

## **ROUTES OUT OF THE CRISIS:**

### **STRATEGIES FOR LOCAL EMPLOYMENT RECOVERY AND SKILLS DEVELOPMENT IN ASIA**

*Joint Expert Meeting organised by the ILO and the OECD*

*Follow up to the Global Jobs Pact and as part of the Joint Initiative on  
Employment and Skills Strategies in South-East Asia (ESSSA)*

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## **Country Briefs**

(vs. 10-08-09)

- 1. Bangladesh**
- 2. Cambodia**
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- 4. Indonesia**
- 5. Nepal**
- 6. Pakistan**
- 7. The Philippines**
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*Key Points:*

- In the face of the crisis, the Bangladeshi economy has been resilient, depending on steady remittance flows and continued export growth in garment sectors. Declines in those two areas, however, are expected for late 2009 and 2010.
- Recently, a 500 million USD stimulus package was announced, but faces stern criticism due to the absence of dedicated support to the garment industry.

*Background Summary:*

The Bangladeshi economy has become increasingly integrated into the global economy over recent years, mostly through trade and remittance flows. Net exports account for 10% of GDP, 85% of which is destined for developing countries. Degree of openness, measured as exports plus imports divided by GDP, has nearly quadrupled since 1980. Though openness has increased drastically over the past 20 years, Bangladesh remains relatively insulated compared to other countries. The country is ranked 145<sup>th</sup>, in terms of degree of export orientation and 158<sup>th</sup> for imports. In the first few months of FY2008/2009, the Bangladeshi export market was relatively resilient, maintaining strong export growth in knit and woven readymade garments. Primary products, such as tea, agricultural products, and petroleum products declined sharply.

Remittances accounted for 20% of gross national income in FY2007/2008. Over the past two years, a record number of Bangladeshi workers (1.7 million) left the country in search of work. Over 10% of the total Bangladeshi workforce is located abroad. According to the last Labour Force Survey of 2005/06 (BBS, 2008a), Bangladesh has a domestic unemployment rate of 4.2% and underemployment rate of 24.5%; share of informal sector employment is 75.3%. Remittance flow until now has been robust. In January 2009, Bangladeshi workers abroad sent home a record \$865.3 million, 27.1% more than the previous period. Lower remittances, however, are expected in the coming months, as the most common destination countries for Bangladeshi workers are in the Middle East where demand for construction and other services are declining. Based on the forecasts for the destinations of Bangladeshi workers, it is expected that remittance growth could slow beyond 2010.

Though the effect of the crisis on the Bangladeshi economy has been relatively minor, the government has taken several steps to address the crisis.<sup>2</sup> A high-powered technical committee, headed by the Finance Secretary, was formed in November 2008 to monitor the impact of the crisis. Also, in 2008, the Central Bank (Bangladesh Bank) undertook measures to protect migrant workers and remittances, including reducing time and cost of remittance transfer, legalization of remittances, creating opportunities for remittance reinvestment, and working with other countries to identify destinations for Bangladeshi workers (this was carried out by the Central Government). In view of the losses incurred by importers as a result of the fall in global commodity prices (e.g. wheat, edible oil and pulses) and the difficulties faced by importers in honoring letters of credit (LCs), the Bank has relaxed the conditions for opening fresh LCs from the existing 90 days' time to 150 days. The July-December 2008 *Monetary Policy Statement* from Bangladesh Bank (a) prioritizes unhindered access to credit for agriculture, SMEs, and rural businesses, (b) encourages increased flows of credit to female entrepreneurs, and (c) promotes diversion of remittances into productive sectors. In April 2009, the government announced a \$500 million stimulus package, which received severe criticism for its exclusion of various industries.<sup>3</sup> Garment workers have rioted in the past month, with 2 people dead and hundreds wounded, over the exclusion of the garment industry from the national stimulus package.

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<sup>1</sup> All statistics are taken from ODI (2009) *Bangladesh.....*

<sup>2</sup> Rahman, M, Khondaker Moazzem, and Syed Hossain (2009) "National Policy Responses to the Financial and Economic Crisis: The Case of Bangladesh" ILO Regional Office for Asia and the Pacific.

