economic issues, just as we have (...) the UN Security Council." [15] Chancellor Merkel followed this up at the G20 financial summit in February 2009 by calling for a global "charter for sustainable economic governance" that would establish principles for a future world financial architecture.[16]

How serious the Chancellor is about these initiatives remains to be seen. So far, the Government's crisis management policies have remained firmly focused on the G20. ■

8 See: <de.wikipedia.org/wiki/Schuldenbremse_(Deutschland)>. Accessed on 27 February 2009.

9 See: <www.attac.de/aktuell/presse/detailsicht/datum/2009/02/13/schuldenbremse-steuersenkungen-demontage-des-sozialstaats/?cHash=fe6adf2d10>.

10 See: <www.oecd.org/dataoecd/48/34/42459170.pdf>.

11 Regierungserklärung zum Stand der Millenniumsentwicklungsziele 2015 und zu den Auswirkungen der Finanz- und Wirtschaftskrise auf die Entwicklungsländer [Government Statement on the Status of the Millennium Development Goals 2015 and the Impacts of the Financial and Economic Crisis on the Developing Countries], 29 January 2009. Available from: <www.bmz.de/de/zentrales_downloadarchiv/Presse/20090129_Regierungserklaerung.pdf>.

12 See: <www.venro.org/404.html>.

13 See: <www.bmz.de/de/zahlen/deutscherbeitrag/index.html>. Accessed on 27 February 2009.

14 See: <www.tdh.de/content/materialen/download/download_wrapper.php?id=294>.

15 See: <www.stuttgart08.cdu.de/wp-content/uploads/2008/12/081201-rede-merkel-stbericht.pdf>.

16 See: <www.netzeitung.de/wirtschaft/wirtschaftspolitik/1282337.html>.

GHANA

Inequality: the biggest challenge

The global crisis has already wounded Ghana's economy severely. Initial damage has included decreasing exports and remittances from abroad and galloping devaluation. The crisis is threatening to hamper efforts to reduce poverty, which had been registering successes. Government efforts to mitigate the impact of the crisis appear insufficient. The biggest challenge is to improve income distribution, since poverty is deeper in rural areas. Policies are urgently needed to strengthen agriculture, a sector that had been contributing almost 40% of the GDP.

The Social Watch Coalition-Ghana

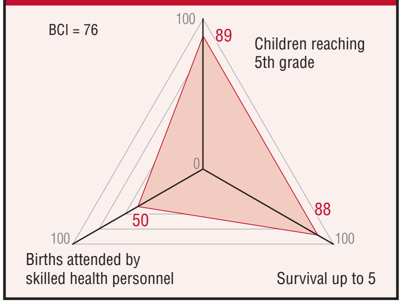
The harsh winds of the global financial crisis have already begun to batter Ghana. The cedi, Ghana's currency, lost 23% of its value against the dollar in 2008, and 19% against the euro. Private capital flows are drying up and large investment projects are being put on hold due to cash flow problems and doubts about their ultimate profitability. Donor inflows to both the Government and civil society organizations are dwindling. Vulnerable sections of society, particularly poor rural and urban women and children who depend for their survival on charitable organizations, philanthropists and NGO safety net programmes, are in serious jeopardy.

According to the Ghana Living Standard Survey, the percentage of the population living below the poverty line fell significantly, from 51.7% in 1991/92 to 28.5% in 2005/6, including a drop of 17% in urban areas and 24% in rural communities.[1] Although progress was slower in the country's three northern regions, this trend generated great optimism that Ghana could achieve its first MDG poverty reduction target within a few years.

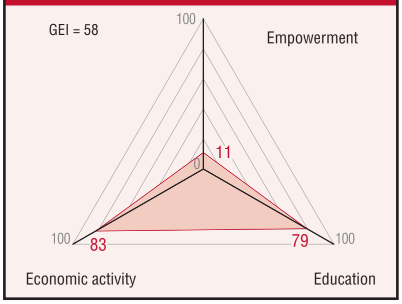
This optimism is being eclipsed by the lengthening shadow of the global crisis. Gross Domestic Product (GDP) was forecast to climb 7% in 2008 but the actual rate was 6.2%. The lower 2009 target of 5.9% reflects a belief that the decline in global economic growth will probably drive down the world market price of cocoa, one of Ghana's main exports.

Compounding the damage of the anticipated drop in the quantity and price of Ghana's exports, economists are projecting a 20% plunge in remittances from Ghanaians working abroad in 2009.[2] This would be a hard blow, since they currently equal 30% of exports. Speaking at the Royal Institute of International Affairs in London in March 2009, President Atta Mills admitted that Ghana's economy was facing worrisome challenges, adding that the "economic downturn will result in very, very serious repercussions for our economy". He also predicted that the dip in remittances from abroad would be followed by tumbling donor support and trade.

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)

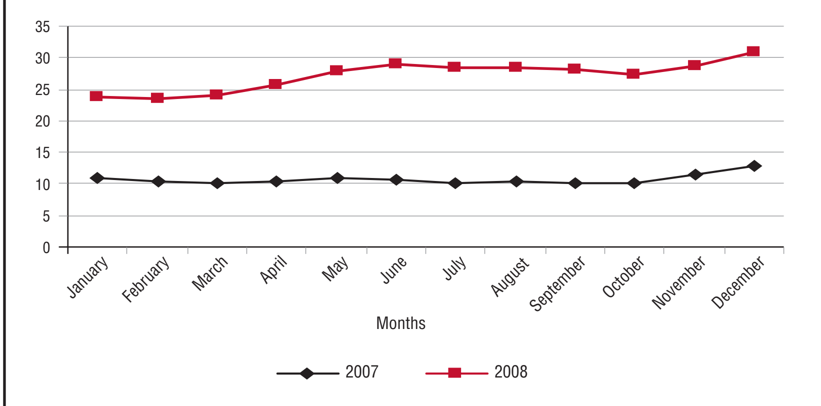


The squeeze on remittances will put additional pressure on the cedi, which has dropped due to greater demand for foreign currency to meet higher oil bills and food prices, infrastructural development needs and payments on external debts. The cedi lost ground against all the major currencies in the second quarter of 2008, at an annual rate of 31%. In the first quarter of 2009, actual depreciation reached 10%. This is expected to accelerate inflation, already running far above projections as a result of higher international food and crude oil prices. In 2008, instead of climbing between 6% and 8% as predicted, prices jumped between 16.5% and 18.1%. Currency depreciation helped boost the rate to 20.53% in March 2009. The rising price of fuel imports could make transportation one of the main drivers of inflation by April 2009.[3]

The 2009 budget

In response to the deceleration of growth and its unequal benefits, the Government is likely to adopt a "distribution-with-growth and stability development strategy," which would target disadvantaged groups and regions. Whether it will actually fulfill this goal is

CHART 1. Monthly Inflation 2007-2008



Source: World Bank Ghana 2008.

1 *Daily Graphic*, 23 April 2009.

2 UN World Food Programme (UNWFP). *Assessing the Impacts of the Global Economic and Financial Crisis on Vulnerable Households in Ghana*, 2009. Available from: <74.125.47.132/search?q=cache:5WmMJOIftbcJ:ochaonline.un.org/OchaLinkClick.aspx%3Flink%3Docha%26docId%3D1111129+WFp+Assessing+the+Impacts+of+the+Global+Economic+and+Financial+Crisis+on+Vulnerable+Households+in+Ghana&cd=2&hl=es&ct=clnk&gl=uy>.

3 *Business & Financial Times*, 14 April 2009.

uncertain; so far there is no clear indication about the direction of its economic policy.

The 2009 budget has three major goals: it is an initial effort to put into practice the ideas contained in the ruling National Democratic Congress (NDC) party manifesto; to respond to the global financial, fuel and food crises; and to tackle current socio-economic challenges. The driving force is the four main themes espoused in the NDC manifesto: transparent governance, a strong economy creating real jobs, investing in people and expanding infrastructure for growth.

Even though the Government has outlined some policy initiatives to try to mitigate the effects of the global crisis, they do not seem adequate. Moreover, it should be noted that government measures to stimulate and subsidize farming production are minimal. According to the IMF, agriculture contributes nearly 40% of the country's GDP and employs more than half of the active labour force, but this is the sector with the highest incidence of poverty. About 70% of the rural population is actively involved in agriculture.[4] Even so, the country imports more than 40% of its food. This could be turned around: Ghana has the capability to lead a "green revolution" in Africa. Only some 16% of the country's arable land is used for farming.[5] To boost agriculture and contribute to job creation, economic growth, and the general well-being of the population, farmers need the supported of investments in inputs, fertilizer, training and access to markets. However at this critical moment, the 2009 budget allocates only 10% of its funds to agriculture.

The biggest challenge

Drastically reducing poverty will require more equitable distribution as well as higher growth. At the moment, the country is experiencing rising inequality, growing regional disparities and deep poverty. In the rural savannah, for example, a staggering 60% of the population remains poor, and poverty is declining at a slower rate than elsewhere in the country. In the Upper East and Upper West regions, the poverty rate did not decline at all between 1991/92 and 2005/06, and in the Greater Accra and Upper West Regions, it actually increased.

CHART 2. The incidence of poverty by area in 2005/06 (%)

	Share in population	Poverty incidence	Share in total poor
National	100.0	28.5	100.0
Urban	37.6	10.8	14.3
Rural	62.4	39.2	85.7
Accra	11.8	10.6	4.4
Coastal, urban	5.8	5.5	1.1
Coastal, rural	11.0	24.0	9.2
Forest, urban	14.6	6.9	3.5
Forest, rural	28.0	27.7	27.2
Savannah, urban	5.4	27.6	5.2
Savannah, rural	23.4	60.1	49.3

Source: Ghana Statistical Service, 2007.

CHART 3. The incidence of poverty in the northern regions, 1990/91-2005/06 (%)

	1991/92	1998/99	2005/06
Northern	63	69	52
Upper East	67	88	70
Upper West	88	84	88

Source: Ghana Statistical Service, 2007.

The World Food Programme's Comprehensive Food Security and Vulnerability Analysis for Ghana revealed that about 1.2 million people – 5% of the population – were food insecure. However, this national average hid striking regional differences: 34% of the population in the Upper West region, 15% in the Upper East region and 10% in the Northern region are food insecure, a total of about 435,000 people. The study also identified about 2 million Ghanaians who had food consumption patterns barely acceptable at the time of the survey that may quickly deteriorate following a natural or human-created shock. Of those, 1.5 million live in rural areas of the Upper West, Upper East and Northern regions.

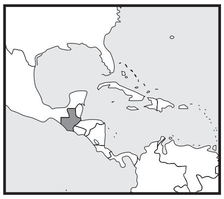
The impact of the global crisis on Ghana's economy will be severe in the medium term. The question that citizens are trying to come to grips with is whether the country should focus on aid from the international community to cope with the economic fallout, or resort to harsh fiscal and monetary initiatives. Urgently, women farmers in Ghana need support in the form of investments in inputs, such as fertilizers, and also in training and access to markets. These would boost agriculture while contributing to job creation, economic growth, and the well-being of the population. ■

4 Farming continues to dominate the economy with a 33.59% share of total GDP in 2008. Growth in the sector was 5.1% driven by crops and livestock sub-sectors which went up by 5.82%.

5 Data from the Green Economy Initiative; "Ghana goes biofuel, despite global food crisis". Available from: <www. greeneconomyinitiative.com/news/176/ARTICLE/1205/2008-12-06.html>.

■ GUATEMALA

Rich country, poor people



The relentless food crisis affecting the country, with 121 of 333 municipalities beset by famine, indicates that the current feudal system of agricultural production urgently needs to be changed. Putting an end to the displacement of the farming communities and allowing them to own their land would not only make landholding fairer but also enable a return to food self-sufficiency. The promised Comprehensive Agrarian Reform must be implemented without delay.

Coordinación de ONG y Cooperativas de Guatemala
CONGCOOP
Zully Morales
Helmer Velásquez

Less than 2% of the farmers in Guatemala own almost 57% of the productive land. Of the 18,937 km^2 suitable for the cultivation of maize, 7,235 km^2 are owned by large private farms that underutilize the land, much of which is covered by scrubland, shrubs and cultivated and natural grasses. This situation, added to the policies of structural adjustment and trade liberalization of the 1980s, has meant that the country has gone from being self-sufficient in food to importing 70% of the food it needs.

Structural inequality in farming and food insecurity

Prior to 2007, state action designed to meet Millennium Development Goal (MDG) 1st target (the eradication of extreme poverty and hunger) was showing modest progress. However, the achievement of this objective is in serious doubt in view of the current food crisis. The World Food Programme estimates that poverty and extreme poverty affect more than half of the population. Approximately 6 million, out of a total population of 13 million, have fallen below the poverty line. Between 2007 and 2008, the United Nations Development Programme (UNDP) estimated that 700,000 more people were pushed into poverty. Of the 1.3 million poor households in rural areas, 51% lack land or own less than one hectare.

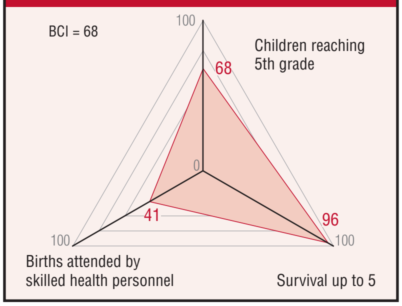
The minimum wage is the equivalent of USD 6.50 per day. However, the National Coordinator of Peasant Organizations calculates that a peasant in the countryside actually receives USD 3–5 for an 8–10 hour working day, depending on the locality and the crop. Poverty is mainly concentrated among the indigenous peasant population. The 2006 National Survey of Living Conditions (ENCOVI) indicated that the tendency for general poverty (living on less than USD 2 a day) to be twice as high for the indigenous population has become consolidated;[1] moreover, extreme poverty (living on less than USD 1 a day) was three times higher than it is for the non-indigenous population. During the first half of 2008, the prices of the goods that make up the basic food basket have risen steeply, which has forced the poor to reduce consumption. This situation is also affecting the middle class.

Dismantling the system of production

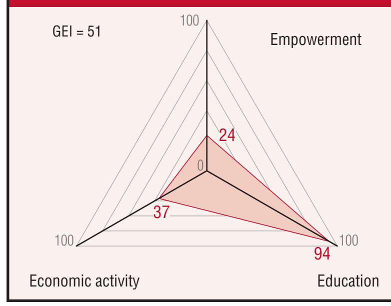
Until the 1970s the public farming system provided extension services, credit, land allocation, research and technological information for peasants and small producers, with programmes and promotion projects for basic grain cultivation, forest protection and cattle raising. This, combined with the non-importation of foodstuffs, ensured that the country could continue to produce its own food. However, structural adjustments had brought about the closure of all extension services by the beginning of the 21st century, dismantling the public farm system, which went from 18,000 workers to 1,200.

Simultaneously the management of the storage of basic grains in the country's silos was granted to private enterprises, depriving the country of food reserves in the case of catastrophes or shortages. Since the State also ceased to intervene in the grain trade, the borders were opened to grains produced in the north of the continent at subsidized prices, thereby suppressing the national system of production. One of the most disturbing results is that 49% of children suffer from chronic malnutrition and 24% of the population is undernourished, which is detrimental in terms of virtually all indicators of individual physiological development.

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



The importance of maize

In the high plateau area (where 90% of the indigenous population lives and which is the poorest part of the country), 100% of the population consumes maize as part of the daily diet,[2] averaging 310 grams per capita (a total of 110 kilograms per year). National consumption is almost 3 million metric tons, giving rise to a deficit of about 1.5 million metric tons that is covered by purchases on the international market, mainly the United States, of more than USD 73 million for 2002.

There were massive price increases internationally between January 2006 and January 2009 of 62% for yellow maize, 70% for rice and 39% for wheat flour. Although these prices on the world market came down in 2007 and 2008, they are still in force in Guatemala (except for rice, which returned to the 2006 level).

New threats for the rural population

Since the reform of the mining law of 1996, carried out at the behest of the World Bank, this industry has grown. Seventeen of the country's departments are the object of exploration and/or extraction. Tourism also threatens peasant and indigenous land ownership in the north and south of the country. Urbanization and the building of commercial centres reduce farmland, displacing inhabitants and weakening productive capacity especially with regard to food. The extensive rearing of cattle wears out productive land and produces large-scale deforestation, and peasants and indigenous inhabitants are expelled

1 The 2006 ENCOVI defines extreme poverty as the level people find themselves at when they cannot cover the minimum cost of food.

2 According to the *Popol Vuh* – the sacred book of the Maya – "Of yellow maize and white were made their bodies, of maize dough their arms, and their legs, only maize dough was used to form the flesh of our fathers."

either by means of "legal procedures" or by armed force. This even happens in the so-called protected areas (for the protection and maintenance of biological diversity and natural resources) in connivance with bureaucrats.

The installation and expansion of large-scale agricultural monocultures – such as sugar cane, African palm and pine kernels – aimed at the export market also means the expulsion of the peasant population. The land surface sown with sugar cane was 6% of the total in 1995 and 11% in 2007. The annual growth of the area dedicated to growing cane was 3.6% between 1990 and 2005 but 17.7% between 2005 and 2007. The *Gremial de Aceites* [Oil Chamber of Commerce] estimates that by 2012, 150 thousand hectares will have been planted, with an investment in land purchases amounting to USD 32.5 million. The amount of land involved might easily exceed these estimates. Turning more land over to exports devastates vast areas that were producing foodstuffs and causes the removal of hundreds of peasant families, since these farms do not generate mass employment. Destruction of the cultural patterns of the displaced population causes not only economic poverty but also social, cultural and spiritual poverty, as well as despair and violence.

The growing drug trade is another threat. This is sometimes related to lack of livelihood options following extensive cattle-raising which relies on the protection of the State in order to expel peasants and exploit their lands. Peasant families are defenceless in the face of the purchasing power of the drug trade and the owners of large single-crop estates.

The State's response

The policies and actions proposed by the Government within the framework of its Emergency Programme for Economic Recovery includes a counter-cyclical fiscal policy, a policy of social protection and other sectoral policies (rural development, programmes for broader competitive agriculture, agricultural development and food assistance, sustainability of natural resources and the strengthening of land leasing).

Macroeconomic stability is to be maintained, whatever the cost. This implies, among other policies, high international reserves, low salaries and the attraction of industries by means of the elimination of taxes. The fundamental paradigm for the State and the ruling classes is the enlargement of the area of free trade agreements, two of which are considered to be of prime importance: the Free Trade Agreement with North America, which has been in force for three years; and the Economic Partnership Agreement with the European Union, which is being negotiated. Neither of these systems proposes benefits for the small producer.

One of the Government measures to tackle the crisis was to increase zero tariff import quotas for products such as yellow maize, wheat flour and common rice. However, one group of importers, the Buena Group, obtained 82% of the import quotas. This did not lead to lower prices and in practice constituted a subsidy for this company since it did not transfer the reduction in duties to consumers. Furthermore, there is 20% direct taxation and 80% indirect taxation. The Government's promise to initiate a process of fiscal reform in order to change the current model is not being kept. The planned reform, within the context of the present crisis, has been reduced to making improvements in the macroeconomic cycle and providing aid programmes for people suffering extreme poverty.

As regards farming, there are programmes to assist in the leasing of land, but not for access to ownership or farming credit for peasants. The new Government has increased the number of forcible evictions of peasants (50 by 31 March 2009). This has generated instability and discontent in the indigenous and peasant organizations, which had looked forward to the approval and implementation of the promised Agrarian Policy for Rural Development. Community leadership is being taken over by the Government and multinational mining companies, which are generating their own parallel social movements based on patronage and on financing questionable representatives of the social base. The substitution of traditional leadership by financed leadership has led to confrontations between peasant movements. The criminalization and persecution of peasant leaders, who are fighting for access to land in order to produce food, has also occurred.

Social alternatives

According to the Political Constitution of the Republic of Guatemala, "private property is an inherent human right". In other words, all Guatemalans have the right to be owners of property. To this end "in specific cases property can be expropriated for reasons of collective use, social benefit or duly proven public interest". Malnutrition, poverty, extreme poverty, unemployment and now the intensification of the recurrent food crisis all have their origin in the inability of the population to provide themselves with the necessary means of livelihood, since they lack the assets required for that purpose, especially land. This is a clear case of "collective use" and "proven public interest"; in other words, the situation is covered by the Constitution.

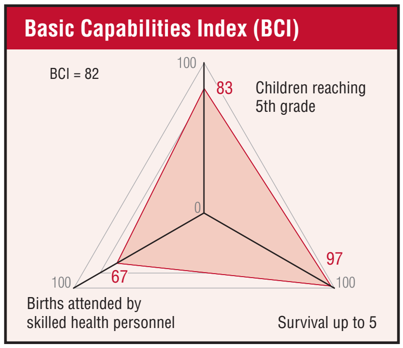
Opening up agriculture can ameliorate the current situation and offer a path to development; it is therefore necessary to destroy the feudal system of production. The equitable distribution of land is a practical way to foster rural employment and increase farm productivity while also contributing to the growth of the economy, the capacity to save and the provision of food. Agrarian reform cannot be put off. It is a means to social peace and governance and will put an end to the conflicts rooted in the usurpation of peasant and indigenous land. It will also prevent the destruction of forests and encourage the emergence of sectors with the capacity to produce and invest. Future generations will have more and better means of self-fulfilment and the capacity to consume will increase, which in turn will invigorate the chain of production.[3] ■

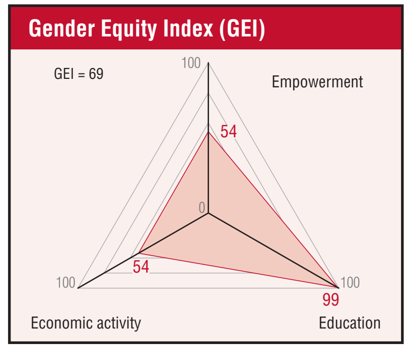
3 Data and analyses from the Coordination between NGOs and Cooperatives of Guatemala, via its two analysis institutes: the Studies for Democracy Institute, which is being established, and the Institute for Agricultural Studies and Rural Development, Guatemala, 2009.

First the crisis, then dictatorship

Honduras is one of the poorest countries in Latin America. The international financial crisis already predicted that life would be even more difficult for the Honduran population, but the coup d'état, supported by the most reactionary sectors of society – in particular the defenders of the patriarchal culture – has exacerbated the situation. Social organizations, in particular women's movements, are organizing the resistance against the de facto regime.

Centro de Estudios de la Mujer – Honduras (CEM-H)
Suyapa Martínez
Ana Ferrera
Mauricio Aguilar





The following report is comprised of two sections. The first one was written before the coup d'état of 28 June 2009, and refers to the impacts of the world crisis on the Honduran economy and society. The second addresses the social movements' – in particular women's organizations – response to the coup.

Honduras is the third poorest country in Latin America, after Haiti and Nicaragua. Although poverty was reduced from 63.7% in 2005 to 59.2% in 2008 and extreme poverty from 46% to 36.2% in the same period,[1] these figures do not represent any great progress. Despite 73,831 households no longer being classified as in extreme poverty, there are now 121,390 new households in relative poverty (i.e., many households moved from extreme poverty to relative poverty while some are newly poor).[2]

The aim of the Poverty Reduction Strategy (PRS) – developed in order to reach the Millennium Development Goals (MDGs) by 2015 – is that relative poverty should drop to 42% and extreme poverty to 19%.[3] Clearly this goal will not be reached; added to the country's existing problems are the consequences of the current worldwide crisis. The Ministry of Labour has reported that over 10,745 people were laid off between late 2008 and early 2009. Moreover, it is estimated that inflation exceeded 11% in 2008.

Family remittances from the United States and Spain have begun to slow down. Their contribution to GDP decreased from 21% in 2007 to 20% in 2008 and is expected to fall again to 18% in 2009.[4]

The Zelaya plan

The Government of Manuel Zelaya Rosales has retained its populist welfare policies which, according to the World Bank, have limited coverage, most of them lacking in control and evaluation. It has also continued the confrontation between the three state powers, with the Executive on one side and the Legislative and Judicial bodies on the other. For example, actions taken by the Executive to promote fuel saving have been challenged as unconstitutional and the Supreme Court of Justice has accepted the appeal. In addition, the signing of the *Alternativa Bolivariana para América Latina y El Caribe* (ALBA) [Bolivarian Alternative for Latin America and the Caribbean] – an agreement promoted by Venezuela – was endorsed by the Executive without the support of the Legislature. This has led to an escalation of the country's principal problems, such as the energy crisis and the lack of citizen security.

Since the PRS was approved in 1999 after Hurricane Mitch, each government has carried out its own modifications to the document. For his part, President Zelaya has weakened its institutional framework. On his own initiative he created the Ministry of Social Development and the *Red Solidaria* [Solidarity Network], which automatically reduced the standing of the PRS Consultative Council in which civil society and government organizations were represented.

Some expectations but further regression

Over the strong opposition of private enterprises, the Government increased the minimum wage to HNL 5,500 (USD 297), though it exempted bonded assembly plants and domestic work from the increase. In addition, the signing of ALBA in August 2008 gave rise to a great deal of expectation in the population, particularly among the more vulnerable. The agreement includes medical and educational aid, donations of machinery and equipment and the "Petrocaribe" initiative, which will make it possible to purchase oil with long-term financing and very low interest.[5] The savings generated by this transaction are to be put into a trust fund that will be used to finance social development projects.

Although the Ministry of Security's budget rose from USD 140.6 million to USD 156.6 million, drug trafficking and corruption are on the increase. In March 2008 human rights organizations, women's and feminist movements, churches and popular movements gave their support to a group of public prosecutors who went on a hunger strike as a way of denouncing the corruption prevalent in the Public Prosecutor's Office. This event triggered a series of similar allegations regarding the State Attorney General, magistrates of the Supreme Court of Justice, the National Human Rights Commissioner and magistrates of the Supreme Electoral Court.

Furthermore, delay in submitting the general budget for 2007, which was sent to the National Congress in April 2008 – while the 2008 budget had not yet been submitted in April 2009 – makes it possible to use public funds unlawfully and delays the implementation of anti-crisis projects.

The impact of the crisis and mitigating measures

The recession resulting from the global crisis makes existing problems even worse.

The energy crisis

The increase by over 100% of the international price of crude oil and oil products during 2008 caused the cost of transport and the production of goods and food to shoot up. This in turn led to a dramatic increase in the basic food basket and a drop in the purchasing power of the population. The cost of producing electricity also increased – at present over 70% of the energy consumed in the country is generated by plants that operate on fuel oil – and rates have

1 National Statistics Institute (INE) database.

2 See Mauricio Díaz Burdett. "Honduras: ¿Cómo afrontar la crisis financiera internacional?"

3 World Bank. "Informe sobre el gasto público 2007"

4 Government of Honduras. Plan to Face the Effects of the International Economic and Financial Crisis. March 2009.

5 Report by the Committee for the Administration of Oil, November 2008.

shot up 30%, affecting the poorer sectors, the middle class, small businesses and small producers in particular. The Government tried to contain the impact by granting around USD 6 million in subsidies, but this only benefited 3.3%[6] of the poorest quintile of the population – some 100 thousand families.[7] Despite the subsequent drop in the price of crude oil on the world market, the electricity rates in Honduras remain as high as at the worst moment of the energy crisis.

In early 2009 the President of the National Congress submitted a bill aimed at dramatically cutting the electricity rates. However, this measure, which did not stipulate any means of control, would aggravate the already critical situation of the National Electric Energy Company while substantially benefiting private plants. In response, social and popular organizations carried out a series of marches and public demonstrations in order to demand that the Government nationalize all of the energy generation plants.

The financial crisis

The Honduran economy is very dependent on the United States; over 85% of the goods produced are exported to that market. One of the sectors that has been directly affected by the crisis is the free zone area or bonded assembly plants. The National Association of Bonded Assembly Plants announced in November 2008 the loss of 25,000 jobs – 85% of them held by women – due to factory closures.

As part of its anti-crisis plan, the Government has announced that a large number of jobs will be generated all over the country in the short term. One of the principal sources of employment will be the *Caminos por Mano de Obra* [Roads for Labour] programme, which will carry out projects involving the construction of local roads.[8] This is not going to be easy to put into practice, however, as 2009 is Zelaya's last year in office and past experience shows that when a new government assumes power, it ignores the previous one's plans.[9]

With regard to the banking sector, the companies exporting goods are not requesting financing from the commercial banks. This has held up the flow of money and led to a lack of liquidity in the system. Another problem is the cornering of capital by the banks' partners, who do not wish to risk their capital and prefer that the Government make the investments. This practice was made clear when the largest shareholders in banks sent an average of USD 200 million abroad in a period of about a month.[10] The situation was reported to the National Banks and Insurance Committee, whose president was fired. In order to generate liquidity, the Government reduced the banks' reserves and increased financing for productive sectors at a borrowing rate of interest not greater than 10%.

6 World Bank, *op. cit.*

7 Autonomous National University of Honduras (UNAH) (2008). Forum on Energy Crisis and Development in Honduras.

8 Government of Honduras. Plan to Face the Effects of the International Economic and Financial Crisis. March 2009.

9 Interview with Congressman Marvin Ponce.

10 Interview with economist Martín Barahona.

AGAINST BLOWS TO DEMOCRACY AND BLOWS TO WOMEN

On 28 June 2009 the Honduran army staged a coup d'état against the constitutionally elected president Manuel Zelaya Rosales, sending him into exile and naming Roberto Micheletti, until then president of the National Congress, as his successor or "provisional president". This coup was carried out with the support of the traditional political parties, the business sector, the Supreme Court, the Catholic Church and most of the mass media, among others.

The coup has also been a blow to the Honduran social organizations. The *de facto* Government's repression has resulted in deaths, hundreds of injured and displaced people, and the violation of fundamental rights.

Traditionally, Honduran women suffer great disadvantages. Although their educational level is higher than men's and they represent 52.6% of the population of working age, only 34.3% of them is part of the economically active population. Poverty in women-led households (64.1%) is proportionally greater than those headed by men (58.8%).[1] This gap is deeper with regards to extreme poverty, where 38.8% are women and 34.9% are men.

Between the end of 2008 and the first months of 2009 the National Congress passed several decrees that violated women's right to decide over their own body. Such is the case of decree number 54-2009 that penalizes the selling, use and promotion of emergency contraception pills. In January 2009 a reform bill of the penal code was introduced in order to recognize the right to life since conception, although it was still under discussion when the reactionary forces took power.

The international crisis has favoured the increase of crimes, sexual violence against women and girls (over 540 cases annually[2]) and femicides (more than 1.000 in the last six years[3]). In addition, the advance of religious fundamentalisms, with the access to the legislature of congresswomen with links to the Opus Dei and the most conservative sectors of the Catholic Church, has set back women's rights and encouraged the coup d'état.

Now the repression unleashed by the *de facto* Government has resulted in deaths, hundreds of injured and displaced people, as well as the violation of fundamental rights. The rights to freedom of movement and of speech, among others, are limited, especially for those who have risen up in popular resistance. In this context of violence and almost total absence of the rule of law, the violence against women has increased, catalyzed by the patriarchal culture that considers the female body as its property. Women in the popular resistance and also other women who, by chance, and without participating in it, were involved in resistance scenarios, have experienced first hand the repression of the police and the army. Since the first days of the new *de facto* regime, the women's movement and the feminists are opposed to it, and have joined the resistance along with the popular sectors throughout the country.

Feminists in Resistance – a coordination of women's organizations, and organized and independent feminists – emerged in the frame of the different actions of resistance. Its work focuses on defending and highlighting the rights and struggles of women. With messages such as "Against blows to democracy and blows to women" they have managed to link two major national problems, thus contributing to a more comprehensive vision of current issues.

Feminists in Resistance of Honduras have planned and carried out different actions together with the feminists in resistance of Costa Rica, Guatemala and other organizations of Central America and other countries. The different organizations that make up the national coalition of Social Watch in Honduras, including the Centro de Estudios de la Mujer and the Centro de Estudios y Acción para el Desarrollo de Honduras are involved in this initiative. ■

1 INE (2007). *Encuesta Permanente de Hogares de Propósitos Múltiples.*

2 Dirección General de Medicina Forense.

3 Centro de Estudios de la Mujer database and the report of Observatorio de la Violencia, UNAH, January 2009.

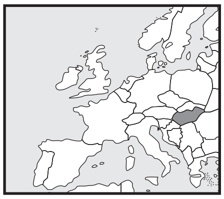
The food crisis

The global rise in the price of wheat led to a 40% rise in the cost of wheat flour in Honduras, which in turn led to an increase in the price of bread. Products that the population consumes daily, such as rice and cornflour, underwent an increase of 110% during the second half of 2008. The shortage of foodstuffs is not only due to the lack of production but is also linked to the worldwide energy crisis. Because of this, maize harvested for human consumption was diverted and exported for the production of ethanol. The inevitable rise in the price of maize led to an increase in the cost of all products based on cornflour. In addition, a crisis arose related to the production of basic grains as a direct consequence of the increase in the price of agricultural supplies, which went up 80%.

In order to mitigate the impact of the crisis, the Government has implemented some social welfare measures such as a mother and child voucher, an educational voucher, and the school satchel and school meal plans, which assist 61.4%, 41.6% and 29.8% of the poorest quintile respectively. ■

■ HUNGARY

Government structure being revised



The global crisis has pushed Hungary into the worst economic decline in almost two decades. It was partially responsible for the resignation of Premier Ferenc Gyucsany earlier this year. The export-dependent economy has suffered from the slowdown of its main commercial partners. The social system is crippled by corruption, the national currency has plunged and public finances are heavily burdened by pension obligations. The new Premier plans to cut pensions, public sector bonuses and maternity support; to mortgage energy and transport subsidies; and to raise the age for retirement.

ATTAC HUNGARY
Matyas Benyik

Until a few years ago, Hungary had one of the largest budget deficits in the European Union, more than 9% of GDP. Austerity measures introduced in 2006 cut it to one of the lowest in the EU (below 3% of GDP). However, years of mismanagement left the economy on the brink of meltdown, and since September 2008 the situation has grown progressively worse. The effects of the global financial crisis on the real economy became especially severe in the last quarter of 2008 as the collapse of internal and external demand dragged down production, consumption, investment and employment. At the same time, speculative attacks against the forint, Hungary's currency, knocked it down 19% against the U.S. dollar and 13% against the Euro, causing inflation to soar. To avert total collapse, the Government obtained a USD 25.1 billion bailout from the EU and the International Monetary Fund (IMF).[1]

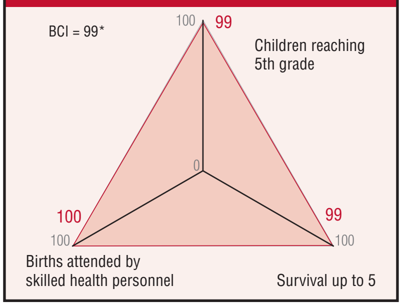
Economic performance

Following slow growth of 1.1% in 2007, Hungary's economy perked up in the first half of 2008, only to be dragged down as its major economic partners stumbled. GDP growth ran at about 2% in the first half of 2008 and 0.8% in the third quarter. In the final quarter, it fell 2.3%. This is the worst performance since the 1990s, when the transition to a market economy brought considerable economic turmoil.

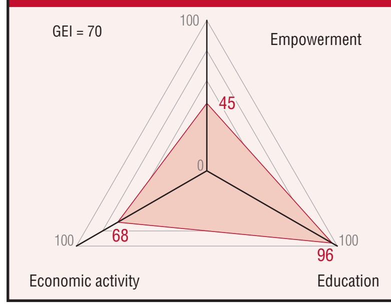
In February 2009, industrial gross output was down 28.9% from a year earlier (25.4% after adjustment for actual working days). The volume of production was 26.1% lower in the first two months of 2009 than in the same period of 2008. The volume of industrial production in February plunged 4.1% from the previous month adjusted for season and working days.

The global slump cut the growth in industrial exports, which had been going from strength to strength. In January 2009, the volume of exports and imports fell by 28% and 27%, respectively, compared to January 2008. Industrial export sales tumbled 30.4% in the first two months of 2009; in February it was 31.1% below February 2008. From December 2008 through February 2009, unemployment jumped 1.1%, to 9.1%, leaving a total of 378,000 people without jobs.

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



The political and economic crisis

Former Premier Gyurcsany never recovered from the riots that erupted in Autumn 2006 after he confessed that his administration had lied repeatedly about the state of the economy to win the country's elections. Although he remained in office and cut the deficit from more than 9% of GDP in 2006 to 3.3% in 2008 through tax increases and spending cuts, he failed to win public support for wider economic reforms. As the economic crisis hit, his Government winched its austerity programme ever tighter, solidifying his position as the most unpopular premier in the country's era of electoral democracy and a market economy. In addition, financial circles were unhappy with the Cabinet's hesitation to take decisive action in response to the economic downturn. Beset on every side, Gyurcsany announced his resignation at a convention of his ruling Socialist Party (MSZP) in March 2009.

Hungary's budget deficit makes tax reform difficult. While many other countries are pumping stimulus funds into their economies, Hungary is concentrating on cutting costs. Although they quarrel with each other, under pressure from the IMF, both the bourgeois left and the rightwing parties are advocating neo-liberal economic policies– lowering taxes on capital but reducing the budget deficit by drastically curtailing social expenditures.

Despite an IMF rescue package, the forint hit a record low in March 2009. According to the latest Eurostat figures, Hungary's GDP decreased by 1% quarter over quarter.[2] Government forecasts that it will shrink by 3.5% this year, but others predict a fall of 5-6%. Compounding the crisis, Hungary remains crippled by corruption, heavy debt and a black economy that may account for one-fifth of GDP. Politically, it is in denial. Nationalist intellectuals use the language of the 1930s to rail against foreign capital and "cosmopolitan" influences. Viktor Orban, leader of the right-wing Fidesz, laments that more than 80% of the financial system is "in foreigners' hands". His party now boasts the widest support.

The plunge of the forint is particularly devastating to households. About 60% of all loans are denominated in foreign currencies, mainly Swiss francs. Continuing pressure on the forint heightens the danger of growing defaults on these personal loans and mortgages. Rising defaults may intensify pressure on the banking system and the credit crunch.

Whatever mistakes Hungary might have made, the country is also a victim of the global capitalist system. The slowdown in Germany and other markets for Hungary's exports is much deeper and is likely to last much longer than originally anticipated.[3] European banks are facing their own sub-prime crisis, as they hold most of Central and Eastern Europe's debt. Across Eastern and Central Europe, Austrian banks are blamed for the financial debacle.

Impacts of the crisis

After the fall of the Soviet Union, the former Socialist Republics were keen to dismantle their State system. Hungary enthusiastically embraced capitalism and championed privatization of assets. Even so, successive governments attempted to retain the social safety net. MSZP Governments have been particularly protective of pensioners, wary

* "Children reaching…" estimated following procedure "1" in p. 209.

1 Ministry of Finance, 29 October 2008.

2 See: < epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-15052009-BP/EN/2-15052009-BP-EN.PDF>.

3 After Germany, the most important consumers of Hungarian goods are Austria, Italy, France, UK, Romania, Poland and the US.

that any cuts could cause hardship among older Hungarians, who form a key Socialist voting bloc. The number of beneficiaries swelled in the early 1990s as newly privatized companies dumped workers who had been on the state payroll. Drawing a pension became an attractive alternative to unemployment as the pensions of higher-income workers give them a larger share of their wages than in many other countries. The average pension runs about USD 350 a month, untaxed. This goes a long way in a country where the average after-tax wage amounts to just over USD 500 a month. Men reach full retirement at 62, but can take a pension earlier if they have 40 years of service, and have little financial incentive to continue working. The average Hungarian retires at the age of 58, and just 1% of Hungarians between 60 and 64 years old are currently working. The OECD estimates that Hungary's pension outlays will be among the fastest growing in Europe in the coming decades. The country already has 3 million pensioners, out of a total population of about 10 million.

Both employers and employees pay into the State pension program, but their contributions do not cover all the benefits paid. Government makes up the difference out of the central budget. For years, Hungary has run fiscal deficits to pay for social programmes; the annual tab for pensions alone surpasses 10% of GDP. To finance these outlays, the Government sold bonds. In October 2008, investors stopped buying those bonds. Although the IMF provided an emergency bailout so Hungary could pay its bills, many international investors pulled out, sending the Hungarian currency tumbling and darkening its economic outlook.

Critics say the country cannot afford a pension system that gives wage earners an incentive to retire young or leave the work force when they have relatively minor ailments. The IMF, backed by Hungarian reformers, is pressing particularly hard for cuts in the "13th month," a bonus monthly payment made to all retirees introduced in 2003 by Gyurcsany's predecessor.

After his re-election in 2006, Gyurcsany proposed a reform of the pension system that included eliminating the 13th-month bonus, but he wanted current retirees to get the same amount as before, spread over 12 months. He also proposed gradually raising the retirement age to 65 by 2020 for women and to 68-69 by 2050 for men. Gordon Bajnai, the new premier, will probably be compelled to propose deeper cuts that could prove devastating for older Hungarians. Aging retirees are already accusing politicians of dismantling the promises of a previous generation, leaving them dangling in the wind.

In 2003, social protection expenditures accounted for 21.4% of GDP in 2003, less than the EU average of 28%. Services related to family support accounted for 2.7% of GDP, and came to only one-fourth of the EU average per capita. The social system is diversified, and includes social assistance, family support, benefits provided to people living with disabilities or health injuries, the pension system and social services.

In 2006, the system was standardized, streamlined and its targeting was improved. The real value of means-tested benefits had decreased until 2004, but the disbursement systems for regular social assistance and old-age allowance were amended in 2005-06. Since then, benefits for the poorest groups have become more generous. The basic and specialized social and child welfare system established over the last two decades is complex. Programmes for individual services leave significant gaps in capacity and accessibility, primarily in smaller communities.

The child poverty rate is approximately one and half times the EU average. Nearly one-fifth of Hungarian children live in households with per capita income below 60% of the median. Child poverty is usually the result of parental unemployment and geographical disadvantages. In addition, the selection mechanisms in the education and training system intensify the impact of family background on the performance of children, rather than counteract it. When parents have low education levels and a poor labour market position and live in isolation, they typically transmit these disadvantages to their children.

The Bajnai austerity program

Premier Bajnai has assumed office in the midst of the country's worst economic decline in almost two decades. To rescue the budget, keep it within IMF guidelines and regain investors' confidence, he plans to cut pensions, public sector bonuses, maternity support, mortgage subsidies and energy and public transport subsidies.

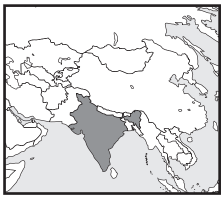
The most striking feature of Bajnai's initial memorandum – which has been termed his "Political Manifesto" – is his insistence that the urgency of the situation demands "immediate and determined action". He warns that in July he will introduce "unavoidable, painful measures". His main goal is to save as many jobs as possible, in an effort to avoid social unrest and further division of Hungarian society into haves and have-nots. He also wants to achieve relative stability for the forint, reduce the deficit and join the Eurozone as soon as possible. To achieve these goals, he states, "the whole government structure must be revised in order to spend less on administration". This would include freezing the salaries of public employees for two years and eliminating 13th month bonuses for public employees beginning in 2010. He would also cut national allocations to local governments.

Other points in his memorandum include:

- *Increasing the age of retirement.* At the moment it is age 62, but the actual average is around 58. Bajnai would begin reforms in 2010, including elimination of the "13th month".
- *Reducing sickness benefits.* Currently, if a doctor certifies that people are too sick to work, they get 70% of their pay for six months. Half of this is paid by the employer.
- *Freezing child support.* For years, it has been going up. Bajnai plans to reduce childcare support for three years and childcare benefits for two.
- *Cutting subsidies.* Bajnai seeks to end financial assistance temporarily for young couples with children who are buying a first home and decrease subsidies on gas consumption and heating. After 2010, all subsidies would be terminated. In addition, he plans to cut allocations for public transportation, especially to the Hungarian railroads and public radio and television. Government payments to the farmers will shrink significantly as well.

While he tightens government spending, Bajnai wants to give "first aid to mid-sized and small Hungarian businesses that provide two-thirds of the country's jobs" by reducing the tax burden on both employers and employees. Last but not least, he envisions a stimulus package funded by EU subsidies to help the country ease the crisis and eventually make its way out. ■

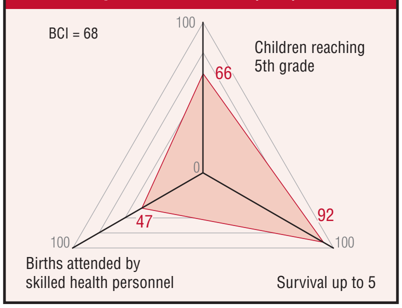
Breaks in the road and missed milestones



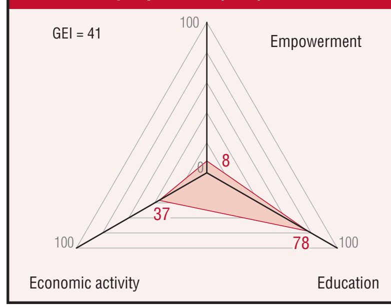
Although several indicators show that India's situation is not among the worst, many sectors have declined due to the downturn in the global economy while others have not been able to regain or maintain their growth trends. Thus, for instance, there has been drastically reduced growth in personal and consumer loans and industrial production. Inflation, increasing unemployment and decline in foreign institutional investment are some additional impacts. The Government must find a balance between economic reforms to stimulate growth and the necessary relief for 250 million Indians living in extreme poverty.

Social Watch India
Himanshu Jha

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



Contrary to the "decoupling" hypothesis, according to which emerging economies would be relatively untouched by the global financial crisis owing to their substantial foreign exchange reserves, robust corporate balance sheets and relatively healthy banking sectors, many are already feeling the impact.[1] This includes India, which has experienced a significant decline in economic growth— from a healthy 9.3% in 2007 to 7.3% in 2008. For 2009, the IMF forecasts a growth of 4.5%.[2]

The collapse of the stock market in 2008 was an indication of a further deepening of the crisis, and the markets have not been able to regain their health. Although it is hard to predict how things will turn out, it is clear that the Government's initial prediction that the country would emerge unscathed, was shortsighted. It is important to explore the impact on India's poor and marginalized populations as well as the effectiveness of the Government's responses so far.

Impacts of the economic crisis

The downturn can be seen in lower industrial growth, inflation, widening of the current account deficit, a plummeting stock market and a depreciation in the value of the national currency, the rupee. The financial crisis has also been accompanied by a rise in some food prices. According to the Wholesale Price Index (WPI), rice cost 12.8% more in March 2009 than in March 2008, as compared to a global increase of -1.0, while wheat went up 5.2% compared to a global drop of -47.5%. Inflation went from 7.7% in March 2008 to peak at 12.9% in August 2008 (it may be noted that the WPI fell sharply to 0.3% that March). The annual inflation in key commodity prices highlights the severity of the problem. Consumer price inflation reached 9.6–10.8% during January/February 2009 compared to 7.3–8.8% in June 2008 and 5.2–6.4% in February 2008.[3]

The most immediate impact of the crisis was on foreign institutional investment (FII). An outflow of USD 15 billion from the equity market was recorded between April 2008 and March 2009 as compared to an inflow of USD 20.3 billion in the same period in 2007–08. Other portfolio investments such as American Depository Receipts/Global Depository Receipts registered the same trend.[4]

The pullout of FII, which had reached USD 66.5 billion at the beginning of 2008, triggered a collapse in the stock market and as a result the Sensex, an index of the country's biggest enterprises, "fell from its closing peak of 20,873 on 8 January 2008 to less than 10,000 by 17 October 2008".[5] FII outflows also resulted in a dramatic devaluation of the rupee, which fell from 39.99 against the US dollar in March 2008 to 52.09 per dollar in March 2009. The rupee also fell against other currencies including the euro (6.5%), yen (22.8%) and yuan (23.6%).[6] Although this might sound like good news for Indian exports, the downturn in the US, EU and Middle East economies – which constitute three quarters of India's goods and services trade – translated into a lack of demand. From a 24.5% growth between April 2007 and November 2008, exports have declined to 17.6% in the same months between 2008 and 2009.[7]

There is also a likelihood that the slowdown in the export of services will intensify "as the recession deepens and financial firms – traditionally large users of outsourcing services – are restructured".[8] On the other hand, for those who have accumulated foreign exchange payment commitments, the depreciation of the rupee is not good news, nor does it assist in Government's efforts to rein in inflation.[9]

The slower growth of industrial production is evident from the fact that the yearly rate of expansion was 8.8% between April 2007 and February 2008 but came down drastically to 2.8% in 2008–09.[10] The Index of Industrial Production (IIP) registered an average growth of 5.6% during April to July 2008, slipped to a low of 1.7% in August, but recovered to a comparatively healthy 6% in September. However, the IIP registered negative growth again between December 2008 and February 2009. The growth rate of the manufacturing sector declined from 9.3% in 2007-2008 (April to February) to a projected 2.8% in the same period in 2008-2009. The core sector of infrastructure grew at a rate of 3% in 2008-2009 (April to February), down from 5.8% during the same period in 2007-2008.[11]

In addition, banks are cutting back on their credit. Between February 2008 and February 2009, the rate of growth declined substantially from 12% to 7.5% in housing, from 13.2% to 8.5% in personal loans and from 5.9% to -14.5% in consumer durables.[12]

1 Subbarao, D. "India: Managing the Impact of the Global Financial Crisis". Speech delivered at Confederation of Indian Industry Annual Session, 26 March 2009.

2 *Outlook Indi.* "IMF Lowers India's Growth Estimate to 4.5% for 2009." 22 April 2009. Available from: < news.outlookindia.com/item.aspx?658780>.

3 RBI. *Macroeconomic and Monetary Development in 2008-09.* Reserve Bank of India. Available from: <rbidocs.rbi.org.in/rdocs/Publications/PDFs/MMDAPRFull2004.pdf>.

4 *Ibid.*

5 Chandrashekhar C. P. and Ghosh, J. "India and the Global Financial Crisis". Macroscan. 2008 Available from: <www.macroscan.org/the/trade/oct08/trd15102008Crisis.htm>.

6 *Ibid.*

7 *Macroeconomic and Monetary Development in 2008-09.*

8 Subbarao, D., *op. cit.*

9 *Ibid.*

10 *Ibid.*

11 *Ibid.*

12 *Ibid.*

Interventions to check the downturn

Following the G-20 Summit in November 2008, the Prime Minister set up a group under his chairmanship to work out a detailed plan for appropriate and timely state intervention. The Finance Minister, Industry and Commerce Minister, Deputy Chairman of the Planning Commission and Governor of the Reserve Bank of India (RBI) were the other members of this group. Remedies came in the shape of "stimulus packages," the first announced in December 2008 and the second in January 2009.[13] Measures included an additional expenditure of INR 200 billion (USD 4.15 billion) covering critical rural infrastructure and social security schemes, a reduction in central value added taxes (CENVAT) by 4% across the board, specific measures on customs duties in sectors such as steel and cement, and tax concessions and enhancement of drawback rates for exports.

Some additional measures were also adopted, including: subvention of interest rates and pre and post shipment credit for labour-intensive exports; refinancing facilities of INR 40 billion (USD 831 million) for the National Housing Bank for the housing sector, and INR 70 billion (USD 1.5 billion) to the Small Industry Development Bank of India for micro, small and medium enterprises, as well as authorizing the India Infrastructure Finance Company Limited to raise INR 100 billion (USD 2.1 billion) through tax-free bonds.[14] Some monetary measures were also adopted by the RBI, such as the reduction in repo rates (the rate at which Indians banks borrow rupees from the RBI) from 9% in August 2008 to 5% in January 2009, reduction of reverse repo and the reduction of the cash reserve ratio from 9% in August 2008 to 5% from January 2009 onwards.[15]

However, there are some fundamental problems with the nature, direction and anticipated effects of these packages. One is that the amount allocated is grossly inadequate, if one takes into account the fact that the total stimulus amount of INR 311 billion (USD 6.5 billion) is a mere 0.8% of GDP. Moreover, there is ambiguity about the sectors in which the additional amount of INR 200 billion (USD 4.2 billion) is to be spent. There is already a backlog of almost eight months on actual expenditure. Adding more funds with such an existing backlog makes it difficult for the expenditure to be timely.[16]

Central budget allocations for development declined from 7.5% in 2002–03 to 6.0% in 2007–08 under the rules of the Fiscal Responsibility and Budget Management Act. The budget allocation for development in 2008–09 is about 6.8% of GDP; it has to be raised to at least 7.5% to have an overall impact, which means that "additional expenditure should be in the tune of around INR 400 billion (USD 8.3 billion) instead of INR 200 billion (USD 4.1 billion)".[17]

Reduction in CENVAT by 4% means that this will only apply to products with a duty of more than 4%, which entails a boost to consumer demand mainly for durable and luxury goods. In addition, it has been pointed out that this "will have an impact in terms of supporting economic activity only if producers respond by cutting prices and such price cuts generate demand responses".[18] This does not seem to work. For instance, in the aviation industry, the cut in fuel prices did not translate into the reduction of prices to consumers as expected.

There have been numerous demands for a massive public investment programme spent on social and economic infrastructure, providing employment and expanding domestic demand.

Job losses and the social security challenge

Loss of employment in many of the key sectors poses a serious challenge to an already minimalist social security policy. A sample survey of export-related industries carried out by the Department of Commerce reveals some 109,513 job losses during the period August 2008–January 2009. Similarly, the Ministry of Employment carried out a survey of important sectors such as automobile manufacturing, mining, textiles, metals, gems and jewellery, which together contributed to more than 60% of GDP in 2007–2008, revealing that about half a million workers lost their jobs during October–December 2008.

This poses a serious social security challenge since out of the total workforce of 457.5 million, 422.6 million are categorized as unorganized or unprotected. Of these, 393.5 million are in the informal sector and merely 29.2 million are in the formal sector. Around 38% of this unprotected workforce is made up of women.[19]

Conclusion

The citizens of India have shown their confidence and trust in voting back the current United Progressive Alliance for a second term. However, the challenge for the current Government is to strike a judicious balance between its ongoing economic reform agenda and providing social and economic relief to the 250 million Indians who, according to World Bank statistics, are still living in extreme poverty.[20] The current crisis poses a new set of problems for a country already suffering from massive inequalities and alarming levels of hunger and malnutrition.[21] ■

13 Government of India. "Additional Government Measures for Stimulating the Economy." Press release. 2 January 2009, and "Further Concessions in Central Excise and Service Tax Announced." Press release. 24 February 2009.

14 *Ibid.*

15 *Ibid.*

16 EPW Research Foundation. "Stimulus Packages Facing Institutional Constraints". *Economic and Political Weekly,* 44(04), 24 January 2009.

17 *Ibid.*

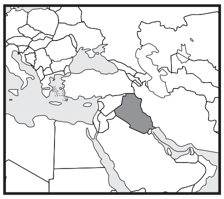
18 Ghosh, J.. "Weak Stimulus". *Frontline*, 22 January 2009.

19 Government of India. "Unorganized Manufacturing Sector in India: Input, Output and Value Added." *National Sample Survey Report 526*. Ministry of Statistics and Programme Implementation. 2009

20 Chen, S. and Ravallion, M. (). "The Developing World is Poorer than We Thought, But No Less Successful in the Fight against Poverty." *Policy Research Working Paper 4703*. Washington, DC: World Bank. 2008.

21 According to IFPRI (2008), India is home to the world's largest food insecure population, with more than 200 million people who are hungry. The report shows that strong economic growth has not translated into lower hunger levels.

Women's empowerment: a misunderstood process



The 2005 Iraqi Constitution strove to include a number of positive measures for women's empowerment; however, a culture of equality of access and opportunity is needed in addition to legislation. During this transition period, women have not only lost most of the benefits hitherto provided by the State; they are disproportionately affected by the shrinking of the State's power, the insecurity arising from political instability, the breakdown of economic activities due to the war; and the deterioration of social structures. Increased violence against women requires urgent intervention from all actors in society.

Amal Shlash[1]

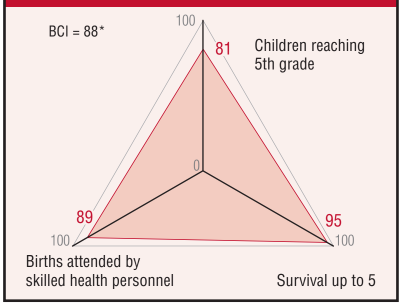
Experience in many countries has shown that transition to democratic rule can help remove institutional and cultural obstacles to women's empowerment. For this to happen, however, women must themselves advocate for equal rights. Moreover, while emerging democracies have the opportunity to reform societies by establishing basic freedoms, democratic government, free markets and human rights, the insecurity associated with conflict can undermine such important outcomes. When transition takes place in the midst of a conflict, the need for a stable democratic system becomes the main priority and can eclipse the imperative of equality. If that happens, the transitional phase may increase, rather than decrease, the prevalence of gender inequality.

The State's role and transition

Since the establishment of modern Iraq, the State has created opportunities for the institutional empowerment of women through wider access to education, health services and job training. Their professional levels have risen, especially in the more socially accepted fields of education and health services. For instance, in the period 1997–2004, 68% of teachers were women, and the overall rate of women's participation as medical staff was 30–60%. Before 2003, women represented 46% of public sector employees, and were the main providers of services and social benefits in health and education, especially in areas benefiting women. Yet the State has shown no real awareness that empowerment is not achieved solely through enacting legislation but comes about only when society puts these laws into practice – which in turn demands cultural changes. Women's empowerment requires a culture of equality of access and opportunity.

Transitional stages often entail a review of the role of state institutions and mechanisms in order to better adjust to realities and enhance equality among citizens. However, reforms in Iraq have been accompanied by the dismantling of the State, which could then no longer fulfil its responsibilities or provide key services in the transitional economy. Neither the private sector nor civil society has been able to step in to provide such services, and women have lost most of their social benefits, including state-sponsored childcare.

Basic Capabilities Index (BCI)



Development indicators, employment and assets

The imposition of sanctions and the growing political and economic crisis, with the insecurity and conflict it has bred since 1990, have meant that women have not fared well compared to men in recent decades. They are worse off on several key human development indicators. In 2007, although women's life expectancy (62) was much higher than that of men (55), 30% of women aged 15 and up were illiterate compared to 14% of men. Combined school enrolment rates (primary, intermediate and secondary) were 55% for females and 68% for males. Unemployment rates were also higher among women: 23% compared to 16%. Women's earned income is only 11% of men's. Agricultural work constitutes 60% of total working hours per week for women and only 22% for men. This helps explain their low income, as agricultural work for women is known to be mostly unpaid and of lower productivity. In 2007 the Human Development Index for Iraq was 0.627, while the Gender Development Index was 0.584.

In general, the rate of women's participation in Iraqi economic activity is considerably lower than men's participation (21% compared to 79% in 2004). The transition towards an open market economy may provide both more opportunities and more challenges for Iraqi women. The opening of the market may provide new opportunities in the private sector, but it will also increase competition for jobs and require skills that the education system imparts unequally. In addition, there will be fewer jobs for women in the public sector. Article 23 of the 2005 Constitution guarantees "the right of the Iraqi to ownership" without any discrimination based on gender. Although no data exist to measure ownership of such assets as land, property and businesses, it is safe to say that women in general possess fewer financial assets than men. For example, the vast majority of land and housing units are registered in the names of men, and men clearly dominate in private sector ownership and management. Female heads of household – this is 11% of the total households – also own fewer assets than other women.

Women's personal status

The new Constitution of 2005 strove to include a number of positive measures for women. Women may pass now on their nationality to their children, for example (Article 18). However it contains a number of articles, clauses and implications that could be considered discriminatory. For instance, Article 41 states that "Iraqis are free to abide by their personal status according to their religion, beliefs, doctrines or choices", which may allow for different interpretations of Islamic *Sharia*, resulting in barriers to legal equality, especially in matters of civil code such as marriage and divorce. Varying interpretations could set up different practices in different provinces, in rural and urban populations or among members of different religions. These provisions are seen as a step backwards when compared with the provisions of Law No. 188/1959, which regulate all matters relating to marriage, divorce, inheritance, guardianship and custody of children for all Iraqis, regardless of sect.[2] Indeed, Article 41 of the Constitution contradicts the fundamental guarantee found in Article 14 of the Law that "Iraqis are equal before the law with no discrimination because of gender or

* There are no available data on GEI.

1 Lead author of "Iraq: National Report on the Status of Human Development 2008." This article is based on facts and analysis of that report, which is available at <www.iauiraq.org/reports/NRSHD-English.pdf>.

2 This law – which included the right to retain the marital home after the divorce for a period of three years, equal marriage age for female and male, equating the dowry of women in divorce with the price of gold at the time of divorce, and requiring the husband to prove financial ability to maintain a second wife before contracting a polygamous marriage – was subjected to diverse amendments over the years, mostly detrimental to women.

race". Such a contradiction compromises the unity of universally applicable legislation.

When it comes to providing protection for, and prohibiting violence against, women, constitutional and legal provisions alike may be inadequate. The Constitution, for example, does not refer specifically to women when it addresses the issue of violence in the chapter on rights. Article 4 does not consider marital violence as a specific crime. Article 44 states that "the Iraqi is free to move, travel and reside inside or outside Iraq", but in practice the law does not allow a woman under 40 to obtain a passport without the permission of a guardian. Another example is that women have the right to equal wages, but the law does not provide binding provisions to guarantee equal promotion. Thus, even where the Constitution provides for *de jure* non-discrimination against women, legal, social and cultural factors often represent de facto obstacles in the way. The legal and legislative climate in the Kurdistan Region seems to be more positive towards women. For example, the Personal Status Act No. 188, drafted in 1959 but considered progressive for its time, is being applied there, and the Commission on Women's Affairs has succeeded in introducing some amendments. In 2007, additional conditions were imposed in cases of polygamy, female circumcision was prohibited and regulations concerning divorce were changed to make them more favourable to women.

In 1986, Iraq ratified the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), with reservations to Articles 2, 9 and 29. Those reservations effectively nullify the Convention's provisions for equality between women and men. Since the beginning of the transition in 2003, women's organizations have tried without success to have these reservations removed. The Constitution further does not include any article acknowledging the ratification of international conventions as binding. In any case, the new regime has rejected commitments to international conventions ratified by its predecessor, in particular CEDAW, on the basis of contradiction with the *Sharia*.[3]

Bringing women into decision-making

A quota system for women in political life was introduced in 2003 and the new Constitution also provides for affirmative action, granting in Article 49 a quota for women of no less than 25% of the seats in Parliament. Electoral Law No. 6 of 2005 also stipulates that election candidate lists should abide by this quota. In the 2005 elections, women gained 87 out of 275 seats in the National Assembly (31%). In local council elections from closed electoral lists they gained 28% of seats. Additionally, adherence to the quota system significantly raised the number of women elected to governing councils. Since 2003, the number of women in administrative decision-making positions has increased from 12.7% to 22.4%. Although they represented only 2% of the judiciary in 2006, they fared better in the executive. In 2006, there were four female cabinet ministers, and 342 high-ranking officials, including 8 under-secretaries, 33 counsellors and inspectors general, 86 directors general, and 215 assistant directors general. However it should be noted that the hurdles women have to surmount to reach and retain these opportunities are higher and more numerous.

A legacy of cultural restrictions

For women, cultural heritage – which is formed by tradition rather than by religion – is one of the basic references in forming notions of acceptable conduct. A stereotypical image of women has lasted for centuries because the State, throughout its history, has helped perpetuate it to avoid entering into conflict with society and its religious and cultural leaders. So ingrained has this image become that, as several studies have shown, the view some women hold of their own sex is not altogether different from that held by men.

Women's acceptance of this false image provides the State with the rationale to delay enacting legislation that would improve their situation. Their seclusion is also justified by society as a means of ensuring their protection. In this way, the family remains the most resistant pocket of cultural bigotry against women, where male violence is accepted as a disciplinary or preventive right. For instance, a report by the Ministry of Human Rights in the Kurdistan Region indicates that 239 women were driven to set fire to themselves during the first 8 months of 2006. This situation is not very different in other areas, and honour-related murders are common in the centre and south of Iraq. It is probable that such practices have been under-reported owing to the undeveloped monitoring capabilities of women's organizations as well as to media biases.

Conclusions

The empowerment of Iraqi women should be an overarching goal, not a side objective, as women have an equal part to play in overall economic, political and social development. Yet evidence shows that Iraqi women are disproportionately affected by the shrinking of the State's power, the insecurity arising from political instability, the breakdown of economic activities and the deterioration of social structures, all resulting from ongoing conflicts. Increased violence against women is currently the most dangerous consequence of the transition and requires urgent intervention from all actors in society. Seeking protection, women have retreated to their community, sect or tribe, thus reversing the gains of almost a century of modernization undertaken by the State itself.

Lack of security has hampered progress in human development and damaged mechanisms for genuine empowerment. But there is still an opportunity to improve the situation of women. The specific responsibilities of the State include to:

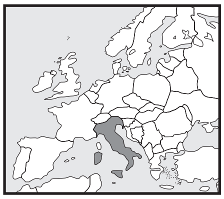
- Amend laws (and the Constitution) to eliminate provisions, omissions and contradictions that perpetuate discrimination.
- Ensure freedom of opinion to encourage public debate and dialogue; there is a need for public consciousness-raising campaigns and deep changes in media stereotypes of women.
- Create a new labour environment that sets aside the present division of labour based on limited roles for women and their restriction as workers to sectors of weak productivity.
- Confront the culture of domination and marginalization and disseminate a culture of peace and tolerance to eliminate violence against women in all its forms and put an end to its perpetuation as part of accepted culture.
- Open up new opportunities through reform of the lending system in public banks, by lifting the requirement for real estate as collateral and by encouraging women-friendly banking services.
- Reform educational systems and curricula to change society's perceptions of violence against women, and instil a sense of common responsibility for ending it.
- Expand access to micro-credit projects and home-based work for women with limited education and training, rural women, the elderly, and widows supporting families.

By taking a firm stand on a culture of human rights, equal opportunities and gender equality, the Government could dispatch the centuries-old culture of discrimination against women in Iraq for good. ■

3 The same rejection applies to UN Security Council Resolution 1325 on women, peace and security.

ITALY

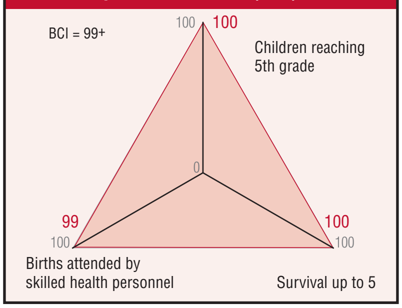
A weak and inadequate response



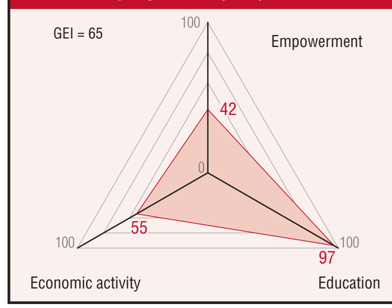
Government intervention to support those financial institutions exposed to the fluctuations in international markets confirms that Italian banks have been in difficulties since the beginning of the global financial crisis. The worst consequence of the crisis so far is the shrinking of the credit market. In a country where 90% of businesses are of medium or small size, the Government's response has been quantitatively and qualitatively insufficient. There is a need for different policies that adequately distribute the resources to fight poverty and protect workers.

Italian Social Watch Coalition
Jason Nardi, Tommaso Rondinella (Lunaria),
Elisa Bacciotti (Ucodep), Andrea Baranes (CRBM),
Sergio Giovagnoli (ARCI), Giulio Sensi (Mani Tese),
Sabina Siniscalchi (FCRE)

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



Although the Italian Government has tried to instil confidence by claiming that the country will not only remain untouched by the crisis but even come out of it stronger, the evidence to the contrary is undeniable. While the Government has not yet needed to save any banks, this has not prevented the credit crunch from harming families and enterprises. Figures from Istat, the National Institute for Statistics, show that during 2008 unemployment reached 7.1%, up from 6.4% the previous year, and that between January and February 2009, 370,561 workers lost their jobs – an increase of 46% compared to the same period in 2008.

With regards to the industrial sector, the Italian Confederation of Workers Unions (CISL) 2008 report highlights that there are 900,000 jobs at risk,[1] while studies done by the Italian Labour General Confederation (CGIL) project an unemployment rate of 9% at the end of 2009 and up to 10.1% in 2010.[2] Another significant indicator of the impact of the crisis is that, for the first time in Italy, immigrants are facing problems getting work, particularly in the north-east. According to the CGIA (the association of artisans and small industrialists) in the Veneto Region, 24% of those unemployed during January 2009 were immigrants from outside the EU.[3]

The cracks in the financial system

The message that politicians and financial agents have been repeating for months in order to reassure savers and markets is that Italian banks and the financial system are healthy and not subject to the risks of failure and collapse that hit some other countries. A closer look, however, reveals that the situation is more complex. In 2008, the Italian stock exchange lost 49% of its value, and it kept going down in 2009.[4] Credit institutions, representing nearly 30% of Italian stock exchange capitalization, have been hit the hardest.

Even though the Italian financial system was not as deeply immersed in speculative activities as those of the United States and Great Britain, Italian banks pursued aggressive expansion policies, in particular buying other financial institutions in Eastern Europe. And the difficulties they currently experience have been confirmed by the intervention of the Government in support of those major banking groups most exposed to international markets.

During the past few years there has been continuous shifting of the pension system to one managed by private pension funds. Due to the financial crisis, 5.9% of savings managed by pension funds were cancelled in 2008. Open-end funds, usually riskier, registered a loss of 8.6%.[5] In most cases, these workers' savings simply disappeared.

Shrinking credit

The worst consequence of the financial crisis so far has been the reduction in the availability of credit. Several banks have significantly reduced access to credit, particularly for small enterprises, the most important part of the Italian system of production. The situation is aggravated by the fact that many banks have been progressively shifting their business from the traditional activity of collecting savings to fund productive activities towards financial operations. Only half of their revenues now come from credit activity, while commissions and financial deals constitute the other half.

The most severely hit by this crunch are migrants, precarious workers, young people and other sectors of society that were already considered non-bankable prior to the crisis. It is also affecting families. The result is a dramatic increase in non-bank borrowing at high levels of interest, particularly in the south, where the number of over-indebted families has increased by 69.4% in the last year and recourse to such loans increased by 48.2%.[6]

Government measures to revitalize the lending system do not seem to have had any effect. Banks are using the new measures to improve their bottom line and assets without broadening lending channels. Similarly, the reduction in interest rates by the European Central Bank has translated into increased profits for the Italian banks rather than improved access to credit for their clients.

Italy is a country in which the transfer of income from labour to profits has been most evident. This trend, common to most Western economies, has meant a shift of 8 points of GDP (EUR 120 billion)[7] in Italy from workers to enterprise profits, leading to a progressive "financialization" of the economy.

Government responses

After a brief parliamentary discussion, an "anti-crisis decree" was made law on 28 January 2009. The measures adopted to deal with the recession are completely deficient for two reasons. First, the allocated resources are insufficient, especially when compared with other European countries (EUR 5 billion in Italy versus EUR 60 billion in Germany, EUR 38 billion in Spain, EUR 26 billion in France and

1 See: <www.cisl.it/sito.nsf/Documenti/130BF9D1BE670162C125751300380E3D/$File/Industria2008.pdf>.

2 See: <www.ires.it/>.

3 Cgia. Available from: <www.gazzettino.it/articolo.php?id=49282&sez=REGIONI>.

4 See: <www.borsaitaliana.it/chi-siamo/ufficio-stampa/comunicati-stampa/2008/081230fineanno.htm>.

5 Felice Roberto Pizzuti, on data by COVIP. Available from: <www.sbilanciamoci.info/Sezioni/italie/Se-la-bolla-scoppia-sulle-pensioni>.

6 Associazione Contribuenti Italiani. Sportello Antiusura. See: <www.contribuenti.it>.

7 AMECO data, elaborated in Travaglino, 2009.

EUR 22 billion in Great Britain). Second, they will not strengthen the system of production. Especially problematic is the downplaying of the fight against tax evasion – a phenomenon with disturbing dimensions in Italy at approximately 18% of GDP, which means that more than EUR 100 billion in revenue is lost every year.[8]

Families

The most important measures are single payments and cheques for low-income families. Additions to family income are welcome by those who receive them, but 40 euros per month (the value of the so-called "social card") can neither cover their expenses nor protect them from present and future problems.

Labour

Measures proposed by the Government are credit aids and redundancy funds for the largest enterprises. As about 90% of Italian businesses are of medium or small size, however, most enterprises and workers will not be able to access this support. Moreover, the sector that benefits the most is the automobile industry. Around the world, most countries help this sector and Italy is no different; however, the Government should have tied the transfers to investments in environmental sustainability and innovation. Besides, there are other sectors, such as garments, that need urgent help (in particular to support their exports and the internal demand) for them to remain competitive.

Welfare

Welfare money transfers have not been set out as policy. This means that the Government is giving out money without implementing safety nets, active labour policies, social inclusion, promotion, vocational training, etc. In the near future, there will be scores of unemployed workers lacking structures that could guarantee basic services for a decent life. At the same time, in order not to face budgetary problems, the Government has reduced specific funds for social policies, self-sufficiency, local public transport and the inclusion of migrants.

Finance

The so-called Tremonti bonds, named after the Minister of Economy and Finance, are in essence public loans that can be used by the banks in order to strengthen their financial statements. The goal is to re-launch the credit system, particularly for medium and small enterprises. The effects of this have yet to be seen.

Other measures

The Government's plans for the future include cutting resources for research and development and investing in nuclear power. Measures supposed to stimulate demand are investments in high-speed transport and the huge Bridge on the Straits of Messina, as well as loosening environmental legislation and permits for the private building industry. No attention is given to renewable energy, emission reduction or the hundreds of small infrastructure projects the country urgently needs.

Apart from anti-crisis measures, the Government is proposing a very short consultation on the welfare model. The agenda includes some worrying proposals, such as pushing for further labour flexibility; a shift towards "workfare" models; the treatment of immigration as a problem, and not as a resource; and lack of recognition for the non-profit sector as a key actor in the Italian welfare system, making reference only to volunteers and ignoring the role of thousands of social enterprises.

Proposals from the Italian Social Watch Coalition

In order to offer a different response to the crisis and re-launch the Italian economy from the starting point of those who are most affected by it, the Social Watch Italian Coalition is proposing a number of measures:

Family and welfare

The key words should be "fighting poverty and redistributing resources". A real welfare policy through public services benefits for those who really need help, rather than direct money transfers, is the main tool to guarantee redistribution of resources within society. The Government, at the central and local level, has to improve basic services, health, assistance, day nurseries, public schools, migrant inclusion and housing policies since these measures represent the real struggle against poverty and vulnerability, as well as a counter-cyclical economic policy to work against the effects of the crisis.

Labour

The moral imperative for every government is to prevent the main consequences of the crisis falling on the workers. Priority measures include defending the less protected workers from a contractual point of view, through the activation of both a social security cushion plan for precarious workers and incentives for companies that decide to retain their employees.

To shape a different economy, support is urgently needed to enable the public and private research sectors to embark on innovative processes. Moreover, a massive investment plan on renewable energies is essential in order to reduce dependency on fossil fuels, fight against climate change and support those sustainable economic sectors that look to the future.

In response to the crisis, more and more account holders in Italy are entering the world of ethical finance. The ethical finance client cares about how his own money is used, but also about his bank going bankrupt. Many banks today are thus multiplying their efforts to improve their reputations. Returning to the original mandate of the banking system to sustain the real economy has to be a constant reference for finding a way out of the crisis.

The dismantling of development cooperation

The Ministry of Foreign Affairs' guidelines for development cooperation 2009–2011 establish clear priorities.[9] Sub-Saharan Africa will receive 50% of bilateral funding with priority countries identified for each region. Agriculture, water and the environment, global health, education and governance will be – in that order – at the centre of Italian international cooperation, with gender and the rights of children and people with disabilities as cross-cutting issues.

These issues are at the centre of Italy's development agenda for the 2009 G8, which it is hosting.[10] However, despite these ambitious statements, Italian development cooperation is at a historic low. If overseas development assistance (ODA) stalled at 0.20% of GDP in 2008,[11] according to the budget for 2009 resources for ODA will be reduced by 56%, going from EUR 733 million in 2008 to EUR 322 million in 2009. These amounts will again be reduced in the next two years to EUR 215 million in 2011.[12] NGOs and analysts agree that the ODA commitment for 2009 could be as low as 0.09% of GDP unless new resources are added.[13] This is a far cry not only from the general objective of 0.7%, but also from the European commitment of 0.51% that Italy should reach by 2010. On the way to the G8, Italy has also tried to advance a new aid accountability concept that seeks to track down the contributions made by "the Italian system as a whole" (State, local authorities, non-profit actors, foundations and private firms), thus minimizing the importance of ODA, as a way to hide the country's poor record in keeping its promises.

NGOs will suffer particularly from this trend, since their resources will be halved. In addition, funds for international organizations have been cut by 68%, risking failure to fulfil most Italian commitments to the United Nations. Particularly at risk is the financing for the Global Fund to Fight Aids, Tuberculosis and Malaria, which the Government promoted at the G8 meeting in Genoa in 2001.

Moreover, scarce Italian aid is still far from being efficient and remains strongly tied to the purchase of Italian goods and services, as underlined in the recent OECD-DAC Aid peer review. Italian external policies need serious revision. The Government must understand the fundamental role played by development cooperation in building a country's reputation. ■

8 Pisani, S. and Polito, C (eds.). *Analisi dell'evasione fondata sui dati IRAP Anni 1998-2002*. Agenzia delle Entrate, 2006. Available from: <www1.agenziaentrate.it/ufficiostudi/pdf/2006/Sintesi-evasione-Irap-06.pdf>.

9 Ministry of Foreign Affairs. *La cooperazione italiana allo sviluppo nel triennio 2009-2011*. Available from: <www.cooperazioneallosviluppo.esteri.it/pdgcs/italiano/Cooperazione/Pdf/Programmazione%202009-2011.pdf>.

10 See: <www.g8italia2009.it>.

11 OECD-DAC. "Development Aid at its highest level ever in 2008", Paris, 30 March 2009.

12 *La cooperazione italiana allo sviluppo nel triennio 2009-2011*.

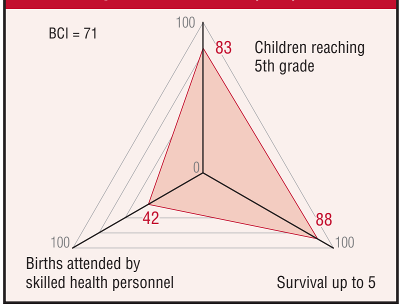
13 See: Viciani, I. and de Fraia, L. (eds.). *Aiuto pubblico allo sviluppo italiano nel 2009. Previsione dopo la finanziaria*. ActionAid. 2009 <www.actionaid.it>.

Neo-liberal orthodoxy and the ostrich game

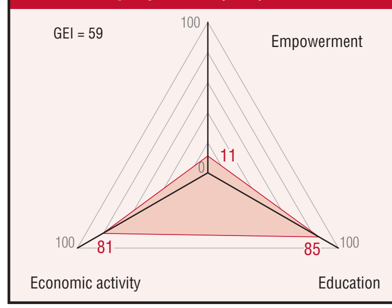
Neo-liberal capitalism has lost its reason to exist. It is a structural crisis of liberal democracy, but in Kenya the Government is in denial, playing the game of the ostrich, burying its head in the sand. The governing elite argues that the crisis is circumstancial and that the national economy is sheltered enough by its weak ties with international capital. Kenyan civil society keeps warning that, contrary to the Government's predictions, the country is about to sink in the turbulent waters of neo-liberalism.

Social Development Network
Prof. Edward Oyugi
Philip Thigo
SEATINI KENYA
Oduor Ongwen
Kenya Debt Relief Network
Wahu Kaara
BEACON
Rebecca Tanui
Daraja-Civic Initiatives Forum
Don Bonyo
Futa Magendo Chapters
Ayoma Matunga
Mazira Foundation
Eddy Orinda
Haki Elimu
Opiata Odindo
Kenya Land Alliance
Odenda Lumumba
Migori Clan
William Janak
KETAM
James Kamau
Kenya-Cuba Friendship Association
Mwandawiro Mganga
Bunge la Mwananchi
George Nyongesa
ChildFund Africa Region
Andiwo Obondoh
Undugu Society of Kenya
Alloys Opiyo

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



Thirty years of unfettered, free-market capitalism, based on the neo-liberal model, can no longer obscure the systemic faultlines of a system whose time has run out.

Commoditization and privatization of public assets hitherto considered essential to prosperity has led to the transfer of assets from the public and popular realms to the private and class-privileged domains. The resultant predatory and speculative financialisation of trade transactions has led to the steep rise in the daily turnover of financial transactions in international markets, which rose from USD 2.3 billion in 1983 to USD 130 billion in 2001. No wonder, the accompanying deregulation allowed financial systems to assume centre stage in redistributive activity through speculation, predation, outright fraud and thievery. Stimulus plans may be technical steps in the right direction, particularly if they have the virtues of working bottom-up rather than top-down through the inert banking system. Essentially, however, they remain technical fixes designed to pump up demand and get consumers shopping again instead of empowering them to question the much-touted efficiency of neo-liberal capitalism.

Kenya is more than familiar with stock promotions, Ponzi schemes, structured asset destruction through inflation that has had a lot to do with asset-stripping through fraudulent privatization, debt peonage, corporate conmanship and blatant dispossession of assets, as the case of rampant raiding of the National Social Security Fund (NSSF) demonstrates. This eventually led to parastatal collapses and decimation of stock through credit and share manipulation by unscrupulous capital market insiders, like Suntra Investments, Nyaga Brokers Ltd, Francis Thuo Ltd and others.

The NSSF was established in 1966 as a mandatory provident fund for employees in Kenya. Although both employees and employers each contribute only KES 400 (USD 5.4) monthly, the Fund has, by dint of its sheer size, chalked up a cumulative portfolio of more than KES 80 billion (USD 1.08 billion) or about 8.2% of the country's GDP. It continues to be used by the Government as a gravy train for its close associates, forgetting that it is a contractual savings and investment support scheme for supporting old-age retirement. Originally a department in the Ministry of Labour, the NSSF was elevated to a stand-alone parastatal in 1987. Since then the pensioners have known nothing but melancholy.

In the run up to the first multiparty elections in 1991-92, the NSSF was used as the main source of slush funds for oiling the campaign machinery for the then ruling Kenya African National Union (KANU) party. Pensioners' money was funneled out of the Fund in order to fund dubious real estate deals that created instant billionaires among youngsters then known as "Youth for KANU '92". It continued to be a cash cow for the politically connected and got to the headlines only 10 years later, when in a pre-election deal in 2002 it lost KES 256 million (USD 3.45 million) through a Euro Bank scam to finance the presidential campaign.

In a new election the NSSF, true to character, regained its notorious profile. A commercial plot adjacent to the equally scandal-ridden Laico (formerly Grand) Regency Hotel was sold to a lower bidder. It was reported that the NSSF rejected an offer of KES 1.4 billion (USD 18.88 million) for the plot and accepted that of KES 1.3 billion (USD 17.53 million) after the lower bidder offered a kickback to trustees to the tune of KES 650 million (USD 8.77 million). The Fund's management denied this but in July 2008 the Minister for Labour dissolved the Board and fired the Managing Trustee to pave way for investigations into this and other scandals. In September 2008 it was disclosed that NSSF was at risk of losing KES 1 billion (USD 13.49 million) in Discount Security – a stock brokerage firm that collapsed and was associated with a former Managing Trustee of NSSF. The lie that the neo-liberal state must, as a matter of strategic efficacy, give the market a wide berth has been laid bare by the fact that instead of maximizing its effectiveness away from the market, it has been assigned the role of a prime agent of redistributive policies, reversing the flow of resources from upper to lower classes that can only be associated with the era of embedded liberalism; effectively subsidizing the rich in society through confiscatory deflation practices.[1]

Velvet glove treatment for criminals

Nowhere is this more starkly demonstrated than in the public fraud that was the Initial Public Offer (IPO)

1 See: Wade, R. *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization.* Princeton: Princeton University Press, 1992.

of Safaricom shares. Despite voices of dissent coming from the civil society watchdogs as well as the Orange Democratic Movement (ODM) – the principal coalition partner in the Kibaki administration – the Kenyan Government decided to offload 25% of its shares in Safaricom, a mobile telephony company, to raise the badly needed KES 50 billion (USD 674 million) to bridge its budget deficit.

Two concerns arise. First, how could a faceless and foreign company known as Mobitelea came to own 10% and then 5% of a public company in Kenya and, even more perplexing, how could it be that this foreign company never paid a single cent to have shares in Safaricom? Second, when the Government offered to offload 25% of its shares in Safaricom, the public was made to believe that these shares would make ordinary Kenyans own the company. However, when Safaricom was finally on sale, they had no first right of refusal. They had to compete with the rest of East Africans while a whopping 35% of the government's 25% shares on offer had been reserved for some faceless foreign investors. It is believed that these investors are local oligarchs with substantial interest in offshore companies. As if that was not enough swindle, the IPO (the first offering to the public of the company's shares on the stock market) was grossly oversubscribed. In the end, Safaricom's stock brokers had to refund a whopping KES 236 billion (USD 3,183 million) of which KES 119 billion (USD 1.6 billion) was due to local people. Now close to one year down the line, a majority of the applicants (a staggering majority of them being ordinary people who got bank loans) are yet to receive their refunds, while Safaricom shares fell by more than 50% in the week of 9 March 2009.

In the recent past, the Nairobi Stock Exchange (NSE) has witnessed a surge of rogue stock brokers. In less than two years, four of such firms have had to fold up following fraudulent activities and outright theft of clients' investment funds. The first to come to light was Francis Thuo Stock Brokers who were suspended from the NSE in 2007. It should be noted that the owner, Francis Thuo, was a long-serving chairman of the NSE. At the time Francis Thuo brokers were suspended, several complaints were raised about another firm – Nyaga Stock Brokers – to the Capital Markets Authority (CMA), the regulatory body. But nothing was done. Finally, the local press in March 2008 published that Nyaga's operating capital was not only negative but also the firm had been using gains made from illegally trading in clients' shares to prop up its operating capital; the NSE feigned surprise and quickly moved to create a KES 100 million (USD 1.4 million) bailout package to cushion the affected clients. The matter was then swept under the carpet. Nobody at Nyaga or Francis Thuo has to date faced any criminal charges.

In quick succession, Discount Securities and Suntra Investments have followed suit. The velvet glove treatment accorded these criminal firms not only attests to the nature of the rampancy of malpractices in the NSE but, more importantly, to abuse of the touted free and efficient market. A section of civil society has consistently demanded that a market dealing in public funds of this magnitude needs a strong, efficient and independent regulator. The CMA does not qualify: it is obsessed with maintaining status quo, leaving rogue brokers to rule the roost with their perpetual power plays and manipulations.

In the last 20 years, no less than 20 private commercial banks have gone under with depositors' fortunes – mainly those of pensioners and informal sector savers – estimated at KES 70 billion (USD 944 million). Among the private banks and financial institutions that collapsed with depositors' funds are Rural Urban Finance Company, Jimba Credit Finance (owned by the Nairobi Stock Exchange, Jimna Mbaru), Trade Bank, Trust Bank, Continental Bank (owned by close associates of President Kibaki) and Euro Bank. In Kenya, these perpetrators continue to be appointed to high public office. On 16 December 2008 – amid a growing global financial crisis – the Cabinet agreed to privatize more financial institutions, including the National Bank of Kenya and Consolidated Bank.

The ostrich game

As widespread doubt about the immutable efficiency of market forces grows in the leading capitalist economies, their client economies in the South are still in denial, sustained by naïve faith in the cyclic nature of capitalist crises. As the economic principles informing free-market economies began to crumble, the Kenyan political elite, like the legendary desert ostrich, buried its head in the sand; hoping that the crisis would pass. Against this silence, civil society organizations warn that Kenya's economic boat is leaking and rescue measures are urgent.

Opportunities for mobilizing dissent are growing, and these must be taken lest the country experience a neo-conservative resurgence. In the meantime it is important to reject the illusion that Southern economies will be shielded from the meltdown, owing to not being fully integrated into the global capitalist economy and may even benefit through the escalation of domestic demand. They confuse a cyclical (if severe) downturn in the historical fortunes of capitalism with its fundamental crisis. The Kenyan ruling elite remains oblivious to the looming disaster: massive food insecurity, impending environmental disaster (in the Mau Forest, in Mount Kenya, in Lake Victoria, etc.), unemployment/underemployment, spiraling crime and disparity between the wealthy and the poor, declining tourist arrivals and volume of remittances from overseas.

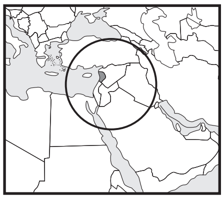
Instead of taking heed, the recent National conference on "The Kenya We Want", like the current policy instrument for turning Kenya into a middle income economy by 2030 ("Vision 2030"), continue to adhere to the thoroughly discredited Washington Consensus. Even as Western economies inject massive new bailout funds into their financial institutions, and in some cases re-nationalize their banks, the Kenyan Parliament is legislating the privatization of the few remaining strategic public assets in order to provide a one-time government revenue injection.[2]

The stimulus and bailout packages preferred by Western governments are unlikely to make a significant difference beyond harmonizing government and business responses to the crisis. As stop-gap measures, such packages can only delay the inevitable. Without democratizing the ownership of the means of production and strengthening internal mechanisms of the domestic economy, Klaus Schwab's global redesign initiave, launched in Davos in February 2009, will do little to resolve the crisis. In the face of such a situation, even the trade agreements currently under discussion, such as the Economic Partnership Agreements (EPAs) must be re-negotiated.

Often, an epic moment in the history of a social praxis is catalyzed by catastrophes like the one we are experiencing, particularly those that permit fundamental changes in attitudes and social behaviour. The signs of capitalism's distress have been showing for a long time, but in gradual installments. Now they are obvious. The global capitalist system no longer merits any retrofitting. It calls for a reconstruction by new actors favoured by history. This is the crisis of liberal democracy, which has failed to deliver economic justice and equity. ■

2 Organizations set for privatization: Kenya Electricity Generation Company (KENGEN); Kenya Pipeline Company; Chemelil Sugar Company; Sony Sugar Company; Nzoia Sugar Company; Miwani Sugar Company; Muhoroni Sugar Company; Kenya Tourism Development Authority and some hotels; National Bank of Kenya; Consolidated Bank; Development Bank of Kenya; Kenya Wine Agencies Ltd; East African Portland Cement Company; Kenya Meat Commission; New Kenya Cooperative Creameries; Kenya Ports Authority by way of a container terminal at Eldoret and outsourcing of stevedoring services and development of new berths.

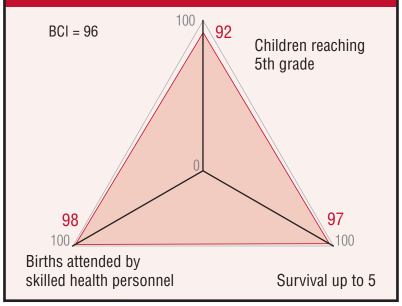
No dialogue on the crisis



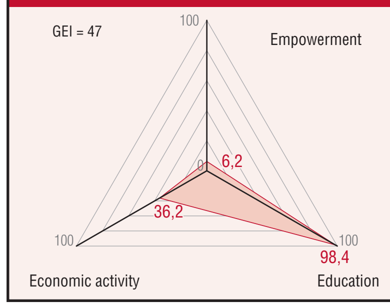
The global economic and financial crisis is receiving increasing attention in official discourse as the Government has realized that, unless it is responsibly and seriously tackled, the impact will be severe. While the direct effects of the crisis have yet to be felt in the country, the nature of the economy renders it extremely vulnerable. However, although a national dialogue is needed, the Government has not held consultations with NGOs and other concerned parties.

Arab NGO Network for Development (ANND)
Ziad Abdel-Samad[1]

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



Positive indicators marked the end of 2008 in Lebanon despite the global financial crisis. In fact, according to the Lebanese Central Bank and the International Finance Corporation, the country witnessed 8% growth mainly fuelled by the real estate, construction, tourism and financial services (banking) sectors. The main contributing factor remained workers' remittances, which at close to USD 8 billion were equivalent to more than 10% of the total deposits in Lebanese commercial and investment banks. Furthermore, debt-to-GDP ratio dropped from 180% to 162%.[2]

Other reasons why Lebanon has so far been only slightly affected by the crisis include the small size of its economy, financial sector and operations; the modest growth rates registered in previous years; the resilience of the banking sector, which enjoys solvency of USD 95 billion or 322% of GDP and is actively regulated by the Central Bank; and foreign aid, which helps the country overcome economic and financial challenges.

However, the economy presents multiple structural imbalances that render it vulnerable to the repercussions of the crisis, including a 30% budget deficit, a two-thirds balance of payments deficit, the 162% debt-to-GDP ratio mentioned above and an inflation rate that exceeds 10%. In the coming year, remittances are expected to drop, at the same time that reverse migration leads to higher demand for jobs. This has already started as the global crisis hits the Gulf countries, particularly the United Arab Emirates.

Given this context, the most optimistic predictions –by the International Monetary Fund and the Ministry of Finance– do not expect a growth of more than 5% for 2009. They also expect the debt-to-GDP ratio to increase due to the budget deficit and the need for borrowing to cover expenditures. The Ministry of Finance estimates an increase in public debt of USD 4 billion.

Furthermore, a deepening global crisis will bring about a decline in inter-Arab investments and foreign direct investment (FDI), as well as a reduction in the aid monies pledged at the Paris donors' conference of January 2007 (known as Paris III).[3] Although the banking sector is the main engine of the Lebanese economy, it may lose its resilience due to the crisis of confidence in financial markets and its relationships with international and regional banks.[4]

Economic and social setting

The UNDP report "Poverty Growth and Income Distribution in Lebanon" indicates that 28.5% of residents live below the upper poverty line and 8.1% live below the lower poverty line.[5] It also reveals major imbalances in the geographic distribution of poverty, which is concentrated in rural areas and clusters surrounding major cities. The 0.375 GINI coefficient registered by Lebanon further confirms this. The root causes are the economic policies adopted by successive governments, most significantly the search for growth through attracting FDI and creating a tax haven, while policies aimed at fairly redistributing growth returns through a balanced tax structure and the provision of basic services were overlooked.

Lebanese officials, including the Prime Minister, promote the market system without mentioning the role of Government in monitoring market mechanisms and encouraging investments in productive or employment-generating sectors.[6] Investors focused on construction, real estate and finance while industry and agriculture were neglected.

It should be mentioned that the late Lebanese Minister of Industry, Pierre El Gemayel,[7] submitted a proposal to the Cabinet in 2006 on "Industry for the Youth 2010". This 10-year plan was intended to encourage and strengthen the sector, focusing on its important role in promoting economic growth and job creation.[8] It stressed the necessity of a national commitment to developing industry and highlighted the lack of coherence in national policies. The Government, however, did not implement the plan. As a result, the economy became increasingly oriented towards financial and banking services and a rentier economy, while investments in the productive sectors were lacking.

The Government's plan

Several months after the financial crisis began – and with many voices warning of its impacts globally, regionally and nationally – the Lebanese Government finally realized the magnitude of the problem and presented a preventive two-year plan to cushion the

1 Ziad Abdel-Samad is Executive Director of the Arab NGO Network for Development (ANND).

2 Ministry of Finance. *Debt And Debt Markets.* Issue No. 7, Quarter IV, 2008.

3 Paris III is the third of the "Friends of Lebanon Conferences for Investment and Finance" held in Paris in February 2001, November 2002 and January 2007. The last one took place a few months after the Israeli war against Lebanon of 2006; its programme was articulated around three main objectives: (1) to respond to the results of the Israeli war in terms of rehabilitation and reconstruction, (2) to respond to the economic and financial crisis that Lebanon was facing, (3) to adopt the Social Action Plan presented by the Lebanese Government. ANND discussed the Paris III document in the national report included in *Social Watch 2007*.

4 Hamdan, K. "Primary Reading in the Implications of the Financial and Economic Crisis". *Al-Safir,* No. 11146, 10 November, 2008.

5 Laithy, H., Abu-Ismail, K. and Hamdan, K. *Poverty Growth and Income Distribution in Lebanon.* IPC Country Study No. 13. Brasilia: International Poverty Centre (IPC) and United Nations Development Programme (UNDP), 2008.

6 Most recently, in his opening speech during the 17th Arab economic forum held in Beirut in 2 and 3 April 2009, Prime Minister Fouad Siniora underlined the absence of alternatives to the market economy.

7 Gemayel was assassinated in November 2006 in Beirut.

8 See: <www.industry.gov.lb/>.

national economy from its effects. The plan revolves around three main points: (1) injecting liquidity into the markets through increasing wages in the public and private sectors and launching construction and infrastructure projects through the Council for Development and Reconstruction (CDR)[9] and other government agencies; (2) activating the projects needed to obtain the funds pledged at the Paris III conference; and (3) encouraging investments and stimulating the private sector through cuts in taxes and fees and the establishment of three free zones in different regions of the country.

However, this set of measures fails to make up a comprehensive national plan that a challenge of this magnitude requires. The Government's plans to inject liquidity into the economy amount to 10% of GDP, on par with what industrial countries adopted to address the crisis,[10] but the accumulated budget deficit limits its ability to spend. Accordingly, it will have to resort to borrowing, thus increasing public debt and debt service.

Furthermore, although the Government's plans include an increase in wages and the waiving of social security charges for new investors as an incentive, these measures do not indicate that it is willing to play a role in stimulating the economy. The increase merely removes a more than decade-long wage freeze. The plan also relies on a drop in oil prices, which would result in reduced costs in electricity production and public transportation. Furthermore, the waiving of social security charges comes at the expense of workers' rights to social protection, especially as the budget deficit of the National Social Security Fund threatens its ability to meet beneficiaries' needs. The injected liquidity, the increased public debt and the reduction in remittances will all lead to greater pressure on the economy and on public finances.[11]

Moreover, while the Government relies on the Paris III Agenda as a basis to its work plan, this was initially formulated as a series of measures to reduce debt through curbing expenditures and increasing revenues on the one hand, and reducing debt service through privatization in the telecom and energy sectors on the other. In order to increase revenues, the plan seeks to increase VAT and taxes on other consumable commodities. At the level of basic services, Paris III was the first of the "Friends of Lebanon" conferences to address social aspects; however, the proposed remedies are confined to a few programmes that are based on social safety nets and not on a national strategy for social development. It is worth noting that Paris III did mention the need for administrative reforms in public administrations and ministries.

Both the Prime Minister and the Minister of Finance have acknowledged the negative impacts expected from the global crisis and the need to protect the national economy.[12] However, as their answer, they restate their commitment to implementing the Paris III Agenda without addressing any revision or reconsideration of the measures it promoted. Although theoretically designed to meet Lebanese financial and economic challenges, in practice the Agenda speeds up the procedures needed for the country to join the World Trade Organization (WTO), especially as it reaches the final stages of the bilateral and multilateral round of negotiations on non-agricultural and agricultural goods as well as services.

The Government will need to reassess the Paris III Agenda, including the scope of deregulatory measures it is undertaking and the requirements related to the WTO. It should consider revising and expanding the social considerations in its plan and the mechanisms for supporting the economy, investing in productive sectors and addressing the level of monopolization of the national market that hinders the emergence of new entrepreneurs and small and medium businesses.[13]

The role of civil society

The High Level Forum III on Aid Effectiveness, held in Accra in 2008, stressed the principle of "democratic ownership". This should be reflected in national consultation processes that include civil society representatives in the formulation of national strategies and in the definition of priorities to meet national economic and financial challenges and social needs.

Moreover, the Financing for Development conference held in Doha in November 2008 stressed the need for input from civil society during the formulation and adoption of national policies for economic and social development. It underscored the important link between democracy, social development and civil society's active participation. It also concluded that developing countries would be especially vulnerable to the global crisis without a reassessment of current policies, the setting of goals and the launching of collective and responsible action to reach them.

Civil society organizations (CSOs) play an important role in formulating sound development strategies that answer to the priorities and rights of local communities. Their advocacy efforts bring added value to the process of adopting adequate economic, financial and social policies and monitoring their impact. They advocate for laws that preserve citizens' economic, social and cultural rights. Their continued struggle, for instance, to monitor the implementation of the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) and the Convention on the Rights of the Child (CRC) has scored successes. In addition, and among many other successful examples, CSOs have provided important inputs in reforming parliamentary and municipal electoral laws and in formulating many anti-corruption laws.

In Lebanon, the mechanisms for consultation in policy formulation between the Government and CSOs are not effective. However, CSOs represent solid partners in social service delivery, either by individually providing services through centres spread across the country or in partnership with public sector institutions. Regarding lobbying activities for economic and financial reforms, however, CSOs are not very active mainly because of their lack of experience in this field. Since this is becoming a very important process, CSO have to engage more and develop clear strategies and objectives for successful advocacy.

At a time when meeting the challenges requires the convergence of efforts to establish national and regional partnerships, some CSOs have attempted to start a dialogue on the crisis, its roots, its consequences and ways to address it. However, the Government persists in ignoring these efforts and in making decisions without effective consultation with concerned parties. ■

9 CDR is an autonomous structure responsible for the planning and implementation of master infrastructure projects all around the country. It functions under the direct supervision of the Prime Minister.

10 Iskandar, M. "Mr. Prime Minister, Your Plan 2009–2010 is Not Convincing". *Al-Nahar*, No 23612, 15 February, 2009.

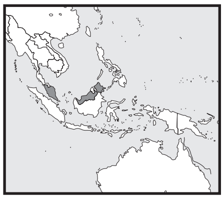
11 The Ministry of Finance estimates the cost of this policy will be an increase in public debts of USD 4 billion.

12 The current Prime Minister was Minister of Finance in 1992–1998 and 2000–2004. The current Minister of Finance worked at the IMF before he became the Prime Minister's main advisor in 2005; he was appointed as Minister in June 2008.

13 Hamdan, K. "Primary Reading in the Implications of the Financial and Economic Crisis". *Al-Safir,* No. 11146, 10 November, 2008.

MALAYSIA

A gloomy outlook



Malaysia, which relies heavily on exports for economic growth and imports most of its food, will have to brace for years of economic difficulties. There is a sharp fall in industrial production, the unemployment rate is soaring and analysts warn that the coming recession could be worse than that of 1997. The Government has been criticized for acting too late and for focusing on bailing out companies. Civil society organizations are holding protests and public fora to raise public awareness of the negative impacts of these crises, especially to the vulnerable groups in society.

Third World Network
Chee Yoke Heong

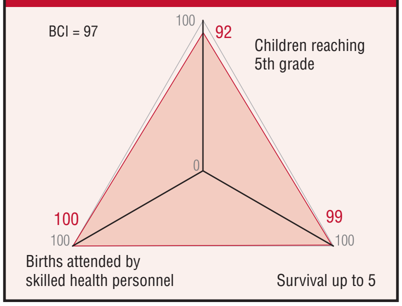
Like many countries, Malaysia was not spared from the effects of the global financial, economic, energy and food crises that swept most parts of the world in 2008 and that continue to do so now. These developments, coupled with the drastic changes in the Malaysian political landscape following the unexpected results of the national elections in March 2008, dominated the attention of all Malaysians as they grapple with the effects. With a new Prime Minister in office and the country entering into an era of economic uncertainties, many Malaysians ponder their future.

Riding on the economic slowdown

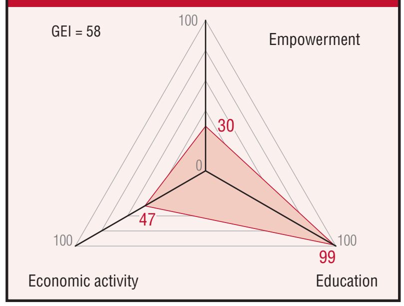
For much of the year, Malaysia was in denial of the possibility that the country could be negatively affected by the financial and economic turbulence that was rocking much of the world, even though country after country, including its neighbour Singapore, were declaring that recession had hit their shores. Malaysian leaders maintained that the country's fundamentals were strong and therefore there was no need to take action. This may have been true at the early stages of the financial crisis – which began in the US and Europe in 2007 and worsened in the first half of 2008 with as yet little effect on Malaysia. But when the financial crisis began to affect the Western countries' real economy of production and incomes in the second part of 2008, this was increasingly transmitted to Malaysia towards the end of the year. This prompted many to believe that the USD 2 billion stimulus package unveiled by the Government in November, most of which has yet to be spent, may be too little too late. (Out of the USD 1.8 billion that has been channeled out, only USD 400 million worth of projects have been implemented).

According to official statistics the recessionary conditions that affected Western countries seriously hit countries like Malaysia in the last months of 2008. The falls in key figures have been surprisingly steep, showing that the Malaysian economy started stalling, and then falling, in the last three to four months of last year and into the first few months of 2009. The economy contracted a faster-than-expected 6.2% year-on-year in the first quarter, prompting the Government to steeply cut its forecast to a 4%-5% contraction for this year.

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



The outlook does not look too good, with a recession likely to happen sooner than later. Besides revising its global projection to below 0% this year, the IMF has termed the present crisis as the "great recession" and "the worst performance in most of our lifetimes." As recovery in the US economy is expected to take place only in 2011 or 2012, export-dependent countries like Malaysia will have to brace themselves for three to four years of economic difficulties.

There is no doubt that the downturn was caused by the global crisis, since Malaysia is one of Asia's most open economies in terms of trade, with exports accounting for over 90% of GDP in 2007, compared with 14% for India, 16% for Japan, 36% for China and around 60% for Thailand and Taiwan. Only Singapore (186%) and Hong Kong (166%) exceed Malaysia's export-to-GDP ratio.

The toll exerted by the economic slowdowns of its major trading partners is seen in the drastic drop in external demand. Although Malaysia's exports are well diversified with many commodities plus manufactures, the problem is that almost all export items are affected at the same time. Gross exports fell 18% in the last quarter of 2008 over the previous quarter, with the most worrying fall seen in manufacturing exports, especially electronics, electrical machinery and appliances, which make up the bulk of overall manufacturing exports or about 35%-40% of total exports. Commodities, which experienced a good run earlier in the year before the price bubble burst, were also not spared as exports in petroleum, palm oil and rubber fell in the same period. As such, the export engines of growth are stalled or in reverse gear. Another sign of bad times is the consistent sharp fall in industrial production since July 2008; the latest available figure shows that in January 2009 production fell 20% compared to a year ago.

Unemployment

With the slowdown in international trade, the jobs outlook is increasingly bearish. Malaysia's unemployment rate in 2009 is expected to reach 4.5% compared to 3.8% in 2008. About 33,000 jobs were lost in 2008, the bulk of which in the last few months of the year as the global crisis took a turn for the worse as Asia's key export markets slipped into recession. Of the nearly 26,000 jobs lost since October 2008, 85% were in the manufacturing sector with the electronics and electrical industries particularly hard hit. Exports in this sector fell by 34% in January 2009 from a year ago. The most severe projection comes from the Malaysian Employers' Federation. It projects the number of job losses to peak at 200,000, far surpassing the 85,000 jobs lost during the financial crisis in 1997/98.

This negative trend has not escaped the radar of analysts such as the Swiss investment bank Credit Suisse which said that Malaysia's downside risks are "the highest in Asia, after Hong Kong and Singapore, especially given the big drop in commodity prices." These events have prompted some to suggest that it is imperative that the country reevaluate its industrial and export-oriented policies if not its entire economic makeup. There is a strong sentiment that the country should seriously reduce its dependency on exports and harness the domestic market for growth.

Recognizing the severity of the crisis, the Government in March 2009 announced a second and larger stimulus package to be distributed over the next two years in an effort to stall the slowdown and prevent the country slipping into a serious recession, which if not addressed will have serious repercussions on social and political stability. The USD 17 billion plan will allocate money for fiscal injection, guarantee funds and other assistance for industry, equity investments and tax incentives. The four main goals of the package are to protect and create jobs, ease the burden of the crisis on the population, assist the private sector and build capacity for the future.