<sup>3</sup> <http://www.thedailystar.net/story.php?nid=84788>

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**LED Crisis Responses<sup>4</sup>:**

Project	Pre/Post Crisis Initiation	Agencies	Regions targeted	Type of projects	Outputs	Outcomes	Contact
Rural Employment and Road Maintenance Programme	mid-crisis (FY 08-09)	Central Government	Panchagarh and Rangpur districts	Targets ultra poor and destitute women, provides 5 years guaranteed employment	52,000 women receive 5 years of employment, 90K kms of road network maintained		
100 Days Employment Generation Scheme	Post-crisis (09/08)	Central Government	Rangpur and Dinajpur districts	Generates employment to combat seasonal chronic food shortage among absolute poor	2 phases, approx. 3m beneficiaries receive 100 days of wage labor	Combats seasonal chronic food shortage, employs most vulnerable	
Support programme for low income working mothers	mid-crisis (FY 08-09)	Central Government	Regions heavy in garment factories	Support to low-income workers, particularly working motheres	Provides USD 2.92m in support		

<sup>4</sup> All cases from: Rahman, M, Khondaker Moazzem, and Syed Hossain (2009) "National Policy Responses to the Financial and Economic Crisis: The Case of Bangladesh" ILO Regional Office for Asia and the Pacific.

*Key Points:*

- The crisis has had a significant negative effect on the Cambodian economy, which is heavily reliant on foreign exports. Some of the most severe effects have been in the garment industry, which accounts for 65% of total exports.
- One of the key recovery strategies is to revitalize and upgrade the tourism industry, attracting local and regional visitors.

*Background Summary:*

The global financial crisis has had a serious impact on the Cambodian economy, which has recently been heavily dependent on foreign exports. The main drivers of high growth in the past decade (garments, tourism, agriculture, and construction) are export or Foreign Direct Investment oriented, and are all facing setbacks. Since the 1990's, trade openness (imports plus exports over GDP) tripled. The severest impacts are in the garment industry, which accounted for 65% of total exports. In the past six months, 51,000 workers have been laid off, a significant proportion of the 350,000 workers in this leading industry. Tourism registered a slowdown in 2008 and there are indications that it will decline in 2009. The International Monetary Fund (IMF) has recently projected a 5% fall in the sector, citing lower global demand. Construction is also set to decrease, as foreign investors in real estate are either scaling back or suspending their projects as a result of the credit crunch at home. The global financial crisis has burst the bubble in the land and real estate markets, which were arguably inflated by the global bubble of recent years. This has directly reduced construction activities and demand in general. The agriculture sector is expected to grow in volume significantly to offset declines in the rest of the economy.

With regard to inward remittances, the Cambodian emigration stock was estimated at 349,000 in 2005. Remittance flows and outward migration are estimated to have stagnated or decelerated in 2008. Remittances, while significant for individual households and poverty reduction efforts, are not large enough to have a significant macroeconomic impact. Cambodia also has a low unemployment rate, at 2.5%, though many are employed in the informal sector. Finally, extant problems in the business enabling environment are becoming more acute, as the economic crisis places more competitive pressure on firms. As the garment industry employs a large female workforce, women workers are expected to be particularly vulnerable in the economic downturn, as exports to developed country decline.<sup>6</sup> Garments have also become one of the more formalized sectors in the economy, so that the economic crisis will undermine industrial relations in the country more broadly. While many SMEs are protected from the crisis by their independence from borrowed capital and orientation towards local markets, those in support of construction, textile, and tourism sectors will be vulnerable.

Cambodian Government responses to the crisis have included: (a) a stimulus package to boost spending in infrastructure, social programs, safety nets, and agriculture; (b) reduced central bank reserve requirements; (c) creation of a tourism policy taskforce; (d) suspension on tax increases in textiles, export promotion, and market diversification; and (e) additional loans and grants for agricultural sectors.<sup>7</sup> The government has also subsidized .3 per cent fo the .8

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<sup>5</sup> All data taken from ODI (2009) *Cambodia*

<sup>6</sup> Chandrarot, Kang, Sok Sina, and Liv Dannet (2009) *Rapid Assessment of the impact of the financial crisis in Cambodia*, ILO Asia-Pacific Working Paper Series, March 2009.