With the growing job losses and expectation of more lay-offs to come, the Government has begun to review its policy on foreign workers who have been a major lifeline in many sectors. Worried about the steady rate of retrenchment, it announced that employers who wish to downsize their workforce should lay off foreign workers first before they retrench locals.

Malaysia — one of Asia's largest importers of labour — has an estimated 2 million foreign workers (predominantly from neighbouring Indonesia – 66%–followed by Nepal and India) who are the mainstay of the plantation and manufacturing sectors. But now with unemployment mounting the government has banned the hiring of new foreign workers in the manufacturing and services sectors. It has reportedly slashed its work permit approvals by over 70% this year. It has also approved a proposal to double the foreign workers' levy imposed on employers to discourage the hiring of foreign workers.

However, activists worry that employers could pass down these higher charges to their foreign workers to absorb, further burdening the latter who are already saddled with hefty agent fees. Instead, it was proposed by some that minimum wages be imposed to curb the intake of foreign workers as employers tend to turn to foreigners because they are cheaper to hire than locals, often receiving wages below the poverty line.

The stimulus package and its uncertain outcome

While there are some medium to longer term measures committed in the Government's mini-budget, some observers noticed a lack of initiatives to deal with the immediate and urgent need to stall the continued economic decline, stimulate demand and raise business activities, considered critical in any crisis-driven "stimulus budget". Instead, it was criticized for focusing on what appeared to be the bailing out of companies, given that nearly half of the money will go to assisting the private sector. In comparison, only 17% was budgeted towards easing the burden of the people, the majority of whom are suffering from high costs of living. There was also concern that the specific needs of women, with the exception of single mothers, during the economic crisis have been overlooked, as only 1.4% was allocated for the less fortunate.

The success of the stimulus package will depend on the execution, implementation and transparency in the disbursement of the stimulus funds. This will determine if the trickle-down and multiplier effect of the package is felt across a large section of the population and that it will not only benefit the well-connected companies and individuals as often happened before.

In responding to calls for transparency and accountability, the Government said it will launch a special website to monitor how funds under the government's two economic stimulus packages are spent. The website will provide information to the public on the allocations and the amount spent, the programmes and projects that are implemented and their progress. Such an initiative is relatively new and a reflection of the need to respond to growing pressure for greater public accountability in a government that is often viewed as mired in corruption and political patronage. But as with all government policies, their implementation remains to be seen.

An unknown scenario

Despite the gloomy outlook, economists often point to Malaysia's strong economic fundamentals and its experience from the previous Asian financial crisis in 1997 which they believe will allow it to weather the current crisis. But the nature of the present global crisis is still unfolding and no one really knows how deep and how long the crisis will play out. While the banking sector is still resilient for now, it will eventually be affected as businesses face difficulties in repaying loans. And while non-performing loans may be manageable now, this may not continue, as some analysts warn that the coming recession could be worse than that sparked by the 1997 Asian crisis.

There are fears of social problems caused by unemployment, including a higher crime rate coupled with the deterioration of poverty values and greater income inequality as many low- and middle-income workers lose jobs in manufacturing. With the experience of the recession of the mid to late 1980s in mind, there has been a proposal for a comprehensive social security plan. Increasingly, calls are being heard for a national retrenchment fund to protect workers in anticipation of possible job losses which the Government has said it is considering.

Food crisis and food insecurity

While high commodities prices brought benefits to some, simultaneous high food prices were a bane to most Malaysians already struggling with the high cost of food and other basic necessities brought on by the sharp increases in oil prices in 2008. While inflation has dropped in the past few months as the agricultural commodity bubble burst and oil prices fall from their peaks, food prices remain high with the consumer price index showing a sharp 9.2% rise in February 2009 for food. (The food and non-alcoholic beverages component contributes close to 80% of the 3.8% rise in the overall CPI in February 2009.) Significant increases were seen for rice, bread and other cereals whose indices have shot up by a whopping 18 per cent. Oil prices, though has been cut a few times over the last few months of 2008 in line with the drop in global oil prices, were still higher than the pre-crisis levels.

Much of the increase in food prices is also due to the fact that Malaysia is a major food importer and therefore is vulnerable to rising prices and speculation in food prices. Rapid development in the past few decades has shifted the focus of economic planning towards industrialization and industrial agriculture at the expense of food production as it became cheaper to buy food from other countries. Apart from rice, Malaysia also imports vegetables, fruits, meat, and grains.

Malaysia is currently about 60% self-sufficient in rice and the Government plans to inject about USD 2 billion to increase rice production to once again reach the 90% self-sufficiency level. The Food Security Policy was launched in April 2008 and subsidies and incentives have been paid out with the hope to boost rice production nation-wide. Simultaneously, the *Bumi Hijau* (green earth) campaign, an initiative similar to that introduced in the 1970s, was to encourage Malaysians to grow vegetables and other edible greens apart from rearing chicken and fish for their own consumption.

Despite these initiatives, there needs to be more effective long-term planning for economic recovery. The Government needs to give serious consideration to different aspects of the problem, including more efficient use of land, labour and technology, that may hamper the achievement of the targetted goals.

Civil society responses

A series of protests and activities including public forums were held by various civil society organizations and NGOs to raise public awareness of the negative impacts of these crises— especially to the vulnerable groups in society.

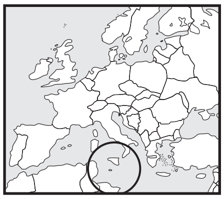
The Oppressed People's Network (JERIT; the acronym means "scream"), a coalition of civil society groups, has been particularly active in organizing various activities to highlight their concerns and present their demands. They held a protest against the oil price hike in January 2008 and ended the year with the "The People: The Force of Change" bicycle campaign to express their concern for workers' rights and the hardships being faced by ordinary, working class Malaysians as the economy faces a slowdown.

The bicycle campaign saw groups of cyclists flagged off from three main locations in the north, south and east coast of Peninsular Malaysia and they pedaled simultaneously towards the Parliament building in the capital city of Kuala Lumpur to present a memorandum to the Government and opposition party, highlighting their concerns and demands.

Their main demands include the introduction of a minimum wage, decent housing, price controls for essential goods and an end to the privatization of essential services. They also linked this to broader civil and political rights including the restoration of local government election and the repeal of the Internal Security Act, which allows indefinite detention without trial.

Along the way, they distributed leaflets to the public and presented the memorandum to the chief ministers of the various states (Malaysia has a federal system of government). Despite numerous obstacles placed by the police including arrests, they managed to make their way to their final destination. And during those two weeks in December 2008, the campaign received much publicity and public support along the routes they traveled on. ■

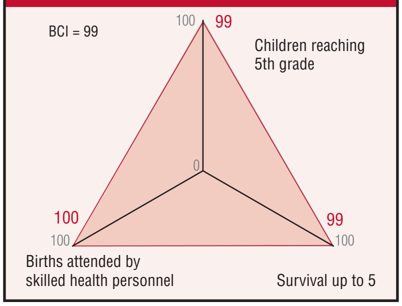
No shelter from the crisis



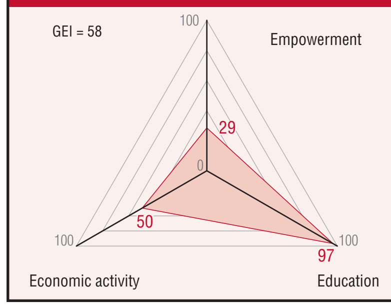
Although the Maltese economy seemed at first to be shielded from the global economic crisis, the effects are starting to be felt. Tourism is declining, and food and utilities have become more expensive. Opinion polls show that the Maltese are not confident of the immediate future, expecting deteriorating quality of life in 2009. The number of asylum seekers grows daily, and their plight tends to get worse.

Kopin Malta
Joseph M. Sammut

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



At the end of 2008, most developed countries were in recession and the world economy was in a steep downturn. During the year's first two quarters, the Maltese economy seemed largely sheltered from the effects of the financial crisis. Growth continued to be driven by domestic demand, primarily in the form of higher consumption expenditure and a sharp accumulation of inventories.[1] Conditions in the labour market remained favourable, with the private sector continuing to fuel job creation. There was a slight increase in employment (1.3%), while the unemployment rate remained stable at a relatively low 6%. However, net exports contributed negatively to growth for the third and fourth quarters.

The rise in international food and fuel prices resulted in higher consumer prices and inflation. Malta's inflation rate was 4.7% – the highest rate in the euro area in 2008.[2] Moreover, recent international developments pose increasing risks to growth. Malta's export market was the worst affected in the whole of the EU in 2008: there was a fall of 14%, compared with an average rise of 6.2%. The Spring report of the European Commission Economic and Financial Affairs forecasts 0.7% GDP growth, 1.9% inflation, 7.4% unemployment, a negative balance of 2.6% in the budgetary deficit's proportion of GDP and a lowering of the current account balance by -7.0%.[3]

Maltese banks remain sufficiently liquid and well capitalized to cover credit and operational and market risks. They are well regulated to protect clients, although one of the most important banks suffered a 60% decrease in its annual profits for 2008 due to the collapse of an international bank. The Government guaranteed bank deposits up to EUR 100,000 (USD 132,000).

Inflation put some strain on household finances, particularly those in the lower income bracket. Residents' deposits with Maltese banks increased, though their annual growth rate declined, while credit to residents continued to expand. Average bank rates dropped by 102 basis points between September and November as banks passed on part of the reduction in official interests rates to customers. Meanwhile, yields on Government securities declined while equity prices continued to fall.[4]

Food and energy

Malta imports most of its food. Eurostat reports show that the country experienced a rise in food prices between April 2007 and April 2008 of 9.7%. This figure amounts to twice the yearly inflation rate and significantly affected consumers' disposable income. A handful of importers dominate the market and hinder competition: the Eurostat's report recognises that Malta suffers from lack of competition, while the rise in prices probably is also associated with the change over to the euro. The Maltese Office of Fair Competition should analyse and investigate this situation.

The dramatic rise in 2008 of the world market price of oil (USD 147/bbl) was reflected in higher prices of fuel, electricity and especially water, as Malta generates a substantial amount of this using reverse osmosis plants. In October 2008, utility costs for consumers almost doubled, with small households that do not fall under the eco-reduction scheme – which stimulates voluntary energy savings through tariff reductions – especially hard hit.

Representatives of 11 unions lobbied the Government on the issue of the new utility rates, writing to the Prime Minister on 10 December 2008 about discrepancies in the way these were calculated.[5] They claimed that the Government was playing with figures and inflating the number of families set to benefit from eco-reductions. In January 2009, the unions directed consumers not to pay their utility bills before the end of the 45-day window allowed by the Water Services Corporation.[6] The employers' organisation subsequently joined in criticizing the rate structure, claiming that it discriminated against small and medium enterprises. The Chamber of Small Businesses ordered its members not to pay a proportion of their utility bills.[7]

The minister responsible for utilities promised in September that rates would be reduced when the international price of oil fell below USD 85/bbl. However, although oil prices dropped to half that figure (USD 37/bbl),[8] consumers continue to be charged the same high prices. In this regard, it should be mentioned that the Government is preparing Enemalta, the national energy company, for privatization

1 Central Bank of Malta. *Quarterly Review 2008*, Vol. 41, No. 4. Available from: <www.centralbankmalta.org/updates/downloads/pdfs/qr_2008_4.pdf>.

2 Eurostat. "Euro Area External Trade Deficit 32.1 bn Euros", News Release 21/2009. 17 February 2009. Available from: <epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/6-17022009-AP/EN/6-17022009-AP-EN.PDF>.

3 European Commission Economic and Financial Affairs. "Spring Forecasts 2009–2010." 4 May 2009. Available from: <ec.europa.eu/economy_finance/thematic_articles/article15178_en.htm>.

4 Central Bank of Malta. *Quarterly Review 2008.*

5 Malta Union of Midwives and Nurses (MUMN), Malta Union of Teachers (MUT), General Workers Union (GWU), Union of Cabin Crew, Union Haddiema Bank Centrali, Union of Technical and Clerical Workers of Malta Environment and Planning Authority (MEPA), Union Professjonisti Awtorità ghall-Ambjent u Ppjanar, University of Malta Academic Staff Association (Umasa), Airline Pilots Association, Union Periti u Inginiera Servizz Pubbliku and Association of Airline Engineers.

6 See: <www.di-ve.com/Default.aspx?ID=72&Action=1&NewsID=57111&newscategory=31>.

7 Sansone, K. "GRTU Has No Faith in Resources Authority". *Times of Malta*, 29 January 2009. Available from: <www.timesofmalta.com/articles/view/20090129/local/grtu-has-no-faith-in-resources-authority>.

8 Department of Information. Press Release, No. 0164, 3 March 2009. Available from: <www.doi.gov.mt/>.

and needs to place the loss-making corporation on a sound financial footing. The issue of utility bills requires a proper socio-economic study that is based not only on global or average figures but also on budgetary surveys of different types of households, businesses and organizations. Such a study should also offer viable recommendations on sustainable energy scenarios in Malta.

Labour

The global slowdown began to be felt at the beginning of 2009, when many manufacturing companies brought in a four-day week and others announced redundancies to reduce their work force and financial losses. Redundancies may amount to hundreds or even thousands during 2009. Tourism plays an important role in the Maltese economic and labour spheres; currently, fewer tourists are coming from Great Britain, which accounts for 33% of the market.[9] This will badly affect workers in this industry.

Malta Shipyards used to be the bulwark of the Maltese workforce, employing 5,000–6,000 workers as recently as the 1990s. In 2008, privatization was set in motion and employees were offered early retirement and voluntary resignation schemes. Out of 1,626 employees, only 59 workers did not apply for any of the schemes and remained on the company's books, while another 679 who had applied for early retirement have stayed on to complete remaining contracts before the company is wound down. There were 14 interested bidders for the shipyard, but a local paper revealed that none of the offers met the Government's expectations. The failure to clinch an acceptable deal is a severe blow to the administration. In an interview to *Time of Malta* in 2008, EU Competition Commissioner Neelie Kroes criticized the privatization strategy, stating that the Government's intention to write off EUR 100 million (USD 132 million) in losses before the shipyard is privatized is not acceptable under EU law.

Development aid

The Government's published Overseas Development Policy (October 2007) identified five priority countries for Maltese development aid, four of which are in central and eastern Africa: Somalia, Sudan, Eritrea and Ethiopia.[10] Maltese NGOs believe this is a political choice since most immigrants come from these countries.[11]

The lack of transparency and of timely and independent evaluations of official Maltese aid compromises NGOs' engagement on development cooperation issues. The Government has promised NGOs a clear analysis of figures in reporting on official development assistance (ODA), but this has yet to happen. The Government has also indicated that more aid funds will be allocated for technical assistance and that information and communications technologies (ICTs) will be a priority. NGOs are concerned that technical assistance does not generally respond to the real needs of developing countries and suffers from low accountability, while ICTs usually do not match the principle of country ownership.

Although in 2007 Malta continued to have the highest ratio of ODA to GNI (0.15%) in the EU, NGOs are concerned that a substantial share of reported ODA was spent on housing asylum seekers in their first year in the country. In practice, this means that aid money is being spent on detention centres. NGOs are also worried that aid is inflated by the inclusion of imputed student costs.

Migration and asylum-seekers

The situation of migrants and asylum seekers has not improved and, in some respects, has worsened due to the record number of boat people arriving in 2008 and in the first two months of 2009. A United Nations Working Group on Arbitrary Detention visited Malta in January 2009. Although the Working Group noted many positive points, it said that the detention of asylum seekers was not consistent with international human rights law and described the conditions at the Safi and Lyster Barracks camps as "appalling".[12] According to the Working Group, the conditions in the camps affect the physical and mental health of detainees to such a degree that they are unable to understand their rights or follow up the legal process that would lead, for better or worse, to a change in their status.

Asylum applications take an inordinate amount of time to be processed: after six months in Malta some migrants are still waiting just to be interviewed. The so-called "fast track" system is not much better. Although intended for the most vulnerable people – for example, pregnant women and people with disabilities – it takes up to three months to secure their release from detention centres. An Eritrean migrant filed a constitutional case against the Principal Immigration Officer and the Justice and Home Affairs Minister in May 2007, claiming a violation of his human rights due to the lengthy procedures for asylum and inhumane conditions of detention; a verdict is still awaited.[13]

The Government affirms that it has to achieve a balance between security and humanitarian concerns, and that efforts are ceaselessly undertaken to improve conditions, but the system is currently overwhelmed: in 2008 it had to cope with 2,775 new arrivals, compared to 1,702 the previous year. Finally, whilst appreciating the United Nations Group's comments that illegal immigration is a problem that should be shared by the world as a whole, it is worth noting that such appeals have already been made in the past, to little effect. [14]

The financial crisis and public opinion

The autumn 2008 *Eurobarometer*[15] indicates that the Maltese are becoming increasingly pessimistic about the economy; trust in the political establishment is dwindling and expectations for an improvement in the quality of life are going down.[16] A decisive majority (57%) gave the economy a negative assessment, while only 39% perceived it to be in good shape and 45% expect it to deteriorate further during 2009 – a hefty 25% increase in economic pessimism than that registered a year earlier. Thirty-two per cent stated that employment would worsen, while only 23% thought that the situation would improve and a further 27% did not expect the situation to change in the coming 12 months. Sixty-five per cent of those surveyed said they had difficulty paying their bills at the end of the month, while only 28% reported they had no such trouble. Fifty-six per cent believed that Malta has become more economically stable thanks to the adoption of the euro, while 33% disagreed. Maltese confidence in the euro outstrips that expressed by other euro zone members, where some 48% of respondents agreed that the euro has helped stabilize their economies and 42% disagreed.

In the political sphere, 51% of Maltese expressed dissatisfaction with their political parties, while only 34% expressed confidence. This was reflected in the March 2008 parliamentary elections, where voter turnout was slightly lower than usual. On the flipside, 59% of Maltese said they trusted the European Commission, while just 13% did not. The European Parliament is the most trusted institution among Maltese respondents, with 64% saying they trust it as opposed to 14% who said they do not. A lower proportion (57%) tends to trust the Maltese parliament, though this is a 15-point increase over last year; 50% trusted the Government as an institution – a 5 percent points increase – and 37% did not.

The issues of inequality and poverty in Malta, it is hard to quantify since statistics are not easily available. The growing number of migrants settling in distinct areas is creating the phenomenon of "ghettoization". These ghettos are surely poverty traps and breeding grounds of future social tensions. When one takes into consideration the effects of the economic slowdown, the higher food and utility prices, the four-day week, redundancies, and pensioners who survive on a pension ceiling set 30 years ago, it is safe to predict that more people in 2009 will fall into the category of "have-nots". ■

9 National Statistics Office. "Departing Tourists: December 2008". News release 015/2009. 27 January 2009. Available from: <www.nso.gov.mt/statdoc/document_file.aspx?id=2413>.

10 See: <www.doi.gov.mt/en/press_releases/2007/10/pr1620.asp>.

11 Concord. *No Time to Waste: European Governments Behind Schedule on Aid Quantity and Quality.* Brussels: Concord, 2008. Available from: <www.concordeurope.org/Files/media/extranetdocumentsENG/NavigationSecondaire/WorkingGroups/Aidwatch/Aidwatch2008/Light-Full-report.pdf>.

12 United Nations. "Annex to Press Release: UN Working Group on Arbitrary Detention Concludes Visit to Malta". 26 January 2009. Available from: <www.unhchr.ch/huricane/huricane.nsf/view01/125F21AAD7DCBD1AC125754A0057F318?opendocument>.

13 See: <docs.justice.gov.mt/SENTENZI2000_PDF/MALTA/CIVILI PRIM AWLA (SEDE KOSTITUZZJONALI)/20>.

14 See: <www.doi.gov.mt/EN/press_releases/2009/01/pr0102.asp>.

15 See: <ec.europa.eu/public_opinion/index_en.htm>.

16 See: <ec.europa.eu/public_opinion/index_en.htm>.

The worsening crisis challenges social rights

Problems such as increasing poverty, the breakdown of the agricultural sector, insufficient employment and the decline of GDP already existed in Mexico before the current crisis hit. The minor adjustments the Government is announcing only reinforce the neo-liberal economic model, and social unrest is on the rise. However, there are a number of civil society proposals that call for alternative strategies to confront the manifold crises, to minimize impacts and revise the economic model.

With the support of: Espacio DESC[1]
Laura Becerra Pozos[2]
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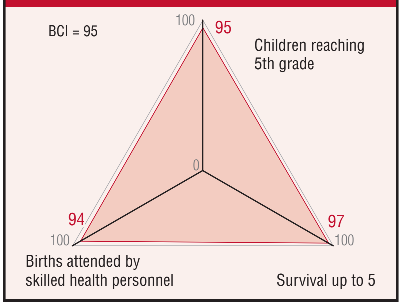
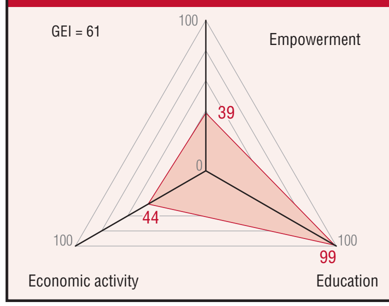
Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



Several Mexican civil society organizations agree that the current global crisis is systemic and is a consequence of the exhausted capitalist neo-liberal economic model based on financial deregulation and trade liberalization. The crisis is not only in finance but also in food, labour, environmental, energy and other sectors, and although its impact is being felt by all of humanity, it is particularly severe in the countries of the South.[4]

As explained by Arturo Guillén, the crisis has followed a complex path, triggered in its final stages by the real estate crisis in the United States and the resulting economic recession, which tended to "rapidly globalize" and cause the GDP of apparently strong economies in Europe and Asia to drop.[5] The crisis has also spread to Latin America, with varying impacts in different countries, areas and sectors, but it cannot be blamed solely on factors outside the region.

The impact of the crisis in Mexico[6]

Without belittling the effects of the global crisis on the country, it must be said that many of the problems – such as the increase of poverty in absolute figures, the breakdown of the agricultural sector, the insufficient generation of jobs (in spite of the slightly favourable export-import balance prior to the crisis) and the drop in GDP – were already present in the economy.[7] Undoubtedly, the systemic crisis has made these problems worse.

The following figures help illustrate the national dimensions of the crisis:

- The worldwide increase in fuel prices has led to increases in food prices over and above the general rate of inflation. In January 2009 food prices went up 11.3%, while inflation was 6.3%. The impact has been most severely felt by the poorest as they devote a greater percentage of their income to the purchase of food.[8]
- In the third quarter of 2008, 71.3% of the economically active population (31 million people) lived on an income of three minimum wages – MXN 152 a day (about USD 11.4) – or less. The unemployment rate was 4.2%, which meant that 1.9 million people were unemployed, and 11.8 million people were surviving in the informal sector.[9]
- Exports to the United States have plummeted, and hundreds of thousands of people are losing their jobs as companies slash expenditures. In November 2008 manufacturing exports overall dropped an average of 7.3%, while those to the United States fell 18%.[10]
- North of the border, unemployment among Mexican immigrants has increased, causing remittances to fall; remittances were down -9.8% in December 2008 from December 2007. Households in the poorest 20% of the population that receive remittances therefore realized only 6 out of 10 pesos.[11] These are the households that will suffer more the decrease in remittances.
- By February 2009 unemployment was 5.3%[12] and industrial activity had dropped by 13.2%,[13] the worst figures in these areas since the so-called "tequila crisis" in the mid-1990s and an indication that there will be a severe recession.

The grave impact of the crisis in the labour sector will be used as an excuse to freeze or reduce salaries, work will become even more precarious, employers will be given more freedom to hire and fire and jobs will be outsourced; all of which will reduce rights and restrict the authority of the unions.[14]

With regard to rural areas, the absence of an equitable agricultural policy and indifference have given rise over the years to three types of consequences,

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3 Coordinator of the Citizen Diplomacy Programme, DESCA, and Social Watch Mexico <arelisandoval@equipopueblo.org.mx>.

4 "Para un nuevo modelo económico social ¡Pongámos la financia en su sitio!" [For a New Economic and Social Model. Let's Put Finance in its Place!]. A call for the signatures of NGOs, trade unions and social movements arising from a series of World Social Forum seminars in Belem, 2009. See: <www.choike.org/campaigns/camp.php?5>.

5 Guillén, A. *La Crisis Global y la Recesión Generalizada, versión preliminar* [Global Crisis and Generalized Recession, preliminary version]. Mexico City: Metropolitan Autonomous University (UAM) Iztapalapa Unit, March 2009.

6 Assessments based on documents issued by the National Movement for Food and Energy Autonomy, Workers' Rights and Democratic Freedom and the Democratic Alliance of Civil Organizations (ADOC) – networks of which Equipo Pueblo is a member – as well as the "Crisis Analysis and Strategy" session of Espacio DESC (23 April 2009) .

7 Serdán Rosales, A. "México: Pobreza y presupuesto social en el contexto de la crisis financiera 2008-2009" [Mexico: Poverty and Social Budget Within the Context of the 2008-2009 Financial Crisis]. Presentation during an Espacio DESC session, 23 April 2009.

8 Serdán Rosales, A. with data from Bank of Mexico and National Poll on Income and Expenditure in households (ENIGH 2006) Within the Context of the 2008-2009 Financial Crisis." Presentation during an Espacio DESC session, 23 April 2009.

9 Figures by National Statistics and Geography Institute (INEGI), based in National Poll on Occupation and Employment (ENOE), third quarter of 2008, published by *El Financiero*, 18 November 2008.

10 Serdán Rosales, "México: Pobreza y presupuesto social en el contexto de la crisis financiera 2008-2009".

11 *Ibid.*

12 ENOE, March 2009.

13 See: <www.cnnexpansion.com/economia/2009/04/17/la-produccion-industrial-cae-132>.

14 de la Cueva, H. Otra integración es posible y otra salida a la crisis también: escenarios de las Américas en el 2009 y los retos del Movimiento Sindical [A different integration and a different way out of the crisis are possible: scenarios in the Americas in 2009 and the challenges of the Trade Union Movement]. Mexico City, 2009.

made worse by the crisis: (1) food speculation on the stock market, which puts foodstuffs beyond the reach of poorer families; (2) the invasion of national markets by food products produced and traded by transnational corporations, which sacrifice soil, forests and water reserves to productivity and destroy national systems of production, particularly traditional ones; and (3) the flood of genetically modified seeds, which sweeps away the store of natural seeds and ancient ecosystems.[15] The national No Maize no Country[16] campaign – endorsed by our organization – proposes such measures as moving from an agricultural model based on large monocultures that involve the increasing use of water, machinery and contaminants, towards sustainable peasant farming that not only has the potential to respond to national food needs but also has additional ecological virtues.

On the basis of this evaluation, it is possible to state that Mexico was faced with the worst possible scenario with which to confront a crisis that had been in the making for several years. The Government has submitted uncritically to the neo-liberal economic model, and several of the measures announced are merely minor adjustments that sustain and reinforce this model.

Government and civil society responses

During the recent Summit of the Americas, the Economic Commission for Latin America and the Caribbean[17] confirmed that countries in Latin America do not have a common strategy to overcome the crisis but have announced and implemented a diversity of measures, as shown in the table.

In October 2008, shortly after minimizing the potential threat of the United States crisis on Mexico due to the "strength of the country's public finances", the Government announced a Programme for the Promotion of Growth and Employment (PICE, in Spanish), a five-point anti-crisis plan that consisted of: (1) expanding public expenditure in infrastructure in order to foster economic growth; (2) changing the rules regarding the exercise of this expenditure in order to accelerate the process; (3) initiating construction of a new refinery; (4) launching an extraordinary support programme for small and medium enterprises, and (5) making national industry more competitive by means of a new deregulation and tariff relief programme.

At the same time the Federal Government pointed out that the country had been reducing its foreign debt for several years, that its inflation was the lowest in Latin America and that its reserves amounted to over USD 90 billion, which enabled it to resist balance of payment pressures.[18] Six months later, during the G-20 Summit in early April 2009, the Government received support for its request for a USD 47 billion loan from the IMF. In addition, it was announced at the Summit that a further USD 850 billion would be allocated to emerging economies – Mexico among them – in order to finance countercyclical spending, recapitalization of banks and infrastructure, among other things.[19]

Even without having touched the USD 57 billion from the IMF, World Bank and Inter-American Development Bank credit lines, President Felipe Calderón's administration increased public debt by MXN 968.48 million (about USD 72.74 million) in just its first two years in office (2007–2008), a sum equal to 12 times the debt contracted during the first two years of Ernesto Zedillo's Government (1995–1996), when the country faced its worst economic crisis in 60 years.[20] It is extremely worrying that these measures, in addition to increasing the public debt, reinforce the neo-liberal economic model and its institutions, whose limitations and contradictions have been pointed out in many different forums. It is also surprising, given that several countries in Latin America are trying out different measures or procedures from those imposed by this model.

Public unrest has been growing in the face of the crisis, but so have the number of proposals being put forward by civil society. For example, the National Movement for Food and Energy Autonomy, Workers' Rights and Democratic Freedom – in a letter dated 16 April 2009 addressed to Barack Obama, the President of the United States – suggested initiating a dialogue at the highest level on items such as the urgent renegotiation of NAFTA and the safeguarding of labour, social and human rights in the region. This would include establishing an Asymmetrical Compensation Fund for North America, negotiating a bi-national agreement regarding immigration, and the signature of an agreement in order to promote the Treaty for the Economic and Social Development of North America.

Others believe that times of crisis provide fertile ground for new theoretical concepts. In any case, it is imperative to generate new ideas, alternatives and strategies that are capable of dealing with "the crisis", be it to minimize its impact or to revise the economic model.

Supervising public expenditure

In the short and medium term, a major issue on the agenda of civil society organizations working on social development and human rights will be the supervision of public expenditure. This is related to the State's obligation to devote the highest quantity of resources available for the progressive achievement of economic, social and cultural rights, as well as the premise that "even when resources are severely limited, due to adjustment processes, economic recession or other factors, it is possible and, in fact, it is a duty to protect the vulnerable members of society through the adoption of relatively low-cost

CHART 1. Classification of Government measures to address the crisis in Latin America and announced or already implemented by Mexico

Monetary and financial policy:	Fiscal policy:
• Reduction and/or flexibilization of bank reserves • Provision of liquidity in national currency	• Reduction of taxes / Increase of subsidies • Increase and/or anticipation of expenditure (infrastructure)

Exchange and foreign trade policy:
• Provision of liquidity in foreign currency (excluding Central Banks that intervened by selling foreign currency on the exchange markets) • Increase of tariffs or import restrictions • Reduction of tariffs • Financing for exporters • Credit negotiation with international financial institutions

Sectorial policy:	Labour and social policy:
• Housing - Small and medium enterprises • Agriculture - Tourism - Industry	• Employment stimuli • Social programmes

Source: produced by the authors, based on ECLAC (2009).

programmes".[21] It should be noted that the Government responded to the 1995 crisis by cutting expenditure, which seriously affected education, health and electricity and had very negative effects on the achievement of economic, social and cultural rights. Although so far the Government has asserted that it will maintain its spending levels, it is vital that its budgetary allocations tackle social issues more effectively and sustainably "by reducing operating expenses, refocusing priorities and reducing administrative costs in certain departments".[22]

From the human rights perspective it is also essential to follow up on investments in infrastructure promoted as part of the PICE, particularly in order to ensure that, in the case of mega-projects (such as dams), the communities that are likely to be affected are duly informed and consulted, and that social and environmental studies are carried out effectively in order to evaluate projects' viability and their capacity to promote real development.

In the long term, there is an opportunity at hand not only to survive, but also to outline and foster a more equitable economic and social model, as a way out of the current crisis and to prevent new ones.[23] In any case, respect for international human rights framework is the key point of reference that will make possible the creation of "another Mexico" and "another world". ■

15 Quintana, V. "La guerra que Obama ignora" [The war Obama does not know about]. *La Jornada,* 17 April 2009.

16 For further information see: <www.sinmaiznohaypais.org/>.

17 ECLAC. "The Reaction of the Governments of the Americas to the International Crisis: A Synthetic Presentation of the Policy Measures announced up to 31 March 2009". Fifth Summit of the Americas, Port of Spain, 17–19 April 2009. Available from: <www.eclac.org>.

18 *El Universal.* "Anuncia Calderón plan anticrisis de cinco puntos" [Calderón announces 5-point anti-crisis plan]. 8 October 2008. Available at: <www.eluniversal.com.mx/notas/545274.html>.

19 *La Jornada*, 3 April 2009.

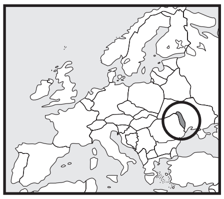
20 González, S. and Rodríguez, I. "Calderón increased public debt by almost one trillion pesos in 2 years". *La Jornada*, 13 April 2009.

21 UN CESCR. "General Comment Nº 3: The nature of States parties obligations," paragraph 12. United Nations Committee on Economic, Social and Cultural Rights. 1990. Available from: <www.unhchr.ch/tbs/doc.nsf/(symbol)/CESCR+General+comment+3.En?OpenDocument>.

22 Serdán Rosales, A. "Mexico: Poverty and Social Budget Within the Context of the 2008-2009 Financial Crisis." Presentation during an Espacio DESC session, 23 April 2009.

23 Héctor de la Cueva, *op. cit.*

There is a crisis, after all



Moldova is living through turbulent times. Prior to the April elections, the ruling Communist Party downplayed the effects of the financial crisis, even though experts had stated that those countries for which remittances constitute one third of GDP, such as Moldova, would be the most vulnerable. Once the polls were over, however, the Government started to refer to the crisis as a "catastrophe". Yet the measures it has promoted in response are missing the target.

Partnership for Development Center
Diana Mocanu

Moldova is currently experiencing stormy political times. In April 2009, when the ruling Party of Communists of the Republic of Moldova (PCRM) won the parliamentary elections, thousands of demonstrators took to the streets alleging fraud, fighting with police and ransacking Parliament. The Government claimed that the dispute over the election results was a cover for an attempted coup organized with the involvement of Romania. Later, after the presidential elections in June, the President and leader of the PCRM, Vladimir Voronin, publicly "ceased political partnership" with the opposition.

A new political reality

The fact that the political crisis overlapped with the economic/financial crisis increased the gap between the Government and the opposition, as they both denied any responsibility and each blamed the other. Fresh parliamentary elections on July 29 produced a parliament in which no single party had a majority, much less the 61-seat supermajority necessary to elect a new president. The four main opposition groups gained a combined total of 53 parliamentary seats. This is still not enough to push for a president of their choice, although leaders vowed to form an alliance to force the Communists out.

The Transnistrian settlement has also been brought back to centre stage. This is a consequence of the pre-electoral strategy of President Voronin, who signed the Barvikha Declaration, regarded by the opposition as a capitulation to Russian interests.[1] As a result of the declaration, the Russian military presence could end up being legalized, the country could become confederated or Moldova could lose Transnistria. The opposition fears that little is left of Moldova's sovereignty, independence and territorial integrity and feels it has the right to disagree with the price the PCRM leader paid for Russia's support – with the purpose of eliminating from the race other contestants who targeted the Russian-speaking electorate – in the electoral campaign.

At the same time, Moldova's international standing has deteriorated and its bid to join the European Community has been jeopardized. Huge amounts of rhetoric were expended in defining the April elections as a "test" for Moldovan democracy, as well as for guaranteeing progress towards integration into Europe (over half of Moldova's trade is with the EU, a large number of Moldovans work in the EU and over 70% of the population support European integration). However, the preliminary result of the "test" has been abuse of administrative resources, the constant harassment of the opposition leading to protests and revolt, and the flagrant violation of human rights by law enforcement bodies.

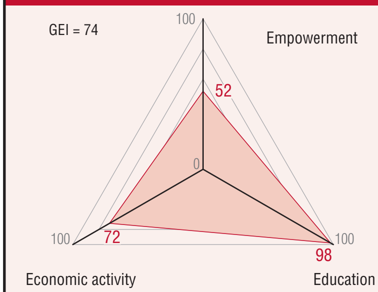
Moldovan society has been deeply divided and radicalized not just by the way the electoral campaign was carried out, but more so by the behaviour of the security forces in the post-electoral period. Political stability will only be regained if there is a full investigation of the April events.

Crisis and opportunities

Although before the elections in April 2009 the Government vehemently denied the crisis would affect the country and tried to artificially maintain the economic situation, the World Bank was not so optimistic and it included Moldova among the developing countries with the highest level of vulnerability.[2] After the elections, however, President Voronin declared in a meeting with businesspersons, members of the acting Government, congresspersons and politicians that "the crisis is a fire, a catastrophe". Government officials explained that the downplaying of the crisis before the elections has been aimed at not "creating panic".

Indeed, despite Moldova's impressive economic growth in 2008 (7.2%), the country has been severely hit by the second round of effects from the global financial crisis. The initial consequences were already visible in the last quarter of 2008 and have been confirmed by statistical indicators in the first quarter of 2009.[3] According to the Moldovan Premier, Zinaida Greceanii, the effects are mostly due to decreasing exports and imports, reduced production and lower remittances. In this situation, only a policy meant to secure and keep economic stability will allow Moldova to tackle the crisis.

Gender Equity Index (GEI)



Premier Greceanii underscored that investments in infrastructure are to come both from budgetary and foreign resources. She cited a Czech investment project to be implemented in the north of the country, which provides EUR 600 million for the construction of a power station. According to the Prime Minister, the economic liberalization reform (capital legalization, fiscal amnesty, the tax on reinvested income, as well as the strict banking policies that have been lately promoted) will also help ensure Moldova's macroeconomic stability and diminish the effect of the crisis.

The Minister of Finance has said that the Moldovan financial system is very solid and that during the last year the capitalization of banks increased by 26.8%, assets by 22.3% and credit portfolios by 19.4%. As a result, the current liquidity of the Moldovan banking system is approximately 30%, significantly more than the requirements of risks limitation (at least 20%).[4]

* There are no available data on BCI.

1 President Voronin, Russian President Dmitry Medvedev and Transnistria's Russian-installed "president" Igor Smirnov signed a Russian-drafted joint declaration on 18 March declaring that "noting the stabilizing role of the existing peacekeeping operation, the sides consider that it would be advisable to transform it into a peace-guaranteeing operation under the aegis of the Organization for Security and Cooperation in Europe upon [attaining] the outcome of a settlement in Transnistria."

2 World Trade Organization. "The World Bank has Included Moldova among the Developing Countries with the Highest Level of Vulnerability to the World Crisis". 10 April 2009. Available at <moldovainomc.org/index.php?option=com_content&view=article&id=103:world-bank-has-included-moldova-among-the-developing-countries-with-the-highest-level-of-vulnerability-to-the-world-crisis&catid=1:latest-news&Itemid=50>.

3 See: <www.expert-grup.org/?go=biblioteca&n=110>.

4 The first – and so far the only – bank to announce bankruptcy was the Investprivatbank, in June 2009.

However, the Association for Participatory Democracy announced that, due to the economic crisis, many domestic banks have stopped granting credit to individuals for personal consumption and mortgages and even to companies, as the latter, particularly in the building sector, are incapable of repaying the loans. On the other hand, with the potential depreciation of the national currency, the leu, versus main reference currencies, citizens are not crowding in to ask for credit.

Much of the banks' liquidity was due to remittances from Moldovans working abroad. It may be that, since transfers have decreased, the banks have less currency in their portfolios. Data from the National Bank of Moldova show that currency reserves in April 2009 constituted USD 1.086 billion, having diminished by almost USD 586 million (35%) compared to December 2008. This reduction was due to interventions on the currency market under the form of sales and to payments made to the account of country's external debt, among other external payments, as well as the reduction of the exchange rate of component currencies of the currency reserves in relation to the US dollar. The International Monetary Fund (IMF), for its part, predicts that if remittances and exports continue to decrease, the currency reserves of the country might fall by USD 1.3 billion, which means in practice that the country will be without currency reserves.

On the other hand, according to the Academy of Sciences of Moldova (ASM), the world crisis might have positive effects for the country.[5] While remittances and imports will be reduced, this will "stimulate the real economy in order to fill in the vacuum of products on the internal market". The depreciation of the leu is also seen as having some positive effects such as increasing exports. The need to be competitive, the ASM report stresses, might lead to an improvement in the quality of goods to conform to European standards. [6]

A country dependent on remittances

In the opinion of World Bank economists, countries for which money remittances constitute one third of GDP are the most vulnerable to the economic crisis. Among these countries are Moldova and Tajikistan, where money remittances constitute 35% and 45% of GDP respectively, and also Armenia and Kyrgyzstan. In 2008, Moldovan migrants sent back USD 1.66 billion just through official channels – mostly from Italy and Russia. Recent research by the International Organization for Migration confirmed that over 35% of the Moldovan population lives in households that receive remittances.[7]

A poll conducted in Moldova by CBS-AXA revealed that 20% of the Moldovan beneficiaries of remittances in 2008 are now not receiving money from abroad and 45% reported that they receive less or much less than last year[8]. However, contrary to many assumptions and concerns, there is no evidence of a mass return of migrants due to the economic crisis, although the number of those who returned temporarily in 2008 doubled (from 4.9% to 9.1%) and 8% of them declared they were returning for good. What is particularly interesting is that the main reason mentioned for the return was family, while job-loss and lack of financially interesting opportunities were only secondary motivations.

The Government's response

The Government's priority is the payment of salaries, pensions, scholarships and social allowances.[9] Programmes meant to help initiate new businesses and infrastructure projects are to be further launched and implemented to ensure Moldova's economic stability and to attract new foreign investments. Among the measures included in the anti-crisis (or anti-catastrophe) plan announced by President Voronin are: keeping the "zero quota" of corporative income tax for the next four years, with the aim of sustaining the economic agents in the context of the global crisis; introduction of a fixed rate for the income of physical persons – for example, 15% – and increasing the amount of non-taxable income; reducing the contribution to the social budget by 5%; increasing VAT from 20% to 22% to ensure the Social Fund; and reducing budgetary expenses to a minimum of 20%.

The anti-crisis plan provides approximately 40 modifications to legislative documents. Parliament will examine the plan after the new composition of the Government is approved. According to the acting Vice-Premier, none of these measures will give supplementary income to the budget; instead, they will signal employers to make public the real wages.

Shortcomings of the Government's plan

Ion Sturza, who was Prime Minister in 1999, has declared that the fiscal reforms are not relevant for the Moldovan economy and give the impression that new privileges are offered in exchange for support. In his opinion, the proposals testify to the fact that none of the previous reforms were efficient or produced the expected results.

On the other hand, economists say that reduction by 5% of the social contribution comes too late. It threatens the de-capitalization of social funds and puts in jeopardy the capacity of the Government to pay pensions. In addition, increasing VAT from 20 to 22% will hinder consumption even further and reduce exports. Since the national economy is based on consumption, it would have been better to lower VAT. If these measures are the whole "anti-crisis package", then the Government is only taking care of accumulating new financial means in the budget. ■

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International Organization for Migration (DATE?]. Full reference needed

World Trade Organization (2009). "World Bank has Included Moldova among the Developing Countries with the Highest Level of Vulnerability to the World Crisis". 10 April. Available at <moldovainomc.org/index.php?option=com_content&view=article&id=103:world-bank-has-included-moldova-among-the-developing-countries-with-the-highest-level-of-vulnerability-to-the-world-crisis&catid=1:latest-news&Itemid=50>.

5 Frunza, V. "All Bad is for Good: World Crisis Might Have Positive Effects for the Republic of Moldova". 28 April 2009. Available at <moldovainomc.org/index.php?option=com_content&view=article&id=111:all-bad-is-for-good-world-crisis-might-have-positive-effects-for-the-republic-of-moldova&catid=1:latest-news&Itemid=50>.

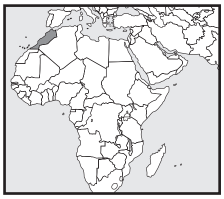
6 *Ibid.*

7 See: <www.iom.md/materials/studies_reports/2009_05_11_moldova_country_profile.pdf>.

8 See: <www.azi.md/en/story/3271>.

9 See: <www.businessexpert.md/index.php?r=5&s=1642>.

Direct impacts, weak responses



Morocco's heavy dependence on the world economy has made it vulnerable to the global economic crisis. A drop in the demand for Moroccan exports, the sharp reduction in remittances and a severe inflationary process are some of the worst effects. The scant success of anti-crisis policies promoted by the Government aggravates the situation and increases social instability. New proposals arise from the unions and civil society in order to create new conditions for a more equitable economic and social model.

Espace Associatif[1]

While the impact of the systemic crisis is most evident at an economic level, the cost in social and human terms should not be overlooked. This cost could be high, although it is hard to evaluate for at least two reasons. The first is that the negative effect of the global crisis on the Moroccan economy is only in its initial stages and there is a risk that it may intensify in the near future, with ever-increasing social consequences. The second is related to the fact that, at the moment, there are no reliable and disaggregated official data available with regard to the social impacts.

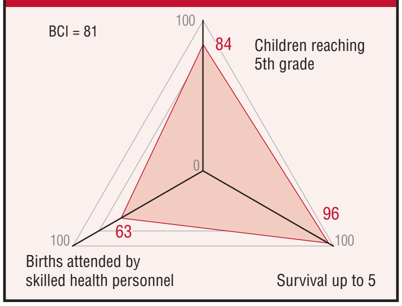
The social aspects of the crisis

The social impacts will make themselves felt through several macroeconomic channels. According to the economic growth forecasts of the High Commission for Planning (HCP, in French), non-agricultural activities will show a net reduction of 3.9% in 2009 against 5% in 2008, due to the worldwide recession which will cause global demand for Moroccan products to fall 1.2% in 2009, after a growth of 2% in 2008. Exports dropped 31.8% in January-February 2009, compared to the previous year, while the cost of imports only fell 15.7% as a consequence of lower prices for raw materials in recent months. Tourist income and foreign investments decreased 25.5% and 71.9% respectively between January-February 2008 and the same period in 2009.

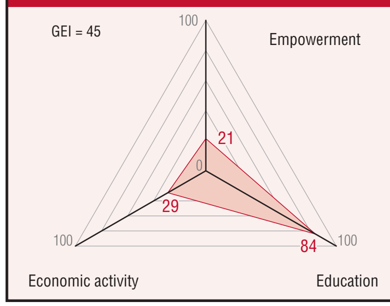
The impact on employment is already being felt. Thousands of workers – particularly women – have been laid off over the last months in the textile and clothing industry, and work schedules have been drastically cut. At the same time, several companies are beginning to consider salary cuts, postponing staff promotions and training incentives, as well as cutting back on training budgets. Others are abandoning hiring projects and/or favouring short-term employment contracts.

Another form of transferring the crisis to poorer households is linked to remittances sent by Moroccan Residents Overseas (MREs, in French), which in 2008 represented over 8% of Moroccan GDP. According to some studies, these transfers contributed

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



to a decrease in poverty of 4.2 percentage points, from 23% in the late 1990s to 19% at present. However, MRE remittances have fallen about 15%, from MAD 8,200 million (some USD 1,020 million) in January-February 2008, to little over MAD 7,000 million (USD 870 million) for the same period in 2009. A major reduction should therefore be expected in sources of income and in the purchasing power of the families of emigrants, who belong mainly to the poorer sectors of the population. The negative impact of the reduction of MRE transfers also risks impacting on real estate, which provides work for thousands of Moroccans in many regions of the country, particularly in the east.[2]

Moreover, the crisis will probably mean increased unemployment among some MREs, who therefore risk lapsing into poverty. In Spain, for example, the unemployment rate amongst Moroccans – the largest foreign community after European Union nationals – is over 21%, compared to 14% for Spaniards. Increased violence and racist and xenophobic acts, which often focus on Maghrebi foreigners, will probably increase in several European countries.

The third factor affecting the vulnerable social layers of the population is inflation, which has increased sharply during the last two years, rising from an average level of under 2% in the 1996-2007 period, to 3.9% in 2008. This rate, however, does not show the wide-ranging price hike for staple items during the last two years (see chart). The impact of these increases will be more damaging for disadvantaged social strata, amongst whom basic foodstuffs (e.g., cereals, sugar and cooking oil) represent over 50% of the family budget.[3]

The loss of purchasing power will consequently be reflected in a reduction in the quality and quantity of foodstuffs consumed and/or the sacrifice of other expenses (such as education, health and transport). Children, pregnant women and nursing mothers will be at particular risk. Moreover, there is a risk that chronic malnutrition will persist due to the lack of micronutrients – such as vitamins and minerals – which close to a third of the population suffer from, especially women and children under the age of three.

The energy and environmental crises

The energy crisis has aggravated the difficulties of daily life for the disadvantaged strata and even for the middle strata, particularly due to rising water, electricity, sanitation and public transport bills, which represent around 15% of the Guaranteed Inter-Professional Minimum Wage (SMIG, in French).

The environmental crisis, which is a consequence of demographic pressures and a development model focused on growth and urbanization, threatens to exhaust resources and worsen standards of living and sanitary conditions. The floods, downpours and snowfalls which have recently affected several regions, killing over 40 people and exposing thousands to total indigence and poverty, are a good example of these dangers.

In conclusion, the impact of the multilateral crisis of neoliberal capitalism places the fulfilment of economic and social rights at risk, particularly the right to food, to work, to health and access to

1 Associations, unions, researchers and representatives of social movements and Espace Associatif participated in this report. Said Saadi (university graduate and associative actor) was the editorial director.

2 Bourchachen, J. "Apports des transferts des résidents à l'étranger à la réduction de la pauvreté: cas du Maroc", SessionI-Pa 5c, Montreux, September 2000.

3 High Commission for Planning (HCP). Journée africaine de la statistique on "Défis de la hausse des prix des denrées alimentaires". Rabat, 2009.

water and to mobility. Moreover, new population groups run the risk of falling into poverty. Achieving the Millennium Development Goals in Morocco may be seriously endangered if the current crisis persists and worsens.

Government measures in response to the crisis

The Government has taken measures to help some of the sectors which are particularly exposed to the crisis, such as the textile and clothing, leather, and automobile equipment sectors. This anti-crisis plan has three dimensions:

- With regard to social aspects, the State will take on 100% of employer payments to the National Social Security Fund, and the export companies benefiting from this measure undertake to retain their personnel.
- In the financial area, the Central Guarantee Fund will provide guarantees in favour of exporting companies so that they can have access to exploitation credit, and postpone 2009 expiry dates for investment credit.
- In commercial terms, the State will assume 80% of the expenses of trade or market diversification missions.

In order to limit the impact of higher global prices on basic products, the Government has adopted an increase in Compensation Fund amounts to subsidized products, the temporary suspension of taxes on wheat imports and a slight increase of minimum hourly wages.

Exporters in the textile and clothing sector benefited from the social dimension of the anti-crisis plan, which did not prevent them from reducing workers' salaries or cutting working schedules. The financial and commercial measures had very little effect, due to the reluctance of banks and the lethargy of exporting enterprises. Lay-offs and restrictions in working conditions have also affected several sectors which are barely covered by the plan (such as tourism, export agriculture and construction). The supposed social measures had scant effect on the rise of the prices of staple items, most of which are deregulated, while the increase of the minimum wage barely compensated for the rise in the cost of living. This led to a net loss in purchasing power for thousands of workers. It may be concluded that the Government still has a greater interest in protecting capital than in defending the economic and social rights of the disadvantaged social strata.

Civil society's response

In such a situation it is hardly surprising that there should be new outbreaks of worker and social unrest. Protests are led by the unions, by some civil society associations and by coalitions of both, and joined by left-wing politicians and other groups. Renewed conflicts with unions emerged as a result of the deterioration of economic and social rights and the failure of social dialogue, due to the Government's refusal to satisfy union claims with regard to the revaluation of salaries and family subsidies, civil service promotions, compliance with trade union freedom and the right to strike, and the adoption of social protection.

To date, there have been several sectoral strikes (education, health, local communities, etc.) and a general strike as well. Amongst other particularly dynamic social movements, it should be mentioned the various struggles fostered by the Coordinating Committee against the High Cost of Living, as well as by the National Associations of Unemployed Professionals. Several collective action strategies have been deployed, such as sit-ins, spontaneous popular marches and national mobilization days against poverty. Demands make reference to halting the increase of prices, sustaining the Compensations Fund, applying a mobile salary scale, bringing public services up to standard, stopping the privatization of water and electricity distribution, and claiming the right to work in the civil service. The Government has suppressed some of the demonstrations with a heavy hand; a case in point are the events that took place in the cities of Sefrou and Sidi Ifni. Moreover, certain difficulties appear to be hindering the activities of these movements, such as internal disagreements, little activity with regard to vulnerable populations and the absence of political perspective.

This does not mean that there are no alternative proposals in order to confront the crisis and promote the economic and social rights of the disadvantaged social strata. On the basis of the principle that the State should guarantee economic and social rights, social movements propose creating an insurance fund against unemployment, the defence and democratization of public services, combating monopolies and situational income, and establishing a guaranteed minimum income, as well as supplying civil society with data and information in order to raise the awareness of public opinion and mobilize vulnerable populations. In the long term, the main role of the democratic State must be to promote economic and social rights through the creation of citizen forces, which favour a new economic and social model based on social justice and give priority to the satisfaction of basic needs, food autonomy, social economy, and the protection of the environment and cultural diversity. ■

CHART 1. Evolution of the cost of living index (in %)

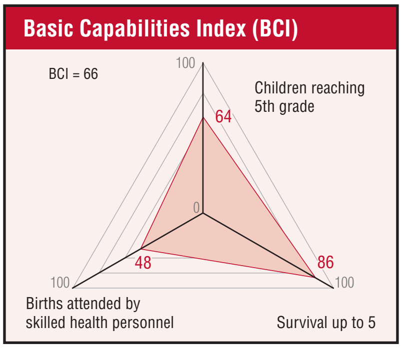
Year	1998 - 2007	2008 (11 months)
Non-food products	+ 1.7	+1.4
Food products	+ 1.6	+1.8
-durum wheat	-	+39.5
-soft wheat	-	+22.3
-flour	-	+21.8
-industrial butter	-	+25.4
-cooking oil	-	+41.4
-sugar	-	+3

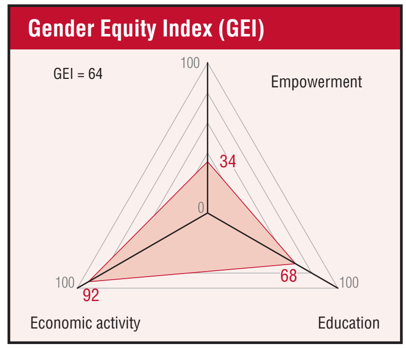
Fuente: HCP (2009 statistics).

Without dialogue there can be no human development

Mozambique's exports – and probably its tourist industry – will suffer as a consequence of the world crisis. Food security and rural development are under threat because direct investment is lacking and because incentives are paid for crops grown for biofuels rather than food. As there is no ongoing participative dialogue between the Government and the people, progress in human development is almost impossible in the short or medium term. The main challenges facing the country include strengthening democracy and making public administration fairer and more transparent.

Social Watch Mozambique
Custódio Duma[1]





The Government claims that the global financial crisis will not affect the country's economy. In line with this stance it has adopted a policy of monitoring the economic sector, directly supervising the commercial banks and paying special attention to areas that can withstand the crisis such as energy and gas production. It has also announced through the Ministry of Development and Planning that the country needs USD 120 million to finance the 2009 balance of payments, and that this will serve to keep the macroeconomic indicators stable.

However, the Mozambique International Bank (Millennium Bim) has published a report forecasting that the nation's economy will shrink because the G-19 countries that finance more than half the national budget, and those that make foreign direct investments, will have negative economic growth. Prices for aluminium, tobacco, sugar, tea, chestnuts and prawns have fallen, which is expected to negatively affect export volumes, and this in turn will weaken activities that foster economic growth and hamper efforts to promote tourism.

Increasing inequality

According to official figures, the country enjoyed an average annual GDP growth rate above 8.5% in 2000–2007, but this fell to 6.2% in 2008 and is expected to be about 4% in 2009. However, the country's evolution in terms of human development and improving its people's quality of life is still fraught with contradictions. GDP is growing, but at the same time the cost of living is rising and consequently people's real incomes are falling. Social inequalities are becoming increasingly visible. According to UNDP,[2] Mozambique is 175th on a list of 179 countries ranked by their human development level.

As regards the Millennium Development Goals (MDGs), the UN recognizes that progress has been made in three areas; poverty, infant mortality and maternal health. However, although the poverty rate did fall by 4% between 2000 and 2007, more than half the population remains poor. There are wide variations between the different regions of the country. The further north one goes from the capital city, Maputo, located in the south, the worse poverty becomes. A 2007 population census shows that around 70% of the population still lives in rural areas, and more than 50% in the central and northern parts of the country.[3] In the main cities, many families and groups of young people have been reduced to living in the open (in public spaces, on the streets or on rubbish tips) or in houses that are falling down. The unemployment rate is 30%–35% of the economically active population. According to one youth organization, the number of sex workers aged 14 to 25 has increased in the last five years.

In February 2008, the sharp increase in the cost of living sparked off a kind of people's revolt in Maputo made up mainly of women and school-aged children. This spread to the province of Gaza and the town of Manica, and for two days the main public services were paralyzed. The Government managed to prevent the conflict from having serious consequences by lowering fuel prices and subsidizing the cost of transport.

No transparency

Mozambique is approaching its fourth multi-party elections, and the ruling party is seeking the re-election of Armando Guebuza. Guebuza waged his 2004 campaign under the banner of the fight against poverty, and he blamed permissiveness and lack of interest in society for this and a whole range of other ills including corruption, lack of transparency in public administration and the poor functioning of public services. He maintained that poverty stemmed from the fact that the people do not have a spirit of enterprise or make any effort to better themselves. He suggested that the colonial past had given people an inferiority complex that made it difficult, even today, for them to free themselves since the key to liberation is higher self-esteem.

This argument emphasizing self-esteem and the spirit of enterprise has been taken up and enlarged upon by the whole ruling class, but the real issue is that most of the people have little or no access to education, timely health services, safe and good quality transport, law and order or a whole range of other public services.

The population in general, and also foreign diplomats in the country, are deeply concerned by the way the ruling party and individuals near the seat of power are enriching themselves. There is widespread criticism of the way a privileged minority flaunts its considerable wealth in front of the poverty-stricken majority. Anti-corruption organizations like the Public Integrity Centre say the country badly needs a law to regulate conflicts of interest since its political rulers are almost all from the entrepreneurial class. One outstanding example of this is the President himself, who is a shareholder in dozens of enterprises operating in the country.[4]

Agriculture and hunger

More than half the population survives on subsistence agriculture, but there has been very little investment in this area. The proportion of the national budget allocated to agriculture is a meagre 3%–4%

1 Technical Team: Salvador Nkamate – Human Rights League, Karina Cabral – Mozambique Debt Group, Jorge Cuinhane – AWEPA, Naldo Chivite – MONASO.

2 UNDP. "Human Development Indices: A Statistical Update 2008." New York: United Nations Development Programme. Available from: <undp.org/en/statistics/data/hdi2008/>.

3 See: <www.ine.gov.mz>.

4 Mosse, M."Corrupção em Moçambique: Alguns elementos para debate." 2004. Available from: <bvc.cgu.gov.br/bitstream/123456789/1644/1/Corrup%C3%A7%C3%A3o+mo%C3%A7ambique.pdf>.

per year, only a third or a quarter of what is spent on the security services. The State has implemented an incentive scheme to stimulate the production of jatropha, a plant that provides the raw material for biofuels, and encourage farmers to switch from food production to this crop even though a market for it has not yet been developed. One example of the dire consequences of this policy occurred in Mogincual, which suffered a famine in 2008 as a result of low agricultural food production because priority had been given to jatropha.[5] The land that has been set aside for growing this crop, mainly in the provinces of Gaza, Manica, Solafa, Tete and Nampula, is very fertile, and in the years ahead this may mean a reduction in food production for family consumption, which will further intensify the problem of hunger. To make matters worse, specialized enterprises are planting other kinds of crops for export such as sugar cane.

Problems in education and health

According to UNICEF,[6] more than a million children are growing up outside the education system, and the average teacher in Mozambique has to cater to 74 pupils. To improve the education system, enrolment fees should be abolished and there should be increased investment in infrastructure and teaching materials, as well as the number of teachers, and access to education for young people should be widened. UNICEF stresses that while significant progress has been made in expanding teaching in the country, this has not been accompanied by increased investment in the sector. It is known that around half of primary school teachers have no formal vocational training.

National health services reach only 30% of the people.[7] More than 65% of children suffer from vitamin A deficiency. In 2008 the G-19 countries injected around EUR 308 million into the general budget and warned Mozambique that it would have to step up the fight against malaria (still the deadliest disease), cholera and HIV and AIDS. The programmes to prevent or combat diseases are very feeble and in any case they are concentrated in the main urban areas so rural populations suffer more.[8] Other outstanding problems in the health care field include the lack of qualified human resources to provide training in the sector and the need for greater technical and financial resources.

The HIV and AIDS situation is very serious. It is estimated to be spreading at a rate of 500 new cases per day[9] and now affects some 16.2% of the population. The UN reports that the incidence is 1.7 times higher among women.[10] It has been estimated that AIDS will reduce the country's per capita economic growth by 0.1%–0.3% per year. Life expectancy would also fall from 37.1 years in 2006 to 35.9 years by 2010.[11]

Other challenges

The G-19 countries have also called on the Government to strengthen its capacity to guarantee social security and improve access to justice. They have expressed concern about excessive bureaucracy, lack of impetus in the fight against poverty and little progress in combating corruption, even though this has been identified as the root cause of numerous other ills that are putting a brake on Mozambique's development.

To address income inequality, in 2007 the Government set up a fund known as the "Seven Million Meticals" (the nation's currency, around USD 264,000) to stimulate rural districts by training people organized in associations to undertake local income-generating initiatives. However the fund has been severely criticized for having no clear criteria regarding its objectives or how it would be managed. The district administrations that have been put in charge are not competent in the management of banking or microfinance institutions. In addition, workers in these rural districts are among the lowest skilled in the country. It has been reported that fake associations have been set up to receive the money, more than half the debtors cannot be located and there are no guarantees that the loans will be repaid. Some critics claim that the real purpose of the fund is to maintain the visibility and presence in rural districts of the Frelimo party, which has been in power since 1975.

The Government has implemented a medium-term public sector pay policy in an effort to attract and retain skilled personnel, particularly in rural districts. But in practice professionals with higher levels of training prefer to seek employment in the private sector, where pay levels and working conditions are better.

In November 2008, the country was reorganized into 43 municipal councils (from the 33 that had existed previously). The scheme to continue decentralizing the sectoral funds is still in operation, and the same applies to how these funds are administered. However it has emerged that a large portion of the budget is not being administered at the local level but is still controlled by the central Government or the provinces. These resources have to be decentralized just as the administration has been. For this to take place, people have to be trained and the necessary infrastructure, electrical power grid, telephone network and banking institutions have to be developed.

Conclusion

While the Government has managed to maintain a policy that is applauded abroad, at home it has not maintained ongoing, inclusive and participative dialogue with the people, so it is almost impossible for there to be progress in human development in the short and medium term. Other big obstacles to development are the fact that the legal system is weak and there is discrimination in relation to party allegiances. So the problems remain: democracy has to be strengthened and public administration has to become fairer and more transparent. ■

5 Gil, F. "Atraso na assistência alimentar: Tragédia espreita Mogincual." Available from: <macua.blogs.com/moambique_para_todos/2009/02/atraso-na-assist%C3%AAncia-alimentar-trag%C3%A9dia-espreita-mogincual.html>.

6 UNICEF. "Países Africanos reunidos em Nairobi discutem abolição de taxas escolares". 5 April 2006. Available from: <www.unicef.org/mozambique/media_2877.html>.

7 Machava, J. R. "A situaçao da pobreza en Moçambique: diferenciaçoes regionais e principais desafios". *Revista Eletrônica de Geografia*, 5(1). 2007. Available from: <cecemca.rc.unesp.br/ojs/index.php/estgeo/article/view/542>.

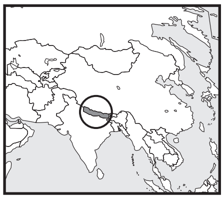
8 *Ibid*.

9 National Statistics Institute. "Contendo dados do HIV/SIDA." CD-Rom. 2004.

10 See: <www.unaids.org/en/CountryResponses/Countries/mozambique.asp>.

11 See: <www.unicef.org/mozambique/overview.html>.

Crises, challenges and perspectives



According to experts, Nepal will feel the effects of the global financial crisis on several fronts. Other crises, related to the environment, food, energy, finance and politics have been buffeting the society for a long time. It is imperative to see this reality from a gender perspective, and to analyse the role of civil society in promoting initiatives and programmes to help alleviate the situation of the vulnerable populations disproportionately affected by the downturn.

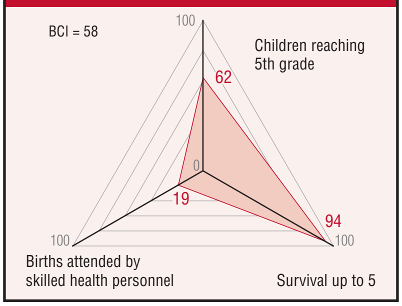
Rural Reconstruction Nepal (RRN)
Neeraj N. Joshi
Sarba Raj Khadka

Nepal, which ranks 145 out of 179 countries in the 2008 Human Development Index, faces multiple interrelated crises – including food, energy, climate and politics – as well as continuing, though currently sporadic, civil unrest.[1] So far, no significant impacts of the global financial crisis have been reported; however experts warn that the country is likely to be affected in various ways.

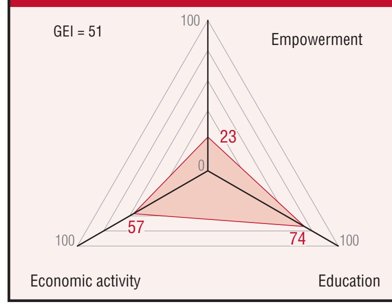
For example, remittances, which currently account for 19% of GDP, have been extending a lifeline to the economy for almost a decade.[2] It is chiefly due to them that the balance of payments is still in surplus despite a huge trade deficit. Furthermore, they helped decrease the poverty rate from 42% in 1995/96 to 31% in 2003/04. More than 1.2 million people are working overseas.[3] A slow-down of the construction and service sectors in the Middle East, a major source of remittances, and in countries such as South Korea, Malaysia and Japan, will reduce demand for Nepali labour abroad. Since over 34% of households receive remittances, an increase of over 80% since 1994/95, their decline could affect progress in poverty alleviation and potentially lower domestic demand, as households will be more hesitant to spend money due to declining income. The balance of payments surplus will go down.

The global slow-down and recession in developed economies will also affect exports, foreign investment and overseas development assistance as well as the service industry, which contributed 50.9% of GDP in 2007. In terms of merchandise trade, about 80% of Nepal's readymade garments are exported to the United States. Germany is the largest market for its carpets. Delayed financial recovery in these countries is likely to have a negative impact on the country's export trade.[4] The Confederation of Nepalese Industries recently estimated that the manufacturing sector would incur a loss of USD 256.16 million.[5] A further downward spiral in demand in the already distressed garment and textile industry, combined with the continued decline in global prices of key exported commodities, could result in the total loss being much higher.

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



The crisis will also have a significant impact on the tourism sector. Europe accounts for 25.7% and the US for 5.9% of the total tourist arrivals. As the Western financial crisis steadily worsens, potential tourists are likely to postpone or cancel travel plans. By working with the Government and launching promotional packages, the Hotel Association of Nepal is hoping to entice about a million tourists in 2010; however if the global economic slow-down continues, this dream seems unachievable.[6]

There will also be downward pressure on the total foreign exchange reserve held by the Central Bank. It will try to tame the inflation rate, currently over 13%, by raising interest rates. Even the banking system may be in trouble if the vibrant real estate market slows down.[7] Meanwhile, the aid industry will not be spared from the crisis. NGOs in Nepal receive funding from corporate donors, governments and large foundations in the West. Reduced funding will force these organizations to scale back development initiatives. This will have a negative impact on the fight against poverty and other development challenges.[8]

Environmental crisis

Global warming resulting from climate change, to which Nepal is a minimal contributor, also threatens to melt Himalayan snow and glaciers, thus rendering the glacial environment unsafe for humans. A recent analysis from the Department of Hydrology and Meteorology shows that the country faces an annual average temperature rise of 0.06ºC. Continued warming has affected the Himalayan ecology, including snowfall patterns and ice melting – most substantially in terms of glacier retreat and significant increases in the size and volume of glacial lakes, making them more prone to Glacial Lake Outburst Flooding (GLOF). There are at least 20 lakes in the mountainous region at risk, and there is growing concern that an earthquake or excessive precipitation could prompt GLOF, washing away settlements and destroying infrastructure such as hydroelectric plants, roads and bridges along river basins.[9] More worryingly, melting Himalayan glaciers could have a huge impact on water resources and fluvial ecological systems across South Asia.[10]

In addition, rainfall patterns seem to have changed quite dramatically over the last few years. It is no longer easy to predict when the monsoon rains

1 The end of the Communist Party of Nepal (Maoist)-led rebellion in November 2006, followed by the institution of a new Government in May 2008, has not brought violence to a complete end yet.

2 Sapkota, C. "Impact of Global Financial Crisis on the Nepali Economy." *República,* 2 December 2008. Available at: <www.myrepublica.com/portal/index.php?action=news_details&news_id=99>.

3 Parajuili, K. "Nepal Fears Global Financial Crisis, Looks to China." Available from: <www.asianews.it/index.php?l=en&art=13574&size=A>.

4 Pyakuryal, B. "A Matter of Life and Debt", 2008. Available from: <www.kantipuronline.com/columns.php?&nid=165540>.

5 "Impact of Global Financial Crisis on the Nepali Economy."

6 Singh, M. "Global Financial Crisis: Its Impact." *The Rising Nepal,* 2008.

7 Adhikari, S. (2009). "Global Economic Crisis and Nepal." *The Rising Nepal.* 2009.

8 Sapkota, C. "Constraints to Industrial Sector Growth in Nepal." Available from: <www.sapkotac.blogspot.com/2009/01/constraints-to-industrial-sector-growth.html>.

9 ICIMOD. "The Melting Himalayas: Regional Challenges and Local Impacts of Climate Change on Mountain Ecosystems and Livelihoods." Technical Paper. Kathmandu: International Centre for Integrated Mountain Development (ICIMOD). 2007.

10 *Ibid.*

will come and how long they will last, and crop yields are being reduced. In 2006, farmers had to replant their rice crop as the rains stopped abruptly. And this second sowing ended badly as heavy rains fell during the harvest, damaging the crops. The monsoon floods of 2008, which can also be attributed to global warming since flooding was due to melting snow from the mountaintops, displaced over 180,000 people.

Energy crisis

Nepal is the second richest country of the world after Brazil in terms of fresh water resources. It has the potential to produce 82,000MW of hydroelectricity, and the production of half this quantity is technically feasible. However, so far only about 1% of Nepal's hydroelectric potential is being tapped and in 2008 and 2009 the country experienced the worst electricity crisis in years. A chronic imbalance between energy consumption and energy resource endowment has been created. Every year, demand for electricity increases by 10% whereas production remains constant. The mismatch between the demand and supply forced the Government to declare a national power crisis in December 2008.

The Nepal Electricity Authority then imposed 12-hour daily power cuts. As the dry season approached in early 2009, power cuts increased to up to 16 hours per day. As a consequence, productivity in the industrial sector has declined by at least 50%. The lack of power is putting several small and medium-sized enterprises (SMEs) out of business. These SMEs not only produce final goods and provide employment but also supply intermediate goods to larger firms. The shortage of power has also seriously affected other businesses, with several domestic jute mills, local FM radio stations, cyber businesses, paper factories, hotels and tourist spots going under. People are increasingly using diesel fuel, the supply of which is erratic as it is imported.[11] In the rural areas there has also been pressure on the forests, due to the lack of alternative sources of energy.

Food crisis

Nepal is listed among 16 "hunger hotspot" countries with the world's most serious problems of food insecurity.[12] The years of conflict have deterred investment in agriculture. Some 69% of the population depends on agriculture, many of them subsistence farmers on small plots of land, but the "green revolution" has not achieved substantial results among the peasantry. Falling productivity has removed the status of self-sufficiency in food that the country once enjoyed.

The World Food Programme is currently providing food assistance to 2.7 million people. The situation was greatly aggravated during 2008, not only by rising prices but also by India's decision to suspend exports of rice on which Nepal depends. Conflict and frequent natural disasters have added to the problem. UNICEF calls malnutrition the cause of 60% of child mortality,[13] and the World Food Programme estimates 41% of the population is undernourished.[14]

The widespread dependence on subsistence agriculture underlies many problems of environmental degradation, in particular the depletion of forest resources, which in turn leads to loss of biodiversity and desertification. Survival strategies, the knowledge of the poor and sustainable livelihood options need to be linked.

Political and social crisis

The current coalition Government faces several challenges. It is tasked with establishing a lasting peace, institutionalizing democracy by drafting a Constitution for the Federal Democratic Republic of Nepal, and setting up a federal system of government acceptable to most, if not all, sectors of society. However, delayed action on these tasks has left room for multiple problems. Several splinter armed groups have emerged in different parts of the country and more are in the offing. Their daily abductions, extortions, killings, lootings, thefts, strikes and skirmishes have further destabilized the country and are a big threat to the newly established democracy.

Gender impacts of the crises and the role of civil society

The impacts of the diverse crises will affect both women's and men's livelihoods. With changes in climate, traditional food sources become more unpredictable and scarce. Women's livelihoods are more dependent on the natural resources threatened by climate change, which can cause loss of harvests, often their sole source of food and income. When the land is inundated, roads and houses are damaged. Much of the burden of caring for people migrating from the flooded areas falls on women. The exacerbation of existing water shortages affects women in particular as they are traditionally responsible for water collection in their communities.

Large sections of the population continue to be exposed to civil unrest, limiting access to food and social and economic services. This means increased hardship, especially for women, whose property rights are not guaranteed and who lack equal access to resources and employment.

Civil society organizations operating at local and international levels can play a significant role in helping to disseminate the message of the gendered effects of the crises through advocacy, lobbying and campaigns. In particular, they can advocate for the integration of a gender perspective in the Government's development plans, and in the negotiation of adaptation and mitigation strategies in order to reduce the vulnerability of Nepalese women and men. ■

11 Hassan, M. "Nepal Heading Towards a Dark Future: Needs More Electricity." Available from: <www.southasiabiz.com/2008/02/nepal_heading_towards_a_dark_f.html>.

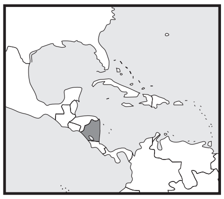
12 Shamsuddoha, M. et al. "Revamping Policies for Attaining Food Security in the LDCs." Geneva: INSouth Centre. Available from: <www.insouth.org/>.

13 See <www.unicef.org/infobycountry/nepal_nepal_background.html>.

14 See <www.wfp.org/countries/nepal>.

■ NICARAGUA

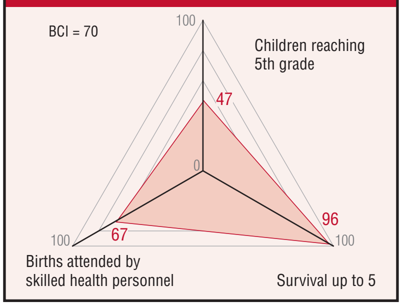
A major change of course is needed



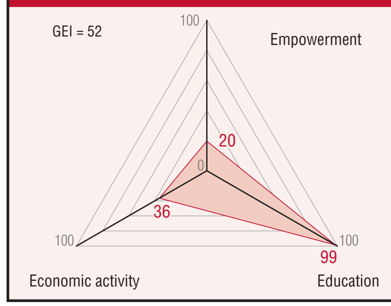
In Nicaragua, the fall in income from exports and remittances is already beginning to make itself felt and is having a tangible effect in terms of higher unemployment and increased poverty. In the short term, to limit the impact of the crisis, the government should increase public sector expenditure and thus stimulate economic activity and employment, even though these measures alone do not attack the country's main problems. A major change of direction and a complete overhaul of the current growth model are urgently needed. Agriculture is very backward and must be revived, and a major effort to recapitalise the country's human capital is essential.

Comisión Económica de la Coordinadora Civil
Dr. Adolfo Acevedo

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



The current international economic crisis is not only the most serious and severe since the Second World War but also the most synchronised in the sense that although it first began in the developed countries it is now affecting the economies of every region in the world at the same time. In 2009, for the first time in more than 60 years, the world's economy will have negative economic growth. The International Monetary Fund (IMF) has announced negative growth (-1.3%), and the OECD has stated that world trade will contract by 13.2%. The crisis is expected to cause the loss of 50 million jobs worldwide[1], and it is predicted that 200 million people will sink into poverty. The World Bank has announced that more than 400,000 children could die from avoidable causes as a result of the crisis.[2]

In Nicaragua in the short term, the crisis will probably affect the growth of two crucially important areas of the country's economy, namely exports and family remittances, and it will lead to increased unemployment. Between January 2008 and March 2009, a net total of nearly 20,000 jobs were lost in the export-processing zones alone.

Presumably the impact of the international economic crisis will be reflected in a considerable loss of dynamism in aggregate demand. This in turn will cause a serious slowdown in the rate of growth of production and employment, and there is the inherent risk that the country might slide into recession. Various projections about Nicaragua's economy show that to a greater or lesser extent the main components of aggregated demand will decelerate markedly in 2009.

The reduction in exports of goods and services, in the flows of family remittances and in internal and external credit, added to liquidity problems and increased uncertainty, will probably translate into strong recessive pressures that, with varying degrees of intensity, will affect many sectors of the country's economy. The slowdown in the rate at which aggregate demand is growing could translate into a GDP growth rate of only 0.5%, but this is the most optimistic scenario, and it is far more likely that there will be negative growth (-1%).

Falling exports and remittances

The production of goods and services for export has been the main driving force behind Nicaragua's economic growth, but on the other hand goods and services for the domestic market have hardly grown at all in the last fifteen years. Moreover, Nicaragua's exports are heavily dependent on the United States. Before 2008 this accounted for 26.7% of the country's GDP, but this market has been severely battered by the crisis and by March 2009 exports had shrunk by nearly 19%.[3]

In 2008, family remittances amounted to USD 807 million or nearly 13% of GDP, but by May 2009 they had fallen 4%.[4] Four out of ten families in Nicaragua receive remittances, and 60% of this flow comes from the United States. Remittances provide an essential social cushion in the Nicaraguan economy, and it has been estimated that without them the rate of poverty would increase by four percentage points.

Unemployment and poverty

According to the ECLAC, the unemployment rate increased from 7.5% in 2008 to between 7.8% and 8.1% in 2009, and the informal market expanded. This rise means that up to 1.8 million people have been added to the 1.6 million who were already unemployed.[5] This, in turn is reflected in the fact that there is less employment and it is of worse quality. The loss of formal employment means that more and more people are losing the benefits of social security protection, which affects not just the main recipients but also their dependants.

It is difficult for people who lose their jobs in the formal sector to find another in the same part of the economy, as this sector is shrinking at an alarming rate. The poor cannot afford the luxury of remaining unemployed, so they will probably drift into employment or sub-employment in the informal sector. But this sector has to absorb not only these new unemployed but also most of the young people who join the economically active population, so it will become saturated and income per person will fall. Poverty and extreme poverty levels are already very high and they will increase still further, so the social fabric will deteriorate even more.

In Nicaragua, income is very unevenly distributed (Gini rating: 0.56). Population groups in the lowest reaches of the income distribution scale benefit less in phases of economic growth and they tend to suffer more from any adverse shock that occurs. People in the poorer sectors of the population do not have savings or assets to fall back on to alleviate the impact of economic hardship and carry them through difficult times, and the crisis could rapidly push many of them below the extreme poverty line or even into indigence.

In all likelihood, as unemployment increases various ways of generating income will emerge in the informal economy. These will take the form of small-scale and family undertakings as a survival strategy, and more people will seek ways to become self-employed. These strategies could make for a considerable increase in unpaid work by members

1 See: ILO *World Employment Trends, 2009*. Available at: <www.ilo.org/wcmsp5/groups/public/—-dgreports/—-dcomm/documents/publication/wcms_103599.pdf>.

2 See: <www.gara.net/paperezkoa/20090322/128371/es/El-BM-compara-profundidad-crisis-actual-Gran-Depresion>.

3 See: <impreso.elnuevodiario.com.ni/2008/10/14/economia/87227>.

4 See: <www.remesasydesarrollo.org/estadisticas/remesas-familiares-hacia-nicaragua-siguen-cayendo-por-recesion-economica>.

5 See: <mpreso.elnuevodiario.com.ni/2008/12/19/economia/91815>.

of the family, and the main weight of this will fall on women and children. But employment in small-scale and family undertakings will in turn become saturated so per capita income in households that depend on these jobs will fall even more, in a scenario in which the levels of poverty associated with this kind of employment are already very high.

To make matters worse, in 2007-2008 food prices increased sharply and this had a cruel impact on the poor, as it severely restricted their access to food and aggravated their situation. In the twelve months up to December 2007, the price of food index jumped by 24.9%, and up to December 2008 it rose by another 22.5%.

This worsening food access situation has not only affected the urban poor, some 93.8% of whom (according to the FAO) are net purchasers of food, but has also impacted on the rural poor, of whom 73% are also net buyers. The worsening economic straits in which many households find themselves could hamper their access to food even more, and exacerbate the problem of hunger in a country in which 22% of the population are already undernourished.

Women are affected more

Women as a population group are particularly vulnerable to the effects of the crisis. According to the National Institute of Information about Development (INIDE), some 71% of working-age women in rural areas and 58% in urban areas are not in the workforce and therefore do not have their own sources of income. In many cases, low household income means that women are overloaded with work at home, trying to produce the goods that the family can no longer afford in the market.

Of Nicaraguans who are employed, some 86.5% work in services (35.8%), trade (32.3%) and manufacturing (18.4%), and these sectors are vulnerable to the adverse effects of the crisis in terms of unemployment or jobs becoming precarious. In fact, job losses in the export-processing zones have impacted more on women than on men.

Measures to contain the effects of the crisis

What is mainly needed to contain the adverse effects of the international economic crisis is to counter the slowdown in aggregate demand or total expenditure oriented to the acquisition of goods and services at the domestic level. When it comes to putting a brake on trends leading towards recession, the instrument that governments most frequently have recourse to is to increase money and credit in the economy to stimulate consumer spending and investment and to attenuate liquidity problems. This policy would mean that the central bank could (1) lower the official reserve limit (the legally stipulated level of reserves), (2) re-purchase bank bonds that have been placed on the open market, or (3) lower the discount rate for credit lines for the financial system.

In any case it will be essential to make credit more easily available to support banks that could eventually run into liquidity problems – due for example to the withdrawal of their foreign sources of finance – or to enable banks to provide assistance for enterprises with liquidity problems. In an extreme case, the central bank could even assist banks with solvency problems to recapitalise. In no way would this be privileged treatment for the financial sector, it would mean underpinning the financial system because instability in that sector could have extremely severe repercussions in the economy as a whole. Bear in mind that the current world crisis began with a "simple crisis" in the financial sector.

Up until now the most important measure the Government has taken was to obtain a contingent credit line with the Central American Economic Integration Bank (BCIE), and this will be utilised if some Nicaraguan banks eventually find themselves in financial difficulty.

Another aspect of the problem is that the banks would find it hard to expand their credit operations aggressively in a context of such weak and uncertain prospects in the various sectors of the economy. In fact, bank credit tends to be pro-cyclical, that is to say it tends to behave restrictively when the economic situation is deteriorating, which causes the downslide to worsen even more.

The logical course of action to put a brake on the shrinkage in aggregated demand caused by falling private consumption and investment would be to increase public expenditure. This is part of aggregate demand, just as private spending is, and as such it would serve to stimulate economic activity and employment. But if the opposite course is taken, if public spending is reduced instead of increased, the recession will get worse. In other words, reducing public expenditure is pro-cyclical.

The most effective option to counteract this dramatic slowdown in demand would be to implement a public investment package sufficiently extensive to compensate for the shortfall in growth in the other components of aggregate demand. This is what governments all over the world are doing.

What is needed is an aggressive programme of public investment in basic infrastructure that matures rapidly, such as the repair and maintenance of roads and improvements to the road network, the expansion and improvement of the potable water distribution and sanitation systems, the expansion of the energy supply grid, and the maintenance, repair and construction of new classrooms, housing, etc. In addition there should be a programme to improve productivity in small and medium economic units, in rural as well as urban areas. This wide-front approach would yield various benefits as it would not only help to counteract or at least attenuate the impact of the crisis, but it would also stimulate the creation of new assets and capabilities that would make a contribution to the future development of the country. These investments would constitute prerequisites and provide basic foundations for the development process.

It is also essential to take all possible steps to protect current levels of expenditure in the basic priority area of human capital, which means especially in education, health care services and access to essential medicines and nutrition, and to expand expenditure on social protection, which ought to function as a cushion against the worst effects of poverty when there are adverse fluctuations in the economy.

Long term measures

However, it is not enough merely to tackle the negative impacts of the crisis in the short term. It is vital to initiate a change in the direction the country is going, to decisively overcome the extreme backwardness and state of abandonment that agriculture[6] and rural areas have fallen into, and to re-orient today's growth model and invest on an unprecedented scale in human capital and basic infrastructure. We propose a major national effort to achieve, within a strict time frame, a series of basic goals:

- To eradicate adult illiteracy. By the proposed deadline 100% of the population over 15 years old should be literate.
- To achieve universal pre-primary education coverage, raising net enrolment among children aged 3 to 5 to 100%.
- To achieve a net primary school enrolment rate of 100%.
- For at least 80% of children who enrol in the first grade of primary education to complete the whole basic education cycle.
- To achieve a net secondary education enrolment rate of 75%.
- To achieve a significant improvement in the quality and relevance of education at all levels.
- To raise average schooling in the country to 9 years within the set deadline. ■

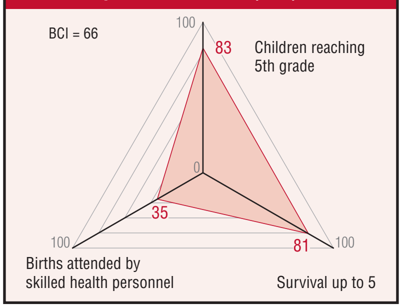
6 Agriculture accounts for 21% of the gross added value produced by the various sectors of Nicaragua's economy, it employs around 30% of the country's employed workforce, and it generates more employment than any other single sector.

Deepening plight

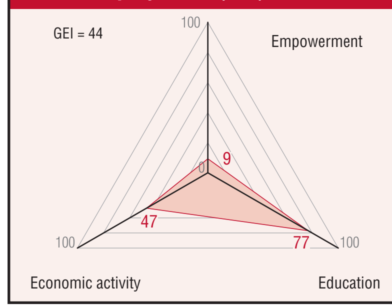
The majority of Nigerians have been living for a long time in a situation of economic meltdown. Corruption is widespread, the country lacks electricity, education and health are in a deplorable condition, and the armed fight for the control of oil resources continues to be intense. The global economic crisis has further deepened the plight of the poor. Experts underscore that the country should take measures to curtail its dependence on crude oil and address the poor implementation of annual budgets.

Social Watch Nigeria
Luke Chukwu
Judith Ogunniran
Ray Onyegu[1]

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



More than 90% of Nigerians have been dealing with the economic meltdown for many years, and their plight has worsened since the present Government came to power. With the total collapse of public infrastructure – such as roads and electricity – and widespread corruption, life has become an unending story of want, destitution and fear. Nigeria is on the brink of qualifying as a failed state.

Corruption

Every day the electronic and print media report cases of Government officials looting public funds and transferring the money overseas. According to former World Bank President Paul Wolfowitz, more than USD 300 billion were stolen over some four decades and stashed in foreign banks.[2] It has been suggested that if the United States, with its trillion dollar national budgets, can send its Secretary of State, Hillary Clinton, after USD 14 billion of tax-evaders' money in Switzerland, there is no reason for Nigeria to ignore calls by Nobel laureate economist Joseph Stiglitz and United Nations officers to go after billions of naira, the national currency, in foreign banks.[3] Instead of doing this, however, there is talk of borrowing more money and going back into the debt trap to fight the economic crisis.

Electricity

Nigeria needs to generate a minimum of 10,000 megawatts a day to ensure the distribution of regular power supplies. However when the current Government came into power in 2007, it was generating only 3,000 megawatts of electricity daily. Two years down the line, this has dropped to less than 1,500 megawatts. The consequence is darkness all over the country. In the absence of a regular and uninterrupted power supply, businesses are collapsing. The industrial sector has practically become extinct. Unemployment is holding sway. According to a front-page report in *The Guardian* newspaper, the Government is taking another USD 600 million loan from the World Bank to improve the power supply situation.[4] Problems arising from this are many. For example, there is no guarantee that the loan will not end up in the foreign accounts of government officials; and the electricity project is a long-term one, while the needs of the people are immediate.

Education and health

University lecturers are embarking on repeated strikes in 2009 to draw attention to the deplorable state of the education sector. They complain about, among other issues, lack of teaching facilities, the total collapse of infrastructure such as electricity and housing, and the Government's high-handedness in dealing with their requests for improvements. The situation at the primary and secondary levels is not different from that in tertiary education. Senior government officials and politicians send their children to schools and universities abroad. After their schooling is completed, those who study abroad refuse to return to the rot at home.

Hospitals and health facilities have turned to mortuaries; they are places where the sick go to die. Government officials and politicians go overseas to treat their medical problems. The mass exodus of doctors and other health professionals to Europe and the US, where there are better working conditions, has been taking place for several years. Hospitals and other public health facilities lack drugs. Where medicines are available, they are fakes. The efficient, privately owned health facilities are unaffordable for the poor majority.

Armed conflict in the Niger Delta

The armed conflict between government forces and militant separatists in the Niger Delta region, over control of the oil that generates 95% of Nigeria's oil wealth, does not give any sign of slowing down. The militants are kidnapping foreign workers and blowing up pipelines and other facilities belonging to the oil companies. Several companies, including BP-Shell, are closing down their operations in the region. There are fears that at the rate at which oil production is declining, the Government may not meet its targeted revenue. The result will be more poverty and death.

Poor implementation of annual budgets

During a Roundtable on the business and economic outlook for the 2009 fiscal year and review of the 2009 budget, organized by the Bureau of Business Information (BBI) in Lagos in January 2009, experts painted a gloomy economic picture for Nigerians. The panellists included the Chief Executive Officer of Economic Associates, Dr. Ayo Teriba; the Director of Research, the National Economic Intelligence Committee (NEIC), Mr. Weneso Orogun; and renowned economist and senior member of

1 Luke Chukwu is Chairman of the Governing Board, Social Watch, Nigeria/Senior Lecturer in Accounting, Imo State University, Nigeria; Judith Ogunniran is Deputy Chair, Governing Board, Social Watch, Nigeria/Executive Director, Women and Youth in Africa; Ray Onyegu is National Coordinator, Social Watch, Nigeria/Executive Director, Socio Economic Rights Initiative.

2 Ojiabor, O. "Corruption Has Ruined Nigeria – APRM report." Economic and Financial Crimes Commission, 2008. Available at: <www.efccnigeria.org/index.php?option=com_content&task=view&id=110&Itemid=37>.

3 Onuorah, M. and Okwe, M. "World Bank Gives Nigeria $600m for Power." *The Guardian*, 18 June 2009. Available at: <www.ngrguardiannews.com/news/article01//indexn2_html?pdate=180609&ptitle=World%20Bank%20gives%20Nigeria%20$600m%20for%20power>.

4 Stolpe, O. Senior Project Manager of the United Nations Office on Drugs and Crime (UNODC) speaking at a press briefing on "Non-Conviction Based Forfeiture of Proceeds and Instrumentalities of Unlawful Activity Bill". Abuja, 20 May 2009.

the Lagos Business School Academic Faculty, Dr. Doyin Salami. Besides the global economic crisis, they listed poor implementation of the yearly budgets as a major contributing factor to the slow growth of the economy over decades. According to the experts, the question is not whether there is increased economic hardship and poorer quality of life for the average Nigerian, but how long this situation will last.

Orogun described it as scandalous that the utilization of capital projects by the third quarter of 2008 was 33%. He wondered why the Ministry of Transportation had only utilized 42.3% of its allocation in 2008, refunding some USD 420 million to the Treasury, given the poor state of the transport sector, especially roads. Indeed, in September 2008, only 10 ministries had utilized more than 50% of their capital releases. Orogun attributed the situation to weak technical capacity to implement budgets, inefficient budget monitoring and corruption.

Teriba, who was the guest speaker, said the global meltdown would mean not only reduced global demand for goods and services but also a sharp decline in global commodity prices as manifested, for instance, in the drastic reduction in the price of crude oil. He also said there would be credit scarcity and high interest rates with attendant multiplier effects. In specific terms, he presented a scenario in which local banks would find it very difficult to give out loans and, if they did, the interest rate would be very high. This would add to the prevailing high cost of doing business in the country, which would worsen the plight of the industrial sector and indeed virtually all business operators. In addition, the expert said industrial firms and other companies would also experience less demand for their goods and services due to the reduced purchasing power of Nigerians. These would invariably translate into loss of wealth, job cuts and other socioeconomic problems.

Teriba emphasized that the imminent economic problems would not be solved as early as they should because there seemed to be no capacity to manage the situation, although he believed that the Government could still mitigate the effects of the global meltdown by doing more to restore confidence in the economy. He suggested that the decision to base the 2009 budget on USD 45 per barrel of crude oil projected a pessimism that sent the wrong signal to stakeholders. In his opinion, since the Government had based the budget for 2008 on USD 59 per barrel, while the price of crude oil had been USD 100, it could base the 2009 budget on a much higher price and use the gains of 2008 to make up the difference.

Salami said hard times awaited Nigerians because of the measures that would be taken by the Government and employers in the face of the global crisis. Decrying the country's dependence on crude oil, he noted that global demand was expected to decline from 85.84 million barrels daily (mbd) in 2008 to 85.66 mbd in 2009, just as non-Organization of Petroleum Exporting Countries (OPEC)-countries were expected to raise supply in 2009 to 51.15 mbd (from 50.57 in 2008). This implied that as revenue from oil dropped, the Government would increase tax enforcement efforts, thereby reducing citizens' disposable income and savings. He emphasized that there would be lean years for those who depended solely on trading, and suggested that one solution would be to identify undervalued assets in the economy and convince people to invest in them.

With this state of affairs, the future is bleak. The global economic crisis has only added to the deplorable living conditions of the poor in Nigeria. This is a very bad scenario that can only get worse. ■

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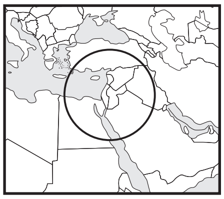
Onuorah, M. and Okwe, M. (2009). "World Bank Gives Nigeria $600m for Power." *The Guardian*, Thursday 18 June. Available at <http://www.ngrguardiannews.com/news/article01//indexn2_html?pdate=180609&ptitle=World%20Bank%20gives%20Nigeria%20$600m%20for%20power>.

Stolpe, O. (2009). Senior Project Manager of the United Nations Office on Drugs and Crime (UNODC) speaking at a press briefing on "Non-Conviction Based Forfeiture of Proceeds and Instrumentalities of Unlawful Activity Bill". Abuja, 20 May.

Poor and imprisoned



Since 1948, when they were turned into a refugee population within their own country and the neighbouring Arab States, Palestinians' living conditions have been grim. Furthermore, since the Israeli military occupation in 1967, colonization and racial discrimination have become common practices of the occupying power. Both the separation wall, on which construction began in April 2002, the closure imposed on the Palestinian territories and the last brutal Israeli attack on Gaza of December 2008 have increased segregation, unemployment and economic recession.

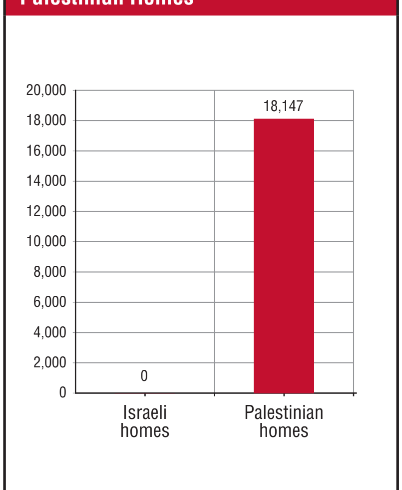
Palestinian NGO network
Allam Jarrar

For more than 60 years the Palestinian people have been deprived of their basic right to self-determination and prevented from establishing their own independent state within which social development could be realized without major external political impediments. Ever since 1948, the year of the *Nakba* (catastrophe), when more than half the Palestinians were expelled from their original lands, the whole process of their development has been shaped by outside forces. The year 1967 witnessed an additional complication as the Israeli military forces occupied the rest of Palestine.

Only instability has grown

The establishment of the Palestinian Authority in 1994 as a result of the Oslo agreements signed in Washington DC gave it responsibility for the socio-economic welfare of the Palestinian population in the areas of the West Bank and Gaza. However, the inability to conclude the peace treaty by 2000 led to the second Palestinian *Intifada* (rebellion) that resulted in a major deterioration in the socioeconomic indicators of the population.

CHART 1. Demolitions of Israeli and Palestinian Homes



Source: <ifamericansknew.org>

According to the 2007 Report released by the World Bank to the Ad-Hoc Liaison Committee, per capita GDP fell from USD 1,612 in 1999 to USD 1,129 in 2006. Moreover, GDP was being increasingly driven by government and private consumption from remittances and donor aid; investment had fallen to extremely low levels, leaving "an inadequate productive base for a self-sustaining economy".[1]

Moreover, the West Bank and Gaza had an expanding labour force and, as result of the unpredictability of the border crossings and checkpoints, the private sector was shrinking. For this reason, public sector employment grew by 60%. While the public sector expanded, the economy's productive capability hollowed out, making it increasingly donor dependent.[2]

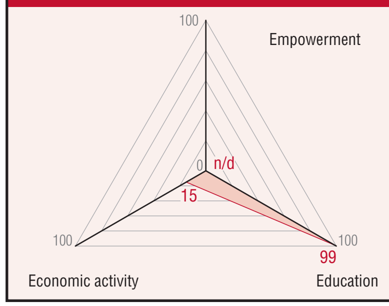
Behind the wall

The Palestinian areas are completely segregated into three major clusters; Palestinians are denied access to Jerusalem. The internal closure regime imposed by the Israeli occupying power over the West Bank and the erection of the separation wall have resulted in deep economic recession and in negative economic growth over the past nine years. In addition, Israel has withheld tax revenues collected on behalf of the Palestinian Authority. This affected the flow and direction of donors' aid by re-directing it into budget support. By preventing any development in Area C (mainly regions to the East and South), Israel stopped donors from directing their aid to nearly 60% of the areas supposedly under Palestinian Authority jurisdiction. This restriction should be challenged by donors, as it is leaving large areas in dire need of assistance.

Increasing poverty

More Palestinians have become poor and more are now at risk of falling into poverty. Surveys conducted for the United Nations Development Programme (UNDP)/Programme of Assistance to the

Gender Equity Index (GEI)



Palestinian People in May 2007 indicate that 58% of Palestinians live below the poverty line, and about half of these, 30%, live in extreme poverty.[3] Furthermore, about 9.4% of the average-sized Palestinian households that are technically above the poverty line (a monthly income of about USD 500–750) are at high risk of falling into poverty if the current socioeconomic conditions continue.

In terms of the negative income poverty trend, the percentage of households below the poverty line rose from 50% in March 2006 to 60% in August 2007, with intervening peaks of income poverty of as much as 68% as measured in November 2006. Poverty in the Gaza Strip is more pronounced, with 71% of households poor in August 2007, up from 52% in March 2006. It is most prevalent and severe in the governorates of Khan Younis and North Gaza. In the West Bank, the share of poor households over the same period appears to have remained essentially stable, moving from 49% to 51%; but these figures hide regular peaks of income poverty to over 60%[4] and some governorates in the northern West Bank, such as Toubas, Salfit, Tulkarem and Qalqilya, show poverty rates similar to the Gaza Strip.

Persistent high poverty rates force many households to rely on coping mechanisms such as drawing on other resources than the main household income. However, underscoring the severity of poverty in the occupied Palestinian territory, nearly 40% of the population no longer

* There are no available data on BCI.

1 World Bank. "Two Years After London: Restarting Palestinian Economic Recovery. Economic Monitoring Report to the Ad Hoc Liaison Committee". 24 September 2007. Available from: <siteresources.worldbank.org/INTWESTBANKGAZA/Resources/AHLCMainReportfinalSept18&cover.pdf>.

2 *Ibid.*

3 UNDP. "Poverty in the Occupied Palestinian Territory 2007". *Development Times*, Issue No. 1, July 2007. Available from: <www.undp.ps/en/newsroom/publications/pdf/other/dtpov.pdf>.

4 See: "The Palestinian Poverty Monitor" and the monthly "Pulse". Available from: <www.neareastconsulting.com>.

have access to these alternative means of coping with hardship.[5]

The last massive attack

An all-out blockade was imposed on Gaza; all entry and exit points were closed; all donor-funded projects were frozen; Gaza was turned into a big prison in which 1.5 million Palestinians were jailed, with only some emergency humanitarian support flowing in. At the end of December 2008, Israel launched an all-out war on Gaza, which lasted 22 days, killed more than 1,400 Palestinians, injured thousands, destroyed thousands of homes, left scores of homeless and practically destroyed Gaza's civilian and security infrastructure. As of this writing, no actual steps have been taken to "reconstruct" Gaza.

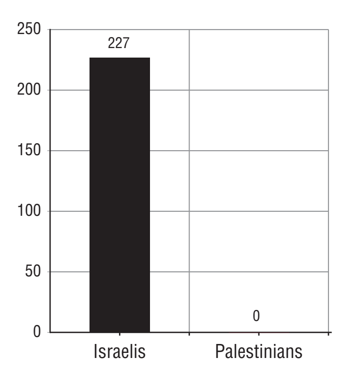
Moreover, the effects of the conflict are not just determined by the number of human losses or of facilities destroyed. As the overall methods of occupation are violent, their impact permeates the Palestinian society socially, psychologically, culturally and economically.

Aid under pressure

As the World Bank reports,[6] aid flows into the West Bank and Gaza "remain fragmented and focused on bilateral arrangements with donors based on short-term political positions rather than a collective, longer-term view on broader economic and governance fundamental". Aid has been reactive and temporary in nature. The aid agenda has been determined less by Palestinian development needs than by the competing political agendas of the main donors. Besides, aid has been focusing mainly on what has been described as state building policies, while neglecting the need to focus on Palestinian society building.

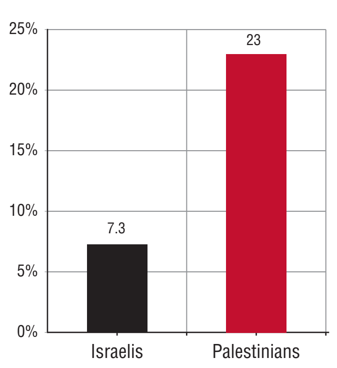
Furthermore, some donors' aid has not been neutral; it has exacerbated internal conflict by supporting one group against the other, by withholding support from factions because of their political positions, or by refraining from funding development projects in compliance with Israeli restrictions and pressures. Development aid dropped from about 28% of total disbursements in 2005 to slightly less than 10% in 2007. In the meantime, "budget support" rose from about 30% in 2005 to nearly 70% of 2007 disbursements.[7] ■

CHART 2. New Settlements Built (March 2001 - July 2003)



Source: <ifamericansknew.org/>.

CHART 3. Israeli and Palestinian Unemployment Rates



Source: <ifamericansknew.org/>.

5 UNDP (2007), *op. cit.*

6 World Bank (2007), *op. cit.*

7 *Ibid.*

Development of an anti-crisis plan

Despite the serious setbacks expected as a result of the international financial crisis, the outlook for Paraguay could be worse. The country has a low level of external debt (due in part to the difficulty of previous governments in implementing earlier loans), a respectable level of international reserves, and an economy largely based on exporting agricultural commodities. A small country such as Paraguay, which produces food and clean energy and has plenty of fresh water and fertile land, has comparative advantages that can and should be strengthened.

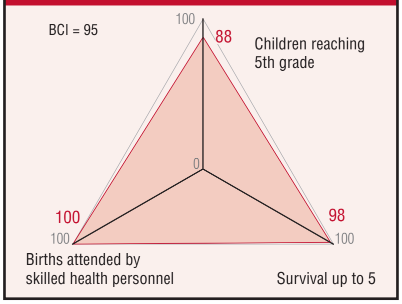
Decidamos (Let's Decide) Campaign
Genoveva Ocampos

At first, the crisis created by the financial disaster in Northern countries was perceived as a remote issue with little effect on Paraguay. However, in the wake of one of the most devastating regional droughts in years, it has become evident that these two disasters will have a major influence on any projects planned by the Patriotic Alliance for Change Government that took office in 2008. They will also hobble the new Government in vital negotiations, such as the attempt to obtain a fair price for the energy that is produced by the bi-national Itaipú dam and used by Brazil.

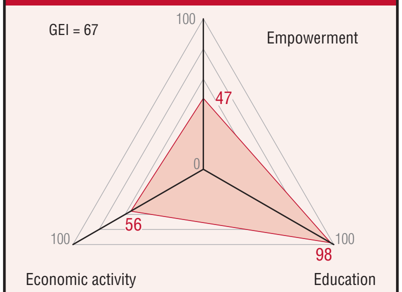
It is still hard to gauge the full impact of the twin disasters and, therefore, to determine what government responses would have any likelihood of success. However, the need to abandon the cruel, opportunistic approach and improvisation of previous governments is clear. The transition involves a process of relearning the art of governance. In the current crisis, the Government must exercise extreme caution in discerning trends and formulating countervailing policies. For example, the 2009 national expenditures budget was based on Government economic projections that have proven to be overly optimistic. In the space of a few months, growth plunged from 5% to 2% and then to 1.7%. Some analysts believe that official predictions are still too rosy, and expect GDP to decline 2%. This would lead to a fiscal deficit, although this is no longer seen as a problem.

A UNDP-UNICEF-UNFPA Report on the Investing in People programme, issued in early 2009,[1] cautioned the Government to take measures to avoid an increase in poverty and extreme poverty in 2009 that would jeopardize the achievement of the Millennium Development Goals. Design problems and appalling management of social programmes, along with a decade of neglect of the rural sector, have helped swell the ranks of the poor by 1 million, according to official statistics. Due to increased unemployment, a fall in income and a reduction in remittances, the proportion of the population below the poverty line soared from 35.6% in 2007 to 40.3% in 2009, while the proportion who are extremely poor climbed from 19.4% to 22.8%—the intermediate target for 2008 was 13%.[2] Some experts fear the current crisis could increase their numbers by another 300,000.

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



Early estimates project 80,000-100,000 jobs will disappear[3] – approximately the number of new jobs Paraguay needs to create each year just to meet the demand for decent employment among rural workers and young people. Currently, 35% of the economically active population is unemployed or underemployed and 70% of salaried workers earn less than the legal minimum wage. Only 15% of Paraguayans have some kind of health insurance. This dire situation is a legacy of the long rule by the Colorado Party, which had supported Alfredo Stroessner's dictatorship.