<sup>7</sup> Ibid.

social insurance of worker wages, which is paid by all factories, and has mobilized funding to provide short-term training to unemployed workers.<sup>8</sup>

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*LED Crisis Responses:*

Project	Pre/Post Crisis Initiation	Agencies	Regions targeted	Type of projects	Outputs	Outcomes	Contact
Food for Work		Cambodian Government	12 most vulnerable provinces	Food provision	333km of rural roads, 267km irrigation canals, 52km dikes, 15 community ponds, 7 rice banks	252,300 vulnerable people served	
Tonle Sap Poverty Reduction and Smallholder Development Project		ADB, IFAD, Finland	three Tonle Sap provinces namely, Siem Reap, Kampong Thom and Kampong Cham	Factor productivity improvement, market links strengthening, local finance, social development, policy/institutional reform		(i) increased use and non-use value of natural resources through improved environment management in utilization of agricultural, flooded-forest and fishery resources in the Tonle Sap basin; (ii) income growth for rural poor through improved productivity and diversification; (iii) increased participation of rural poor in domestic and intl product and labor market; and (iv) integration of rural poor into tourism and ecotourism dev.	

<sup>8</sup> "Assessing Country Employment and Social Protection Policy Responses to the Global Economic Crisis" G20 Sectoral Activities Department

## ILO/OECD Asia Regional LED Conference 2009 Country Background Brief: China

CHINA

### *Key Points:*

- The Chinese government has authorized a 4 trillion Yuan stimulus package, some of which will be dispersed through infrastructure projects proposed and implemented by local governments, related to targeted sectors.
- One of the most urgent problems, resulting from the financial crisis, is rural unemployment and increasing poverty, as urban-rural remittances decline and migrant workers return to their rural homes.

### *Background Summary:*

Exports in China account for 27% of GDP. While 20 years ago, rural employment was nearly exclusively agricultural, today, 40% of Chinese rural income comes from non-farm employment. Amid the crisis, exports dropped 18% between 2008 and 2009. On the other hand, import dropped 43%, most of it accounting for parts and materials for future processing, revealing a potential drop in production. The World Bank predicts 7.5% growth in 2009<sup>9</sup>.

Export industry workers are being hit: the urban unemployment rate reached 4.2%. If one includes migrant workers, the rate would reach 9%, as 23 million migrant workers did not find a job after the annual vacation leave in 2009. Moreover, 6 million graduates will flow into the labor market. According to China Academy of Social Sciences, the global financial crisis has caused the closure of 670,000 small- and medium-sized firms in China, many of them labor intensive ones based in coastal regions. Announcing a 42-billion-yuan central government investment to boost job opportunities, Wen said in his report "the government will do everything in its power to stimulate employment." He said the government will make full use of the role of the service sector, labor-intensive industries, small and medium-sized enterprises, and the non-public sector of the economy in creating jobs, he said"<sup>10</sup>.

After its economy was hit by the crisis, China's central government released a 4 trillion Yuan stimulus package (585 billion USD). The premier also proposed a budgeted fiscal deficit of 950 billion Yuan (139 billion U.S. dollars) for 2009<sup>11</sup>. The first two batches of the stimulus package were launched in November 2008 and February 2009, totaling 230 billion Yuan. More recently, on February 3, 2009, the central government was reported to have launched a second round, arranging another RMB130 billion (about \$19 billion) of investment, with only RMB35 billion (about \$5.1 billion) to go to "central projects;" another RMB95 billion (about \$13.9 billion) will go to "local projects," according to the National Development and Reform Commission, China's key economic planner (NDRC). The package was composed of an investment plan, a funding system and industrial policies. The largest portion of the spending goes to transport and power infrastructure, accounting for 38% of the total. Spending on earthquake reconstruction comes second, taking up another 25% of the total, followed by rural village infrastructure and investment for environmental protection, each accounting for 9% and 5% of the total, respectively<sup>12</sup>. Since the second half of 2008, moderately loose monetary policies have been implemented to complement the fiscal stimulus program to cope with the economic slowdown. The central government's grand fiscal spending programs are likely to be followed by those of the local governments. Regarding the

<sup>9</sup> Chang Hee Lee. "National Policy Responses to the Financial and Economic Crisis: The Case of China". ILO. 2009.

<sup>10</sup> Yangtze Yan. "China unveils massive stimulus plan amid financial crisis". In Gov.cn. 6 March 2009.

<sup>11</sup> Sarah Y. Tong and Zhang Yang. "China's responses to the economic crisis". EAI Background Brief. 11 March 2009. No. 438

<sup>12</sup> *Ibid*

industrial policies, in selected sectors, local governments have proposed infrastructure development projects to be funded through the stimulus package. Targeted industries included: automobile, steel, textile, machinery, ship building, electronics and information, light industry, petrochemical, and nonferrous metals<sup>13</sup>. In China, the value-added tax for small businesses was cut to a uniform 3% from the existing 4-6%. Other employment-oriented projects include supporting the return of retrenched workers from cities and industrial zones to rural areas and helping them to start businesses with credit and other supports.

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*LED Crisis Responses:*

Project	Pre/Post Crisis Initiation	Agencies	Regions targeted	Type of projects	Outputs	Outcomes	Contact
Promoting export	Post Crisis	The Guangdong Government	The Guangdong province	Tax and Financial policies	The Guangdong government unveiled eight favorable tax policies to reduce local exporters' tax burden. It has also implemented policies to support the industrial upgrade of the manufacturing sector and to restructure the export and import portfolios.	Reduce tax burden of up to 3 billion RMB for the year.	
Employment problems of both migrant workers and college graduates	Post Crisis	The Guangdong province	Pearl River Delta Region	Policies and investment in infrastructure	The government will spend 6 billion RMB between 2009 and 2012 to help establish several industrial parks in less-developed regions within the province to accommodate enterprises relocating from the Pearl River Delta region.	Provide employment to 379,000 migrant workers.	
Protecting and Promoting the Rights of China's Vulnerable Migrants	Post Crisis	UN agencies (Joint program) and China's Ministries (MOHRSS, MOFCOM...)	China	Capacity building	The program includes research, training, awareness raising and other capacity-building activities.	Promote the protection of rights and interests of young rural workers.	Khalid Malik khalid.malik@undp.org
The China Culture and Development Partnership	Post Crisis	UN agencies (Joint program), MOHRSS and	Yunnan	Culture Based Local Economic Development	The program includes Culture Based Local Economic	Empower minority groups and foster entrepreneurship.	Khalid Malik khalid.malik@undp.org

Framework		the State Ethnic Affairs Committee (SEAC)		(LED)	Development (LED) and livelihood creation through provision of entrepreneurship and business development services and strengthening policy and institutional environment for ethnic minority arts and crafts sector.		
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*Key Points:*

- Due to a *strong domestic market*, the effect of the economic crisis on the Indonesian economy has been limited, though there have been increases in unemployment and export growth. The Indonesian economy expanded by 4.4% in 1Q 2009, compared to 5.2% in the previous quarter. The World Bank has forecasted economic growth of 3.5% in 2009<sup>16</sup>.
- *Fiscal stimulus package.* The government's main response to the crisis has been a fiscal stimulus package, amounting to IDR 73.3 (US\$7.3 billion), equivalent to about 1.5% of GDP (Table 2). Tax cuts account for the largest proportion of the stimulus package (77%) followed by employment intensive infrastructure and capacity development programmes. ILO is providing support to the Government in this regard. The Government's localized employment intensive public works project is aimed at creating 1M jobs. Government is seeking to build more vocational schools in 2009, prioritizing information and technology programmes and seeking to strengthen the ties with industries with a view to enhancing programme effectiveness and employment outcomes. Government policy responses are to *stabilize the financial markets and provide a fiscal package to maintain domestic demand growth rate*.
- *Increased allocations for poverty alleviation:* For the fiscal year 2009, the Government has allocated Rp. 66 trillion for poverty alleviation, up from Rp. 58 trillion disbursed in the fiscal year 2008. Of this, Rp. 15 trillion will go to the National Programme for Community Empowerment, Rp. 12 trillion to the rice for the poor programme and Rp. 11 trillion to the school operational aid programme. PNPM is expected to cover 6,408 sub-districts and 78,000 villages in 2009 and to absorb 3 to 4 million workers under the programme.<sup>17</sup>
- *Growing informality:* The February 2009 labour force survey indicated that unemployment had fallen to 8.1% compared to 8.5% a year earlier. However, growth in vulnerable employment (own account, casual and unpaid workers) outpaced that of wage employment.

*Background Summary:*

Indonesian low exposure to global capital trading spared it from the primary effects of the Global Financial Crisis. After the 1997-1998 Asian Financial Crisis, Indonesia enacted strong banking regulations that greatly limited exposure to shocks directed toward the banking sector. Indonesia bank's are all located within its borders and therefore its exposure to lend directly to the sub-prime market is greatly reduced. Moreover, Indonesia has limited investment banks and all Indonesian Banks are forbidden to purchase or sell securities or security-backed financial products.<sup>18</sup>