Soy producers, known as "Braziguayans" because of their origin, were the first to demand State help. Until recently, they had benefited from agricultural mechanization and an export boom that accompanied the global jump in oil prices and expectations generated by the biofuel frenzy. In recent months, however, these producers, the country's most dynamic export sector, have watched while drought, low productivity, a drop in world prices, and the withdrawal of transnational companies that provided financing have shredded their profits. Initially, soy producers asked for financing to cover 50% of their harvest, at an estimated cost of USD 500 million. The sum needed was reduced by half when more precise projections of the cost of refinancing credits and sowing the next crop were available, however even the lower amount was far beyond the available resources of either the Government or the private financial sector. Many organizations also questioned whether this financial support would be the best use of limited public resources at a time when so many sectors need assistance.

Credit was already scarce and expensive by the end of 2008. In the 12 months ending in November 2008, its cost had doubled to around 30%. Interest rates for agriculture jumped 50%, from 10% to 15%.[4] The cost of dollar and long-term loans in areas such as housing are sky high. This has hamstrung economic revival efforts across the economy.

The downturn has squeezed foreign trade as well. Imports of used cars from Iquique, Chile, domestic appliances from China and other goods are down. So are exports, hurt by the drop in consumer demand for the manufactured products (e.g., leather linings for cars) and increasing protectionism in destination countries, particularly Argentine barriers to textile imports. The drought has also played a role. After deferring dredging operations for too many years, the lower water level in the Paraguay River has made river transport more difficult and expensive.

When it proposed the 2009 budget, the Government looked forward to a 25% increase in revenue. A few months later, equalling the 2008 level would be considered a great achievement. In this economy, increasing the overall level of taxation from its current 11.6% of GDP (one of the lowest on the continent) would be difficult. Various proposals have been put on hold, including a minimum tax on extraordinary profits of soy producers (which they vehemently oppose); reform of the agricultural income tax; reassessment of land values (to increase revenues for local governments); and the introduction of a personal income tax.[5]

1 UNDP/UNICEF/UNFPA. "Investing in People programme." Study on the impact of the crisis on poverty indices in Paraguay.

2 *Última Hora*, 17 January 2009.

3 *Ibid.*

4 *ABC Newspaper*, 29 December 2008, 20 January 2009.

5 *ABC Newspaper*, 6 October 2008; *Última Hora*, 18 October 2008

Government response to the crisis

Following a period of doubt and assertion, the Government has been preparing a cautious, phased, realistic anti-crisis strategy based on rationalizing and reinforcing available resources.[6] This strategy is being implemented in four phases:

Phase 1, beginning October 2008

Introduction of monetary measures to ensure the liquidity of the banking system and fiscal measures to streamline expenses and increase income. These measures include:

- Conditional reduction of legal reserves required on deposits, whether in the form of guaraní (the Paraguayan currency) or dollars. This is expected to motivate banks to capture long-term savings and free up resources to finance or refinance productive loans.
- Reduction of interest rates on instruments of monetary regulation so that banks "make their money work"; that is, increase the amount of credit they offer.
- Central Bank support for the guaraní when the dollar began appreciating. This has had both positive and negative effects: it penalizes importers but can help exporters. In addition, devaluation of the guaraní could make debt payments more expensive.

Phase 2, beginning January 2009

Introduction of an expansive fiscal policy. The plan is to implement an expansive budget, with increased spending on public works (paving roads, building bridges) and social policies intended to create employment and protect vulnerable sectors from the crisis. Initial estimates envisioned a budget deficit of USD 300 million. The Government made a commitment to regularly review stimulus expenditures; both budgetary increases (public works of around USD 100 million to 200 million) and conditional transfers (involving between 17,000 and 120,000 beneficiaries).

Phase 3, beginning February 2009

Introduction of measures to satisfy the financial and credit needs of productive sectors. The strategy is to strengthen the Financial Agency for Development credit portfolio, with the goal of generating more opportunities for medium- and long-term refinancing and public financing for small and medium producers. State spending will give priority to domestic production.

Phase 4 (in design stage)

Multilateral contingency credits. Some of these are already under review. Others have preliminary approval or will be submitted to Parliament. These credits, allocated to roads and production (Inter-American Development Bank), as well as agricultural production and water (World Bank), will require a review of methods of awarding public/private contracts, as well as improvements in budgetary implementation.

6 *Última Hora,* 31 January 2009.

In developing the Anti-Crisis Plan for parliamentary consideration, the Government has expanded its discussions with various sectors of society– political and parliamentary parties, private sector representatives and civil society organizations. Even so, it has not won unanimous agreement on either the value of the proposed measures or their likely effectiveness in mitigating the impact of the crisis. Some groups argue that the plan must be implemented in any case, since it will fund loans that have already received commitments or where approval has been delayed. Others feel that final decisions on the contingency loans from multilateral banks should be contingent on a thorough review of their beneficiaries and cost, as well as how effectively they reinforce public expenditures.

To complicate matters, new demands for government financing are springing up, though they are difficult to justify and/or satisfy. For instance, wage increases were requested by public service unions in 2008, echoing demands of private sector workers, in addition to the soy producer pleas for immediate refinancing and soft credit. Longstanding demands for land, food self-sufficiency and revitalization of the rural economy are also resurfacing in the countryside.

The controversy among interest groups is heightened by opposition to conditional cash transfers to the most vulnerable sectors voiced by business entrepreneurs and opportunist politicians. These transfers are more generous and available to more people than under the previous administration, which increased competition for them and complicated access. Conditional transfers are justifiable in "exceptional times" and until better alternatives can be introduced. However, they are not a panacea nor are they easy to allocate fairly, since it is hard to discriminate between the poor and the destitute based on income alone, and everybody is affected by inadequate education and public health services characterised by low coverage and/or poor quality. Furthermore, Paraguay's transfers will not be sufficient, and their effective implementation will depend on the Government's ability to deal with issues of method and measurement, as well as all kinds of local pressures.

The Government still has to develop the political will and strategy it needs to build a parliamentary majority in a country where political parties are floundering in a crisis of leadership, mediation and representation. Its primary challenge is to neutralize the retrograde forces in Colorado Party, which has already announced its intention to ignore the anti-crisis plan; this could lead to a parliamentary boycott.

The civil society response

The first sectors to complain about Government policies were those that had benefitted from the prior Government's neoliberal policies and market integration: agro-exporters, industrialists, importers and advertising executives. With few exceptions, business sectors have limited themselves to demanding more information on the scope of the crisis and voicing complaints, rather than suggesting alternatives. They also make excessive demands, which are quickly seen to be illegitimate. The soy producers, for example, insisted that the Government not only to cover their losses, but also provide enough funding to maintain their level of production and profit through public subsidies. They earned extraordinary profits in the previous cycle, thanks in part to speculation in the future market for agricultural commodities that accompanied the promotion of biofuels in many countries.[7] This is a sign that the crisis could lead to an impasse or to the reinforcement of earlier resource allocation plans that should really be replaced.

The irresponsibility and myopia of the right-wing opposition is leading it to oppose the anti-crisis plan, simply to damage the new centre-left Government. At the other end of the spectrum, demands of worker and peasant organisations could be manipulated by left-wing parties inside and outside the Government, or by elements of the media that want to confuse the public for their own reasons.

Some groups denounce the anti-crisis proposals as neoliberal measures that will lead to damaging and unnecessary foreign indebtedness or benefit banks, international finance and the rich. However, this is not the time to allow ideological considerations to prevent efforts in dealing with a critical situation that is largely a legacy of poor public administration and unresolved structural issues, which will become increasingly important in the future.

Civil society organizations such as the Coordinating Committee for Child and Adolescent Rights and Decidamos (Let's Decide), which have formed the Alliance for Investment in Childhood and Adolescence, contribute to publicizing the effects of the crisis on vulnerable children and adolescents and offer specific proposals in policy debates on the issue.

An anti-crisis plan might not be an ideal solution, but it is necessary. Given the country's previous record in planning, just putting it into practice would mean progress. Its success will depend on a thorough understanding of inherited problems, as well as those emerging in this new, chaotic and unpredictable era. In any event, the crisis could provide the impetus to economic, social and environmental reforms and strengthen the State's administrative capacity and ability to take control of the country's future. This, in turn, could facilitate greater participation of civil society in the public sphere. ■

7 Grassroots International, Letter to President Obama: financial market speculation in food production. Available from: <www.grassrootsonline.org>.

The workers' proposal

The Government's economic stimulus plan for tackling the crisis adds USD 3 billion to this year's budget, which the Government will spend – in partnership with private-sector employers – on housing construction, financing for the export sector, and social welfare programmes. The trade union confederation has issued an alternative plan designed to maintain economic expansion and job creation, preserve jobs, support the worst-off sectors of society and encourage growth and consumption of domestic production.

Confederación General de Trabajadores del Perú (CGTP)
Support from CEDEP
Mario Huamán Rivera[1]

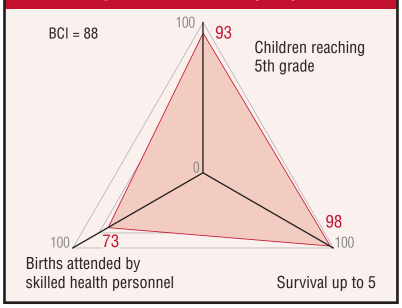
Peru has not been spared from the effects of the global crisis. GDP growth, which reached almost 10% in 2008, but was down to less than 4% in January 2009, according to the National Institute of Statistics and Information Technology. Exports are expected to plunge from USD 32 billion in 2008 to around USD 22 billion this year. The country's President declared that this will lead to 200,000 layoffs, as well as a fall in the purchasing power of wages and savings. The worst affected sectors are the mining, industrial manufacture of non-primary resources, agribusiness, trade and services sectors. Unless the Government responds swiftly and effectively, the downturn will worsen in the second half of the year.

The current official economic stimulus plan adds 10 billion Peruvian soles (PEN), equal to almost USD 3.4 billion, to the 2009 budget. The Government will raise this money by issuing sovereign bonds and spend it, in partnership with private-sector employers, on housing construction, finance for the export sector, and social welfare programmes valued PEN 500 million (USD 169 million).

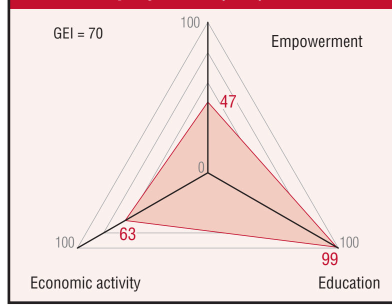
When times are good, workers are typically asked to wait patiently for the benefits of growth; in times of crisis, they are expected to tighten their belts. But counteracting the damage caused by this crisis requires boosting domestic demand by increasing workers' consumption and protecting national production, as well as suspending free trade agreements (FTAs) that leave the Peruvian market far too open at a time of shrinking international markets.

The graph that follows shows the dramatic fall in real earnings among the economically active population of Peru during the period 1970-2006, calculated in Peruvian soles [USD 1 = soles 2.95 in July 2009] per annum. While the average worker was paid 6,000 soles per annum in 1974, by 2006 the average worker was earning 1,700 in real wages, less than a third as much. The slight recovery in the period following the adoption of the neoliberal model in 1990 fell far short of what workers gained during the 1970s, when the State applied a Keynesian model and was actively involved in the economy, trade union organization, collective bargaining and ensuring job security.

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



The CGTP proposal

In response to the crisis, the CGTP, working with a group of economists, has issued an alternative proposal[2], addressed to both the Government and the general public.

Objectives

Instead of allowing a recession to deepen, the country should respond to the crisis by encouraging a new kind of economic growth; by promoting job creation and job security, rather than by accepting mass layoffs. We believe it is possible to stimulate growth that is based on consumption of goods produced domestically and well-balanced exports. State investment should focus on productive sectors of the economy, as well as regions that have sustained massive job losses, with particular attention to the needs of the poorest sectors of society, children and the elderly.

Specific policies

The plan requires Government action in the following areas: fiscal policy, stimulating the domestic market, promotion and protection of decent employment, increasing agricultural productivity and food sovereignty, encouraging small businesses and protecting the poorer sectors of the population.

Fiscal policy

As a counter-cycle measure to provide incomes for poor families who are consumers of national products, the State should boost public spending on infrastructure projects that can be completed quickly and create substantial employment. This stimulus package should be accompanied by the introduction of redistributive tax policies, including direct taxes to finance the proposed measures, as well as an extraordinary tax on the net worth of mining companies and capital gains to compensate for a reduction in tax revenues from other sources. Fuel taxes, which make up as much as 40% of the price of petrol and oil, should be cut. This would lead to reductions in food and transport prices, which would increase both demand and small business competitiveness.

Defending national production to stimulate the domestic market

We propose a special plan for regional investment of public funds, removing bureaucratic barriers while providing mechanisms to ensure transparency in public and private expenditures. Implementation of free trade agreements (FTAs) that affect national production must be suspended. The country should impose tariff and quasi-tariff measures to protect domestic production and Peruvian jobs against subsidized imports. To help rebuild household earnings, we need an agricultural credit and micro and small enterprise (MSE) programme offering reduced interest rates, as well as measures to increase the availability of mortgage credit to people of low or average income. International reserves should be husbanded and the value of the Peruvian sol should be allowed to slide gradually to improve business competitiveness and the trade balance.

1 Secretary General of the General Worker's Confederation of Peru (CGTP).

2 See: <www.cgtp.org.pe>.

Protecting decent jobs

The Government should promote collective bargaining and trade union freedom, along with tripartite commitments, negotiated by workers and employers in each industry and Government in order to maintain employment. It needs to introduce a job retraining programme for workers laid off as a result of the crisis, financed by the Fiscal Stabilization Fund and international development assistance. These workers should also be given temporary unemployment insurance. Tax incentives should be offered to businesses sponsoring job training programmes and investing in technological innovation.

Raising agricultural productivity and defending food sovereignty

The Government should promote a coordinated policy to increase productivity in agriculture and livestock farming. This should include re-establishing price controls, as well as the imposition of anti-dumping tariffs and special taxes on food oligopolies. The Government should also widen access to credit and refinancing for the agricultural sector, and repeal the legislative decrees that facilitate land acquisitions that dispossess peasant and Amazonian communities.

Defending micro and small enterprises (MSEs)

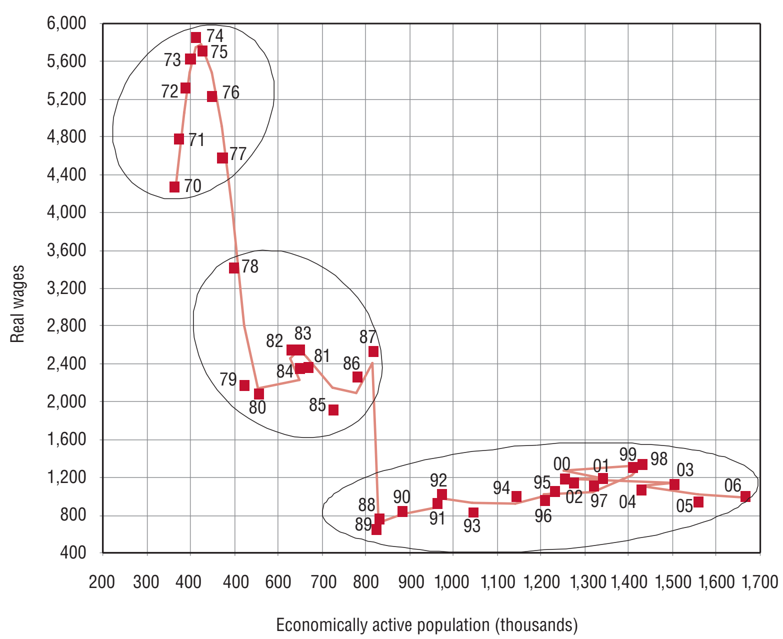
The Government should give preference to MSEs as suppliers and expand financing for these enterprises by increasing the Financial Corporation for Development's allocations to the Fund to Guarantee Loans to Small Business.

Protecting the poorest

Government should launch temporary employment programmes that improve productive infrastructure and basic health, education and nutrition services. It should also provide cash transfers for peasants and poor livestock farmers who are not involved in temporary employment programmes, so they can prevent their land and animals from being auctioned off. In addition, it should provide state pensions for people over 65 years of age who have no income, and introduce a universal health insurance system that guarantees quality care.

The CGTP proposal supports economic integration and trade at the regional and sub-regional level, as well as internationalization of Peruvian companies and market diversification. ■

CHART 1. Lima: Economically Active Population, employed occupied and real wages, 1970-2006 (constant December 2001)



Source: Graph produced by Francisco Verdera, ILO employment specialist in Lima.

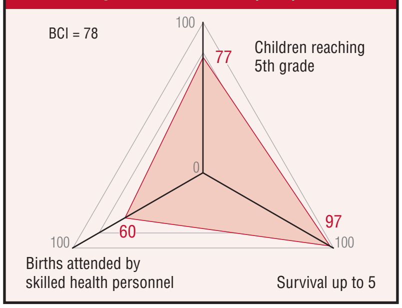
PHILIPPINES

From bad to worse

In the Philippines, economic globalization resulted in the expansion of informal labour, the contraction of local industries and heavy dependence on exports and remittances from abroad while poverty continued to rise due to inequitable distribution of the gains. Today, the global crisis is slowing down remittances while factories are closing. As usual, it is the poor and the marginalized who pay the heaviest cost. A stimulus package that is rights-based, pro-poor and sustainable is urgently needed.

Social Watch Philippines
Marivic Raquiza

Basic Capabilities Index (BCI)



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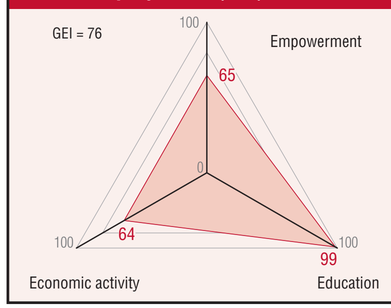


Contrary to assessments by the Government and credit rating agencies that it could withstand the global crisis, the Philippines' outward-oriented economy has made it extremely vulnerable to external shocks. The globalization of production, which resulted in the rapid expansion of informal labour, the contraction of local industries due to global competition with cheap and highly subsidized imports, and heavy dependence on exports and overseas labour markets have brought about dire consequences for the livelihood of most citizens.[1]

In fact, even before the global crisis struck, most Filipinos were already reeling from deteriorating economic conditions. According to the Family Income and Expenditure Survey, household incomes were in decline from 2003 to 2006. Moreover, scores of Filipinos were trapped in low productivity jobs, with below-poverty-line wages and record levels of hunger,[2] as registered by the Social Weather Stations.[3] The Government has finally admitted that poverty rose in 2006 during a time of economic growth, making apparent the inequitable distribution of economic gains. As of June 10, 2009, the Government has downgraded GDP growth targets for 2009 to a low range of 0.8 to 1.8%,[4] compelling National Statistics Coordination Board (NSCB) Secretary to declare that the Philippine economy 'is teetering into recession.'[5]

Remittances and exports

The fall-out from the crisis will be widespread. Remittances, for instance, comprised 13% of GDP in 2007. Filipinos working abroad comprise one tenth of the total population (around 8 million), arguably "the biggest net foreign exchange earner for the Philippine economy".[6] Now, however, the Department of Labour and Employment says that up to 575,000 overseas Filipinos could lose their jobs, particularly in South Korea, Taiwan, Macao, Singapore and Hong Kong, as well as those working on cruise ships. The Bangko Sentral ng Pilipinas [Central Bank of the Philippines] projects remittances will slow down 6–10%.

Export earnings plummeted 40.4% in 2008 compared to the previous year, with electronics declining by 47.6%.[7] Labour officials are nervous at the rising number of factories closing down not only in the electronics sector but also among garment manufacturers and other companies in industrial parks, where more than 108,000 workers were affected by the crisis from October 2008 to March 2009 alone. This includes 50,380 displaced workers and 59,149 workers operating under "flexible" arrangements (such as reduced work hours or forced leave).[8]

Unemployment, social security and food

Filipinos cannot afford increasing unemployment and underemployment. While the unemployment rate stands at 8–10%, underemployment had already climbed to 22% even before the global crisis struck.[9] Indeed, mere employment does not guarantee a decent life: a majority (51%) of the Philippine labour force, composed of 12.1 million farmers and fisherfolk and about 10 million labourers and unskilled workers, are earning poverty-level wages, just like those in the burgeoning informal sector.

A large majority of workers in export processing zones are women. Significant lay-offs or work flexibility arrangements in these zones due to the crisis will therefore mostly affect women, who are primarily responsible for managing households and caregiving. The deepening crisis will place further stress on women as they discharge their multiple responsibilities. Overall, however, male workers comprise the majority of the unemployed (64.1%) compared to female workers (35.9%), since male-dominated industries such as construction and transport have been most affected by the crisis.[10]

Philippine social insurance covers about 84.5% of employed workers. However, the working poor benefit little from social security services, and coverage of those in the informal sector is limited.[11] There is no unemployment insurance and the Government has sidestepped safety nets to address joblessness on the grounds that they would be too expensive. Furthermore, the reach of social assistance programmes for those living below the poverty line is limited, as is the level of benefits. Private social security is also not spared by the global meltdown: the Philippine pre-need industry[12] has already sought

1 Gonzales, E. "Social Protection in the Philippines". In *Missing Targets, An Alternative MDG Midterm Report.* Quezon City: Social Watch Philippines, 2007.

2 Malaluan, N."Dire State of the Nation: The Crisis of Income and Employment in the Philippines". Opinion Section, *BusinessWorld,* 21 August 2006. Available from: <www.aer.ph/index.php?option=com_content&task=view&id=437&Itemid=63>.

3 See: <www.sws.org.ph/>.

4 See: <www.gmanews.tv/story/164624/Philippines-cuts-growth-goals-as-IMF-follows-suit>.

5 See: <archive.inquirer.net/view.php?db=1&story_id=207724>.

6 Pascual, C. "Remittances for Development Financing". In *Finance or Penance for the Poor.* Quezon City: Social Watch Philippines (forthcoming).

7 National Statistics Office. "Merchandise Export Performance". December 2008 (preliminary).

8 Fabros, M. L. "Health Insecurity: A GMA Legacy". In *Missing Targets, An Alternative MDG Midterm Report.* Quezon City: Social Watch Philippines.

9 Social Watch Philippines. *Missing Targets, An Alternative MDG Midterm Report.* Quezon City: Social Watch Philippines, 2007.

10 Alave, K. L "Unemployment Rate Worsens, Hits 7.7% in January". *Philippine Daily Inquirer Online,* 18 March 2009. <www.business.inquirer.net/money/topstories/view/20090318-194715/Unemployment-rate-worsens-hits-77-in-Jan>.

11 *Missing Targets, An Alternative MDG Midterm Report.*

12 Pre-need firms offer plans to provide for future education costs, retirement, etc. As plan-holders' payments are placed in trust funds that invest in financial instruments such as stocks and bonds, they are subject to the vagaries of the market.

Government help in dealing with the reduced value of their trust funds. Unfortunately, mismanagement, greed and regulatory capture have also marred the workings of some pre-need companies and some are reportedly on the brink of collapse, endangering the earnings of thousands of plan-holders.

Food and fuel price levels have eased somewhat compared to 2008. However since many Filipinos are earning meagre incomes, the purchase of goods and services to meet basic needs remains a daunting challenge. As a result of the global meltdown there have been increases in the price of rice, a staple in Filipino households, which means further food insecurity. Indeed, the Asian Development Bank has calculated that for every 10% increase in food prices, 2.72 million Filipinos would slip into poverty.[13] Although the Philippines is a middle-income country, this masks regional disparities: while the capital enjoys high growth levels, child malnutrition in some regions is equal to or even exceeds that of sub-Saharan Africa. This illustrates the high level of inequality in the country; its Gini co-efficient of 0.45 is the 3rd highest in Asia, behind Nepal and the People's Republic of China.

Basic social services, the environment and ODA

The delivery of basic social services will undoubtedly suffer due to the global financial meltdown.[14] The Millennium Development Goal (MDG) target of universal primary education is already the most threatened goal nationally.[15] Many educators are alarmed that students dependent on remittances from relatives and benefactors will not go to school next academic year due to collapsing incomes abroad.[16] Prior to the global crisis, the Philippines was already the worst performing country in the region in terms of infant mortality and maternal mortality rates, owing largely to public underinvestment.[17] Whatever funds that go to health-related MDGs are generally ODA-backed, although whether the aid is going where it is needed most – the poorest communities – requires further investigation, according to advocates of the Alternative Budget Initiative (ABI).[18]

The Government has also relied on ODA to implement environmental legislation such as the Clean Water Act and the Clean Air Act in the last three years.[19] Its spending priority is in mining and forest production (rather than protection) in spite of unresolved issues related to huge mining disasters and widespread deforestation. This means that if ODA significantly decreases as a result of the global crisis, its negative impact will be especially felt in sectors like health and the environment.

Government response to the crisis

The Government has joined the global chorus to "pump-prime the economy" in the form of the now familiar-sounding economic stimulus package. Government is touting a PhP 330 billion (USD 6.87 billion) Economic Resiliency Plan (ERP) to address the crisis. A study conducted by the ABI however, showed that of the PhP 1.4 trillion (USD 29.14 billion) national budget recently passed by both Houses of Congress, only PhP 10.070 billion (USD 208.25 million) in new money will go to an Economic Stimulus Fund (ESF) geared to address the negative impact of the global crisis. Included under the ESF are items such as student loan assistance for college students, technical and vocational skills training for youth, loans and grants to small and medium enterprises, training assistance to laid off workers and returning overseas Filipino workers, construction of school buildings, and the like. While many of these are laudable, one cannot help but question why the bulk of the funds are for tertiary education and none for early childhood, primary and secondary education. Second, the emphasis on re-training for laid off workers is good but there must be greater emphasis on job creation that goes beyond the construction of school buildings. In other words, there is no comprehensive plan to mitigate the effects of the crisis. Most alarmingly, the President has vetoed the special provision on the use and release of the PhP 10 billion (USD 208 million) which effectively subjects it to 'conditional implementation' based on guidelines to be drawn up, ultimately, by the Executive. Given that national elections are coming up in 2010, civil society is concerned that the funds might be used for other purposes.

Frequently bandied about by government officials is an additional PhP 300 billion (USD 6.2 billon) for the ESF, ostensibly to be pooled from Government corporations and the private sector. As of this writing, the proposal remains vague. Many analysts are skeptical about it since much of the funds of Government corporations also come from public coffers. Furthermore, not many pin their hopes on the "charitable spirit" of the business sector, especially in the context of the economic downturn. Even during prosperous times, the Government's revenues were alarmingly below targets due to massive tax evasion by big companies and rich individuals.

ABI advocates are dismayed by the fact that at a time of worsening job insecurity and rising hunger, public officials bloated their pork barrel in the 2009 national budget by billions of pesos.[20] Debt interest payment stands at PhP 302.65 billion[21] (USD 6.3 billion), which constitutes 21% of the 2009 national budget. However the Government will have to raise an even larger amount of PhP 378.87 billion (USD 7.86 billion) to pay the principal component of the debt, which is disingenuously not reflected in the expenditure side of the national budgeting process.[22]

Finally, there is widespread concern that much of public funds, including those in the economic stimulus package, will end up as "political stimulus" instead, going to the electoral war chests of administration candidates preparing for the national elections to be held next year. There is a widely held belief that the Arroyo administration has routinely used public funds to stay in power and that its primordial "governance" agenda has been ensuring its own political survival in the face of growing social and political unrest.

Moving forward

A stimulus package is definitely in order but, unlike the one outlined by the Government, it should be based on a clear national strategy that is rights-based, pro-poor and sustainable that aims at strengthening domestic demand, especially in light of the current economic climate that is hostile to exports. It should place a premium on food security, on job creation by strengthening local enterprises to benefit both male and female workers, and on investment in pro-poor and green infrastructure projects (e.g., construction of a network of irrigation systems, electrification of far-flung villages and developing clean energy) as well as expansion of social and economic security for the poor and unemployed.

In the short term, immediate relief is needed to cushion the worsening effects of the impact of the global crisis on Filipinos. This means ensuring that the ESF goes to where it is meant to: food, income and emergency work relief, as well as to basic social services. Furthermore, the removal of the regressive Reformed Value Added Tax on oil, the implementation of a PhP 125 (USD 2.59) across-the-board wage hike and a PhP 3,000 (USD 62.20) monthly increase in Government salaries will provide some degree of economic relief. Finally, renegotiation of the national debt so that the bulk of the country's revenues go to urgently meeting the basic needs of the people rather than to service the debt requires serious consideration. ■

13 Angara, E. J. "A Gathering Storm". *Opinion, Business Mirror.* 24 November 2008.

14 This report does not include a discussion of the effects and impact of the conditional cash transfer programme on the delivery of social services, particularly in education and health, as it was only piloted in a number of municipalities in 2008. The programme bears watching in 2009.

15 Raya, R. R. "The Missed Education of the Filipino People". In *Missing Targets, An Alternative MDG Midterm Report.* Quezon City: Social Watch Philippines, 2007.

16 GMA TV News. "Educators Brace for Impact of Global Financial Crisis". 4 December 2008. Available from: <www.gmanews.tv/story/137541/Educators-brace-for-impact-of-global-financial-crisis>.

17 In *Missing Targets, An Alternative MDG Midterm Report.*

18 ABI is a broad-based network of civil society organizations monitoring and lobbying for increased social and environment spending in the Philippine national budget. It is anchored by Social Watch Philippines.

19 Ronquillo, J. D. and Morala, R. O. "Environmental Insecurity: The Cost of Misgovernance". In *Missing Targets, An Alternative MDG Midterm Report.* Quezon City: Social Watch Philippines, 2007.

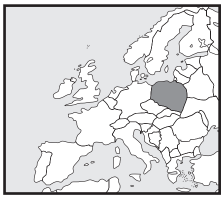
20 2009 General Appropriations Act.

21 This reflects what is included in the 2009 Budget Law and the Presidential Veto Message, which restores a budget cut of PhP 50 billion (USD 1.06 billion).

22 Tanchuling, M. Interview with the Secretary-General, Freedom from Debt Coalition, Philippines, 3 March 2009.

■ POLAND

An even gloomier development picture



Even before the world financial crisis started to take its toll causing devaluation, increased unemployment and reduced income, investments and exports, Poland had already experienced rising wage and income inequality during its transition to a market economy. As the Government lacks transparency in its operations, there is no opportunity for public debate to discuss the measures taken to cope with the crisis, such as the use of loans from international financial institutions. At the same time, Polish society's patriarchal mentality and lack of social protection policies make women the first victims of the crisis.

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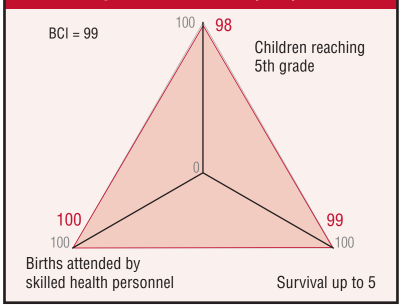
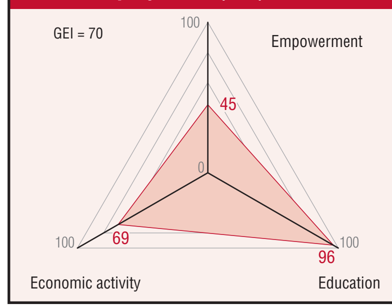
Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



Prior to the world financial crisis, Poland was an exemplary case of a successful neoliberal transition into the market economy. According to a recent report from the Organisation for Economic Cooperation and Development (OECD), Poland was second lowest among 30 member states in child poverty and fourth in income inequality, with the richest 10% of the population gaining a bigger share of market income and paying a lower share of the tax burden than in any other OECD state except Turkey.[1] Privatizations have affected most acutely the social sectors (pensions, health care and education), while state support has been extended to businesses (e.g., the Deputy Prime Minister has announced a plan to support companies that had engaged in risky currency options markets) but not to citizens.

This gloomy picture, however, is getting even darker as the crisis unfolds. The initial impact was a drastic devaluation of the Zloty (the national currency) – by approximately 25-30% within six months in relation to the euro and the Swiss franc – and a plunge in the Warsaw stock exchange. While this initially affected primarily Polish financial markets and companies involved in currency options, it has now begun to affect the national political debate, particularly with the more recent decrease in national revenues and decline in investments and exports. Further, contrary to initial (rather optimistic) scenarios, the financial crisis is having a significant impact on access to finance for both Polish businesses and consumers.

Unemployment

Recent labour market surveys indicate that unemployment has increased from 9% to 12% since the beginning of the crisis, including in white-collar positions. However, the actual numbers of people without any means of livelihood are higher, and only 15.5% of those unemployed are entitled to an allowance and eligible for public health care.[2] The rest are on their own.

In addition, the statistical average does not reflect the hardships in towns where one significant employer, from whom the majority of households derive their livelihoods, is closing due to plummeting orders or opportunistic manoeuvres: for example, some companies are reportedly blaming the financial crisis in order to lay off workers and cut costs.

The effects of the financial crisis are most severely felt by those who do not have any savings, means to produce their own food or rural family ties (despite being on the verge of extinction under pressure from large scale agriculture, smallholder farms still survive in Poland). However, the new middle class families are also in a tight spot, especially young couples with children who have incurred huge mortgages with adjustable interest rates, or in foreign currencies, to purchase their dwellings.

Access to finance and long-term growth perspectives

As a result of the so-called "credit crunch" (a sudden reduction of access to credit and an increase in its costs), the prospects for the country's economic growth have declined substantially: from a reported 6.5% in 2007 and 5.5% in 2008 to a prediction for 2009 ranging between 2.5% and 3.7%.[3]

Furthermore, Poland has started to be affected by a sudden halt in capital inflow, followed by increasing risk aversion among investors and the crowding-out effect, as competition grows among the strongest EU economies for public debt financing.[4] The situation has been further exacerbated by the foreign exchange crisis: the weakening Zloty had a damaging impact on companies that entered into currency options contracts as well as on persons repaying foreign currency mortgages.

The supply of credit has been strongly limited in all segments of the credit market, and more than 80% of the banks have introduced far more rigorous criteria for extending credit of any type. In particular, they have increased the requirements concerning the level of security and, in the case of mortgage loans, the amount of the borrowers' own contributions. Also, almost every bank has raised its credit margins – from 1-2% in mid-2008 to 7-8% in the first quarter of 2009.[5] The cost of money in the interbank market has increased substantially due to an unprecedented decline in mutual trust between financial institutions. The Polish Financial Supervision Commission (FSC) has sharpened liquidity ratios and reporting obligations.[6] The banks' assessment of the prospects

1 Organisation for Economic Cooperation and Development. *Growing Unequal. Income Distribution and Poverty in OED Countries.* Paris: OECD, 2006. Available from: <www.oecd.org/dataoecd/48/56/41494435.pdf>.

2 National Statistical Office. "Registered Unemployment, first quarter 2008." See: <www.stat.gov.pl/cps/rde/xbcr/gus/PUBL_PDL_bezrobocie_rejestrowane_I-III_kw_2008.pdf>.

3 Estimates reported by web portal Bankier.pl. Available from: <euro.bankier.pl/news/article.html?article_id=1886336>.

4 Rybiński, K. *Finansowanie rozwoju Polski w kryzysie.* Ernest & Young, February 2009.

5 All data based on report by the National Bank of Poland. *Situation of the credit market in the first quarter of 2009*, Warsaw, January, 2009.

6 In July 2008, the Polish Financial Supervision Authority imposed an obligation on banks to maintain and report their quantity liquidity standards, thereby improving banks' liquidity and helping to contain the "confidence crisis". See: <www.knf.gov.pl/sektor_bankowy/Decyzje_stanowiska_nadzoru/uchwaly/index.html>.

of the economy is very negative, and they expect further restrictions in lending to enterprises.[7]

Consumers: the mortgage market standstill

The banks' prevailing policy of setting the required amount of own contribution at 30% rules out any possibility of purchasing their own homes for the majority of people, while there is already a shortage of around 2 million flats on the market.[8] The most likely result will be a drastic increase in rents, but the prices of apartments for sale will not necessarily fall quickly. Also, the costs of servicing foreign currency mortgage loans (79%–81% of the total credit portfolio in 2008)[9] drastically increased, due to the sudden drop in the value of the Zloty and a very unfavourable change in the banks' policy regarding the calculation of the spread.

The public believes that banks are manipulating the exchange rates at the clients' cost. At present the difference between the purchase and the selling rate can reach as much as 12%,[10] while even the Office of Competition and Consumer Protection is unable to impose exchange rate restrictions. Consumer groups are therefore forming through the Internet in order to purchase foreign currencies in wholesale quantities, hoping to negotiate the amount of spread and sometimes even renegotiate terms and conditions of credit agreements.[11]

Credit crunch and threat of massive bankruptcy

Already 15% of enterprises are having problems obtaining operating credit.[12] For every one out of two enterprises, banks have tightened the terms and conditions for lending, a situation that will certainly get worse in 2009. According to preliminary forecasts, banks will have 50% less funds for lending in 2009 than in the preceding year. It is very likely that they will start sending *en masse* calls to companies for repayment or renegotiation of loans, claiming default on the terms of the credit agreement.[13] In 2008, because of competitive pressure, banks granted a gigantic number of loans with minimum margins of interest, but those loans are now becoming a burden. Small and medium-sized companies that do not have significant security in their private capital are particularly threatened.

On top of the credit crunch, thousands of companies fell into the trap of currency options and are now struggling on the verge of bankruptcy. Encouraged by the banks, companies were buying options in massive amounts to protect their export profits. After the rapid devaluation of the Zloty they not only lost all invested capital but have also amassed a huge amount of debt due to poorly protected contracts.

The democratic deficit

Other major problems include the fall in State income and the rising costs of servicing the public debt. They go hand in hand with the prevailing democratic deficit: there was no public debate on the new emergency loan from the World Bank in the amount of EUR 3.75 billion, and the State's activities are largely opaque to the media, elected politicians and the public. When the Depository Trust & Clearing Corp., which operates as a central registry of credit swaps trades, published its details, including the top 1,000 contracts, it turned out that the Republic of Poland and other sovereign states engaged in derivatives trading as much as the private sector. Since the early 2000s the OECD, the World Bank and the International Monetary Fund (IMF) have organized trainings and seminars for finance ministry officials to persuade them to engage in creating and dealing in markets for state debt. When the State operates like a commercial firm, it abandons its citizens, especially those who do not generate income for the State or market.

Gendered effects

In 1989 and 1990, when Poland embarked on the free-market road, the first casualties were women garment workers, as inefficient factories closed and nothing replaced them. Today the revamped garment sector, where women again predominate, is shrinking again as import orders (mainly from Germany) fall and local subcontractors downsize or close, resulting in an estimated net job loss of 40,000.[14]

Trapped in the grey economy

The decrease in family incomes due to the economic crisis might cause pauperization of whole social groups, particularly among the lower and middle classes. It is very likely that this will in turn have a more significant impact on women, since they traditionally are the main responsible for family well-being (this is particularly true among the lower income groups). According to some analysts, crises amplify the grey (informal) sector in the Polish economy as many, especially small entrepreneurs try to minimize labour costs and avoid taxation and other costs associated with formal employment. It seems very likely that the growth of the grey economy will affect women more than men, as they are more often engaged in low paid jobs, especially in the private service sector (e.g. in retail).

Limits for generating income

The shrinking means of livelihood transfer the social costs of the financial crisis to households and to women in particular. Some 60%–70% of the unpaid work to sustain and care for families is done by women.[15] Class, ethnicity, age and geographical location differentiate this gendered impact of the financial crisis; for instance, due to high housing rental costs, the labour market mobility of inhabitants in small towns in economically depressed areas is limited. For women of reproductive age, institutionally entrenched obligations to provide care work in the household further limits their ability to seek alternative means of generating income.

Women's organizations

Many women's rights organizations, including NGOs, have already felt the loss of funding as donations from private companies and individuals have declined significantly, and Government funding will also decrease given the projected drop in GDP for 2009 has forced cuts on many budget programmes. The budget of the Civic Initiatives Fund, a government-run programme that supports non-profit organizations, is being halved. While it prioritizes a neo-liberal agenda (diversity management, discrimination, entrepreneurship) and shifts NGOs to the role of service providers as the State withdraws from the social sector, the Fund has provided important resources for sustaining NGO activities. It is very likely that the local authorities' funding for local NGOs will diminish as well.

Further, the economic crisis is already having a negative impact on the ability of women's NGOs to raise money, from both private and public donors, for their own share in a project co-funded by the European Commission. This is particularly alarming since, while the EU funds created new opportunities for NGOs in Poland, neither the State nor local authorities have developed the required mechanisms for financially supporting NGOs that secure EU funding.

A grim scenario

It is possible that a long-lasting and worsening economic situation might cause social and political conflicts during the coming years. Potential economic polarization, increased unemployment and the collapse of financial markets and the public budget might be followed by the rise of radical, conservative, right-wing attitudes and parties. A rise in neo-conservatism might promote traditional, patriarchal values, while limiting women to their traditional 'kitchen, children and maybe church' role. In addition, because they are considered much more important, economic issues might dominate the public discourse and cause further marginalisation of social and gender issues. ■

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7 Financial Supervision Commission. *Informacja o sytuacji banków po trzech kwartałach 2008 r*. Available from: <www.knf.gov.pl/sektor_bankowy/Publikacje_nadzoru_bankowego/publikacje_sektora_bankowego/index.html>.

8 Online survey by Money.pl. Available from: <www.money.pl/banki/raporty/artykul/kredyty;hipoteczne;tylko;dla;bogatych,142,0,376462.html>.

9 Data from the Association of Polish Banks reported at a conference in December 2008. Available from: <www.zbp.pl/site.php?s=MTIyNTk0MTI=>.

10 Online survey by Money.pl. Available from: <www.money.pl/banki/wiadomosci/artykul/ciezki;los;posiadaczy;kredytow;banki;uderzaja;spreadem,207,0,383183.html>.

11 Dominiak, T. "Polacy buntują się przeciwko bankom." *POLSKA The Times*, 25 February 2009.

12 Survey conducted by the Polish Confederation of Private Employers Lewiatan. See: <www.pkpplewiatan.pl>.

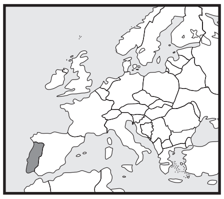
13 Niklewicz, K, Samcik, M and Hałabuz, N. "*Znikają ce tanie kredyty*." *Gazeta Wyborcza,* 24 February 2009.

14 Brzoska, P. "Lodz cienko przdzie, szwaczki znow traca prace." *Polska – Dziennik Łódzki*, 29 December 2008. See: <www.polskatimes.pl/dziennikilodzki/pieniadze/74052,lodz-cienko-przedzie-szwaczki-znow-traca-prace,id,t.html>.

15 Budlender, D. "The statistical evidence of care and non-care work in six countries." Geneva: United Nations Research Institute for Social Development (UNRISD), 2008.

PORTUGAL

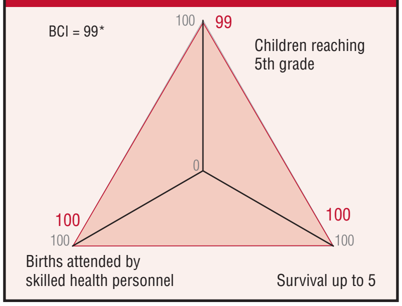
An old crisis and fresh challenges



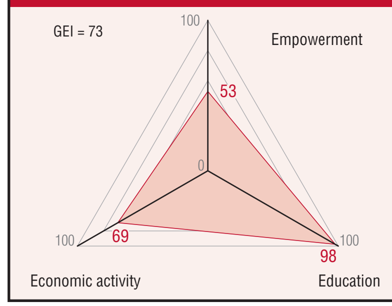
The economic crisis that Portugal has been facing since at least 2001, reinforced by the current international financial and economic crisis, has brought increasing unemployment and poverty. The latter, however, is not just an effect of the current situation, but remains a structural condition. Almost half the population, including members of the middle class who lost their jobs and/or houses, experienced poverty between 1995 and 2000. Climate change is also affecting the economy and the well being of citizens. New approaches and specific measures are needed to combat poverty and tackle environmental challenges.

Social Watch Portugal; Oikos
Catarina Cordas
João José Fernandes

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



According to the Spring 2009 Financial Bulletin of the Bank of Portugal (BdP),[1] the Portuguese economy began to slow down appreciably in early 2008 and then, starting in the second quarter, went into the most profound recessive period in decades. The Bulletin states that the economy will experience a 3.5% decline in 2009, the worst performance since 1975. This slowdown reveals that the sluggish productivity has had an impact on unemployment rates, which went up to 8% in January 2009 compared to 7.7% in January 2008. At the end of February 2009 almost 500,000 unemployed people (5% of the population) had registered at employment centres.

Credit, housing and poverty risk

Lack of access to credit is another very negative consequence of the international economic crisis. Although there are no official data regarding this, many families lost their houses due to non-payment of loan instalments in 2008. According to the 2007 EU Survey on Income and Living Conditions (EU-SILC), non-monetary income components such as home ownership contribute to softening the incidence and intensity of poverty.[2] Housing losses – or increasing acquisition problems among the middle or lower classes – and job losses have increased the risk of poverty, defined by the EU-SILC as the share of adult inhabitants with an annual income in 2006 below EUR 4,544 (approximately EUR 379 per month).

According to the EU-SILC, the risk of poverty for unemployed Portuguese was 32% in 2006, slightly more than in 2005 (31%). This increase is predictable due to the increased unemployment mentioned above. Overall, however, the poverty risk went down to 18%, a reduction of approximately 5% from 1994 when it was 23%. The improvement reflected the positive effects of European programmes since 1989 to combat poverty and the National Action Plan for Inclusion 2003-2005,[3] which had some very positive guiding principles:

- A multidimensional and multidisciplinary approach to poverty and deprivation;
- An emphasis on partnerships between public and private actors;
- Participation of all interested parties, especially the poor;
- Empowerment of the poor; and
- Mainstreaming policies and actions to generate awareness in each sector-based policy and prevent the fight against poverty being reduced to a peripheral programme.

The EU-SILC showed that 47% of families had experienced poverty between 1995 and 2000, with 72% remaining poor for two or more years.[4] Many of these are the new poor, men and women who had recently belonged in the middle class but who became impoverished due to a family crisis such as the loss of a job or increased interest rates on housing loans or mortgages. At the beginning of 2009, NGOs highlighted some dramatic stories of people who had seen their lives changed radically and become dependent on the help of third parties. The President of the European Anti Poverty Network has said that, of the 2 million poor in Portugal, 17% are currently employed but their salaries do not cover their daily needs.[5] Poverty is increasing in the big cities and has led to several recent suicide attempts.

Addressing poverty

These findings suggest that the problem "is not what we are doing, but what is still to be done".[6] A transfer of approximately 3.5% of the income from those who are not poor would be enough to meet the needs of those who are.[7]

Poverty in Portugal – as elsewhere – will not be solved merely by social policies, although these are also important. There is a need for economic policies that deal with the unequal distribution of income, property and power. Economists and civil society organizations increasingly point out that inequality in assets leads to economic inefficiency, and that there should be more investment in human capital (skills, education, health, training), which would also promote human rights. Only in this way will Portugal overcome the weaknesses that have so long hindered its productivity, condemning it to one of the lowest economic growth rates in Europe.

Three key recommendations to fight poverty are:

- Protection of the population that is highly vulnerable to poverty when defining social policies.
- Integrating economic policies into the fight against poverty, namely in terms of employment opportunities and institutionalization

* "Children reaching…" estimated following procedure "1" in p. 209.

1 See: <www.bportugal.pt/publish/bolecon/primavera_09/econ_port_primavera09_p.pdf>.

2 National Statistics Institute (INE). "Dia Internacional de Erradicação da Pobreza." *Destaque*, 15 October 2007. Available from: <www.ine.pt/ngt_server/attachfileu.jsp?look_parentBoui=8046108&att_display=n&att_download=y>.

3 See: <www.pnai.pt/>.

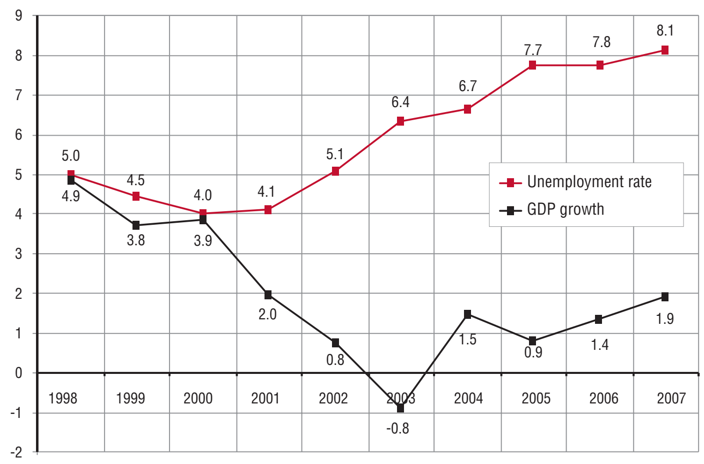
4 Costa, A., Baptista, I., Perista P. and Carrilho, P. *Um olhar sobre a pobreza – vulnerabilidades e exclusão social no Portugal contemporâneo*. Lisbon: Gradiva. 2008.

5 See Rede Europeia Anti Pobreza at: <www.reapn.org/>.

6 Costa, A., Baptista, I., Perista P. and Carrilho, P., *Op. Cit.*

7 *Ibid.*

CHART 1. GDP growth and unemployment rate (%)



Source: Eurostat 2008.

of bank credit, specifically concerning housing.

- Criteria that guarantee the General State Budget (GSB) works for social cohesion. Some organizations, such as Oikos, have suggested that a group should be created under the auspices of the Assembly of the Republic to monitor the GSB. It should have representation from civil society, scholars and policymakers, and use the following criteria: gender sensitivity, childhood rights, elderly rights, promotion of human capital and territorial consistency.

Impacts of climate change

A comprehensive study on the impact of climate change in Portugal, the SIAM II,[8] suggests that the most significant effects of global warming are: important erosion of the coastline, increasing frequency of extreme weather events (such as prolonged droughts and sudden floods), reduction of rainfall (by 30%–40%) and increasing average annual temperature. While not catastrophic, consequences of climate change in the country will entail losses between 5%–10% of GDP. There are potential impacts on water resources, coastal zones, fisheries, agriculture, forests, biodiversity, energy, human health, and important sectors of the national economy such as tourism.

Given the inevitability of global climate change, it is becoming increasingly clear that policies for mitigation and adaptation must be strengthened. Regarding mitigation, there is a need to reduce CO_2 emissions, improve energy efficiency, emphasize the reutilization and recycling of products, review the whole transport and mobility policies, and focus on clean and renewable energy. The country should also develop mechanisms to use a significant part of the resources of the Portuguese Carbon Fund projects to achieve a double benefit: offsetting carbon emissions/energy efficiency; and combating poverty, particularly in developing countries.

Regarding adaptation it will be required, among other measures, to invest in protecting the coastline and water resources, to favour investment on crops more resilient to climate change, and increase the energy efficiency in public and residential buildings. ■

8 Santos, F. D. and Miranda, P. *Alterações Climáticas em Portugal.* Lisbon: Gradiva, 2006.

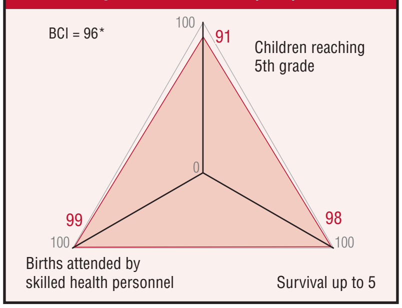
ROMANIA

Dire prospects

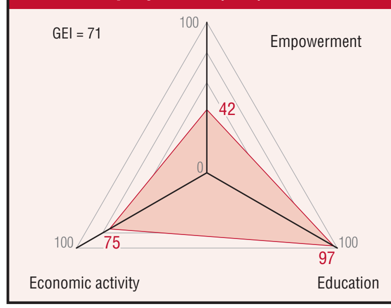
A decline in exports has triggered bankruptcies, and a contraction in activities and unemployment is on the rise in Romania. Remittances, representing 5% of GNI, dropped 10% at the beginning of 2009. The privatization and sale of national banks over the last few years has led to the country and its citizens to become indebted to Western banks. A recent multi-billion loan from the IMF seems designed mainly to benefit these foreign financial institutions. Among the casualties of the crisis is aid for development: the entire Romanian development cooperation policy is in danger of disappearing.

Fundatia pentru Dezvoltarea Societatii Civile
(Civil Society Development Foundation)
Valentin Burada

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



Like its neighbours from the former Soviet bloc, Romania is caught in the turmoil of the global financial and economic crisis. The country had enjoyed an economic boom in the past few years, fuelled in part by heavy borrowing from Western banks and easy access to foreign loans. Currently, however, there is a credit crunch, the national currency is unstable, and the situation looks dire.

State budget, remittances and unemployment

Romania is dependent on falling EU markets. Exports have decreased by 25% and capital flows are reversing direction. January 2009 alone saw repatriations worth EUR 539 million. The decrease in exports has led to rising unemployment, bankruptcies and a contraction in companies' activities. Some 500,000 people (5.7%) were unemployed in April 2009, almost half of them women, compared to 3.9% in April 2008. In May 2009, the European Commission estimated that unemployment would rise to 8%. Each percentage point means an additional 100,000 unemployed.

Although the average net monthly salary was EUR 327 in March 2009, an increase of 17.6% compared to March 2008 according to the National Statistics Institute, this is less impressive than in the first months of 2008, when there were raises of more than 30%.[1] It is expected that the crisis will cause the increases to slow further and even reverse. The Government has announced that budgetary salaries will be frozen, which means less purchasing power. In a national television interview in April 2009, the Prime Minister, Emil Bloc, recognized that there was a real danger that the Government would not be able to pay state salaries and pensions. In addition, as traditional export markets for food producers have contracted, Romanian farmers also find themselves threatened at home by subsidized agricultural and food product imports from other EU member states looking to reorient their exports.

Budgetary revenues began to go down in the last quarter of 2008, a trend that has continued in 2009 – with 8.7% less in January than the same period in 2008 – and is likely to worsen. The largest decrease was in taxes on profits (-30.7%). Taxes on earnings and salaries brought in almost 20% more than the same period in 2008. Funds collected through VAT, which remains the main source for the budget, dropped 8% and are likely to drop further.