However, secondary effects from the Global Financial Crisis in the form of reduced aggregate demand and tighter money markets have resulted in GDP contraction of 1.4% to an expansion of 2.4% in 2009. Real GDP in the first quarter of 2009 is 4.4%.<sup>19</sup> Indonesia's diversification in trade partners, mainly ASEAN, has enabled to achieve a trade surplus about 8 billion US dollar during January-August 2008.<sup>20</sup> The country's competitiveness in world scoreboard had increased, from the range of 50-54 in 2005-2008 to rank 42 in 2009.<sup>21</sup> Employment figures for October 2008 to March 2009 indicate 240,000 laid-off workers in the formal sector, and underemployment rose from 31.09 million in August 2008 to 31.36 million in February 2009. The economic growth projections for 2009 have been revised from 5% to 4-4.7% (September

<sup>14</sup> B. Susantono. *Coordinating Ministry for Economic Affairs – Indonesia. IMF from G20 Minister and Central Bank Governor Meeting. March 13 – 14, 2009*

<sup>15</sup> ODI. May 2009. Global Financial Crisis Discussion Series. Paper 6.

<sup>16</sup> World Development Finance. 2009.

<sup>17</sup> Republic of Indonesia: [www.indonesia.go.id](http://www.indonesia.go.id)

<sup>18</sup> Titiheruw, I., Soesastro, H. and Atje, R. 2009. Global Financial Crisis Discussion Series: Paper 6: Indonesia. Overseas Development Institute: London.

<sup>19</sup> *Economist*. May 22, 2009

<sup>20</sup> *Kompas*. Oct 13, 2008

<sup>21</sup> *World Competitiveness Yearbook*. 2009.

2008 year-on-year growth was recorded at 6.1%). Indonesia's domestic consumption is equivalent to 65% of the country's GDP. As such, the country's fiscal stimulus package aims to maintain private consumption levels to cushion the impact of the global financial crisis.

Industries that are export orientated with high import content have been most affected by the Crisis. Export-oriented sectors particularly affected by the crisis are in the manufacturing (textile, garments, shoes, electronics, and automotive), and the agriculture export-commodities (i.e. palm oil, rubber, coffee, tea, cacao). The bulk of Indonesian workers are employed in export orientation and low import content, and as a result they have been less effected by the economic slowdown.

#### *Fiscal Stimulus*

The fiscal stimulus package is valued at US \$7.33B and is comprised of 1) income tax relief 2) government import duty subsidy to business, import subsidy on raw material, job creation programmes, and infrastructure development. Government's response at the local level includes increasing infrastructure budget allocation for local-resource based rehabilitation (i.e. roads, airports, seaports, railways, strengthening workforce via training), support of the National Program of Community Empowerment (NPCE) to primarily improve local infrastructure (US \$1.03B at US \$.3M each to districts per annum). The intended impact of the NPCE is the creation of 1M jobs, and reduction of rural poverty via 1) rural infrastructure, 2) natural resource efficiency 3) empowerment and participation of poor.

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Project	Agencies	Regions targeted	Type of projects	Outputs	Outcomes
Realizing minimum living standards for disadvantaged communities through peace building and village based economic development	ILO, UNIDO, Government of Maluku Province	Maluku Province	- Improve effective yield of natural resource on econ dev activities -Improve social cohesion	-Post conflict social and economic recovery -LED as a tool for social cohesion	
Employment-intensive Growth for Indonesia Job Opportunities for young men and women	ILO Jakarta, The Netherlands	National	-Youth employment and skills training -Value chain upgrading	- Strengthen intuitional capacities of women and youth orgs., Ministry of Manpower and Transmigration, Central Bureau of Statistics -employment intensive infrastructure investments -Mechanisms for coordination and network on employment issues -Local community design and undertake LED activity	-Project contributed to the development of MDG8, decent work for youth - Strengthen intuitional capacities
Food security through improved livelihoods and productive employment	Concept 2008		-Cooperative strengthening -Technical assistance and capacity development		
Kredit Usah Rakyat (aka KUR Programme)	Gol via existing MFIs and retail banks (launched November 5, 2007 but was claimed by President SBY as one of his measure to respond to crisis)	National	-KUR is a facility to guarantee credit of micro small medium enterprises by the government through PT Askrido and Perum Sarana Pengembangan Usaha	- Support access to finance for micro, and SMEs	

*Key Points:*

- Nepal is experiencing atypical reaction when compared to its neighbors to the Global Economic Crisis
- Increases in exports of 18.6%, remittances of 65.3% and strong tourism receipts.
- Underdeveloped financial markets with weak linkages to foreign capital markets have resulted in relatively little impact.
- The government has stated that condition of its foreign exchange reserves is sound and has enough reserves to last 9 months.<sup>22</sup>

*Background Summary:*

Nepal is experiencing atypical reaction when compared to its neighbors to the Global Economic Crisis. The country has experienced increases in exports and remittances, and the financial sector has felt relatively little impact. While Nepal's domestic financial sector is weak in terms large non-performing loans and low capital adequacy, the economy as a whole has been relatively insulated from first-order impacts of crisis. Nepal's sound macroeconomic management, and country's nascent financial markets that have limited linkages into foreign capital markets have meant that the financial sector has circumvented the most illiquidity issues that have been experienced by other countries.<sup>1</sup> As a result, the primary effects of the crisis have not affected the economy as greatly, but the country is vulnerable due to the cascade effects from the global economic slowdown impacting tourism receipts and select exports.

Nepal has seen exports rise by 18.6% during the first six months of FY2009. Nepal's only saw a slight rise in exports to India of .9%, but saw dramatic increases in exports to other countries of 55.9%. The bulk of exports to foreign countries consists of pulses, woolen carpets, pashmina, readymade garments and herbs. The Nepal Rastra Bank noted that workers' remittances have increased to 65.3% during the first six months of FY2009 from previously 18.2% corresponding period in the previous year.<sup>23</sup> While overall remittances have increased, ADB has stated that the level of Nepalese worker's remittances coming from countries affected by the crisis would likely decrease. Moreover, the first three month of FY2009 have seen strong tourism receipts. A rise in remittances, exports, and tourism receipts during the first part of FY2009 could indicate that the secondary effects of the Global Economic Crisis have not yet arrived or Nepal has a unique set of circumstances (i.e. underdeveloped financial markets, specialized exports) that makes its economy uncommonly robust to the effects of the Global Economic Crisis.

The Government's FY2009 has seen a greater allocation for social services programmes designed to bolster social security projects, rural employment activities, and literacy among the youth.

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<sup>22</sup> Post Report. Aug 2009. Remittance soars by 65.3 pc: NRB.

<sup>23</sup> ADB Quarterly Economic Update. 2009.

Project	Agencies	Regions targeted	Type of projects	Outputs	Outcomes
Nepal Employment Creation and Peace Building through Local Economic Development Project	ILO Nepal, Ministry of Local Development, The Netherlands		-Delivering capacity building and value chain upgrading to the tourism and agricultural sectors -Enhancing rural infrastructure via labor based technologies.	-Improved tourism sector -Improve agriculture sector -Increases rural access via infrastructure	- 2 highlands trekking trails, enhanced -6 sites through beautification village and cultural events -improved of 27 home-stays -strengthened 10 Village Tourism Committees -created or rehabilitated 29.92 - 1,500 persons via infrastructure, 85,328 paid workdays, \$161,800 USD impact -300 person employed via green job, 25,971 paid workdays, \$80,415 USD impact.

*Key Points:*

- Pakistan's economic growth has been adversely affected by the global economic crisis and internal conflict.
- The Government has put in place macroeconomic stability measures to control inflation and strengthen foreign exchange reserves.
- Social services and income support measures have been bolstered to reduce the effects of inflation on the purchasing power of the poor and vulnerable.

*Background Summary:*

Pakistan's economy has been adversely affected by the global economic crisis and internal domestic conflict. High fiscal and current account deficits, rapid inflation, low reserves, and a weak currency, makes Pakistan economy less resilient to economic shocks than other countries in Southeast Asia. As a result, the Government of Pakistan (GoP) has been taking measures to tightening of monetary and fiscal policies, and restore consumer and investor confidence.<sup>24</sup> However, the measures have yet to resolve the country's current account balance which has rapidly deteriorated from a surplus of around 4% of GDP in 2003 to a deficit of over 8% in 2008. Fiscal deficit has widened rising from 2.4% of GDP in 2004 to 7.4% in 2008. The 2009 financial year's export target has been revised down from \$19.2 billion to \$22.1 billion. GoP's macroeconomic measures to cut fiscal deficit to 4.2% in 2008/2009 fiscal year (and further reductions to 2%-2.5% by 2012/2013), control inflation and strengthen foreign exchange positions are designed to stabilize the economy.<sup>25</sup> However, these policies designed to reign in volatility will also stifle Pakistan's exports. As a result, trade volumes and real GDP are forecasted to decline in the current fiscal year. The Government has secured IMF financial support in November 2008 has improved investor confidence and foreign exchange reserves.