In response, new and higher taxes as well as increases in social contributions have been proposed. In March 2009, the Government announced an increase in contributions to health insurance funds of around 1% for both employees and employers, explaining that higher unemployment would lead to fewer contributions. Previously, the mandatory contribution had been 5.2% for employees and 5.5% for employers. Business representatives believe that this measure will further increase unemployment since companies will continue to cut costs and operate with fewer employees.

In February 2009, the Government announced that companies hiring unemployed persons, sole supporters of families or persons over 50 years old would receive subsidies for a period of up to 12 months in order to cover half the salaries of their new employees. The subsidies would also support employment of Roma and of those who, because of lack of education or skills, do not have a fair chance in the labour market. For people unemployed for more than two years, the subsidies would cover 75% of their salary for 24 months. The scheme, worth a total of EUR 133 million, is 85% funded by the European Commission. Of this, EUR 29 million is allocated for employment in the rural areas.[2] In March 2009, the Government also decided to extend the period of unemployment benefits by three months, while employers and employees will be exempted for three months from paying social insurance contributions during temporary suspension of activities.[3]

According to data from the National Bank of Romania, citizens working abroad sent home EUR 8.7 billion in 2008 (up from 7 billion in 2007).[4] This was almost as much as total foreign direct investment (a record EUR 9 billion) and represents 5% of GNI.[5] A study released by the World Bank ranks Romania 8th among developing countries in terms of migrant remittances.[6]However, at the beginning of 2009, the level of remittances dropped 10% compared with the same period in 2008. Italy and Spain, the two countries that are the source of 90% of total remittances, both face serious economic problems and high rates of unemployment. Some 800,000 Romanians were

* "Children reaching…" estimated following procedure "1" in p. 209.

1 National Statistics Institute. Available from: <www.insse.ro/cms/rw/pages/index.ro.do>.

2 Fonduri Structurale.ro. Available from: <www.fonduri-structurale.ro/detaliu.aspx?t=Stiri&eID=4128&AspxAutoDetectCookieSupport=1>.

3 Press conference of the Prime-Minister of Romania, 5 Februray 2009. Available frrom: <www.gov.ro/conferinta-de-presa-sustinuta-de-premierul-emil-boc-la-finalul-sedintei-de-guvern__l1a104257.html>. See also: "Guvernul a prelungit ajutorul de şomaj cu trei luni şi acordc scutire la CAS dacă firma îşi „îngheaţă" temporar activitatea", in Gandul, 19 March 2009, available from <www.gandul.info/actualitatea/guvernul-a-prelungit-ajutorul-de-somaj-cu-trei-luni-si-acorda-scutire-la-cas-daca-firma-isi-ingheata-temporar-activitatea.html?3927;4061408>.

4 "Banii trimişi de căpşunari, mai puţini cu 1,5 milioane euro pe zi" in Gandul, 6 April 2009. Available from: <www.gandul.info/economia/banii-trimisi-de-capsunari-mai-putini-cu-1-5-milioane-euro-pe-zi.html?3936;4160396>.

5 "Investitiile straine directe au incheiat 2008 in scadere" in Standard, 13 February 2009. Available from: <standard.money.ro/articol_80733/investitiile_straine_directe_au_incheiat_2008_in_scadere.html>.

6 People Move, a blog about migration. Available from: <peoplemove.worldbank.org/en/content/remittance-flows-to-developing-countries>.

working in Spain, mainly in the hardest hit sectors (services, industry and construction). In November 2008, Spanish authorities announced that 100,000 Romanians were unemployed, with 30,000 more expected to lose their jobs by 2009.[7]

In November 2008, the Romanian Minister of Labour and Social Affairs stated that in 2009 Romania could absorb up to 500,000 workers returning from abroad, as there was a shortage of labour for infrastructure projects and in the agricultural sector. However, these comments were basically meant to soothe Italian and Spanish Governments' concerns that Romanian workers would become a burden on their countries' already overstretched unemployment benefit schemes, rather than being an expression of real possibilities.[8] Still, according to an opinion poll produced by the Soros Foundation in September 2008, only 14% of Romanians working in Spain intended to go home in 2009. [9]

Foreign banks, the IMF and the people

Virtually all Romanian banks have been privatized over the last few years and sold to foreign banks. Until the beginning of the financial crisis, foreign banks made huge profits on a market in full and rapid expansion. In 2008, BCR (Este Group/Austria) reported an increase in net profit of 119.8%, BRD Société Générale (France) registered an increase of 46%, and Raiffeisen Bank (Austria) increased its profit by 75.6% compared to 2007. The net profit of just these three, the largest banks in Romania, totalled more than EUR 1 billion.

At the beginning of the financial crisis, the Romanian National Bank intervened in an attempt to calm down the lending extravaganza triggered by the competition, imposing a series of restrictions aimed at preventing defaults. However, the level of indebtedness increased sharply. This has led to a scenario in which, just as in most of Central and Eastern Europe, Romanian debts are owed to Western European banks, especially from Austria, France, Greece and Italy. Without any consideration for the potential negative impact of their actions, the banks fuelled a consumption trend based not on actual production by the local real economy but on an increase in imports from Western Europe. Basically, with money borrowed from Western Europe, these banks have supported their own national economies by putting Romania and its citizens in debt.[10]

This situation is aggravated by the fact that Western European governments have been putting pressure on their banks to pull back, undercutting subsidiaries in Eastern Europe. The European Bank for Reconstruction and Development (EBRD) expects defaults of up to 20% on Eastern European loans, with Romania among those especially hard hit. The decision makers in Bucharest are constrained in their fiscal policy choices by the fact that belt-tightening is required to correct the negative values of the balance of payments. At the same time, a weakening of the national currency could potentially trigger defaults, thereby shaking financial stability. In order to counter these dangers, the Government asked for and received a loan of EUR 19.95 billion from the IMF, the European Commission, the World Bank and the EBRD. Of the total loan, the IMF will provide EUR 12.95 billion.

The Government insists that the loan will be linked to the commitment of foreign banks in Romania to resume credit without externalizing the resources in the country or affecting the national budget obligations for education and health. At the end of March 2008, the IMF obtained written commitments from the head offices of the main bank subsidiaries in Romania that they would continue to support these branches and would not withdraw capital. However the Government has a poor record of withstanding foreign pressure. It also lacks the means to circumvent foreign "solutions" to national problems. Both the Government and civil society, with few exceptions, have been slow to react and expose the real stakes. The austerity measures proposed by the Government, including freezing public wages and pensions and tax hikes, have provoked discontent and mobilization by trade unions.

The IMF loan seems to have been contracted under external pressures, mainly to save foreign companies' interests in Romania. It will not serve to repay the country's foreign debt but will cover the debts of local subsidiaries of foreign banks. Public funds will thus be used to repair the damage done by private capital. The governments of Western Europe have generally been able to manage this damage. However the desperate calls from the Austrian Government for EU and IMF intervention to rescue its banks in Eastern Europe prove that foreign banks are sometimes dangerously overexposed (e.g., Austrian banks have lent the region an amount equivalent to 70% of Austria's GDP). The repayment of a loan that represents 40% of Romania's annual budget will only be possible over the next years through decreasing the population's standard of living.

Crisis in development assistance

In 2007, when joining the EU, Romania pledged to contribute as a donor country to alleviating poverty in the world by participating in the EU aid policy and by configuring its own official development assistance (ODA) policy. The current financial crisis is likely to have a dramatic impact on Romanian aid flows. The ODA budget managed by the Ministry of Foreign Affairs (MFA) was cut from EUR 5 million in 2008 to EUR 1.9 million in 2009. Meanwhile, the multibillion loan from the IMF has already imposed budgetary constraints for "non-essential" areas, and repaying the loan (by 2015) will affect the ODA budget for many years to come. Even though multilateral ODA contributions will remain at a relative constant level, it is very unlikely that the 0.17% ODA target to which the Government committed will be achieved by 2015.

The Romanian NGO platform for development (FOND) has warned that the entire Romanian development cooperation policy is in danger of disappearing.[11] Crucially, all previous investment in the newly developed institutional capacity for the MFA is being affected. The Government has addressed the majority of its internal capacity development needs through out-sourcing specific tasks to UNDP Romania. CSOs are concerned that, by doing this, the Government is missing its main short-term objective: strengthening national capacity.

A clear signal of the impacts of this approach was the change in the internal administrative structure of the MFA at the beginning of 2009. While important financial resources were allocated by the Government to UNDP Romania to hire experts, the Development Assistance unit within the MFA was downgraded and its staff was halved, with a subsequent decline in capacity for programming and managing development assistance. Although budgetary cuts in times of crisis are understandable, destroying administrative capacity in public institutions is not acceptable as it has long-term implications. UNDP representatives should understand that by diverting resources and delaying empowerment processes, they risk harming the emerging local development cooperation actors in Romania. ■

7 "Spania: 100,000 de someri romani" in Standard, 27 November 2008. Available from: <standard.money.ro/articol_70748/spania__100_000_de_someri_romani.html>.

8 "Ministrul Muncii: Romania poate absorbi pana la 500.000 de persoane venite din Spania si Italia", in 9AM News, 10 November 2009. Available from: <www.9am.ro/stiri-revista-presei/Business/Economie/110045/Ministrul-Muncii-Romania-poate-absorbi-pana-la-500-000-de-persoane-venite-din-Spania-si-Italia.html>.

9 "Criza întoarce acasă jumătate dintre românii din Spania" in Gandul, 28 November 2008. Available at <www.gandul.info/actualitatea/criza-intoarce-acasa-jumatate-dintre-romanii-din-spania.html?3927;3566798>. More information on the situation of Romanian migrants in Spain the Soros Foundation Romania. Available from: <www.osf.ro/ro/publicatii.php?cat=15#>.

10 An excellent series of analysis on this topic has been published by Prof. Ilie Serbanescu in Revista 22. See for instance "Acordul cu FMI: Corectitudinea politică şi capitalismul călcate în picioare", in Revista 22, 21 April 2009. Available from: <www.revista22.ro/articol-5964.html> or "Acordul cu FMI–Ar fi de râs, dacă n-ar fi de plâns!" in Revista 22, 7 April 2009. Available from: <www.revista22.ro/articol-5887.html>.

11 "De ce are nevoie Romania de o politica de cooperare pentru Dezvoltare?", available on FOND's web page at <www.fondromania.org/pagini/de-ce-are-nevoie-romania-de-o-politica-c.php>.

■ SENEGAL

Farming: the sole answer

As the most food-import dependent country in West Africa, Senegal faces several challenges as a consequence of the multiple global crises which affect the economy, finance, environment, energy and, of course, food. All of these challenges result in the decline of the quality of life of Senegal's citizens – particularly amongst the more vulnerable sectors – because of their repercussions on the country's scant production, diminished imports and the high price of basic products. The Government's plans do not provide an adequate response to the country's needs. Civil society proposes returning to traditional agriculture, duly encouraged and supported by the State.

Social Watch Senegal[1]

In Senegal, the worldwide food crisis caused by an increase in demand – particularly in the case of cereals – within a context of low yields and higher production costs due to the increase of oil prices, has given rise to riots throughout the country. The high price of oil and the increasing demand for energy have conspired against subsistence agriculture, as regards cultivated areas, due to the production of sugar cane and maize for biofuel (diesel and ethanol). The situation has become even more serious due to the problems caused by climate change and the financial crisis. Assistance for development diminished and exports were restricted in some countries – such as India – which particularly affected the more helpless populations of underdeveloped countries such as Senegal.

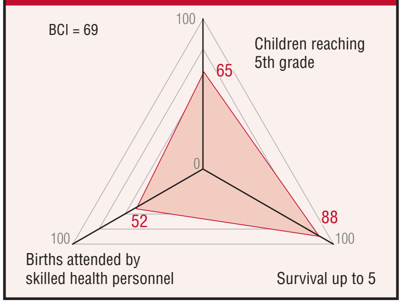
Some of the consequences of the crisis – which in developed countries impact on purchasing power rather than on the availability of food – are in Senegal malnutrition and the mass exodus of the population towards urban centres. In addition, poverty and unemployment have a negative impact on the likelihood of fulfilling the MDGs.

The level of access to basic social services for the population has remained extremely low in the country, with over 53.9% of the population subsisting below the poverty threshold. The more disadvantaged sectors in rural areas and the suburbs of large cities, together with children, women and the elderly, are the most affected. The Government's measures have not been effective since they have barely enabled access to healthy food in sufficient quantity to the population that is very close or below the poverty threshold. Measures taken should focus on the most disadvantaged, whose needs are greater, as in Senegal the State's budget favours the rich, the salary earners and city dwellers, and includes, in particular, subventions for electricity, gas, water and fuel. There are families in the cities' suburbs and in the country who barely have access to food.

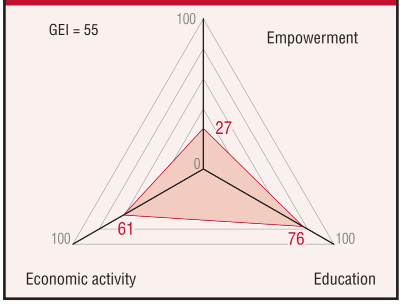
Some of the factors that have influenced the most on the deterioration of the situation are:

- A rain-dependent agricultural sector which must confront soil degradation, low production, the absence of agricultural development policies and the establishment of unpopular programmes which lack coherence, such as Back to Agriculture or the Great Agricultural Offensive for Food and Abundance (GOANA, in French), the lack of access to supplies, agricultural materials and credit, and weak investment in the sector (for example, the failure to honour the Maputo commitment, according to which the State should devote 10% of the budget to agriculture).
- The country's food dependence (Senegal is, per capita, the most food-import dependent country in West Africa). Local rice production barely covers between 20% and 30% of the country's needs; wheat is 100% imported. The production of cereals covers less than 50% of the demand.
- The environmental crisis resulting from global warming has reduced fishing in Senegalese waters. Fishing is an important source of resources for the primary sector and one of the main sources of protein for the population. According to the National Agency for Statistics and Demography, shortages amongst some species have resulted in an increase of 13.8% in the price of fish and other fresh marine products.
- As regards energy, the country's total dependence on oil imports and SENELEC's production makes it still incapable of guaranteeing an effective and financially accessible electrical service for consumers. Thus, despite its potential for generating renewable energy – Senegal is a very sunny country – energy sometimes represents 50% of the total cost of production.
- Populations and enterprises face difficulties in obtaining access to electricity, the price of which has gone up several times. Consumers strongly criticize the billing system and there are continuous energy cuts which cause inconvenience to households and slow down craft and industrial production. All of this has led to a wave of uprisings led by imams, priests and later on consumer associations and workers' unions.
- Due to the crisis which the African Refiners Association has been undergoing for some time, butane gas suffers chronic shortages on the market and is sold at prices which are inaccessible to consumers who, in addition, must queue for 24 or 48 hours at the points of sale.

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



Measures taken by the Government:

- The objective of the GOANA programme is to achieve food self-sufficiency through the production of 2 million tonnes of maize, 3 million tonnes of cassava, 500,000 tonnes of rice, 2 million tonnes of other cereals such as millet, sorghum and fonio millet. However, this solitary undertaking of the Government's, which established no connections with leading figures of the various agricultural sectors, or did so to a very limited extent, delays in establishing factors of production (such as seeds, fertilizers and agricultural materials), the intervention of administrative staff and traders in land and supply issues, have not made it possible to achieve the objectives despite adequate amounts of rain.
- The organization of a campaign for the distribution of provisions and cattle feed, for a total of

1 This working group had the support of the Pan-African Youth Organization (PAYO), a member of the African Youth Coalition Against Hunger (AYCAH).

CFA 10 billion (USD 22 million) in rural populations affected by the crisis.

- The State's removal of customs duties and import taxes on some products such as subsidized rice and butane gas, although the expected results have been diminished by the drain of large quantities of these subsidized products sold in bordering countries by unscrupulous traders.
- The reduction of taxes on the salaries of workers for a total of CFA 6 billion (USD 13.2 million) and the subsidy of food products for a total of CFA 7 billion (USD 15.4 million).

Nonetheless, these measures are inadequate due to the fact that they are merely interim solutions, as well as being inequitable and ineffective, since they have not reached the more vulnerable sectors of the population. In their place, it is necessary to implement social investment in infrastructure in order to improve the population's access to basic social services (food, water, energy, education, health and habitat) and reduce inequality between men and women and different ethnic groups.

The impact on health

Although primary health care, the care of pregnancy-related risks and health care for the elderly show some progress, the social and financial crisis has hit the health sector and generated, amongst other things, personnel strikes, hospital debt, the closure of some of the maternity services – particularly in Dakar – the lack of qualified personnel, closed health posts or posts run by non-medical staff. There have been new outbreaks of diarrhoeal diseases and malaria. The illegal distribution of medicine has emerged (10% of the drugs circulated in the country are falsified) due to the absence of legislation adapted to the current situation and the absence of dissuasive measures.

Sanitation is very deficient throughout the country. Frequent floods often lead to the displacement and rehousing of people in unsuitable locations (such as schools and other public buildings) which upsets social and cultural networks and further deteriorates the sanitation situation.

An alarming lack of water-purifying stations and the strain on the Camberene station in Dakar is a cause of the contamination of all of the beaches and bays of the city, which are used to dump domestic and industrial sewage. In addition, the public garbage collection service is inadequate.

Gender and the crisis

Senegal continues to follow a very patriarchal model which has displayed scant progress regarding the relationship between men and women. However, in order to obtain the application of international instruments (signed and ratified charters, conventions or declarations of principles) the Government is obliged to collaborate with partners to whom it is connected by means of bilateral or multilateral agreements. Despite the fact that institutions such as the United Nations, the African Union, the Economic Community of West African States, the International Francophone Organization and civil society movements seek the materialization of all agreements, the gap between the spirit of the texts and national reality is wide.

Civil society proposals

In an attempt to find a way of acting directly on the endogenous factors of the current situation, we propose:

- Supporting inclusive management in conceiving, applying and following up economic and social development policies and programmes, in compliance with the commitments undertaken by each party.
- Fostering a return to the land, making family agriculture a pillar of growth, in contrast with agro-business, as indicated in the Poverty Reduction Strategy Document. With regard to food security and self-sufficiency, we request the establishment and application of medium to long term agricultural policy with wide participation of the actors involved and a consistent financing plan. The process for the drafting and approval of the Agro-Sylvo-Pastoral Act, whose application has been delayed, could be a source of inspiration.
- Carrying out a genuine land ownership reform with the purpose of re-establishing the rights of peasant farmers and local communities, granting them full and complete ownership of the land, which is their basic working tool. The imbalance between urban and rural settings regarding the right to property, which is stipulated by the Constitution, needs to be corrected.
- Modifying public and private consumption and investment models.
- Increasing the value of the contributions made by Senegalese who are part of the diaspora, by turning a large part of the money transfers from abroad into savings and investment.
- Guaranteeing equitable and effective geographic development in order to increase the size of the domestic market and make local populations sustainable.
- Carrying out a cultural revolution in order to truly change the mental outlook of peasant farmers and achieve the emergence of modern farming. This implies the eradication of illiteracy through the enrolment in schools of all school-age children (boys and girls) in rural areas, in order to provide them with the basic tools they need for the considered control of their environment.
- Standardizing mining concessions – particularly in the case of precious metals – in order to establish, amongst other things, national consultation procedures and prior actions to reinforce the capabilities of administrative personnel and local unofficial figures (entrepreneurs, unions, NGOs and human rights organizations), as well as a judicious use of the income which finances the national budget and consideration regarding the non-renewable nature of these resources.
- Improving the social direction of the institutional and regulatory framework of micro-finance and improving the social outcome of the Decentralized Financing Structures (SFD, in French).
- Promoting urban and peri-urban agriculture through micro-gardening, which could constitute a true green revolution within the urban and peri-urban environment and a means of developing activities which generate income for women and improve the food and nutrition of families, which would contribute to the good health of vulnerable populations and the fight against poverty. ■

SERBIA

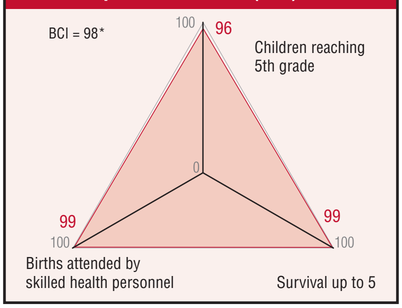
Global crisis, local unrest

Government indecisiveness and lack of a clear strategy and vision to counter the negative effects of the crisis have fuelled pessimism and discontent among the population, which demands actions – not just words – to combat corruption and crime and to establish the rule of law. The economic situation has been deteriorating, endangering citizens' economic and social rights. Government revenues have declined owing to large-scale privatizations since 2003. Pressured both by the IMF and by public discontent, politicians draft plans that are almost immediately discarded.

Association Technology and Society
Mirjana Dokmanovic, PhD
Danica Drakulic, PhD

Serbia is suffering from declining industrial output, dropping exports, imports, foreign and internal trade and a marked decline in the Belgrade Stock exchange. In addition, there is a high foreign trade deficit. The absence of foreign investment inflows and credit could cause serious problems in the balance of payments and an increase in the trade deficit, together with rising unemployment and falling earnings.

Basic Capabilities Index (BCI)



The declining economy

The planned GDP growth of 3.5% for the 2009 budget proved to be over-optimistic. The fall of GDP is evident, estimated at -4.8%.[1] The industrial production in May 2009 went down by 18 % compared to the 2008 average. The limiting factors of sustainable development are high unemployment and other social problems. According to data from the National Employment Agency, the number of unemployed by the end of June 2009 was 763,062 (25.85% – of which 52.94% were women) and 70% of employed people worked part-time.[2] Estimates of the number of workers who lost jobs between December 2008 and March 2009 vary from 31,000[3] to 133,000[4] , in many cases due to decreased production and cancelled orders. On the average, approximately 2,500 employees get dismissed every month[5]. More than 2,000 small and medium-sized enterprises ceased to exist in 2008; the economic context does not favour setting up new businesses while bankruptcy threatens 60,000 firms. Internal debt, totalling more than USD 3 billion in February, puts economic activities and employment at risk.

The foreign debt is constantly increasing and topped USD 30.7 billion in June 2009 (64% of GDP), [6] 16% higher than in 2007. While last year's foreign trade deficit was USD 9.5 billion, the value of the national currency, the dinar, dropped by 25% in the last quarter of 2008. The lack of foreign direct investments (FDI), and of money inflows from foreign banks, has limited the resources for defending it. An estimated foreign currency inflow of USD 5.9 billion is needed to maintain the dinar's stability. However, given that the country gained only USD 3.3 billion from the large-scale privatizations carried out since 2003 (now completed) and that increased foreign investment is not to be expected, this amount of money will not be available.

In fact, the results of privatization have been disastrous. The bulk of the capital from selling state property went into consumption, not investment, and the export sector was not restructured. Most of the investment went to banking, trade and real estate. Pushing industrial production into the background and neglecting technological development have led to the economy's extremely low competitiveness. There are no valid official figures for the total state revenues from the privatization process since 2000.[7] The purchase by foreign investors of whole industrial branches (e.g., the dairy industry) has contributed to monopolies and rising prices. The sale of 51% of the Oil Industry of Serbia to the Russian company Gasprom for USD 528 million has also raised discontent among the public and experts as this was one of the country's biggest sources of revenue. Before privatization, State companies contributed 44.5% of the GDP, in comparison to 17% in 2008. The number of workers shrank from 400,000 to 135,000 and is still decreasing. Even US Steel, who has bought the biggest Serbian forge Smederevo, has announced that it will dismiss workers.

The economic turmoil and unfavourable privatizations have led to increasing poverty. Within the first quarter of 2009, the number of those living below the poverty line increased by 60,000 people, and the trend has not declined.[8] Those who are most at risk are the unemployed, children, people above 65 years of age, persons with disabilities, the Roma, refugees, women, rural elderly households and large families.

Government response

The Government initially hesitated in the face of the crisis, reacting slowly and failing to warn the people. In an evaluation of the impact of the crisis in December 2008, it suggested that some sectors would be hard hit – though it was hard to know which ones – while others would not be affected.[9] However, it did develop a "Framework of Measures" related to the state (in the broadest sense), the economy (industrial and financial sectors) and the general population.[10]

In February 2009, the Government adopted a stimulus package aimed at increasing liquidity through approving loans to banks (so they could offer loans to businesses on favourable terms), and providing incentive funds for export-related activities to companies (which were then under an obligation not to reduce the number of employees). Favourable terms were set up for credit accounts of citizens to stimulate purchasing power and production. According to the Ministry of the Economy and Regional Development, up to 4 August, a total of USD 874 million had been given as loans for increasing liquidity[11] and USD 25 million for consumer loans.[12] Almost 1,000 requests for start-up loans for small and medium-sized enterprises were submitted. The Union of Employers demanded strict rules for ap-

* "Children reaching…" estimated following procedure "2" in p. 209.

** There are no available data on GEI.

1 EMportal, Economist Media Group Web site. 15 August 2009. Retrieved 17 August 2009. Available at: <www.emportal.rs>.

2 National Employment Agency (NAE).Government of the Republic of Serbia. Unemployment data June 2009. Retrieved 16 August 2009. Available at: <www.nsz.gov.rs/>.

3 *Ibid.*

4 B92. Citizens' Standard of Living Is Worsening. B92 Web site. 16 August 2009. Retrieved 16 August 2009. Available at: <www.b92.net>.

5 Government of the Republic of Serbia. Ministry of Labour and Social Policy Web site. Available at: <www.minzs.gov.rs>.

6 National Bank of Serbia. *Monetary and Forex Statistics.* Retrieved 15 August 2009. Available at: <www.nbs.rs/export/internet/english/80/index.html>.

7 Aleksic, J. and Stamenkovic, B. "Nobody Knows Where the Money from Privatisation Goes." *Blic*, 24 March 2009. Available at: <www.blic.rs/economy.php?id=4119>.

8 Government of the Republic of Serbia. Ministry of Labour and Social Policy Web site. Available at: <www.minzs.gov.rs>.

9 Government of the Republic of Serbia. *The Economic Crisis and Its Impact on the Serbian Economy.* Office of the Prime Minister. Available at: <www.media.srbija.sr.gov.yu/medeng/documents/economic_crisis280109.pdf>.

10 *Ibid.*

11 Until August 2009, 90% of Serbian companies have submitted requests for these loans.

12 Government of the Republic of Serbia. Ministry of Economy and Regional Development (MoE) Web site. 6 August 2009. Retrieved 16 August 2009. Available at: <www.merr.gov.rs/>.

proval of these loans to prevent corruption as previously there had been cases of loans to tycoons as well as funds that disappeared.[13]

Affirmative measures have also been developed to stimulate the employment of vulnerable groups, such as workers aged 45–50, people with disabilities, Roma and those who have been unemployed for more than two years. The employment of these categories will be subsidized by USD 1,100 to USD 2,200.

At the end of March 2009, negotiations with the IMF ended in the agreement on a stand-by arrangement worth USD 3.96 billion to be implemented by April 2011. It was pointed out that Serbia would not be able to cover its budget deficit or pay pensions and salaries without IMF assistance. The Government also signed a loan agreement with the World Bank worth USD 46 million for the development of the private and financial sectors[14]. The European Commission is assisting with USD 142 million to ease the economic and social consequences of the crisis.

The Government announced it would request from the IMF permission to increase the budget deficit from the agreed 3% of GDP to 4.5% in 2009. According to the media, as a guarantee for a less expensive state, the Government is ready to accept the conditionality of significantly slashing the number of employees in the public sector, mostly in the areas of education and health care.[15] This measure would particularly hit women who comprise the majority of employees in those sectors.

A state of indecision

Until mid-summer 2009, no consistent and comprehensive policy was implemented to counter the economic and social troubles of the population, despite the great number of announced-then-revoked measures. In March the Government also announced the introduction of a temporary "solidarity" salary and a pension tax of 6% for those who earned above USD 170, stating that this tax would be used to set up a fund to assist the poorest and help equalize the burden of the crisis. However the measure, which resulted from pressure by the IMF to decrease the State deficit, stirred up discontent among workers and pensioners while trade unions announced protests. They argued that the "solidarity" tax would hit the poorest,[16] cause a reduction in salaries and increase unemployment and work in the informal sector, while the rich would stay untouched. Overnight, the Government revoked the whole savings plan. It was caught between fear of social turbulence on one side and pressure from the IMF on the other, and the following weeks were marked by discordant voices from policy makers, who announced new packages of saving measures in the evening that were revoked the following morning.[17]

At one point the Ministry of the Economy recommended that the Ministry of Justice urge courts to prolong proceedings related to labour disputes in which workers were claiming non-payment of salaries from newly privatized firms and other benefits from the privatization process. The Ministry claimed that paying salaries would jeopardize production in those firms,[18] in complete disregard of the independence of the judiciary.[19] This controversial recommendation was subsequently revoked.

The revised savings plan was adopted on 16 April, together with a revision of the 2009 State budget.[20] The Government announced the setting up of a special budget fund that will be filled by taxing high salaries and reducing salaries in the public sector.

The Social Economic Council did not support the new savings plan because it includes the firing of workers and reducing salaries.[21] The Council estimated that the measures would not stimulate the economy but merely save budget resources, pointing out that instead of imposing taxes on workers, the money should be collected from those who got rich during the privatization process.

The population's pessimism and discontent have also been fuelled by the seeming inability of policy makers to put words into actions with respect to combating corruption and crimes, and establishing a rule of law that would really contribute to improving the financial situation of the country and its citizens. It is estimated that more than USD 500 million is lost every year due to lack of control over public procurements.[22] In 2008, by allowing for the non-payment of taxes by big private companies, the State lost an additional USD 1.3 billion.

Who really needs to tighten their belt?

By implementing the newly adopted Law on Confiscation of Property Gained by Crime, the state could collect USD 2.64 billion in one year, a sum equalling the one Serbia is asking for from the IMF.[23] At the International Automobile Fair in Belgrade, all the most expensive models were sold on opening day for a total of more than USD 2.6 million.[24]

The level of subsidies for a four-member family without an income in December 2008 was USD 134. The minimum cost of living for a four-member family was estimated at USD 1,100. One of the priorities of the Ministry of Labour and Social Policy will be opening food kitchens for the poor; there are now 58 kitchens for 21,000 beneficiaries, but many more are needed.[25] In March, the Ministry of Trade and Finance opened the first "SOS Market" in Belgrade and announced the establishment of similar markets all over the country. These markets are supposed to sell food products at lower prices and are intended to improve the situation of vulnerable groups. SOS cards have recently begun to be issued.[26]

Instead of protecting workers from their rights being violated, trade unions leaned to the other side. At the beginning of 2009, the Union of Independent Unions and the United Branch Union "Independence" agreed with the Union of Employers and the Government to postpone the implementation of the General Collective Bargaining Contract and to delay some of employers' financial obligations towards workers, including paying worker benefits.[27] This contributed to the overall practice of employers in the private sector to not pay wages and other benefits. As a result, every tenth worker in Serbia (180,000 in total) does not receive a salary.[28] The labour inspectorate receives thousands of reports, but claims that it has no mechanisms to force employers to pay salaries.

At midst of August, 30,000 workers in 29 companies have been on strike over unpaid wages, health and pension insurance and violations of collective or privatization contracts.[29] Strikes become more and more frequent, and the workers voices more and more resolute. For instance, workers from the Partizan factory in Kragujevac went on hunger strike until exhaustion to force the owner to pay unpaid salaries. And those from the First May factory in Lapovo lied down on the railroad tracks and blocked international railway transportation. Workers from the Zastava Electro in Racha and from the Belgrade Department Stores have spent months protesting against bad privatisation practices, including protests in front of governmental buildings in Belgrade. Workers of Rashka Textile Company in Novi Pazar, being in a hunger strike for a week, succeeded in catching the public's attention and forcing the payment of salaries after one of them severed and ate his own finger. ■

13 Solesa, D. "Without Corruption with Loans." *Economic Review*, 30 January 2009.

14 Government of the Republic of Serbia. "World Bank to Provide 34.9m Euro Loan." Available from: <www.serbia.gov.rs/vesti/vest.php?id=54564>.

15 EMportal, Economist Media Group Web site. 14 August 2009. Retrieved 17 August 2009. Available at: <www.emportal.rs>.

16 In January 2009, the average pension was USD 305 a month and the average salary USD 440. The highest salaries were those of managers of public enterprises (USD 3,100).

17 For example, reducing the number of ministries, increasing property taxes, taxing mobile phone bills and the purchase of new cars, introducing a luxury car tax, banning new employment in the public sector, limiting business trips abroad and reducing working hours.

18 *Blic*. "It Is Not Possible to Step Out from Crisis by Violation of Laws." 24 March 2009. Available from: <www.blic.rs/>.

19 The Board of the Supreme Court has decided that this recommendation violates the Constitution and the European Convention on Human Rights and Fundamental Freedoms.

20 Government of the Republic of Serbia. "2009 Budget Revision Adopted." Available from: <www.srbija.gov.rs/vesti/vest.php?id=55061>.

21 FoNet. "Social Economic Council Does Not Support the Government's Measures." *Blic,* 15 April 2009. Available at: <www.blic.rs/ekonomija.php?id=88413>.

22 Vucetic, S. "Unbreakable Partnership of Politics and Tycoons." *Blic*, 17 April 2009. Available from: <www.blic.rs/>.

23 Cvijic, V. Z. "In the Serbian Cash Register 2 billion Euro from the Mafia Property." Blic. 25 March. Retrieved 26 March 2009 from: <www.blic.rs/>.

24 Press Online. "No Crises: Two Million Euros for One Day!" 28 March. Retrieved 30 March 2009 from: <www. pressonline.com.rs>.

25 Ministry of Labour and Social Policy (MoL). Government of Serbia. Retrieved from: <www.minrzs.gov.rs/>.

26 B92 Net. "SOS Cards Are Starting to Be Issued". Retrieved 30 March 2009 from: <www.b92.net/biz/tv_emisije.php?nav_id=352330>.

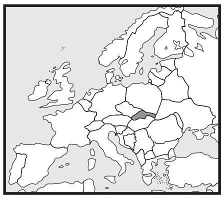
27 Solesa, D. "Crisis 'Tied' Social Partners?" *Economic Review*, 30 January 2009.

28 B92 Net. "180,000 Workers do not Receive Salaries". 15 August 2009. Retrieved 16 August 2009. Available at: <www.b92.net>.

29 EMportal, Economist Media Group Web site. 15 August 2009. Retrieved 17 August 2009. Available at: <www.emportal.rs>.

SLOVAKIA

Revising the plans



Slovakia successfully reformed its economy to enter the EU. Growth is slowing down, however, and the car industry – the country's industrial pride and joy – is already reducing production. To tackle the crisis the Government has taken various measures, many designed to boost employment and regulate the market. For their part, NGOs must immediately address their lack of preparedness for the crisis. Discrimination against Roma and women persists, as does the authoritarian way in which the Government tries to ignore its political opponents. Overseas development assistance (ODA) has been legally institutionalized and is growing; nevertheless it still remains below EU standards.

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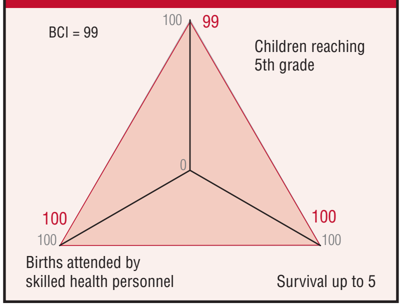
Daniel Klimovský

Slovakia implemented several painful social and economic reforms before and after acquiring full EU membership in 2004. Thanks to these, the country achieved economic growth above 7% in 2008, the highest in the EU. Moreover, Slovakia met the requirements of the European Economic and Monetary Union and replaced the Slovak Crown with the Euro on 1 January 2009. The European Commission stated in November 2008 that Slovakia (together with the Czech Republic and Poland) did not present any dramatic scenarios in terms of the global crisis and actually projected economic growth of 2.7% in 2009 and 3.1% in 2010, with the economy expected to remain among the top performers in the EU for 2009 and very likely for 2010.

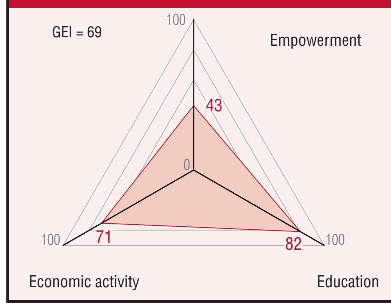
However, a gradual sobering began in 2009.[1] The National Bank of Slovakia predicted in April that the economy would decline by 2.4% during the year, then grow by 2% in 2010 and 3.2% in 2011. A more pessimistic prediction was made by the European Bank for Reconstruction and Development in early May, estimating that the Slovak economy would decline by 3.5% in 2009, and then grow by 0.8% in 2010. Meanwhile, Government data show that unemployment rose sharply in December 2008 to almost 8.4% (from 7.8% in November). After estimating in January 2009 that more than 15,000 jobs would be threatened, the Ministry of the Economy re-evaluated this in April and forecast job losses topping 30,000.

Slovakia is considered "the Detroit of Europe" with the Kia, Peugeot and Volkswagen plants, together with their network of suppliers, comprising a more than 20 billion EUR a year industry that provides more than 75,000 jobs. However, the firms depend on European demand, since the Slovak car market is too small and conservative, and in early 2009 they reduced production.

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



Coping measures

In January 2009 the Government launched a EUR 332 million (USD 431 million) plan to support employment and boost domestic demand to fight the crisis. A Crisis Committee, made up of representatives of government, the Central Bank, commercial banks, trade unions, employers, municipalities and the parliamentary opposition[2] was set up to analyse the impacts of the crisis and propose measures to address them. The following month, the Ministry of the Economy announced some 62 measures to eliminate or at least alleviate some impacts, including the utilization of EU funds, the preparation of public-private partnership projects for the construction of highways, and increasing state expenditure for diverse research and development projects.

The Government has also begun to be more proactive in regulating prices, approving selective support tools for tourism and issuing requirements and/or recommendations for banks and enterprises. In addition, in March 2009 it re-purchased for USD 240 million the 49% block of Transpetrol's shares sold to Yukos International for USD 74 million in 2002. This potentially gives it a strong hand in determining the country's energy policy.

So far, Slovak NGOs have not focused on the global economic crisis. They need to do so for several reasons: donors will be cutting contributions for philanthropic activities; a lack of resources will mean NGOs have to re-evaluate their priorities and activities; the crisis will create more demand for NGO assistance or co-operation; and there will be more intrusive and frequent political or state interventions in relation to NGOs and their activities. For instance, the Government might require NGOs to support those activities it considers most relevant; as only a few NGOs are really politically independent, it would be in a unique position to fund supporters and punish opponents through the distribution of state subsidies and grants.

The "tyranny of the majority" continues

Despite accomplishments at the European level, the internal political scene remains highly strained. The ruling coalition – the two main parties in which are the Smer and the Slovak National Party (SNS) – continued its "tyranny of the majority" during 2008 and the beginning of 2009. Complete disregard for the political opposition was a daily occurrence (e.g., the representatives of Smer as well as the Government – including the Prime Minister – repeatedly emphasized that the opposition should not expect to discuss government proposals or have an opportunity to participate in any decision-making process).

The Government also found a new enemy: the media. The Prime Minister has called journalists idiots, prostitutes and silly hyenas and has criticized them as former agents of the National Security of the Czechoslovak Socialist Republic (who are also among his own supporters). The so-called "Hungarian card" was played in the campaign for the March 2009 presidential election, with the winner and current President and his main supporters (the Smer and the SNS) issuing a statement accusing their principal opponent of being supported by members of the Hungarian minority. This divided Slovak society and offended Hungarian nationals.

1 Pokorný, J. *Global crisis – a traumatizing factor or an opportunity for Slovakia?*. Available from: <www.stavebne-forum.sk/sk/article/12474/global-crisis-a-traumatizing-factor-or-an-opportunity-for-slovakia/>.

2 The parliamentary opposition could nominate only one expert without any political affiliation.

Populism and nationalist politics surfaced immediately after the ruling coalition took office in 2006.[3] Early in 2008 the Prime Minister began to mythologize Slovakia's history, coining the term "old Slovaks"[4] while defending the historical figure of highwayman Juraj Jánošík, dubbing him "the first socialist".[5]

Another severe problem is corruption and clientelism. The ruling coalition repeatedly advocates its right to favour its own party members or other supporters. However, several ministers as well as senior civil servants had to step down or were withdrawn due to pressure from international institutions (e.g., the European Commission), the national media and the political opposition.[6]

Discrimination

The Geneva-based Centre on Housing Rights and Evictions gave a 2007 Housing Rights Violator Award to Slovakia (along with Burma and China), criticizing its persistent discrimination against its Roma population, who frequently are segregated and/or forcibly evicted from their homes. More than 120,000 Roma reside in slums, lacking access to basic services such as water and electricity. The Government has done little to improve this situation, and Roma living conditions are still far below the European average. An especially egregious case of abuse occurred in March 2009 when policemen forced six young Roma boys to undress and to hit and kiss each other. The incident was videotaped and the officers and their direct superiors were fired. The director of Charter 77, Zuzana Szatmáry, protested, however, noting that sanctions must match the severity of the offence – which these clearly did not.

The Committee on the Elimination of Discrimination against Women, during its 41st session in New York in 2008, pointed to a number of concerns as described in the last country reports for Slovakia, and advised the Government to take measures to address these.

CHART 1. Official bilateral Slovak development assistance in 2008

Projects / Programmes	Sum (in K EUR / USD)
Projects in "programme countries" (Montenegro and Serbia)	1,992 / 2,590
Projects in "project countries" (Afghanistan, Belarus, Bosnia and Herzegovina, Kazakhstan, Kenya and Ukraine)	1,328 / 1,726
Projects in "other countries"	1,029 / 1,338
Development of capacities and projects in regard to development education, public awareness and monitoring of projects	232 / 302
Co-funding of projects approved by the European Commission	133 / 173
Micro-grants	66 / 86
Sub-programme on international humanitarian aid	332 / 432
Funding of the operation and activities of Slovak Aid	398 / 517
Overall	**5,510 / 7,164**

Source: Národný program oficiálnej, 2008.

Development assistance

The years 2004-07 were considered a transitional period, during which the Slovak Agency for International Development Co-operation (Slovak Aid) approved 229 projects for almost EUR 14 million (USD 18 million). The institutionalization of Slovak Aid was legally completed on 1 February 2008, when the Act on Official Development Assistance came into force.

In April 2008, the "National Programme for Official Development Assistance in 2008" was approved. Financial resources were primarily destined for Afghanistan, Belarus, Bosnia and Herzegovina, Montenegro, Kazakhstan, Kenya, Serbia and Ukraine. There was also a lump sum for several other countries (Albania, Kyrgyzstan, Macedonia, Mongolia, Mozambique, Sudan, Tajikistan and Uzbekistan). However, although official Slovak development assistance in 2008 was higher than in 2007, it is still below EU standards.[7] ■

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Sičáková-Beblavá, E. (2008). "Slovakia". In D Zinnbauer and R Dobson (eds), *Global Corruption Report 2008*. New York: Cambridge University Press, pp. 267-271.

3 Sáposová, Z and Šutaj, Š. "Národnostné menšiny" [National Minorities]. In M Bútora, M Kollár and G Mesežnikov (eds), *Slovensko 2008. Súhrnná správa o stave spoločnosti. [Slovakia 2008. A Global Report on the State of Society]*. Bratislava: Inštitút pre verejné otázky, pp. 175-210. Mesežnikov, G.. "Vnútropolitický vývoj a systém politických strán" [Domestic Political Development and Party System]. In M Bútora, M Kollár and G Mesežnikov (eds), *Slovensko 2008. Súhrnná správa o stave spoločnosti [Slovakia 2008. A Global Report on the State of Society]*. Bratislava: Inštitút pre verejné otázky, pp. 17-125.

4 Although there is some controversy regarding the location of Great Moravia (the Slavic state that existed at the turn of 9th and 10th centuries), mainstream historiography locates it on both sides of the river Morava, in the present territories of Slovakia and the Czech Republic, meaning its inhabitants should be considered the ancestors of modern Moravians and Slovaks. The term "old-Slovaks", however, seems more akin to such terms as "old-Hungarians" or "old-Magyars".

5 Mesežnikov, G. "National populism in Slovakia: actors, issues, strategies". In O Gyárfášová and G Mesežnikov, *National populism in Slovakia*. Bratislava: Institute for Public Affairs, 2008. pp. 7-34.

6 In one case, the Minister of the Economy, in a March 2007 interview officially advocated the use of bribery to win arms contracts if the State hoped to compete with private weapons dealers. See Sičáková-Beblavá, E.. "Slovakia". In D Zinnbauer and R Dobson (eds), *Global Corruption Report 2008*. New York: Cambridge University Press, p. 268.

7 Klimovský, D. "Slovakia: More development aid, though discrimination remains." *Social Watch Report 2008: Rights is the answer*, pp. 182-183.

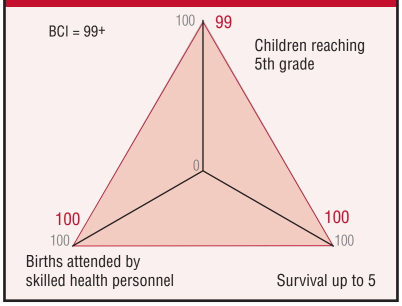
SLOVENIA

Challenges for an emerging civil society

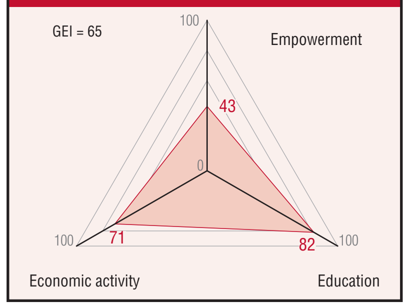
The effects of the global crisis are beginning to be felt in this export-oriented country. They translate into rising food and energy prices, unemployment and poverty, and require a systemic response. This creates an opportunity to focus on human rights and environmental concerns, as well as on civil society issues that have been gaining momentum nationally. Slovenians therefore need to demand more from their Government than a mere boosting of the market.

HUMANITAS Društvo za človekove pravice in človeku prijazne dejavnosti –
Society for Human Rights and Supportive Action
Manca Poglajen
Rene Suša

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



Warnings about a potential financial and economic crisis reached Slovenia in the second half of 2008, together with news of the collapse of important financial institutions, especially in the United States. The effects on the Slovenian export-oriented economy became apparent at the beginning of 2009, first among those working in the industrial sector but soon in all sectors as reduced purchasing power and difficulty in accessing credit led to lower demand in trades and services.

In fact, global food prices, degradation of the environment and climate change, as well as political bickering over access to energy were already leaving their mark in Slovenia before this. The average inflation rate in 2008, following a trend from 2007, was 5.7%. Food and beverages went up 3.8% while gas, energy and oil increased by more than 20%.[1] Although the changes in prices affected the whole population, people with minimal income were hurt the most.

Unemployment

The trends in unemployment show the most detrimental and long-lasting effect of the crisis. Unemployment has risen in every region, primarily among people who were on short-term contracts. Data from February 2009 show very negative tendencies: 77,182 people were registered at the Employment Service, which is 4.4% more than in January 2008 and 15.2% more than in February 2008. It should be noted, however, that the actual number of unemployed people is substantially larger, since in the past few years tens of thousands have been erased from the statistics due to "breach of obligations" (usually failure to report or refusing work beneath their level of qualifications).[2]

Even more revealing are the figures for newly registered employment seekers. In the first two months of 2009 there were 21,052 new employment seekers – a rise of 83% compared to the same period in 2008.[3] Almost half of them were workers whose short-term contracts had not been extended. There has also been a staggering rise in the number of permanently unemployed – by almost 150% compared to the same period in 2008 – as well as those losing jobs due to bankruptcy, whose number has more than doubled (219%).[4] On average the individuals registered at the Employment Service have been jobless for almost 22 months.

A feeble response

Attempts to combat unemployment have been inadequate. The Government passed a law on partial subvention of full-time employment in January 2009. The total sum for subventions is EUR 200 million (USD 261 million), and employers may apply for EUR 60 to 120 (about USD 78 to 157) per worker per month, depending on whether they shorten their working hours to 36 or 32 hours a week. However, experts, employers and trade unions all consider this measure insufficient.

For example, the subventions are too low to help those companies facing serious liquidity problems or the inability to maintain previous levels of production due to cancelled orders. They are also limited to a maximum of six months, although estimates suggest that the need will last much longer than that. Moreover, no subsidies are provided either for the self-employed, who represent more than 10% of the working population, or for those who were already working part time such as people with disabilities. Another drawback is that the law does not set eligibility criteria based on business records, so companies not affected by the crisis may also be receiving subsidies.

Trade unions warn against possible abuses by employers, such as proposing annexes to working agreements that voluntarily lower their employees' wages, which means that they are still eligible for subsidies but can also reduce payment to workers due to shorter working hours.[5] Other abuses include shortening the work time but keeping the workload the same – workers are threatened and have to work unpaid overtime hours or with greater intensity and shorter breaks.

The Employment Service has published two additional public tenders that provide subsidies for full- and part-time employment in 2009 and 2010. Both are co-financed by the European Structural Funds. Extra points are awarded to applicants who wish to hire women or people with disabilities, and a higher amount can be claimed by those hiring persons who have been registered as unemployed for more than 24 months. An estimated 3,850 people should be employed full-time and another 400 part-time through these tenders. An additional amount has been made available for co-financing employers' professional training programmes for employees in order to increase productivity and workers' employability.

While the subsidies show the Government's concern with preventing massive lay-offs, it is also evi-

1 Statistical Office of the Republic of Slovenia. "Consumer price indices, Slovenia, December 2008". (30 December 2008). Available from: <www.stat.si/eng/novica_prikazi.aspx?id=2098>.

2 See "Slovenia: On the erased side of the Alps", *Social Watch Report 2008.* Available at <www.socialwatch.org/en/informesNacionales/619.html>.

3 Employment office of Slovenia. "Februarja registriranih 77.182 oseb". March 28 2009. Available at: <www.ess.gov.si/SLO/DEJAVNOST/StatisticniPodatki/2009/0209.htm>.

4 Employment office of Slovenia. "Zavod sklenil pogodbo o subvencioniranju z 41 podjetji". 30 March 2009. See: <www.ess.gov.si/slo/Dejavnost/NovinarskoSredisce/NovinarskeKonference/2009/04-03-09.htm>.

5 KS90. "Subvencioniranje delovnega časa, vloga in ukrepi sindikata". 25 March 2009. See: <www.sindikat-ks90.si/index.php?p=novice&id=183>.

dent that all these measures have a very narrow range, in terms of both funds and timeframe. They do not demonstrate long-term planning or address structural problems but are merely a counter measure to the current situation. Permanent employment is not a requirement in any of them. This is very much in accordance with employers' demand for "greater flexibility" in the labour market – meaning more and more people employed on short-term contracts. This holds true also for applicants for state subsidies, who may lay-off their employees as soon as the subsidy runs out.

Shifting headlines

With the decline in the economy, there has been a substantial shift in media attention. While issues of migrant workers (especially in construction) and the exploitation they faced (no contracts, inappropriate working conditions, low wages, racism) were featured in the media towards the end of 2008, their situation and the problems they face now there is little demand for their services have been swept under the rug. Headlines instead draw attention to financial difficulties in Slovenia's major companies.

Also, the media are used to make draconian measures more acceptable. For instance, they highlighted the announcement by the general director of the Chamber for Industry and Commerce that 30,000 to 50,000 people would lose their jobs in 2009: this does not help the workers but just legitimizes further lay-offs. The leading business journal, *Finance*, gave a similar estimate of 46,000 redundant workers. The numbers from the Employment Service are much lower, however: approximately 10,000 new employment seekers by the end of 2009.

Poverty and social changes

The Human Rights Ombudsman addresses poverty as a problem needing to be urgently addressed, since it is a multi-layered phenomenon that deeply affects human dignity. Although Slovenia declares in its Constitution that it is a "social state", more and more Slovenians are facing poverty. According to official data, 11.5% of the population lives below the EUR 500 (about USD 653) poverty threshold.[6] These statistics do not take into account the fact that the poor often experience human rights violations in the areas of social care, health and education.

There is increasing poverty both among the elderly who live on small pensions and among the youth. In fact, more and more young people are being raised with minimal opportunities for development, few incentives, low self-esteem, difficulties integrating into society and few job opportunities. Moreover, it is getting more and more difficult for young adults to start their own families, as they are unable to enter the housing market. A whole sub-class of people who feel unhappy, cheated and useless and who resent society is being created. New systemic approaches are needed: financial aid is not enough; it is mandatory to reassert values such as solidarity and community.

Human rights and global issues

Lately, human rights have been gaining centre stage in the country. The new coalition Government, elected in 2008, has declared that respect for human rights, democracy, the rule of law, social protection and an open society are basic values. It also committed itself to change in light of the new challenges posed by global developments.

This is partly due to the impetus gained in 2008 by NGOs and related organizations[7] (together with attention to issues such as climate change, the Millennium Development Goals, the relevance of civil society and respect of human rights, as well as accountability of governmental institutions) when Slovenia held the presidency of the EU. Raising more awareness about these issues, both among the public and civil servants, and the creation of links and forums where initiatives can be presented to the Government are needed to have a lasting effect.

Discrimination, disrespect of Constitutional Court rulings, slow judicial procedures, children's rights, social security and the pension and health systems are among the most common topics in complaints filed at the human rights bodies in Slovenia. According to the Human Rights Ombudsman the values that should guide society, especially in times of crisis, are human dignity, mutual respect, trust, honesty and willingness to help the vulnerable.[8]

An open question

However, the question remains whether Slovene society, which in the past ignored human rights and environmental issues, will demand that their Government adopt a rights-based approach and effectively protect them or whether the pressing economic issues will take precedence. One example is the case of the so-called "erased" – non-ethnic Slovenes who were denied legal status after independence in 1991. The issue should have been settled, but successive governments have not respected the ruling of the Constitutional Court. Right-wing political parties oppose this ruling in fear of having to bestow large amounts of compensation on the victims.