GoP's initiatives to support the private sector, especially the micro, small and medium sized enterprises, has resulted an increase in microfinancing activities. The World Bank's US \$250M allocation to the Pakistan Poverty Alleviation Fund will further expand operations. Moreover, other business enabling supports have been directed to crisis affected sectors, mainly firms engaged in export-oriented manufacturing.

GoP's activities to strengthen social safety nets include the nationally-owned Benazir Income Support Program is aimed at ameliorate the purchasing power of the poor in light of rampant inflation. Between 2005 and 2007, inflation stood at 10% and inflation of food commodities ranged between 13-15%. The Program is budgeted at US \$425M for the 2008/2009 year and is designed to cover nearly 15% of the country's population of whom 40% are below the poverty line.

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<sup>24</sup> Global Financial Crisis: Implications for South Asia, South Asia Region, World Bank.

<sup>25</sup> Nasir, Z. 2009. National Policy Responses to the Financial and Economic Crisis: The Case of Pakistan. ILO Subregional Office for South Asia: New Delhi.

<b>Project</b>	<b>Agencies</b>	<b>Regions targeted</b>	<b>Type of projects</b>	<b>Outputs</b>	<b>Outcomes</b>
The Employment Intensive Investment Programme (EIIP) and its Local Resourcebased Strategy	ILO	Pakistan (and India, Sri Lanka, Nepal, Thailand, Laos, Cambodia, Vietnam, Philippines, Indonesia and Timor Lest)	-Labor intensive infrastructure	- Promotes a local resource-based strategy to increase the impact of investments in infrastructure on employment creation, poverty reduction and local development	
Enhancing Potato Production in Hazara Region-Local Economic Development Workshop	FAO, USAID	Hazara region	-Intervention for this value chain	- Introduce new disease tolerant and highly productive varieties of potato	-Introduced awareness programs and workshops for farmers Display of different potato varieties and tissue culture techniques for potato production
Benazir Income Support Program	GoP	National	-Income support for commodities	- Cash transfer mechanism establish food security for vulnerable households	- 40% of households below the poverty line are encompassed by program

*Key Points:*

- The economic crisis has had serious negative effects in the Philippines, with declines in labor-intensive export industries and decreased remittances.
- The government's stimulus programme lacks a dedicated pot of funds, but includes a number of local economic development initiatives.

*Background Summary:*

In the Philippines, industry sank by 6.6 per cent during the 1<sup>st</sup> quarter of 2009. Total exports contracted to negative by 18.2 per cent during 1<sup>st</sup> quarter 2009 from the previous year. Export-oriented firms have reported large losses in revenues due to the collapse in global demand. Semiconductors and other electronics manufacturers such as automotive parts, which account for 60 percent of total exports, posted negative 33 percent in recent months. Other export industries reporting a sharp downturn in activity include the labor-intensive garment, furniture, footwear, and handicraft industries. The agribusiness and mining sectors have also been affected. The economic slowdown is already taking its toll on the labor market.

The unemployment rate increased to 7.7 percent in January from 7.4 percent a year ago, with employment of less skilled workers being disproportionately affected. The manufacturing sector continued to shed jobs, posting about 120,000 job losses through January. Labor absorption in the transportation, communications and financial sector has also declined, but to a lesser extent. As of 30 April 2009, the DOLE records show a total of 157, 676 workers currently "affected by the crisis", whether by permanent termination, temporary layoff or flexible work arrangements (i.e. reduced hours, reduced days, job rotation). Permanently laid off workers comprise 36.2 per cent (about 57,079) of the affected workers; temporary laid-off workers, 14.3 per cent; and workers under flexible work arrangements, 49.5 per cent. Remittances of Overseas Filipino Workers (OFWs), which has driven personal consumption, continued to increase (less than before) but it was surmised that this went to savings rather than consumption. Some wonder whether recent increases are due to one-time remittances of accumulated savings, a prelude to harder times ahead. Due to recent falling incomes and prices increase, more than 2 million Filipinos fell below the poverty line.