In terms of the environment, wind power stations in protected areas, gas terminals in the sea and another coal-based power station are all being planned. If the responses to the current and manifold crises focus on reviving the economy and consumerism, issues such as environmental policy will continue to give way to plans for keeping jobs and boosting the market. ■

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6 Statistical Office of the Republic of Slovenia. "Kazalci dohodka in revščine". 27 March 2008. See:<www.stat.si/novica_prikazi.aspx?ID=2032>.

7 Although there is no legal definition of an NGO, in 2008 these organizations and the topics they advocate for gained ground thanks to Slovenia's EU presidency.

8 Human Rights Ombudsman. *Thirteenth Regular Annual Report of the Human Rights Ombudsman of the Republic of Slovenia for the year 2007* (Abbreviated version), 2008. Available from: <www.varuh-rs.si/fileadmin/user_upload/word_in_PDF/LP-2007/LP07_ANG_-_za_splet.pdf>.

SOMALIA

A defenceless country

The calamitous conditions in this war-torn country are being exacerbated by the global systemic crisis. With the means of production, finance and the provision of basic services in the hands of a few, the cost of living has soared. Currency devaluation has been coupled with hyper-inflation and increased food prices; unaffordable energy is further limiting the delivery of services such as education, health and sanitation. Moreover environmental degradation is reducing the availability of water, grazing and bio-diversity, thus negatively affecting livelihoods.

Somali Organization for Community Development Activities
Housing the Secretariat of SW Somalia Coalition
Ali Mahamoud Osoble

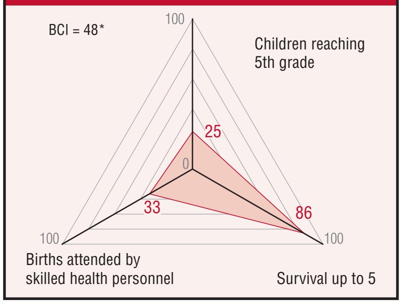
Somalia is the only country in Africa, if not the world, where a central authority is unable to provide even basic public services, whether in the area of health, education, sanitation or security. For two decades the nation has been experiencing clan warfare led by Mogadishu-based warlords whose militias have been engaged in killing mainly innocent, unarmed civilians. In 2006 they were defeated by the Union of the Islamic Courts, made up of Islamists who had used a network of clan-based courts as a political platform. Further fighting, however, took place between the Islamists and other forces backed by Ethiopia before the latter pulled its troops out in January 2009 and the moderate Islamist Sheikh Sharif Sheikh Ahmad was installed as the new president. Despite the presence of a peacekeeping mission from the African Union, there continues to be ongoing conflict caused by power struggles between political and religious groups and resource-based clashes between clans.[1]

The civil war ruined the country and affected its people economically, socially, culturally and politically. In the absence of an effective central government, many services are now being provided by the business sector at high cost. The global crisis is also affecting food security, energy, water and climate in Somalia, deepening insecurity and instability. As in the rest of the Horn of Africa, food shortages have been worsened by rising commodity prices, conflict and piracy (limiting the movement of people and goods) and imperilled aid operations. Increased food prices have also been blamed on rising fuel costs, lower agricultural production and weather shocks.

Food crisis

Livestock has traditionally been the most important sector for income generation in Somalia, while agriculture has provided staple and cash crops including sorghum, maize, beans, sesame and diverse fruits such as bananas and watermelons. However, many farmers have lost productive assets, including livestock and irrigation equipment, to invading militias or have been expelled from their farms. In addition, agricultural production has been declining as a result of drought and low rainfall in most areas of the country.

Basic Capabilities Index (BCI)



At the same time, there have been rising maritime freight charges on imported goods due to the hostile actions of Somali pirates bent on hijacking ships. The prices of basic commodities, including food, went up by between 200% and 400% in many urban markets in the first six months of 2008.[2] The effects of decreased cereal production, coupled with general insecurity, have lowered the living standards of the majority of the population. Due to the humanitarian crisis, in 2008 more than 3.2 million Somalis (that is, over 40% of the population) became totally dependant on food aid and emergency services provided by international agencies. These agencies, however, are facing extreme difficulties in trying to get food into the country; the task has been hampered by the violence that internally displaced a million Somalis in just 18 months (from April 2007 to September 2008).

Up to 70% of rural people in the south are threatened by food shortages, and about 36% of children are underweight, with one in six suffering from acute malnutrition. The number of malnourished children nationally is currently estimated to be 200,000, of whom 60,000 are severely malnourished and could die if treatment is not made available. In 2008, UNICEF began supplying supplementary feeding to 44,000 children under five years old along the 30 km Mogadishu-Afgoye corridor and in central and southern Somalia.[3]

Spiralling inflation

As there is no central bank, all currency circulating in the market was either printed before the Government collapsed or is being produced by business people with links to local authorities or former warlords; thus, inflation has spun out of control. In 1991 the exchange rate for one US dollar was 2,000 shillings; in 2009 it is 35,000 shillings. Dishonest traders have pushed inflation to its highest level during 18 chaotic years by refusing to accept the various denominations of the Somali shilling and only taking US dollars. Demonstrators in Mogadishu denounced the traders and were quoted as saying: "We have our own currency, if that currency is rejected, it means that we have no way to live." [4]

Water crisis

Northern and central Somalia suffer from acute water shortages. Even important provincial capitals like Hargeisa, Dusamareb and Garowe face this situation. Southern Somalia is generally greener because the Shabelle and Juba Rivers flow down from the Ethiopian highlands. Nevertheless, this area also becomes semi-arid when droughts affect these sources. According to Sidow Ibrahim Addou from the USAID-funded Famine Early Warning Systems Network, water shortages in the Gedo region mean the disappearance of virtually all pastureland.[5]

In the north-eastern regions, where the majority of people depend on animal rearing and there are no rivers, environmental changes – especially La Niña, which lowers ocean surface temperatures causing lower rainfall – have led to tremendous losses of cattle. In 2007, for instance, citizens fled areas such as Hamure village, 280 km east of Bosasso, because of water scarcity. The wells there have dried up and no one maintains the boreholes, a situation made worse by the lack of a functioning central government and the weakness of regional authorities. As the land is becoming drier and rainfall has shrunk from its average of 250 mm per year, potential evaporation soars above 2,000 mm per year.

In Somaliland, comprising the north-western territories, the water crisis is even worse. Entire

* "Children reaching…" estimated following procedure "2" in p. 209.

** There are no available data on GEI.

1 FSAU (Food Security Analysis Unit – Somalia). "2008/09 Post-*Deyr* Analysis." Technical Series Report No. V, 17. 2009. Available at: <www.fsausomali.org/fileadmin/uploads/1481.pdf>.

2 *Ibid.*

3 UNICEF. "UNICEF feeds 44,000 children in Somalia." Press Centre, Nairobi, Kenya, 14 May 2008. Available at: <www.unicef.org/infobycountry/media_43930.html>.

4 Abdinur, M.H. "Somalis rally against rising food prices, inflation." Agence France Presse (AFP), 6 May 2008.

5 IRIN (Integrated Regional Information Networks). "Somalia: Severe food and water crisis in Gedo". UN Office for the Coordination of Humanitarian Affairs, 5 April 2006. Available at: <www.irinnews.org/Report.aspx?ReportId=58667>.

villages are being abandoned as adverse climate change is reducing water sources instead of replenishing them.

Health crisis

The movement of populations from drought-affected areas to camps for internally displaced persons (IDPs) is increasing the risk of epidemics such as cholera, diarrhoea and other water-borne diseases and of the spread of polio.[6] Somalia's lack of a basic functioning health infrastructure that could adequately respond to these emergencies worsens the plight of those affected, especially women, children and the elderly.

The infant mortality rate is estimated to be 156 per 1,000, an upsurge from earlier UN records of 132/1,000. The maternal mortality rate has also gone up to 1,600 per 100,000 live births, from earlier UNICEF records of 1,400/100,000. AIDS, malaria, tuberculosis and other diseases continue to take a heavy toll.

Refugees and displaced people

More than 60,000 Somalis crossed the border into Kenya in January 2009 alone, and the Dhadhab camps in north-eastern Kenya are estimated to hold 230,000 refugees. Some 850,000 fled Mogadishu's violence in 2007/2008 while 400,000 of those internally displaced, previously in Mogadishu's IDP camps, fled to the outskirts of the city seeking safety. Another 50,000 persons were displaced as a result of the 2008 border dispute between Somaliland and Puntland; they remain in camps in Ethiopia, Somaliland and Puntland.

Unfortunately, the assistance provided by both international and local NGOs has been hindered by the seemingly endless insecurity, especially in the southern and central regions. Two World Food Programme Somalia staff members were deliberately targeted and murdered in January 2009, while 34 aid workers were killed in 2008; other aid workers have been kidnapped and remain in captivity. There continue to be roadblocks set up at strategic positions to hijack supplies, and piracy against vessels carrying humanitarian goods.

Fuel crisis

Somalia is a net fuel importer. Any fluctuation in oil prices therefore directly affects the country. Fuel nearly tripled in price during one two-week period in late 2007 and early 2008, from USD 0.40 per litre to USD 1.10. In some cases, the cost of transportation has quadrupled, leaving many people cut off. Other goods such as imported foodstuffs and medicines, as well as services such as education and health, have also been affected. In a country where electricity is mostly generated from diesel-fuelled generators, oil price increases have affected the generation companies. The additional cost has been transferred to the sectors that need electricity most, and the public bears the brunt of the crisis.

The lack of a centrally functioning government or bilateral relations with energy-producing countries has prevented the Somali people from buying oil more cheaply from countries in the Middle East, or purchasing electric energy from countries in the Horn of Africa such as Uganda and Ethiopia that have high potential for hydroelectric generation.

Environmental crisis

Deforestation is a major cause of lower rainfall and drought, which in turn lead to famine. Trees are cut, forests are cleared and branches and trunks are burnt for the production of charcoal, a large quantity of which is exported to countries in the Gulf States, with Saudi Arabia and the United Arab Emirates being the main buyers.[7] It is estimated that boats carry abroad on average the equivalent in charcoal of 10,000 trees. This trade in Somalia's 'black gold' causes an environmental disaster. As traders demand more and more charcoal, the loss of trees leads to scarcity of water, lower rainfalls and extremely high evaporation.

Unfortunately, droughts are often followed by devastating flooding of the rivers that flow from the Ethiopian highlands. This has become a recurrent cycle.

Recommendations

Civil society groups, from community-based organizations to national forums, are advocating for the causes of the disasters to be addressed. Government ministries and empowered bodies are badly needed to combat deforestation. Action against environmental abuse will limit its adverse effects on rainfall, the soil's capacity to hold water, the local climate, habitats for animal species and bio-diversity in general. ■

6 WHO (World Health Organization). "Drought Worsens Health Crisis in Somalia." Nairobi: WHO, 31 March 2006. Available at: <www.emro.who.int/somalia/pdf/PressRelease_31March06.pdf>.

7 Mohamed, A.E. "Somalia's Degrading Environment: Causes and Effects of Deforestation and Hazardous Waste Dumping in Somalia". Essay prepared for a PhD course on Environmental Systems Analysis and Management. KTH, Sweden 2001. Available at: <www.mbali.info/doc331.htm>.

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SPAIN

Not tackling the basic issues

The shortcomings in the Spanish economy, adjustments to which were too long delayed, have been laid bare. Faced with spiralling unemployment and the collapse of credit, the Government stands as guarantor but fails to tackle basic issues such as job insecurity, access to housing and the extension of social rights. Similarly with international aid: while Spain consolidates its role as a sympathetic country, essential issues such as global warming and agricultural subsidies are not given the attention they deserve.

Plataforma 2015 y más
Pablo José Martínez Osés
Intermon Oxfam[1]
Deborah Itriago

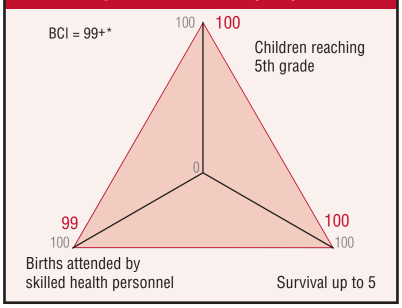
The crisis in Spain has its own distinct aspects, suggesting that "failures" of the international financial system or bad practices are not its only causes. Just as major US financial companies were collapsing, President José Luis Rodríguez Zapatero was in New York at the September 2008 UN General Assembly meeting, declaring his confidence in the robustness of the Spanish financial system. Nevertheless, the Government rushed to grant a Treasury guarantee of EUR 30 billion to cover its risks. This figure represents over EUR 650 per person, while the country spends EUR 30 per person on development aid. Weathering the storm takes precedence over seeking opportunities in the crisis.

Job destruction

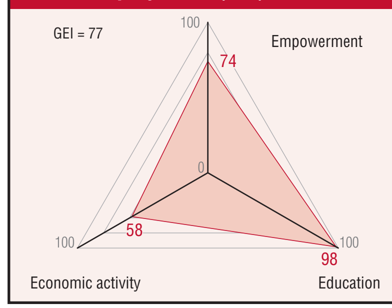
Current figures for job losses are staggering. Between January 2008 and January 2009 unemployment rose by more than a million to over 3.5 million people – 14% of the economically active population and almost double the European average. According to data published by the Social Security office, more than 840,000 jobs disappeared in 2008 and the trend shows no signs of diminishing.

The Government has sought to mitigate the drop in purchasing power through tax reductions for workers and simplified procedures for creating new economic activities. It has also instigated reductions in default interest rates for non- or late payment in order to help save companies from financial asphyxiation. These measures are intended, at most, to enable workers to hold out for a while, in the hope that economic activity and confidence in the markets will recover. It is worth noting that the Government has so far resisted the usual opportunistic bids by employers to demand greater job insecurity through flexibilization and cheaper redundancies as a prerequisite for creating more jobs.

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



The collapse of credit

Despite the EU base interest rate (Euribor) having already fallen to a historic low, financial bodies seem unwilling to take on new risks and the availability of credit remains scarce. Clearly the EUR 30 billion approved by the Government and other public guarantees have so far failed to get the financial sector to provide credit and, with it, the money supply that is indispensable for reviving economic activity. Furthermore, in December 2008, according to data from the Bank of Spain, the family credits portfolio fell for the first time in eight years, in contrast to the growth shown by the portfolio of credits approved for general government. This apparent paradox is explained by financial entities' predilection for public guarantees when selecting risks and by the enormous funding difficulties faced by local government bodies.

The Government has therefore prioritized acting as public guarantor in order to maintain confidence in the balance and stability of the financial system, on which so many citizens' savings and deposits depend. But the issue demands much more. While financial bodies continue submitting quarterly results showing spectacular profits, the unstoppable devaluation of financial and mortgage assets has meant that the general public has so far not been able to enjoy the benefits of this stability. Social movements, as well as academic and political sectors, are beginning to voice the need for public financial bodies that would prioritize public service functions rather than profit margins.

Delay in adjustment

The alacrity with which the Government has responded to the needs of the banking and finance sector is in sharp contrast to the tardy and limited attention paid to problems of the real economy, which is now seeing an abrupt process of adjustment which had been long overdue when the crisis broke.

The three main problems, frequently cited in analyses during the previous growth cycle, were: the sheer magnitude of the "property bubble" and the relative importance of the construction industry to GDP and employment growth; excessive borrowing by individuals and businesses; and low rates of national competitiveness and savings. In the previous period, little was done to address needed adjustment processes, due perhaps to a reluctance to bear the social and political costs. The global financial crisis has brought together and accelerated these processes, severely affecting employment levels and the viability of businesses with high short-term credit needs.

In response, the Government has adopted a twin approach. It remains firm in resisting lobbying by conservative sectors and employers in favour of tax rebates for large revenues, lower company taxes and more flexible dismissal requirements, while at the same time approving social measures aimed primarily at the unemployed and low-income and high-risk groups. However, this dual reaction – aimed at avoiding any damage to the system of social guarantees (so that it can act as a shock absorber in the crisis) – does nothing to reverse the trends and enable the recovery of credit, employment or the price index.

It would appear that the Government is relying on being able to contain the pressures until confidence in international financial markets has recovered and a new growth cycle is underway. However, it is not just a question of knowing when recovery will occur or how large a shortfall can be tolerated in the public accounts used to fund the measures (these have already used up the surplus accumulated over

* "Births attended…" estimated following procedure "1" in p. 209.

1 Intermon Oxfam's contribution to this report has been undertaken by its research team, led by Deborah Itriago, and is limited to the last two sections.

previous years, and the EU has issued its first warnings). It is also a case of dealing with basic problems that beset the Spanish economy, related mainly to job insecurity, access to housing and the extension of basic social rights to a large section of the population.

Spain abroad

The year 2009 is one of continued discussion of development cooperation, including questions on what form cooperation in the struggle against poverty should take. During 2007 and 2008 Spain was a supportive country not only in terms of management of the global crisis affecting developing countries in particular, but also more generally in its commitments to levels of Official Development Assistance (ODA).

ODA: Between 2004 and 2007 Spanish ODA increased by more than 20% (in current values). Despite keeping its international cooperation budget for 2009 at the same level as in 2008 (EUR 5 billion), Spain is still one of the most generous donor countries. In December 2007, the State Pact against Poverty was signed, under which all Spanish political parties undertake to comply with the international commitment to channel 0.7% of GDP into ODA from 2012.

Humanitarian action: 2008 saw the culmination of a series of processes that will help consolidate Spain as a global actor in humanitarian efforts. An Office for Humanitarian Action became operational within the Spanish Agency for International Development Cooperation (AECID), strengthening institutional management capacity in dealing with humanitarian crises, and enabling the country to ignore media pressure in deciding whether to become involved with specific humanitarian crises.

Food crisis: At the FAO summit in June 2008, Spain made a commitment to contribute EUR 500 million in response to this crisis. In January 2009 Spain and the UN jointly organized the High Level Meeting on Food Security for All (RANSA) in Madrid, designed to strengthen coordination among the various institutions involved in this area (FAO, World Food Programme, International Fund for Agricultural Development, World Bank, IMF) and advancing the Global Partnership for Agriculture and Food Safety (GPAFS) initiative. At this meeting President Rodríguez Zapatero committed a further EUR 1 billion to this end, to be paid over five years. The EUR 1.5 billion total does not represent any additional resources but rather a commitment to assign part of the previous ODA budget. What is remarkable is that the negative impact of EU agricultural policies on world food security is not questioned as part of this initiative, putting its chances of success seriously at risk.

Within the framework of the G20 and in line with the foregoing, as part of the package of measures it has proposed in order to manage the financial crisis, Spain supports the idea that multilateral development banks increase their net flows towards low- and average-income countries in times of low growth.

Solidarity is not enough

Although all these initiatives demonstrate solidarity, they contrast with Spain's position on aspects that are crucial to developing countries, such as trade, agriculture, international migration and climate change.

Trade: One of the greatest risks in the international response to the current financial crisis is that countries unilaterally adopt commercial protectionism as a way out. Unlike other EU countries, Spain has always sided with those less inclined to be flexible in their position and include development as a core element of trade negotiations. At the meeting of the G20 in late 2008, countries were called on to refrain from increasing applied tariffs for at least a year, while nothing was said about the use of state subsidies and rescue plans. This meant calling into question the only means of protection most developing countries can afford while allowing those that are out of their reach (and that, additionally, can be devastating for their agriculture).

Agriculture: Of equal concern is the inconsistency between the global initiatives supported by Spain and the one the Department of Rural Affairs aspires to lead, pushing for a European platform to block the necessary Common Agricultural Policy (CAP) reforms. This initiative has been presented as one that should remain at the forefront during the Spanish presidency of the EU, ignoring the fact that the distorting impact of rich countries' agricultural policies is one of the causes of the erosion of agriculture in poor countries and of the crisis in food prices.

Immigration: The international economic crisis has hit millions of migrants hard as they are immediately threatened by unemployment (particularly in the construction and hotel industries), reducing the remittances these workers send to their families.[2] The Government's reaction has been disappointing: one measure involves repatriation incentives, which has met with limited success because migrants who have overcome the many barriers to obtaining Spanish residency will not happily give up this right.[3] In addition, regular immigration quotas have been drastically cut and efforts intensified to detect, detain and deport illegal workers. The Government passed the new Law of Asylum and Refuge in December 2008. Following a European Directive approved along similar lines in July 2008, this "will reinforce the worrying advance of unsympathetic – even xenophobic – policies in Europe, which is more concerned about the interests of the States than about the right to asylum", according to the Spanish Commission for Refugee Assistance.

Climate change: At the end of 2009 a global agreement on climate must be reached to succeed the current Kyoto Protocol. This requires consensus on the sharing of efforts to reduce emissions and the funding of adaptations in developing countries. Spain contributes to existing international funds, although – as with the rest of the international community – this falls far short of the estimated USD 50 billion a year that is needed.[4] In addition, Spain is reluctant to make new financial commitments for mitigation and adaptation in developing countries. Within the framework of the EU, the financial crisis is used as an excuse to dilute the already limited funding programmes. No agreement has been reached on innovative mechanisms for raising the necessary funds, such as auctioning emissions rights, nor on commitments countries are willing to make in the context of a global agreement. ■

2 In Ecuador and Mexico, for example, the fall in 2008 is estimated to be around 20%.

3 The scheme offers returning migrants the possibility of advance payment of cumulative unemployment benefits in their country of origin with support to any business initiatives they might undertake. In February 2009 only some 2,000 migrants (of a total of around 200,000 unemployed non-community foreigners) had signed up.

4 Oxfam. "Credibility Crunch: Food, Poverty, and Climate Change: An Agenda for Rich-Country Leaders". *Oxfam Briefing Paper 113*. June 2008. Available from: <www.oxfam.org.uk/resources/policy/debt_aid/downloads/bp113_credibility_crunch.pdf>.

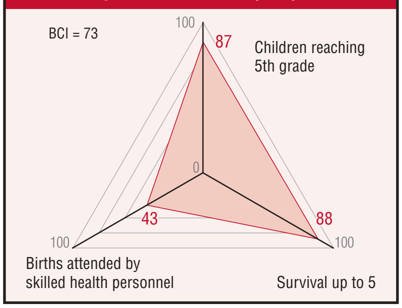
TANZANIA

Poverty reduction is endangered

Although its financial system has not yet been severely affected by the global economic crisis, the decrease in exports, remittances and aid will imperil Tanzania's progress in eradicating poverty. Basic services, such as the provision of clean water, sanitation and health, must be extended, as well as credit and instruction to farmers. For all this, it is essential that aid is not discontinued.

SAHRiNGON Tanzania Chapter
Armando SwenyaMartina
M. Kabisama
Kambibi Kamgisha

Basic Capabilities Index (BCI)



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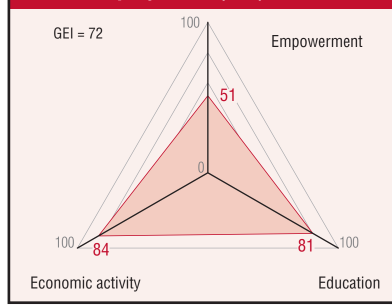

The Tanzanian economy depends mainly on agriculture, which accounts for about 42% of GDP.[1] Average annual economic growth since 2000 has been 5.8%,[2] up from 3% in the late 1990s. Although the country has undergone significant macroeconomic and structural reforms, including privatization of public companies, market liberalization and investments in key economic sectors such as mining, agriculture, tourism and telecom industries, it has a long way to go regarding poverty reduction. More than one third of the population still lives on less than USD 1 per day.[3]

Economic growth has not yet adequately translated into increased per capita income. The budget allocation for development programmes, including social services such as health, education and infrastructure, is minimal compared to recurrent expenditures such as salaries of public officials and management of government offices. In addition, Tanzania is heavily dependent on aid, which contributed approximately 42% of the national budget in 2007.

Impacts of the global crisis

Although the world economic crisis has had an impact on Tanzania, financial institutions have not been affected so far.[4] There are several reasons for this: the country has a low level of integration into international financial markets; foreign assets cover just 11% of total commercial bank assets; and banks are licensed, regulated and supervised under national laws – i.e., not operated as branches of parent banks abroad but as independent subsidiaries. In addition, the country had a limited amount of foreign borrowing and no securities from the international banks that were affected by the crisis. The interbank cash market continues to be liquid and stable, and lending to the private sector increased by 47% in 2008.[5]

However, the Tanzanian economy faces a big challenge since the income from key exports has decreased due to declining demand and lower prices. For example, in January 2009, 138,011 bales of cotton (a quarter of the total output for the 2008/09 season) were piled up in ginneries due to lack of orders. In June 2008 it was expected that cotton farmers would earn TZS 300 (USD 0.23) per kg, but prices in the world market fell as low as TZS 200 (USD 0.16) per kg. Tourism and mining may also feel the impact. Tourism contributes 17.2% of GDP, second in importance only to agriculture. Tanzania received 719,031 tourists during the financial year 2006/07 and money accrued was about USD 1 billion. Many tourists have already cancelled bookings, and it is estimated that earnings may decline up to 20%. Mining may be affected due to the reduction in foreign direct investment (FDI).

Poverty reduction

Since 2000 the country has been implementing poverty reduction strategies, supported by a comprehensive and strong National Poverty Monitoring System with development partners. The National Strategy for Growth and Reduction of Poverty (NSGRP) is aimed at reducing income poverty by achieving and sustaining broad economic growth, improving the quality of life and social well-being of Tanzanians by ensuring that everyone has equal access to quality services, and promoting good governance and the rule of law.

In addition, the Property and Business Formalization Programme (PBFP) aims to facilitate the transformation of property and business entities in the informal sector into legally held and formally operated entities in the formal sector. The rationale is to develop capital formation initiatives that are tailor-made to the circumstances of the economically disadvantaged majority of the country's population and empower communities.

The world crisis, however, is imperilling the realization of these programmes, the Tanzania Development Vision 2025 and the Millennium Development Goals. The national economy depends on aid, and ODA flows are expected to slow as donor countries are under pressure to save their own economies. Remittances from overseas (USD 14 million in 2006 and 2007) may be reduced as it is likely that some national working abroad will lose their jobs.

Food status

Tanzania has about 45 million hectares adequate for agricultural production. Out of these, only 6.3 million (about 15%) have been cultivated.[6] Irrigation only covered some 300,000 out of 2.3 million hectares by 2006.[7] Approximately 75% of agricultural workers are in subsistence production characterized by small-scale cultivation, the use of hand tools, and reliance on traditional rain-fed cropping methods and animal husbandry.[8] The other 25% work on large-scale farms that focus on export crop production.[9]

Production is low, especially among the smallholders. The quality of export crops has also remained

1 Earth Trends. *Economic Indicators Survey, Earth Trends Country Profile*. Available from: <earthtrends.wri.org/pdf_library/country_profiles/eco_cou_834.pdf>.

2 SAHRiNGON–Tanzania Chapter. *NGO Shadow Report to the African Commission on Human and Peoples' Rights*.

3 Ministry of Finance (various years). *Government Budget Books*.

4 Ndulu, B. "The Global Financial and Economic Crisis: Challenges and Responses". PowerPoint presentation by the Governor of the Bank of Tanzania, March 2009.

5 *Ibid.*

6 *National Water Policy* (2002), p. 10.

7 *National Irrigation Master Plan* (2004).

8 Ministry of Planning, Economy and Empowerment. *Poverty and Human Development Report (PHDR) 2007*. December. Available from: <www.povertymonitoring.go.tz/documents/phdr_frontpage.pdf>.

9 *Agricultural Sample Census 2002/03* (2005).

low in relation to those produced by neighbouring countries. These factors have significantly limited rural growth. Cotton farmers in the Mwanza and Shinyanga regions faced a particularly difficult year, as the situation described above has substantially reduced their incomes and purchasing power.[10]

Poor agricultural production is partly a consequence of the limited use of agricultural inputs like fertilizers, pesticides, herbicides and improved seeds. Such inputs are expensive even where they are available, and extension services are often lacking. Regarding livestock, the cost of veterinary drugs and the non-availability of services are some of the main problems. Furthermore, there is drought, disease and limited access to markets; market prices for animals and access to market information are also cited among the problems hindering production.

The majority of Tanzanian smallholders are not qualified to get credit from financial institutions. According to the Agricultural Sample Census 2002/03, only 3% of the total number of agricultural households managed to access credits. The main credit providers were farming cooperatives (35%), family, friends and relatives (32%), traders/trade stores (9%), savings and credit co-operative societies (8%), religious organizations/ NGOs/ projects (8%), private individuals (4%) and commercial banks (2%). Only 1.6% received credit from formal sources.

Access to safe drinking water

Tanzania has an adequate supply of water to meet the needs of users; statistics from the Food and Agriculture Organization show that it had 2,466.9 and 2,291.9 cubic square meters per capita in 2006 and 2007 respectively. However, some parts of the country receive over 1,600 mm of rain annually and others around 600 mm, and there is inadequate water storage. Water services are unevenly distributed among districts and regions and among urban and rural population.[11] Most rural people spend an average of 27 minutes fetching water, compared to 5.9 minutes spent by urban dwellers. The increasing cost of supplying safe domestic water makes it unaffordable to the poor. Lack of water has led to increased socio-economic pressures and even conflicts among users during prolonged dry periods.

In addition, Tanzania is lagging behind on technology to control flooding during the rainy season. The drainage pipes tend to burst due to the large volumes of water, resulting in the mixing of dirty and clean water. This, together with the lack of a systematic way of treating the direct water supply to the population, leads to diseases including cholera, bilharzias, malaria, scabies and trachoma in areas with poor sanitation facilities.

HIV/AIDS care and treatment

In 2006 it was estimated that only 10% of people living with HIV/AIDS were enrolled to get treatment. Out of this figure, 57% were between 15-49 years of age and 61% were adult females.[12] Out of the total number of those enrolled, 60,341 were admitted for anti-retroviral therapy. This figure covers only one quarter of the people in need of treatment and care. Serious challenges include inadequacy of drugs and facilities for diagnosis, urban-based services – for example, Dar es Salaam has nearly 30% of the patients enrolled in ARVs –, and side effects from using ARVs.

Governmental responses

The Government has initiated preventive measures, including: setting up a warning system using selected indicators of financial sector performance on a daily basis to determine signs of weakness; an intensified oversight of the banking system and broadened collection of information on the performance of banks; and ensuring the adequate capacity of the Government and the Bank of Tanzania to intervene when necessary.

Tanzania will not be immune to the impacts of the world crisis, as its budget depends on nations that have been directly affected. More measures are required to reduce the impacts. In particular, donor countries should rise to the challenge and continue to support the least developed countries rather than discontinuing their aid. ■

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THAILAND

A short-sighted response (once more)

The Government has issued a prompt response to the crisis under the usual shape of stimulus packages. However, a more sustainable vision becomes mandatory: one that brings into the solution the environmental and food security concerns the country and the world are currently facing. If change is to happen, it will have to come from an invigorated social movement, backed by solid support from academics and entrepreneurs.

Nantiya Tangwisutijit
Social Agenda Working Group

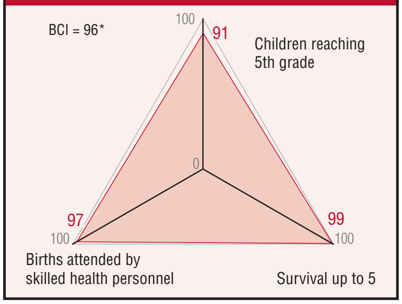
Initially, people in Thailand watched the subprime mortgage crisis unfold in the United States with little idea of what it meant, much less how it could affect them. Their first clue came in November 2008 when exports, which had enjoyed double-digit annual growth during the past decade, were suddenly down 20% compared to November 2007. Next, as employers moved quickly to minimize costs, workers took to the streets in protest of wage and benefits cuts. Then it was official: the crisis had arrived.

Thailand is no stranger to economic upheaval, having been ground zero for the Asian financial crisis 12 years ago, but the current recession is poised to cut far deeper into the country's economic, social and political fabric. Unlike 1997, when Bangkok's banking and currency mischief was contained mostly within the region, the current crisis has now swept away much of the world's wealth. Thus Thailand's export sector, the heart of its economy which continued to pump strongly during last decade's crisis, is now in free fall, dropping at an annual rate of more than 30%.[1]

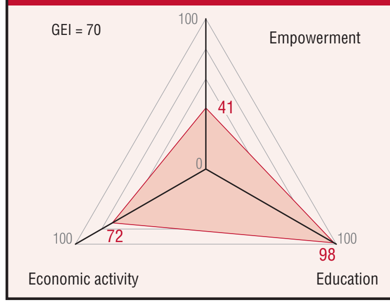
As exports account for 70% of GDP, Thailand is among the most exposed economies in emerging Asia. Thai exports have tumbled in every major market: United States, Europe, Japan and ASEAN as a whole. Moreover, exports to China – the only country that might possibly provide the muscle to pull Thailand and emerging Asia out of the economic quagmire – have fallen as well.

The fast pace of economic decline has also been exacerbated by political uncertainty, with recurrently collapsing governments and four prime ministers in 2008 alone. This political paralysis has delayed the completion of government budgets and the implementation of backlogged public works projects. Economic growth in 2008 was just 2.6%, down from 4.9% in 2007. The forecast for 2009 is a further contraction, as low as -3.9%.[2]

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



Labour and unemployment

More than 250,000 workers lost their jobs between October 2008 and February 2009. Unemployment increased 140% from January 2008 to January 2009. The Federation of Thai Industries estimates that by the end of this year unemployment will reach 1.5-2 million people, 5%-8% of the registered workforce.[3] However, actual unemployment will be far worse, as official estimates neglect the informal sector which accounts for 60% of all jobs. This includes workers whose employers sidestep the unemployment insurance system, and those who remain unemployed after exhausting their six months of unemployment benefits.

According to official numbers, during the previous crisis, unemployment peaked at just 5.6% in 1998.[4] Labour advocacy groups such as the Arom Pong-pangan Foundation anticipate that unemployment will soon dwarf this figure, since the current crisis is expected to endure for a long time and because of the trends in the labor market during the past decade.

Today's workers have less bargaining power because of changes in employment and termination procedures, according to Bundit Thanachaisretavuth and Vassana Lamdee of Arom Pong-pangan Foundation. Instead of hiring workers directly, many employers outsource personnel management to "invisible" intermediaries in order to avoid any direct legal responsibility over employment practices. Moreover, the mass layoffs of the past, which could assure strong public support for stricter labour practices, no longer occur. Workers are let go in piecemeal fashion, sometimes without compensation, and immediately transported back to their rural hometowns to keep them from stirring up trouble.

While trying to address the crisis through their watchdog role, both media and civil society groups are also impacted by the crisis. Print media in particular is cutting back in the wake of shrinking advertisement revenues. NGOs are taking a double hit as overseas donors slash their budgets and their weakening currencies convert into fewer Thai baht.

Farming

During the 1990s crisis many unemployed workers found a temporary cushion in the farming sector; now, however, the rural rice bowls have less to offer. Although lower oil prices have cut farm input costs more than prices, the reduced demand for exports, especially for major commodities like rubber and cassava, have eliminated opportunities to absorb displaced workers. Worse still, as a result of the growing influx of cheap farm products from China following the implementation of the 2003 free trade agreement, Thai farmers have lost competitiveness. In addition, over the past decade, due to growing family debts and increasing labour migration from farms to factories, there are less small farmer owners of land. This shift in labour dynamics is also reducing farming skills and decreasing the number of urban labourers willing to return home to support the family farm.

The poorest among the poor

These trends place even greater pressure on the 23 million workers in the informal sector, the majority of whom are women. Whether service workers, factory contractual workers, food vendors, farmers, handicraft makers, scavengers, taxi drivers, they already feel the pinch from the shrinking consumers' wallets

* "Children reaching…" estimated following procedure "1" in p. 209.

1 National, Economic and Social Development Board. Available from: <www.nesdb.go.th/Portals/0/eco_datas/economic/eco_state/4_51/Press_Eng4-2551.pdf>.

2 *Ibid.*

3 Kasikorn Research Center. See: <www.kasikornresearch.com/portal/site/KResearch/rsh_d/?id=19586&cid=3>.

4 Ministry of Labour. See: <www.mol.go.th/info_Mar0409_2.html>.

and the rising competition, as many laid-off workers attempt to join their ranks.

As the economy worsens, women, in addition to lower incomes are expected to face greater burdens, said Usa Lerdsrisuntad, programme director of the Women Foundation. In cases of divorces or separation, a rising trend in Thailand, the responsibility of child rearing continues to fall disproportionately on women. The National Statistic Office reports that 30% of children from single families are under the sole care of their mothers. With less money, it is feared that many women will cling on to abusive relationships in order to minimize the economic hardship on their families. The lack of Government support for child rearing combined with a weakening economy is also likely to drive more women into the sex industry and/or overseas jobs arranged through human trafficking rings.

Since they are one of the most vulnerable groups in society, children are the ultimate victims of any crisis, whether economic, social or political, asserted Chettha Munkong of the Children Foundation. School drop-out rates are on the rise as students join in their families' efforts to meet economic needs. For those who are able to remain in school, children's rights advocates also worry the crisis may have already impacted the quality of their education. Facing tougher economic constraints themselves, more and more teachers are spending less time in the classroom and more time seeking supplementary income.

The rapid economic expansion of the past decade, combined with increased constraints on their ability to sustain their livelihoods through natural resources, has thrown an increasing number of ethnic minorities into the informal workforce. Thus, for the first time, some of these communities will be directly suffering the impacts of a recession. Sea Gypsy communities, for example, have gradually been entering the hotel and tourism industries, but with tourism already off 20%, jobs are disappearing. With no formal education, and facing far greater competition from other unemployed workers should new jobs materialize, the impacts to these and other marginalized communities may last the longest.

Governmental responses

In January 2009, the Government issued a USD 4.5 billion economic package that included tax cuts, expanded free education, subsidies for transportation and utilities, and cash handouts for low-wage earners. Two similar packages have been anticipated before the year ends. Although Thai society welcomed this speedy response, the direction of this policy and the handling of its implementation have raised many concerns.

One of the most controversial measures was the one-time THB 2,000 (USD 57) cash handouts to government and private-sector employees earning less than THB 14,000 (USD 397) per month. Even those eligible for the fund criticized the policy as blatant populism as opposed to a meaningful stimulus. For example, the vast majority of workers in this category are in the informal sector, and are thus ineligible; this also raises the issue of gender discrimination, since the vast majority of women are working in the informal economy.

Social activists such as Bundit of Arom Pongpangan Foundation are also critical of the top-down structure and lack of transparency of the fund's management that provides a fertile environment for corruption. For example, the THB 7 billion (almost USD 199 million) designated for retraining 240,000 workers will be available only to State agencies with limited accountability, not to the local administration organizations and community professional associations which work more directly with the unemployed.

To complement its stimulus plan, the Government is also working on a major overhaul of the regulatory structure for financial markets. However, contrary to many other countries that are establishing greater safeguards to protect consumers and their economies, Thailand is moving towards wholesale deregulation and liberalization to increase the role of the capital market in developing the economy. It is feared that this initiative, led by many of the same people involved in the 1997 financial crisis looking exclusively for short term gains, will pave the way for a new crisis as soon as the country is again on its feet.

Civil society groups point out that the biggest flaw in the Government's stimulus policy is its lack of a coherent strategy. There is no vision for how Thailand might utilize stimulus resources to help address some of the root causes of inequality and of the persistent social and economic hardship that the majority of the population suffer. Surichai Wankaeo, director of the Social Research Institute at the Chulalongkorn University, points out that the package fails to provide a rudder for an economic policy that for too long has been at the whim of multinational demand, leaving the country vulnerable to global market volatility. In many respects, it resembles similar programmes launched during the 1930s: make-work projects and hand-out programmes that in the end do little more than offer temporary assistance and no contribution to the foundation of a stronger economy or society.

To build a more resilient economy the country must implement strategies that strengthen domestic consumption of domestic products. Advocates cite the success the tourism industry has enjoyed in recent years, marketing to domestic tourists to offset reductions in demand from foreign tourists. A much better starting point, however, would be to support food security and safety. With such a strong and still largely decentralised farming sector, policies, incentives and regulations aimed at organic food production could have far-reaching effects on both the domestic economy and public health. World Trade Organization concerns aside, if regulations are placed on both the use of chemicals and banning products that contain them, Thailand would immediately gain a competitive advantage over imports. Many farmers are already using organic methods merely as a means to reduce the cost of inputs, with little access to any distribution network where their products could receive premium prices.

To further aid farmers in rural areas, the issue of land reform is also a key, added Prayong Doklamyai, coordinator of the Northern Farmers' Network. Presently, 90% of Thailand's land is owned by 10% of the population. At minimum, a highly progressive tax structure should be put in place for land ownership, as well as purchase assistance for first-time buyers, particularly in the agricultural sector. Such programmes could be tied to organic farming policies so they help encourage new land holders to shift toward these highly valued crops.

Another area where Thailand must look inwardly is energy. Nearly 90% of oil is imported, eating up 10% of the country's GDP. This represents a lot of money and jobs that could be a part of an expanded alternative fuels programme, should steps be taken to support it. Similarly, incentives should be given for alternative homegrown energy generation/savings technologies to halt the country's march toward purchasing nuclear power stations and erecting coal-fired power stations.

The Government should be working to stimulate cleaner, domestic energy supplies as part and parcel of a plan to address the challenges of climate change. Leading scientists and economists have shown how the catastrophe is rapidly approaching Thailand's shores and that now is the time to do something to prepare for it. Government agencies need to gain expertise and technologies to better understand the changes the country will face, and the adaptation strategies required for both the economy and society to navigate a climate-resilient future.

The farming sector is critical to this preparedness. Drought is already a more frequent problem, and with major changes in rainfall patterns projected, farmers need to have alternatives for new crops, cropping patterns and farming techniques. Stimulating domestic research, testing and implementation of these new approaches should be a top priority to ensure a viable farming sector.

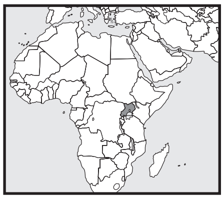
Efforts aimed at strengthening the economy must not be the sole focus of the country's response to the current crisis. The evolving role of the welfare State is equally important. Following the success with the implementation of universal healthcare during the past decade, civil society groups feel that now is time to explore retirement benefits that would cover the majority of people, whether working in the formal employment sector or not.

Opportunity

If there is any silver lining in the current economic crisis, it is that it presents the opportunity to take a hard look at the factors that created it and the strategies to be deployed in order to avoid its recurrence. Tax breaks, worker training, and re-regulation of financial markets can provide valuable stimulus, but only if the target lies beyond a short-term recovery. Change will have to come from an invigorated social movement, supported by academics and entrepreneurs. Thailand is no stranger to such mobilizations, which generated its "People's Constitution" – a landmark in democratic political reform, the first in the country drafted by an elected assembly – in 1997. The question however is whether such a movement can happen quickly enough to have any impact on the Government's response to the current crisis. ■

UGANDA

Millennium Development Goals at risk



The financial crisis will hamper efforts to reduce poverty in Uganda. Foreign aid, remittances and revenues derived from exports are already shrinking. The Government must develop new strategies to help identify the root causes of poverty, exclusion and poor social conditions at home, while joining other countries at both regional and international levels in pushing for reform of the global financial architecture. Various efforts from civil society, if supported, might help to tackle the crisis.

Development Network of Indigenous Voluntary Associations (DENIVA)
David Obot

Towards the end of 2008, leaders of the G-20 called on developed and developing countries, as well as international finance institutions, to take "urgent" actions to avert the negative impacts of the global economic crisis. A World Bank report to the G-20 finance ministers' meeting in March 2009 warned of the long-term implications for developing countries, including reduced health and education services for the poor.[1]

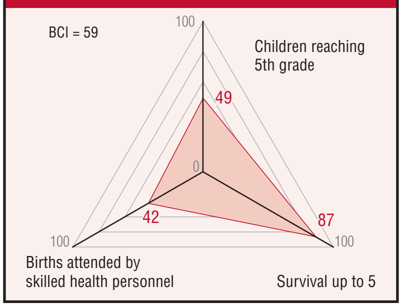
In addition, official development assistance (ODA) to poor countries may decrease as the crisis deepens in donor countries.[2] The United Nations Commission on Social Development warns that the current crisis will undermine social policy and threaten social stability, with food and climate crises pushing the most vulnerable to the margins of society.[3]

The International Monetary Fund (IMF) has indicated that financial markets in sub-Saharan Africa are vulnerable due to the downturn in global growth and that Uganda is at risk due to borrowing for investment in the stock market.[4] The Central Bank has warned that, with diminished earnings from exports and tourism, the country's economic growth will now be in the range of 5% or 6% rather than the 8% previously projected.[5]

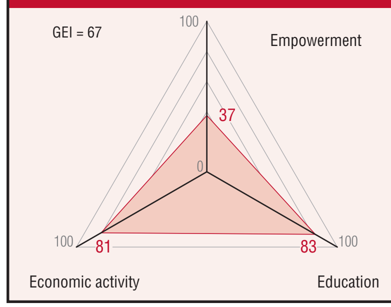
The Finance Minister has reported that while Uganda is not "directly exposed" to risk, the economic downturn could lead to a reduction of financial inflows from outside investments, tourism, remittances from abroad and aid flows from donor countries.[6] He added that reduced remittances and donor support has already led to a revenue collection shortfall of UGX 108 billion (USD 51.4 million) from July 2008 to February 2009. Remittances peaked at USD 1,392 million in financial year 2007/08.[7]

Further, foreign trade has been unimpressive. While an increase in exports was registered between 2003 and 2007, imports widened the trade deficit in 2007 (see Chart 1). The World Bank notes that low-income countries in sub-Saharan Africa have come under pressure owing to the impact of lower commodity prices.[8]

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



Outlook for achieving the MDGs cloudy

According to the IMF *World Economic Outlook* report 2008, a decline in world growth of one percentage point would lead to a 0.5 percentage point drop in Africa's gross domestic product (GDP). The report anticipated the possibly serious effects of the global financial crisis on Africa in terms of trade, foreign direct investment (FDI) and aid resources. It also noted that while the correlation between African GDP and world GDP between 1980 and 1999 had been 0.5, it was only 0.2 between 2000 and 2007. Meanwhile, the UNCTAD *World Investment Report 2008* showed FDI inflows to Uganda for the years 2004, 2005, 2006 and 2007 to be USD 295 million, USD 380 million, USD 400 million and USD 368 million.

These were significant contributions to the Ugandan economy. A decline in FDI may affect the country's ability to achieve MDG targets, especially on poverty reduction. This will be especially critical for poor households, and those headed by older people, youth, persons with disabilities and displaced women and children, and may entrench intergenerational poverty. The Government is currently revising its Poverty Eradication Action Plan to integrate it into the National Development Plan.[9]

Uganda's population in 2008 was 29.6 million, 49% of which was under 15 years old. The population distribution is 85.1% rural and 14.9% urban. The total fertility rate is 6.7 births per woman, and the population growth rate continues at 3.2%. It is notable that the percentage of people living below the poverty line was reduced from 38.8% to 31.1% between Uganda National Household Surveys (UNHS) 2002/03 and UNHS 2005/06, a reduction by 1.4 million persons in absolute terms.[10] However, a significant number will still face hardships in coping with the effects of the global financial crisis. The share of agriculture in the total GDP has continued to decrease and stood at 21% in 2007. This means more strategies, including modernization, are needed to improve agricultural production and the incomes of the rural population in order to reduce poverty.

The net enrolment ratio in primary education was 84% in 2005/06; and literacy rates of 15-24 year olds increased from 80% to 84%. Although the provision of universal primary education and universal

1 The World Bank (2009). Available from: <web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/O,,ContentMDK:21990236~piPK:146830~theSitePK:258644,00.html>.

2 te Velde, D.W. (2008). "The Global Financial Crisis and Developing Countries: Which countries are at risk and what can be done?" London: Overseas Development Institute (ODI). Available at <www.odi.org.uk/resources/download/2462.pdf>.

3 Gu, Z and Wang, X. "UN Commission discusses steps to mitigate negative impact of global financial crisis on social development." China View online. 6 February 2009. Available at: <news.xinhuanet.com/english/2009-02/06/content_10770873.htm>.

4 IMF (2009). *Impact of the Global Financial Crisis on Sub-Saharan Africa*. Washington, DC: IMF. Available from: <www.imf.org/External/pubs/ft/books/2009/afrglobfin/ssaglobalfin.pdf>.

5 Reuters. "The Financial Crisis." 23 October 2008. Available from: <customers.reuters.com/community/stayinformed/middleeastafrica/MEA_23.10.08_Newsletter.pdf>.

6 Republic of Uganda. *Budget Speech 2008/9 Financial Year*. Kampala: Ministry of Finance, Planning and Economic Development (MFPED).

7 IMF. *Op Cit.*

8 World Bank. "Crisis Takes a Mounting Toll on Developing Countries." 13 March 2009. See: <go.worldbank.org/YGK6U1EFI0>.

9 Ministry of Finance, Planning and Economic Development. *Poverty Eradication Action Plan (2004/5-2007/8)*. Kampala: MFPED.

10 *2008 Statistical Abstract*. Kampala: Uganda Bureau of Statistics (UBOS). See: <www.ubos.org>.

secondary education has improved significantly, drop-out rates of children in primary education are still high: out of 1,914,893 pupils enrolled in primary one in 2003, only 939,804 were in school in 2007. In terms of promoting gender equality, the ratio of girls to boys in primary education was reduced from 0.99 to 0.96; meanwhile, the share of women in wage employment in the non-agricultural sector decreased from 39.2% to 28.2%.

In health, immunization coverage rates ranged from 89% for tuberculosis and 85% for measles and hepatitis B to 12% for tetanus. According to the UNHS 2005/06, malaria (60.8%) is still the most prevalent lethal disease, followed by respiratory infections (14.2%), diarrhoea (9.5%, higher in rural areas) and skin infections (3.2%). The infant mortality rate decreased from 88.4% to 76%. The maternal mortality ratio per 100,000 live births decreased from 505 to 435, and the proportion of births attended by skilled health personnel increased from 39% to 41.1%. In the fight against HIV and AIDS and other sexually transmitted diseases, the use of condoms among higher-risk people (from 15 to 24 years old) increased from 49.8% to 52.9%, while the contraceptive prevalence rate among women from 15 to 49 years old, who are particularly vulnerable to infection, stood at 23.6%.

Regarding environmental sustainability, the proportion of land area covered by forests decreased from 21.3% to 18.3%; and the rural population with access to improved water sources increased from 53.5% to 58.5%. Under Goal 8 of the MDGs, debt service as a percentage of exports of goods and services decreased from 20.4% to 15.8%.

CHART 1. Summary of Uganda External Trade Statistics: 2003-2007

	2003	2004	2005	2006	2007
Imports	1,375.10	1,726.20	2,054.10	2,557.30	3,495.40
Exports	534.10	665.10	812.90	962.20	1,336.70
Trade Balance	-841.00	-1,061.10	-1,241.20	-1,595.10	-2,158.70

Source: UBOS 2008, p.58.

Government and civil society: a much-needed partnership

Government measures to mitigate the impact of the crisis for fiscal year 2008/09 include: improving revenue collection to contribute around Land Acquisition Loan Facility of GDP; assisting landless and poor persons to acquire land through the Land Acquisition Loan Facility; increasing funds for agricultural mechanization and agricultural extension services to cover all districts; amending the Cooperative Societies Act of 1991 to improve the supervision and regulation of cooperative societies; supporting scientists to develop commercial technologies and prototypes; supporting small and medium enterprises; rolling out micro-finance to 800 out of 1,020 sub-counties; and ensuring effective regulation and supervision of banks.[11]

Donor support to Uganda, through both direct budget support and projects, is expected to make up 30% of the national budget 2008/09. The Government should ensure a reduction in spending on public administration and lower interest rates on bank loans. The performance of the private sector will demand sound and prudent credit management, and individuals who borrow for commercial purposes should also be strict on managing loan funds. Also needed are innovative policies for industrialization and trade, requiring greater Government efforts to promote economic integration, especially those in line with the East African Community.

A variety of civil society organizations are engaged in diverse development issues including human development, peace, HIV and AIDS, anti-corruption monitoring, food security and climate change. Action Aid Uganda, for example, has provided assistance to displaced Congolese and to conflict-affected persons in northern Uganda, and DENIVA is empowering communities in budget resource allocation, anti-corruption monitoring and increasing rights awareness among returnees in northern Uganda. The AIDS Support Organisation (TASO) has continued to provide prevention and mitigation services for people across the country. The National Association of Professional Environmentalists (NAPE) and the Advocates Coalition for Development and Environment (ACODE), which focus on environmental security, successfully encouraged the Government to revisit a planned sale of part of the Mabira forest, one of the biggest natural reserves. Food Rights Alliance is advocating for increased food security. It is important that a favourable environment is generated in which the efforts from civil society – supported by adequate resources from the Government, development partners and communities – crystallize into a solid contribution for coping with the crisis. ■

11 See: <www.finance.go.ug/docs/BudgetSpeechFY202008_09_12thJune2008_Final.pdf>.

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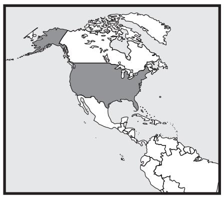
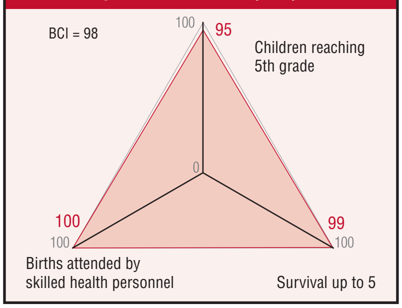
Opportunity in crisis? Navigating the perfect storm



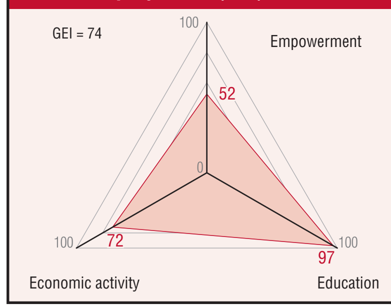
The unemployment crisis underscores the reality of a system that does not recognize or guarantee essential social or economic rights. Since December 2007, the number of unemployed has risen to 13.1 million – 5.6 million more than at the start of the recession. Movements for human rights, green jobs, fair trade, healthcare and housing are advancing proposals and stepping up demands for real and structural change. The U.S. cannot afford to squander this opportunity for real change.

Global-Local Links Project
Tanya Dawkins
Institute for Agriculture and Trade Policy
Alexandra Spieldoch
Center of Concern
Aldo Caliari
Action Aid USA
Karen Hansen-Kun
Hunger Notes
Lane Vanderslice

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



The global economic crisis has re-branded the host of interconnected crises – housing, food, climate, inequality and accountability – which have simmered below the radar in the U.S. and worldwide. As Americans come to grips with the deep, systemic and global nature of the crisis, the world looks to the U.S. for quick and definitive action to stem the crises it helped to create.

Blind loyalty to the "free" market as the best arbiter of social, environmental and economic matters has created a "perfect storm"[1] of failing financial institutions, weak democratic infrastructure, and a safety net woefully inadequate to the scope of human suffering and displacement. The effect of lost homes, destabilized communities and economic vulnerability resulting from under-regulated and unscrupulous finance schemes continues to unfold. Millions of Americans displaced by the housing and employment crisis are joining their long invisible counterparts at home and abroad who have lived in the eye of this storm for decades. This provides a rare opportunity to chart a course for a new era of leadership and partnership for real change, development, sustainability and human rights at home and throughout the world.

WANTED: The right to a place to call home

As the U.S. housing bubble burst, it had a domino effect on the stock market – the largest repositories of wealth for individuals in the country. The decline in real estate values wiped out or significantly reduced the equity of large numbers of individual homeowners and institutional real estate holders. For example, a family that purchased a home for USD 189,000 in 2006 saw its value decline by 26% to 139,000 in 2008. The decline in housing prices has meant that many of those fortunate enough to own homes have lost all or most of their equity or are trapped in mortgages that now far exceed the value of their house. The equity of banks and other institutions holding mortgages and related securities was also greatly reduced or eliminated. This scenario was driven by a generation of government policy that severely undermined the regulatory and oversight infrastructure of the economy and financial markets.

These dynamics have intensified an already acute national crisis in homelessness and affordable housing. Homelessness has increased, largely due to a rise in foreclosures exacerbated by job losses, increasing food and other costs which undermine people's ability to afford housing. An October 2008, 12-state survey revealed that a growing number of families with children were becoming homeless.[2] In the period from June 2007 to the same month in 2008 the number of requests for shelter doubled.[3] In March 2009, it was reported that one in every nine U.S. mortgage-holders was behind on home loan payments or in some stage of foreclosure at the end of 2008, as mounting job losses exacerbated the housing crisis.[4] More than 2.3 million homes were seized during 2008, an increase of 81% from 2007 and up 225% from 2006.[5]

WANTED: The right to a decent job

Since December 2007, the estimated number of unemployed people has risen to 13.1 million – 5.6 million more than at the start of the recession.[6] Moreover, these figures understate the true picture, as the official unemployment rate only includes those who have actively sought jobs in the last four weeks. This definition excludes discouraged workers[7] and does not reflect those who are under-employed and unable to generate sufficient income to meet basic needs.

Minorities have been disproportionally affected by declining employment prospects. As of March 2009, unemployment among blacks, Hispanic and white populations increased by 4.4%, 5.2% and 3.5%, respectively, reflecting longstanding trends in inequality, particularly in the areas of education, employment and access to justice. As of June 30, 2009 these increases were reflected in national unemployment rates that stood at 14.7%, 12.2% and 7.8%.[8]

The unemployment crisis underscores the reality of a system that does not recognize or guarantee essential social or economic rights. Because access to education, food, healthcare and housing are generally a function of one's access to a job, being unemployed has tremendous repercussions on an individual or family's ability to access basic necessities. The U.S. has the second lowest unemployment benefits among OECD countries; almost two-thirds of these offer double or more unemployment benefits – plus social assistance – than does the U.S.[9]

1 A perfect storm refers to a critical or disastrous situation created by a powerful concurrence of factors. See: <www.merriam-webster.com/dictionary/perfect+storm>.

2 "Homeless numbers alarming", *USA Today,* 22 October 2008.

3 *Ibid.*

4 S. Scholtes, "US home loan arrears affect one in nine." 6 March 2009. Available from: <www.ft.com/cms/s/0/61598348-09e0-11de-add8-0000779fd2ac.html>.

5 S. McNulty, "Foreclosure fears spread to middle class." *Financial Times*, 29 January 2009.

6 H. Shierholz and K. Edwards. "Jobs report offers no sign of light at end of tunnel." 3 April 2009. Available from: <www.epi.org/publications/entry/jobspicture20090403/>.

7 Discouraged workers are those who, while willing and able to engage in a job, are not seeking work because they believe there are no suitable available jobs. See : <stats.oecd.org/glossary/detail.asp?ID=645>.

8 Austin, Algernon. "Unequal Employment: Racial Disparities Will Worsen by State in 2010." Economic Policy Institute. Web. <http://www.epi.org/publications/entry/ib257/>.

9 OECD. Society at a Glance, 2006. Out of work benefits.

WANTED: The right to food security

Americans have also been hit hard by the food crisis. Food banks, for example, have had great difficulty keeping up with demand as the public is donating less and there are less food stocks available.[10] In the Midwest and the South the food crisis has been compounded by flooding and hurricanes, resulting in a decrease in crops to farmers' markets and local food distribution.[11]

U.S. Department of Agriculture statistics indicate that at least 36 million people, including more than 4 million children, live in food insecure households.[12] *Foodlinks America* reports that, "more low-income Americans received food benefits under the Supplemental Nutrition Assistance Program (SNAP) in January 2009 than at any other time in the history of the program. Over 32.2 million people relied on the program that month, erasing the month-old record of 31.8 million. The caseload increase was fueled by the 11 states that had participation increases in excess of 20% between January 2008 and January 2009: Utah, Florida, Nevada, Arizona, Wisconsin, Georgia, Vermont, Maryland, Texas, and Massachusetts."[13]

In this food crisis, U.S. agribusinesses have profited from the chokehold that some large corporations have over both production and distribution even as smaller U.S. farmers struggle with rising input costs and lower returns.[14]

Rejoining the world – details matter

Internationally, the Obama Administration has quickly shown leadership since the presidential election. In early April 2009, the State Department announced it would seek a seat on the Human Rights Council, saying that "Human rights are an essential element of American global foreign policy."[15] The Administration also gave Cabinet-level status to the newly appointed US Ambassador to the United Nations.

President Obama engaged in the G-20 process, pledging new funds to address the economic downturn. However, the USD 100 billion in new funding for the IMF has been met with deep scepticism among civil society organizations who question whether the IMF is equipped to implement real economic stimulus packages rather than its traditional and harmful austerity programmes.

The Administration pledged to double U.S. assistance for long-term agricultural development assistance to more than USD 1 billion in 2009, and then expanded its offer to amount to USD 3.5 billion of aid for food security over three years. Although this money is much needed, how the money will be spent matters a great deal – and there are great differences of opinion. For example, the Congress and the Administration continue to promote technological solutions, including investments in biotechnology and Genetically Modified Organisms, while U.S. food activists are pushing for approaches that prioritize local food systems and climate friendly agricultural practices.

On climate, the Administration has engaged in the process leading up to the December talks for a new global climate treaty, but its positions are unclear. For example, it has yet to ratify the Kyoto Treaty and to define its global commitments to cap emissions at a time when urgent action is needed.

Bright spots and steps in the right direction

President Barack Obama's administration has sought to respond to the crisis with additional funding and policy initiatives focused on stabilizing financial markets, domestic job creation (including green jobs), expanded benefits for the recently unemployed and initiatives directed at homeowners who have recently lost or are at risk of losing their homes.

Elected officials are under increasing pressure to respond to the public's growing awareness that markets must also serve broader social, economic and environmental goals. Proposed policy responses such as mandatory interest rate reductions, restructuring the bankruptcy laws, and measures to curb excessive domestic and international financial speculation –among other proposals– are also moving through the legislative process.

The Administration has placed new restrictions designed to close the revolving door between business and government that has contributed so heavily to misdirected policies in key sectors such as housing, finance, trade, health and agriculture. It has indicated support for organic production, stronger competition measures to regulate corporate activity and stronger food safety oversight, and also made pledges for increased funding to support renewable energy and clean fuel standards. The 2008 Farm Bill included an additional USD 100 million to support local food systems, increase access to healthy food and support organic, beginning and minority farmers. While insufficient to meet demand, these are important and encouraging steps.

Looking ahead

Government intervention is a critical element in ensuring economic recovery and a new direction in domestic economic development. Ensuring citizen oversight and accountability remains the missing link. For example, initiatives like <www.recovery.gov> showcase the Administration's unprecedented and innovative use of technology to keep the public informed. Information, however, is not a substitute for the kind of engagement and accountability which must be at the heart of real change and national recovery.

Domestic movements for human rights, green jobs, fair trade, healthcare and housing are advancing innovative proposals and stepping up demands for real and structural change. For example, the movement to hold the US accountable to international human rights standards, through organizing and education on the interconnected nature of civil, political, social, economic and cultural rights is taking root.[16] A 2008 World Public Opinion Poll showed that vast majorities of Americans favor most human rights and principles of the Universal Declaration of Human Rights, including equality, women's rights, racial justice, the rights to food, education and health care and believe strongly that their Government has responsibility to secure them.[17] Translating changing attitudes into sustained public will and new policies remains a central challenge. Bold action and solutions are needed. The U.S. cannot afford to squander this opportunity. ■

10 D. Quizon, "Donations down, demand up at food distributors". *The State Press,* 16 September 2008. Available from: <www.statepress.com/node/935>.

11 E. Holt Gimenez, "The World Food Crisis: What's Behind It and What We Can Do About It." *Policy Brief. Food First*, 16 October 2008.

12 M. Nord, M. Andrews and S. Carlson, "Household Food Security in the United States, 2007." *Economic Research Report*, ERR-66, November 2008.

13 *Foodlinks America Newsletter,* 10 April 2009. The 'SNAP' programme is the renamed U.S. Food Stamps programme that helps low-income families and people buy affordable, healthy food.

14 US Working Group on the Food Crisis. "Backgrounder on the Global Food Crisis". 2008.

15 US Department of State, "US to Run for Election to the UN Human Rights Council", press release, 31 March 2009.

16 Although it is a signatory to the International Convention on Civil and Political Rights (ICCPR) and the International Convention on the Elimination of all forms of Racial Discrimination, the U.S. has not yet ratified the International Convention on Economic, Social and Cultural Rights (ICESCR) and the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW).

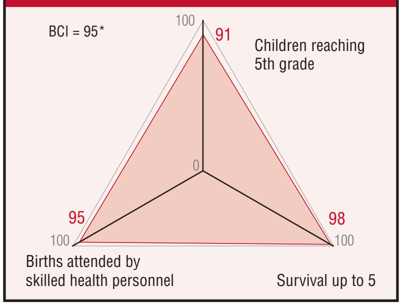
17 "60th Anniversary: New poll shows vast support for Universal Declaration of Human Rights principles." *The Opportunity Agenda.* Available from: <opportunityagenda.org/60th_anniversary_poll_day_great_degree_consensus_among_americans_principles_enunciated_universal_dec>.

Not such a participatory democracy

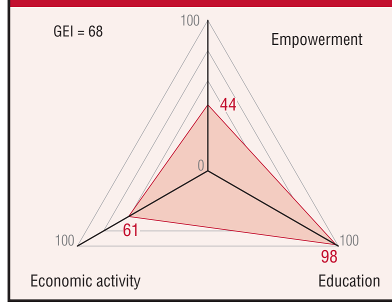
In the midst of sharp political polarization, discussion regarding the impact on the country of the international economic crisis has been postponed. A series of plans promoted by the Government attempt to ensure food security as well as universal access to health, housing and education. However, there have been complications involving the distribution of food, cutbacks in health plans and an insufficient response to the demand for housing. Results come closest to those hoped for in education.

Programa Venezolano de Educación – Acción en Derechos Humanos (Provea)
Rafael Uzcátegui

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



During his second presidential term, President Hugo Chávez won a referendum on the Constitution in February 2009 that will allow him to be re-elected indefinitely. These electoral proceedings gave rise to widespread controversy and reenergized the polarization that already existed in society.

The electoral climate[1] postponed any discussion with regard to the possible consequences to the country of the worldwide economic crisis. Despite the fact that Venezuela is highly dependent on hydrocarbon exports, President Chávez is optimistic regarding the impact of the global recession: "Put the price of oil at zero and Venezuela will still not undergo a crisis".[2] The increase in the price of crude oil gave rise to considerable income and a monetary surplus, which resulted in a steady rise in imports and a high measure of public debt. The oil bonanza also made it possible to develop a variety of social programmes – known as "missions" – and to reduce the poverty indices.

According to the Budget Act for fiscal year 2009,[3] oil revenue represents 46.5% of the country's revenue sources. Of the total budget, 12.5% is devoted to social programmes and missions. Inflation of 15% is estimated for the period, four points above that projected for 2008. The real rate of inflation in 2008 was 30.9%, the highest in the region for the third consecutive year.[4]

Food security

The Ministry of Food was created in 2004 with the mandate to generate an operational and strategic reserve of food in order to guarantee food security for the population. It oversees the food mission – Mercados de Alimentos (Mercal) [Food Markets] – a network established in 2003 that distributes subsidized products in working-class areas; the Strategic Food Programme Foundation; and the food centres set up in 2004. Originally 1,000 in number, these now consist of 5,963 active centres, 65 non-operational ones and 47 inactive ones.[5]

Food has been among the items most sensitive to inflation. Statistics published by the Central Bank indicate that between March 2007 and March 2008 the price of food increased 42.6%, the highest rise in 11 years. There continues to be a steady increase in consumer prices. There are also other variables that hinder the State's efforts to guarantee the right to food for the more vulnerable sectors of the population. Since 2006, the country has been affected by fluctuating food shortages, a situation that reached its peak between late 2007 and early 2008, when 13 of the food items listed in the basic food basket became difficult to obtain.

Despite its verbal promotion of food autonomy, the Government resorted to increased imports. The Ministry of Food acknowledged that Mercal imported 70% of the items on offer. By 2008, it was estimated that 45.6% of the average 2,460 calories consumed daily in Venezuela came from food that had been purchased abroad. During that year, Mercal benefited some 9.6 million people, and sold almost 1.3 million metric tons of food. In January 2008, the Food Producer and Distributor (PDVAL) was created, a subsidiary in the agricultural area of Petróleos de Venezuela (PDVSA), the State-owned petroleum company. Rafael Ramírez, the Popular Power Minister for Energy and Oil, announced that the food network would be on a national scale and allow access to food at State-regulated prices. PDVAL currently operates parallel to and in the same way as Mercal, and its estimated distribution for 2009 was 755,000 metric tons.

At the same time, due to their improved purchasing power, Venezuelans increased their general levels of consumption by almost 20% in 2007. According to figures released by President Chávez, daily calorie consumption increased 23%, from 2,202 to 2,717 calories.[6] Poverty indices have fallen due to the effects of the economic bonanza resulting from high oil and tax revenues. Data from the Comprehensive Social Indicators Service of Venezuela for the second half of 2007 indicated that income poverty affected 33% of the population, while extreme poverty had fallen to 9.6%.[7] The Human Development Index reached 0.8263, a figure higher than the previous decade's index of 0.7793. Moreover, the National Nutrition Institute established a Sub-nutrition Prevalence Index for 2006 of 6%, the projection of which would fulfil the Millennium Development Goal regarding the eradication of hunger by 2015. However, the increase in prices reduced the purchasing power of wages. By January 2009 the Workers' Documentation and Analysis Centre estimated that the cost of the food basket was about USD 750,[8] the equivalent of two minimum wages (USD 371.73).

* "Children reaching…" estimated following procedure "1" in p. 209.

1 Countrywide elections for governorships and mayoralties were also held in November 2008.

2 Ministry of the Popular Power for Communication and Information. "Even with Oil at Zero Dollars Venezuela Will Not Undergo a Crisis". Available from: <www.mci.gob.ve/noticias_-_prensa/28/187247/aun_con_el.html>.

3 While the President has ordered that the budget figures be revised, the amended budget for 2009 had not been published when this report was submitted.

4 Central Bank of Venezuela. "Price Index". December 2008.

5 Ministry of the Popular Power for Food. "Statistics". 25 February 2009. Available from: <www.minpal.gob.ve/portal/index.php?option=com_content&task=blogcategory&id=27&Itemid=66>.

6 Ministry of the Popular Power for Communication and Information. *Per Capita Consumption of Food Has Increased and Extreme Poverty Has Diminished.* Available from: <www.minci.gob.ve/pagina/28/174697/consumo_per_capita.html>.

7 Servicio Integrado de Indicadores Sociales de Venezuela [Comprehensive Social Indicators Service of Venezuela].

8 Centro de Documentación y Análisis de los Trabajadores [Workers' Documentation and Analysis Centre].

A comprehensive and systematic food security strategy, as suggested by General Comment Nº 12 of the United Nations Committee on Economic, Social and Cultural Rights, does not yet exist in Venezuela. Although low-cost food distribution has achieved significant levels of success, other aspects, such as increasing national agricultural production, are less developed.

The right to education

It is in the fulfilment of the right to education that Venezuela displays its most positive figures. For the Global Campaign for Education, the country shows some of the best indicators in Latin America and, according to the *2008 Report and Accounts*, delivered by the President to the National Assembly on 9 January 2009, over 7.5 million Venezuelans were registered in the various levels of the school cycle. Furthermore, it was revealed that the level of illiteracy had decreased to 0.4% due to the implementation of the Robinson mission and that over 437,000 students had graduated from Robinson II, 81,000 of whom were indigenous inhabitants.[9] In addition, 345,000 scholarships were awarded to persons of limited means, while 67,000 people were trained to enter the labour market.[10] The Ministry of Education reported an increase of 2.8% in the availability of educational services in 2007, with the construction of 726 new training establishments. Repetition rates were 5.1% between first and sixth grades, while constancy levels of schooling are still improving: for every 100 students registered in first grade, 66 reach ninth grade, three more than in the previous period and 22 more than in the 1999–2000 period.

The right to health and housing

While progress has been made in fulfilling the right to education and food, other economic, social and cultural rights have stagnated or declined. With regard to health, normative progress made in the Constitution itself, as well as government promotion efforts, have not managed to overcome the sector's structural problems.

In December 2003, the Executive Branch activated the Misión Barrio Adentro [Inside the Neighbourhood Mission] as a way to improve basic care in working-class areas. Significant progress was made in the short term, partly due to the participation of 14,345 coordinators and doctors as well as the construction of a variety of welfare modules all over the country. However, in 2008 there was a slow-down of this health policy, and closed modules and decreasing numbers of doctors and coordinators (to 8,500) were reported.[11] The strategy has been developed in parallel with the national hospital network, and the main health centres continue to show serious shortcomings. This lack of coordination has become more critical due to the National Assembly's nine-year delay in enacting a Constitutional Health Law.

With regard to the right to housing, the Government has not been able to achieve its objectives in this sector for 10 years. By 2008, according to official information published in the media, 23,223 new dwellings had been built. The Ministry of State for Housing had estimated the housing deficit in the country at 2.8 million dwellings – 1 million for new families, 800,000 "shacks" that needed to be replaced, and a further million in high risk zones such as on mountain slopes or in watercourse areas – and that 200,000 dwellings a year over 10 years are needed to be built in order to address the deficit. However, in 2007 the Government attained the highest figure yet, with 61,512 dwellings.[12] In 2005, the Executive elevated the department in charge of housing construction policies to ministerial rank, a measure that has been hindered by the institutional weakness of the sector. No fewer than four different officials were appointed Minister in 2008 alone, a high turnover that has obstructed the continuity of policy. Instability in the institution has persisted in 2009, as the Ministry of Housing and Environment merged with the Ministry of Infrastructure in February to form a new body known as the Popular Power Ministry of Public Works and Housing.

The right to life and citizen security

In the field of labour rights, the decline in unemployment continued, reaching 7.2%.[13] The informal economy declined for the fifth consecutive year – to 43.2% in September 2008 – as compared to the formal economy, calculated at 56.8% in the same month. However, the percentage of people who work without enjoying the various labour benefits established by law is still high. Furthermore, the collective recruitment process in the public sector remains paralyzed, which has reduced the capacity of the working class to face inflation. Increasing homicides owing to labour conflicts over the right to employment constitutes a serious setback. Conflicts between the construction and oil unions for control of jobs led to 48 union leaders being murdered in 2007 and 21 in 2008.

In fact, violence has become one of the most serious problems in the country. According to figures released by the Department of Scientific and Criminal Investigation (CICPC), 10,606 firearm homicides took place in the country between January and September 2008. It is estimated that 130 murders occur in Caracas for every 100,000 inhabitants, one of the highest rates in the continent. During 2008, robbery increased 8%, homicide 11% and kidnapping an alarming 101%. Provea monitored 247 cases of violations of the right to life in 2008; the worst offenders, with the greatest number of complaints, are the CICPC (18.6%) and the police departments in the states of Lara (12.55%) and Anzoátegui (7.2%).

The high levels of violence affect different sectors and conflicts. According to the 2008 report by the Venezuelan Prison Observatory, the prison population totalled 23,457 people. During that year, 422 inmates died violently and 854 people were wounded by firearms or sharp objects. Also during 2008, seven peasant leaders were murdered during confrontations linked to land disputes. According to estimates circulated by Braulio Álvarez, congressman and coordinator of the Simón Bolívar Peasant Front, 214 peasants have been murdered since the passage of the Law on Land and Agricultural Development.[14]

The criminalization of civil society

During the years of his mandate, President Chávez has promoted popular participation in the construction of so-called participatory democracy. However, its impact has been limited due to the tendency to exclude broad social sectors for political or ideological reasons. Complaints have been made about pressure on civil servants to participate in promotional events and the establishment of patronage networks in working-class areas that exclude those who do not support the President. In this respect, the increasing militarization of popular organizations is a matter for concern, as is their inclusion in tasks related to citizen security, which could give rise to potential human rights violations. Another worrying issue is the tendency to criminalize expressions of protest. During 2008, 1,763 demonstrations were monitored throughout the country; 83 of them were repressed, hindered or obstructed by State security forces. At least 89 demonstrators were subjected to criminal judicial proceedings arising from their participation in the protests. Moreover, three people were killed by police officers during the demonstrations.

There continues to be evidence of serious difficulty in obtaining access to public information, which, among other things, interferes with citizens' right to carry out social monitoring activities. Finally, the work of human rights NGOs continues to be hindered and criminalized. Highly placed government spokespeople accuse such NGOs of wanting to destabilize the country and carry out a U.S. agenda. In this respect, the enactment of a Law of International Cooperation has been made a priority. Such a law would establish rules for a series of controls and filters for the work of civil society organizations. ■

9 The Robinson mission uses volunteers to teach reading, writing, and arithmetic to adults while Robinson II allows people to obtain an elementary school certificate and/or train for specific jobs.

10 "Significant Aspects of the 2008 Report and Accounts Submitted by President Hugo Chávez to the National Assembly on 13 January 2009". Available from: <www.parlatino.org.ve/paginas/sala_situacional/cuenta_2008.htm>.

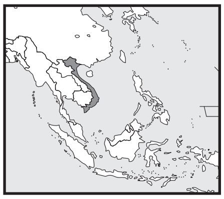
11 *Yearly Report October 2007 – September 2008 on the Situation of Human Rights in Venezuela*. Venezuelan Programme for Education–Human Rights Action .

12 Ministry of the Popular Power for Housing. *Report and Accounts 2007*.

13 Questions are raised with regard to the employment measurement changes adopted by the National Statistics Institute (INE), which now in effect include persons who have earned at least one wage during the period analysed, who belong to a cooperative or other form of social economy or who have received a subsidy from the National Executive. Some claim that such broad terms of inclusion legitimize various forms of labour flexibility.

14 *Radio Nacional de Venezuela* [Venezuelan National Radio]. "Popular Movements Join Forces in Order to Confront Murder for Hire in the Countryside". Available from: <www.radiomundial.com.ve/yvke/noticia.php?20882>.

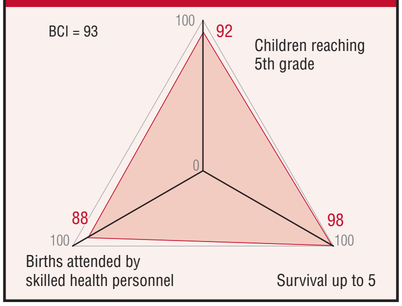
National progress hampered by global crises



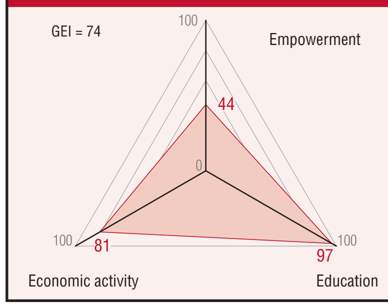
Vietnam has translated socialist principles into action by achieving most of the Millennium Development Goals (MDGs) well ahead of time. However, it is not immune to the multiple global crises. There is an increasing gap between the rich and the poor, and rising sea levels due to climate change are already having negative impacts. Although civil society organizations still do not have much of a presence in the country, some groups have taken the lead to respond collectively to the issues.

ActionAid International
Oxfam Great Britain

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



As the global crisis began to be felt in 2008, Vietnam witnessed an inflation rate of 14.1% in February – an all time high in East Asia, almost twice that of Indonesia (7.4%) and more than twice that of China (6.5%). This led to a price hike of 24% for foodstuffs compared to the same period in 2007 and a 17% increase in electricity, water and gasoline compared to the previous year.[1] Around the time of Tet, the Vietnamese new year, in 2008 the price of rice fluctuated between VND 5,000 and VND 7,000 (about USD 0.30 and 0.40, respectively) per kilogram. Since then, the price has increased to over VND 10,000 (USD 0.60). The Consumer Price Index hit a record high of 28.9% in December 2008, though it stabilized in the first four months of 2009 and is currently at 11.6%.

Economic growth during the first quarter of 2009 was fairly high at 3.4% but far lower than the targeted annual plan. The worst hit have been the major export-oriented sectors (agriculture, garments and textiles). This has added more pressure to the macroeconomy in general and to the most vulnerable wage-earning groups in particular. Diminishing demand is affecting industries and causing unemployment. Nguyen Phu Diep, head of the Labour Management Department in Hanoi's Industrial Parks (IPs) and Export Processing Zones (EPZs), says that 19 enterprises there cut 4,300 jobs, which is approximately 20% of workers in these sectors. It is estimated that 10,000 workers in Thang Long IP will lose their jobs in 2009. Declining purchasing power leads families to cut essential expenses such as health and education; the current rate of out-of-pocket health expenditures is approximately 62.8%.

Causes and impacts of the crisis

Over the last decade, Vietnam has stood as an example of a development model that lifted millions of people out of poverty while trying to ensure that the benefits of its vibrant market economy were fairly and evenly distributed across society to maintain the Government's socialist orientation. However, the aim of reducing poverty is still a challenge, as is the increasing gap between the rich and the poor. According to the World Bank, the consumption of the richest 20% of the population accounts for 43.3% of total expenditure in the country, while the remaining 80% spends modestly. The situation has created two disparate groups: a minority with "voice", represented by emerging capitalists, and a voiceless majority made up of rural communities, wage labourers, small farmers and those being left out of the race.

1 See: <tintuc.timnhanh.com/kinh_te/20080225/35A7142E/>.

Poverty and rural-urban dynamics

Since 2005 Vietnam has witnessed a blossoming of industrial zones and urbanized areas, with more than 190 industrial zones and clusters built on land recovered from over 100,000 households. This is leaving rural areas with limited livelihood resources. Approximately 90% of the poor depend on agricultural production – which is distributed in a relatively even fashion. Only 4% of rural households have no agricultural land of their own, which may be considered as an advantage for ensuring household food security.[2]

An estimated two-thirds of displaced households benefit from greater job opportunities and the chance to realize the cash value of their land holdings. Equal property (land) rights have become a very important issue as strong gender stereotypes still exist. Though there has been legislation to promote equal access to land for women, the implementation of these laws is very limited. As a result, women are the worst affected during transitions. Large numbers of people are trying to find an opportunity to earn a living in the cities. In Hanoi alone, the annual population growth is 3%. It is estimated that by 2010 there will be 120,000 to 130,000 people migrating to the capital city.

2 ActionAid Vietnam (n.d.). "Food Security for the Poor in Vietnam in the Context of Economic Integration and Climate Change". Available from: <www.isgmard.org.vn/Information%20Service/Report/Plenary%20Meeting%20Report%2017-11-2008/Group%203/Bao%20cao%20tham%20luan%20AAV-En.doc>.

A 2008 report by ActionAid revealed that the urban poor and migrants, as net consumers, were the worst hit by price hikes. They have also been the first and worst affected by the impact of the recent economic crisis. The majority of migrants work on a short-term basis and are the most vulnerable group during the economic downturns affecting the employment sector. According to the Ministry of Labour, War Invalids and Social Affairs in January 2009, approximately 67,000 workers, mostly migrants, had lost their jobs. The number is predicted to rise to 150,000 by the end of 2009. Since the unemployed do not have insurance, this crisis is pushing rural migrants into extremely difficult situations.

Agriculture

Vietnam has become the world's second largest rice exporter, largely by maintaining an annual agricultural sector growth rate of 4% for the last two decades. This was a major factor in helping the country to avoid being trapped in the economic crisis of 1997. Almost 70% of the labour force works in farming. The Central Committee of the Communist Party aims to industrialize and modernize the country by reducing the farming labour force to 30% by 2020. However, the current crisis is making it difficult to achieve these goals, despite the introduction of several modernization programmes in the sector. More than 75% of the labour force has not yet undergone any vocational training, and adult education still requires a lot of reinforcement.

Membership in the World Trade Organization (WTO) has widened Vietnam's opportunities for economic growth but also introduced a number of challenges in the agricultural sector. Due to the push towards commercialized production and the increasing drive of market forces and capital accumulation, poor farmers currently face a severe risk of impoverishment. At the same time, increased use of chemical fertilizers and pesticides has already caused serious damage to the local environment and undermined the indigenous knowledge of local economies. Farmers have become more vulnerable during the transition, particularly in the absence of a Law on Agriculture, due to lack of formal credit facilities and of insurance to protect them. On a more positive note, farmers have been introduced to more advanced practices and high-yield crop varieties that have contributed to increased production.

Climate change, food security and human development

Vietnam will be severely affected by climate change. As a large section of the population lives within the global low-elevation coastal zone, it is particularly vulnerable to rising sea levels.[3] During a seminar on climate change organized by the Ministry of Agriculture and Rural Development in January 2008, the Minister, Cao Duc Phat, acknowledged that 73% of the population, especially poor people, are already suffering from the negative impacts of climate change and environmental degradation. Statistics show that storms, landslides and floods in 2007 caused damage that exceeded 1% of the country's Gross Domestic Product (GDP).

A study conducted by ActionAid and experts from the Rural Development Centre of the Institute of Policy and Strategy for Agricultural and Rural Development shows some clear evidence of the impact on climate change and disasters in Ha Tinh Province, where food productivity has been reduced by up to 40% in some communes. Poor households are the most affected due to the fact that cropping patterns are not diversified. The study also revealed that the local community has been proactively developing its own mechanisms to adapt to climate change, such as modifying cropping patterns and animal husbandry practices. However, these locally initiated adaptation tools do not receive any support from the Government or donors.

Although human development indicators have shown spectacular progress during the last 15 years, climate change poses an imminent threat to achieving the MDGs, particularly in the Mekong Delta region. The United Nations Development Programme's poverty report notes that natural disasters constitute a major cause of poverty and vulnerability in the country The poverty alleviation strategy requires a reduction of the rural and agriculture sector's vulnerability to these by mainstreaming disaster risk reduction strategies into the national plan.

Responses and policy commitments

Since the beginning of the global crisis, the Government has applied strong economic measures to combat inflation and maintain sustainable growth. The main focus has been on key issues such as strict financial policy implementation, a boost in production, export increases and reduction of excessive imports. As the economic crisis unfolds, the Government has made commitments to ensure the rights of vulnerable groups through appropriate mechanisms of social protection. It has also played a leading role in mobilizing to achieve the MDGs. However, as a signatory to most of the international human rights conventions, it must ensure stronger compliance with the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights in order to protect the rights of the affected population through appropriate policies and programmes at the local level.

While the Government is energetically addressing the issues, adopting an economic stimulus plan of USD 1 billion (1.1% of GDP), the World Bank, the Asian Development Bank (ADB) and the IMF have released analyses of projected economic growth rates for 2009. The ADB's is the most cautious at 4.5%, which still leaves Vietnam in better shape than most Asian economies despite the global downturn, while the IMF and the World Bank project a growth of 4.75% and 5.5% respectively.

The role of civil society

Although the presence of civil society organizations (CSOs) in Vietnam is still tiny, some groups have taken the lead in collectively responding to the crisis. For example, in response to the South East Asian Call to Action, a report on the food crisis was prepared by CSOs and presented during the ASEAN People's Forum in Bangkok in February 2009.

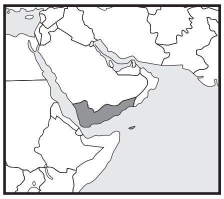
In addition, the Vietnam Academy for Social Science is currently collecting evidence and soliciting inputs on the social impacts of the financial crisis. The findings are to be presented to the National Assembly, whose members will discuss short-term and long-term strategies to cope with economic fluctuation and its social impacts. CSOs were given an opportunity to participate in this exercise through the incorporation of the WTO monitoring process.

Conclusion

Governments should use the opportunity presented by the current global economic crisis to address other crises – including food, climate change, jobs and poverty – and to develop long-term sustainable strategies for solving them. The global crisis should be seen as a chance to develop a green global economy that will respect and preserve common global goods, prevent further global warming and ensure a sustainable, safe and clean environment for future generations. ■

3 IHDP. *IHDP Update: Magazine of the International Human Dimensions Programme on Global Environmental Change.* No. 2, October 2007. International Human Dimensions Programme. Available from: <www.ihdp.unu.edu/file/public/IHDP+Update+2_2007>.

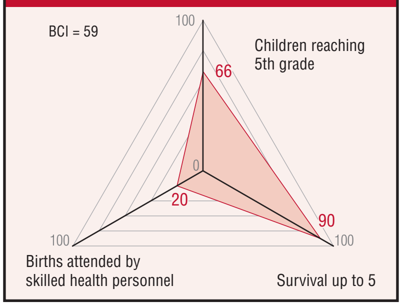
Oil is not enough



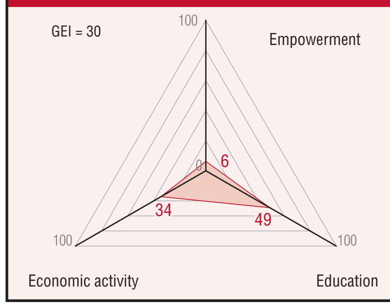
With an economy dependent on oil exports and reserves, which are beginning to show signs of depletion, Yemen is betting on the international price of crude going up in order to finance its budget. The country is one of the most backward in terms of development, but official social policies are not based on serious economic studies and their application is increasingly chaotic. A corrupt minority makes use of the State's resources and wealth, which do not reach the needier sectors of the population.

Human Rights Information and Training Centre (HRITC)
Social Democratic Forum
Yemeni Observatory for Human Rights

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



The Republic of Yemen's Constitution considers *shar'ia,* the Muslim code of behaviour and morality, to be the main source of legislation and it establishes the separation of powers – Legislative, Executive and Judicial – as well as the multi-party principle. Parliamentary elections are held every six years and local elections every four years. However, both the decentralization of government and the separation of powers are insufficiently applied.

Islam is the state religion and Muslims are composed mainly of Shafi'i and Zaidi, although there is an Ishmaelite minority. There is also a small population of Jews, principally in the districts of Amran and Saadah. All enjoy freedom of worship. Yemeni society is primarily agricultural and governed by traditional customs in most regions.

The Constitution insists on the principle of equality among all citizens and the law is considered positive in this respect – except for a group of laws that clearly discriminate against women, such as those on personal assets and sanctions. Moreover, the application of the law constitutes a problem due to the lack of real autonomy of the judicial bodies.

Civil and political rights

During 2008, the country was severely criticized by international human rights organizations, particularly those concerned with freedom of opinion and expression. Partisan newspapers such as *Atauri* (The Revolutionary) and *Al-Uahdaui* (The Unionist), or independent ones such as the daily *Al Aiám* (Days) published in Aden, are facing a series of charges, which activists see as a continuous and premeditated assault on these freedoms.

Transparency International reports have indicated a clear decline in the struggle against corruption, in spite of the country ratifying the United Nations convention on this issue[1] in 2005 and setting up the Supreme National Authority for Combating Corruption in 2007. Civil society works in close cooperation with the official government organization in order to raise awareness about the dangers of corruption, the need for social control over use of the general budget and the strengthening of transparency and integrity.

Despite some significant progress in ensuring free elections, both in parliamentary elections in 1993, 1997 and 2001 and in direct municipal and presidential elections in 2006, conflict between the ruling party and the opposition has resulted in a two-year postponement of the elections that should have been held in April 2009.

Economic and social situation

Yemen's economy has been weak since the Republic was instituted in 1990. Since then, the country has undergone successive economic crises – from the Gulf War in 1991, which caused the return of migrants from Saudi Arabia and the Gulf area who had been the main source of foreign currency inflow, to the Saadah conflict[2] in the north, which was still active in 2008.

The rial, the official currency, is undergoing a decrease in purchasing power due to the weakening of the economy. While in the early 1990s one U.S. dollar was worth about 20 rial, it is now worth 200 rial.

In 2007, the rise in the price of oil resulted in increased government income. However, the fall of international prices from mid-2008 has had a negative impact on the economy. This will be a severe blow since the country did not save while it was able to do so. The Government has announced a 50% reduction of expenditure in construction and infrastructure, which will have serious effects on services as well as on national and individual income in 2009. The state budget is dependent on oil extraction, and the possible depletion of the country's reserves, whose yield is in continuous decline – from 420,000 barrels a day in 2005 to under 350,000 at present – puts it at risk. Yemen, therefore, can only hope for the international prices of crude oil to go up.

Crops of *khat* – a stimulating and energizing plant considered to be an economic plague since it squanders over 20 million labour hours a day – take up over half the cultivated land and use up vast quantities of subterranean water, as well as a quarter of the labour force. It is estimated that this costs USD 7 million a day.

These reasons, among others, explain why 42% of Yemenis live below the poverty line, according to 2006 food programme estimates. It is expected that this percentage will continue to increase as the price of food – especially wheat – rises in 2009. In 2007 average annual per capita income was USD 930. Economic growth decreased from 5.6% in 2005 to 3.6% in 2007, according to a government report. The World Bank estimates the unemployment rate among persons of working age to be over 35%; the Government speaks of 17%.

Yemen has one of the worst development indices in the world, ranking 157th of 175 countries in the 2007 Human Development Report, and 131st in the Transparency International report of the same year.[3]

The effect of trade agreements

Yemen followed the prescriptions of the IMF and World Bank and completely liberalized its trade in

1 UN. *United Nations Convention against Corruption.* Available from: <www.unodc.org/pdf/corruption/publications_unodc_convention-e.pdf>.

2 This refers to an armed revolt led by Zaidi religious leader Hussein Badreddin al-Houthi, which began in 2004.

3 *Human Development Report 2007/2008 – Fighting Climate Change: Human Solidarity in a Divided World.* New York: Palgrave Macmillan. <hdr.undp.org/en/media/HDR_20072008_EN_Complete.pdf >.

1985. Reducing tariffs between 5% and 25% made the production of many local food products unviable. Food imports currently represent 33% of total imports and are a heavy load on the balance of trade and the balance of payments.

National industry is weak and private investment is falling steadily. The average increase in inflation of close to 17% in 2006, according to Government estimates, has led to a regression in living standards and in income levels and has aggravated poverty and unemployment. This is the context in which Yemen aspires to join the World Trade Organization, which continues to consider the country unqualified for membership.

The great gender gap

The general participation of women, who constitute 25.7% of the labour force, continues to drop significantly. The education gap is considerable; at 65%, female illiteracy is among the highest in developing countries. The following table shows the gender gap in education, according to 2005 statistics.

With regard to health, statistics show that 366 out of every 100,000 women who are pregnant or give birth die from complications and the lack of health care. Some 55%, mainly in the rural areas, receive no care at all during pregnancy and labour.

CHART 1.

Stage	Male	Female
Primary education	100%	74%
Secondary education	61%	30%
Tertiary education	14%	5%

Source: The World Bank

Despite the growth of women's political participation as voters (they represent over 42% of the electorate), their participation as candidates and winners of parliamentary and local elections is a mere 0.5%.

Although Yemen has ratified the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), the gender gap remains wide and several laws that discriminate against women remain in force. Many civil society organizations, public figures and other leaders make considerable efforts to raise awareness and promote real change, such as the adoption of the quota principle in elections and nominations.

The enjoyment of social rights

Education

The rate of access to basic education for children of school age is estimated to be barely 56.6%. This means that 2.9 million children of that age are left out of the educational system, of whom 1.9 million are girls. According to the third national Human Development Report, the internal efficiency of the educational system is very low. Repetition and dropout rates are on the increase, the compulsory school timetable quota is not fulfilled, and there is an acute shortage of teachers in rural schools. Teaching and practice are inadequate and are not complemented by modern educational methods that take into account the needs of the labour market. The Report concludes that current methods and styles of teaching do not stimulate development or critical thought.

Health

Yemen's health services are unable to keep up with growing needs resulting from demographic growth after a decline in the use of family planning. Health facilities are poorly distributed, equipment is inadequate, and human resource management is inadequate with regard to the training and qualifications of workers. In addition, the health environment is fragile and sanitary awareness is diminishing. Although rural inhabitants make up 75% of the population, their health coverage does not exceed 30% and no more than 3.5–4% of the general state budget is devoted to rural health. A World Health Organization report shows that 60% of the population lives in regions exposed to malaria, and it is estimated that 3 million people a year contract the disease. According to a report drafted by a Parliamentary Committee on water and the environment, around 12 million people suffer illnesses related to water pollution.

Labour

The Constitution, as well as various labour and civil service laws, undertakes to fulfil international conventions with regard to every citizen's right to work and to a decent standard of living by means of a fair wage. However, Government actions in the last few years show that these commitments are being ignored. The social security system covers governmental employees and 70,000 workers in the private sector, which means that over 4 million workers are left out. At present, there is no health insurance system. Of the many children who are outside the educational system, most help their parents in farming and shepherding activities, some resort to begging and still others are taken illegally to neighbouring countries in order to beg or engage in domestic work.

Civil society and human rights

There are some 6,000 registered civil society organizations. Over 75% are of a charitable nature and distribute aid to poor families as well as offering a variety of services. Organizations with an interest in human rights are few and lack specialization; the same organization may be active in the rights of women or children, or in civil, political and economic rights. They have, however, managed to organize a variety of training cycles, conferences and other activities. The movement has been influential in getting the State to discuss a number of issues. Although there have been no major changes, there have been some gradual improvements with regard to issues pertaining to women, children and people with disabilities, and it has been possible to enact several laws related to transparency and the fight against corruption.

A number of alliances and networks have recently developed that aim to engage in activism and lobbying in several different fields: political and civil, social, economic and intellectual. ■

ZAMBIA

A Government in denial

The global economic meltdown is already seriously affecting Zambia, which is highly dependent on the production and price of copper, its primary export. Although for the past 45 years politicians have promised to diversify into other products, almost nothing has been done. The Government's reaction to the effects of the crisis has been both predictable and disappointing. The 2009 National Budget is in denial and Parliament is not paying attention.

Women for Change
Prof. Michelo Hansungule

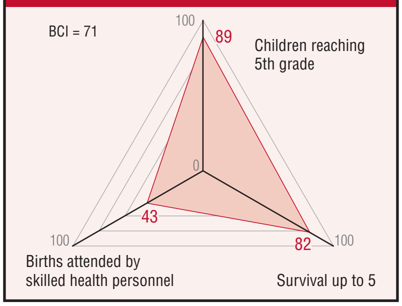
Zambia was one of the early casualties of the world economic meltdown. Copper makes up 90% of national revenue, and by September 2008 its price on the London Metal Exchange had crashed. While during its peak period copper used to fetch as much as USD 9,000 to USD 10,000 per ton, it was now going for just under USD 4,000. However, besides Luanshya residents and others in the Copperbelt who were directly affected when either the mines were closed or the workers were retrenched, most Zambians are still unaware of the situation. Information in the country, even though reluctantly and rather clumsily guaranteed in Article 20 of the Constitution,[1] is a privilege: only professionals and those "happy few" in the Government have access to it. Local radio and television – especially radio, accessible to millions of poor, mostly illiterate Zambians – often do not broadcast the same news in English, which many people do not speak, as in local languages.

In the middle of the crisis

Zambia is in the throes of the global crisis on all fronts: energy, food, water, environment and, of course, the financial system itself.[2] The fall of copper prices is aggravated by mine closures and, since Anglo-American investment pulled out from Konkola Deep in 2002, owners have been leaving the country because of the slump in demand caused by cuts in consumption in Asian and Western countries. With the credit crunch in the main copper markets, buyers have been driven away, thousands of mine workers have already been sacked, and more layoffs are due.

Unlike the United States and other countries that have responded to the economic meltdown by providing financing to failing banks and major industries to try to keep them afloat, Zambian President Rupiah Banda does not have any resources to give out.

Basic Capabilities Index (BCI)



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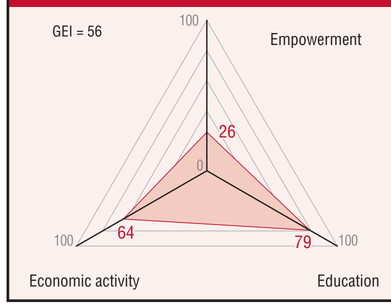

Skyrocketing food prices

Food prices have exploded through the roof in Zambia. Though high food prices, like the economic crisis, have a global reach, unimaginative local economic and agricultural policies have exacerbated the problem. The farming sector, which in good years produces over 9,000 metric tons of maize, now produces less than 6,000 metric tons.[3] During the electoral campaign last year, President Banda politicized the issue of failed agriculture and the consequent hunger suffered in the country. When he came face-to-face with poverty, he emotionally announced that he would reduce the price of mealy-meal (a staple food) as well as that of fertilizers. He got votes for this but never delivered on his promises. Rather, the Jesuit Centre for Theological Reflection (JCTR) Basic Needs Basket for Lusaka shows huge rises in the cost of basic food items in January 2009: staples such as mealy-meal, beans, *kapenta* (fresh and dried small fish), vegetables, milk, cooking oil, etc. all skyrocketed.[4]

In the same way, there were sharp rises in essential non-food items such as charcoal, soap, electricity, water and sanitation, and housing. The price of paraffin, the main energy source for poor households apart from wood fuel, has gone way up. High petrol and diesel fuel prices translate into high transport costs, already beyond the reach of the largely unemployed population. Zambians have not benefited from the recent fall in world fuel prices, and the price in the country remains one of the highest in the region. This was one of the main factors behind the bankruptcy of the privately owned Zambian Airways: foreign airlines fly into Lusaka or Livingstone with fuel from their home base or other countries in the region to avoid buying it locally.[5]

Of course, this type of information is not featured on the Zambian Government's Web site. Even information that is common knowledge – that copper prices have fallen and that Asian buyers have since shunned the product – is not mentioned. In the Vice President's "Statement on the floods situation in Western Province in general",[6] food relief is mentioned only in the context of the floods that have hit Shangombo in the Western Province. Neither the food crisis nor the crisis in the copperbelt has come up in Parliament, and the people's representatives have not demanded answers from ministers.

Similarly, the 2008 Government Progress Report on the Millennium Development Goals (MDGs) claims successful economic policies and that the country is on course with almost all the goals.[7] The report, which relies heavily on the Government's Fifth National Development Plan (FNDP), praises the Government for its "excellent performance". It does not, however, mention that several key players, including some Members of Parliament from opposition parties, have questioned the legitimacy of the Plan and its formulation through a wide consultative process, since only one or two short public sessions were held outside government ranks to scout for public inputs, and little from these filtered into the final document.

1 Rather than protect the "right to information", Article 20 protects "freedom of expression", including "the right to not be hindered in the enjoyment of… freedom to receive ideas and information without interference". See: <www.thezambian.com/wikis.constitution/constitution/of-zambia-1996.aspx>.

2 Chongo, A. "Business Review: Genesis of Global Financial Meltdown". *Times of Zambia.* Available from: < www.times.co.zm/news/viewnews.cgi?category=12&id=1230108046 >.

3 See: <www.norad.no/items/988/38/9645826131>.

4 JCTR. "Basic Needs Basket, Lusaka". Jesuit Centre for Theological Reflection (JCTR), January 2009. Available from: < www.jctr.org.zm/bnb/BNB%20Jan09%20-%20Lusaka.pdf>.

5 In January 2009, Zambian Airways announced suspension of operations mainly due to high fuel costs. The Government announced in February its intention to sue the airline to recover the money it owes to various firms.

6 See: <www.parliament.gov.zm>.

7 Republic of Zambia. *Millennium Development Goals Progress Report 2008.*

The FNDP claims that Zambia is likely to achieve all but one of the MDGs by 2015. It concedes – without explaining why – that the exception is ensuring environmental sustainability. This admission has been endorsed by credible sources, among them the United Nations Development Programme.[8] Experts have shown a close link between poverty and environmental degradation: the majority of poor people have no choice but to exploit natural resources such as wood for their energy needs. Poverty and rapid population increases, coupled with the inability of the Zambia Electricity Supply Corporation to connect more than 50% of the poor, leads to widespread use of wood fuel. Even though Zambia has the cheapest rates for electricity in the region, poor people have no access to it. In addition, Minister of Energy, Felix Mutati, has admitted there have been stiff tariff increases. In an interview for an audience of potential Chinese investors, Mutati said that these hindered investment.[9]

The MDG Progress Report claims spectacular achievements also on the gender equality target. Reality, however, tells a different story. The Legal Resources Foundation News documents several cases in which women have been subjected to discrimination owing to oppressive laws and traditional attitudes and practices.[10] The Constitution, in Article 23, prohibits discrimination against women, but this has not translated into positive results for women in practice.

Liberal economic policies

Although the West praises Zambia's liberal economic policies, the truth is that 64% of Zambians, including the majority in rural areas, are still trapped in poverty. These same policies mean high interest rates and permanent budget deficits that drain the labour market. The Government, in its MDG Progress Report, praises its management of the country's economy and for its commitment to policies aimed at ensuring poverty reduction that led the country to reach the Highly Indebted Poor Country Initiative (HIPC) completion point. It further claims that this is affecting poverty levels and most of the social indicators. In other words, the Government has said that it is winning the war against poverty and social injustice. However, the facts on the ground point in a different direction: very few homes, if any, have been affected by the money received from Zambia's admission to the HIPC completion point.[11]

The 2009 budget

The budget announced by current Finance Minister Situmbeko Musokotwane in 2009, apart from the admission that "as a result of weakening global demand, the global economy will, beyond doubt, negatively impact our economy and constrain our efforts to reduce poverty," predicts for 2009 a "growth rate of 5%, lowering of inflation to 10% and limiting domestic borrowing to 1.8% of GDP".[12]

There is no credible strategy to mitigate the effects of the global meltdown already affecting the population. The core of Musokotwane's budget is premised on foreign investment, which has melted away with the world economic crisis. Though Zambia enacted the Citizens Economic Empowerment Act, which aims to empower local people with economic opportunities in 2006, the 2009 budget makes available to them an initial capital of just ZMK 10 billion (about USD 2 million), a paltry sum by any measure.

Diversification from copper

Cooperating Partners Group Chairperson and World Bank country manager Dr. Kapil Kapoor has observed that "diversification out of copper has been a much stated objective of Zambian leadership for several years".[13] But he notes that this "has not been achieved and over 70% of foreign exchange earnings still come from copper', leaving the country vulnerable to price fluctuations. There has been no serious effort to reduce reliance on copper in spite of poor performance. Copper is a technology-intensive industry. Most of the processing plants depend on the availability of huge amounts of foreign exchange, so that the industry is not only the main producer of foreign exchange but also the main consumer. With credit drying up on the money markets and purchasers of copper products withdrawing from the markets,[14] it is not difficult to see the dark clouds gathering over Zambia – some would say the storm has already broken. ■

8 See Sooka, M. "Energy Statistics: The Case of Zambia". Paper prepared for presentation to a workshop on environmental statistics held on 16-20 July 2006, Addis Ababa, Ethiopia. Also see: UNDP. *The Human Development Report for Zambia 1998*. Lusaka: United Nations Development Programme (UNDP).

9 Xinhua. "Interview: Minister Says High Electricity Tariffs in Zambia Hinder Investment". *China Wire*, 17 May 2008. Available from: <www.china-wire.org/2006/ 05/interview-minister-says-high-electricity-tariffs-in-zambia-hinder-investment-2/>.

10 For example, a policeman beat his girlfriend so hard that she was left permanently blind in one eye, and a 25-year-old woman who lost an eye after it was damaged when she was working on a farm was only compensated ZMK 100,000 (USD 20) by her employer.

11 Republic of Zambia. *Millennium Development Goals Progress Report 2008.*

12 Musokotwane, S. Budget Address by the Minister of Finance and National Planning, delivered to the National Assembly on Friday 30 January 2009.

13 *The Post*. "Adhere to Governance Agenda, Cooperating Partners Urge Government." *The Post*, 31 March 2009. Available from: <www.postzambia.com/content/view/6837>.

14 Toovey, L.M. "Declining Asian Consumption and a Diving US Dollar Battle Copper Prices". *Copper Investing News*, 16 July 2008. Available from: <www.copperinvestingnews.com/?s=declining+asian+consumption&x=0&y=0>.

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