The Philippine government's reaction to the crisis comprises various actions to boost the resilience of the financial sector, accelerated budgetary spending this year, a scaling up of its conditional cash transfer program, and measures to help Filipino overseas laid-off workers who are back to the country (The government has established Help Desks in provinces to guide returning migrants to new jobs and also advise them on self-employment. A total of 250 million pesos from the Overseas Workers' Welfare Fund has been allocated for livelihood support for returning migrants). The Department of Finance also formulated a fiscal stimulus plan that involves an increase in the capital outlay in 2009 amounting to P275 billion or 3.3 percent of GDP. Regarding the employment consequences of the crisis, early as October 2008, the Philippine President directed her Cabinet to implement "pro-poor programs in all regions", which gave priority to "the protection of the most vulnerable sectors of society through the generation of jobs and livelihood opportunities".<sup>26</sup> The Philippine Government has put together many projects: The Government's umbrella program called "Comprehensive Livelihood and Emergency Employment Programme" (CLEEP), is a major part of the Economic Resiliency Plan. CLEEP puts together under one framework "emergency employment projects, which are companion measures to ongoing development efforts" and "creation of jobs that will employ workers over the short- and long-terms".<sup>27</sup> These projects are targeted to vulnerable populations and workers, and priority has been given to 12 poorest provinces and 12 most food-poor provinces. The reduction of airfare and hotel rates aimed to attract tourists to visit the

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<sup>26</sup> Office of the President of the Philippines, *Memorandum Circular No. 168, Directing the Cabinet to implement pro-poor programs in all regions*, 23 October 2008.

<sup>27</sup> *Comprehensive Livelihood and Emergency Employment Program (CLEEP). The CLEEP Framework*, National Anti-Poverty Commission, [www.napc.gov.ph](http://www.napc.gov.ph) [12 June 2009].

Philippines. The Tourism Department is confident to create 3,000 new jobs in support to CLEEP to provide one million jobs in the first six months of 2009. The responses also include the expansion of infrastructure investment in school and hospital buildings. Last, support to enterprises and micro-entrepreneurs was provided through: i) credit facilities, access to credit, guarantees; ii) payment facilities ; iii) access to public tenders ; iv) subsidies of various sorts (non-wage labour costs, export credit facilities); v) facilities for training programmes; vi) special measures for small enterprises and vii) tax reductions.

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LED Crisis Responses:

Project	Pre-Crisis/Post-Crisis	Agencies	Regions targeted	Type of projects	Outputs	Outcomes	Contact
SEA-K capability-building program	Pre-Crisis	Department of Social Welfare and Development (DSWD) in coordination with the Local Government Units (LGUs)	Nationwide: it covers unemployed or under-employed families.	Capacity building	Training activities to manage a community-based micro-credit organization	Enhance the socio-economic skills of poor families to establish and self-manage a sustainable community-based micro-credit organization for entrepreneurial development.	
Workers Income Augmentation Program (WINAP)	Pre-crisis	DOLE	but in 2009 due to the crisis, target population has been extended from formal sector workers and their families to informal sector workers and their families.	Credit support	Provides credit (start-up capital through accredited partner institutions) to rural poor and displaced workers	Micro-enterprises are strengthened	<a href="http://www.dole.gov.ph/images/WIN_AP_flier_2.pdf">http://www.dole.gov.ph/images/WIN_AP_flier_2.pdf</a>
The forestry and environmental protection programs	Post Crisis	Department of Environment and Natural Resources				75,000 jobs for unemployed Filipinos during the first quarter of the year	
Tulong Pangkabuhayan sa Ating Disadvantaged Workers program (TUPAD)	Post Crisis	Department of Environment and Natural Resources (DENR), local governments units (LGU), PhilHealth, Technical Education Skills Development Authority (TESDA) and the Philippine National Police (PNP)	The towns of San Remigio and Lauaan while the town of Valderrama is still waiting for the approval of its proposal at the central office.	Skill training and employment services	The concerned LGUs identified the beneficiaries and enrolled them into the PhilHealth Indigent Programme; TESDA will provide trade skills to increase entrepreneurship, work abroad, and pass national trade competency tests. PNP helps identify the beneficiaries and	203 farmers, laborers, unemployed and ambulant vendors in the towns Linamon (P313,500), Kolambagan (P313,500) and Sultan Naga Dimaporo (P573,000), all in Lanao del Norte, will increase their employment opportunities.	Michael Geson

					provide orientation based on the successful implementation of the national programme: "Out of School Youth Serving Towards Economic Recovery" (OYSTER).		
Upland Development Programme and "Bantay Gubat" project: department's emergency employment program	Post Crisis	Department of Environment and Natural Resources (DENR)	11 poorest provinces in the country		Emergency forest extension workers will be hired to act as forest guards (Bantay Gubat). Forest Extension Officers will assist the DENR in the implementation of the Upland Development Program component, which will be undertaken in the different sites that are critical watersheds throughout the region.	Training of 100,000 workers for "green-collar" jobs in upland areas. The program will give jobs to about 3,706 qualified forestland occupants. It will employ 11,750 workers under its "Bantay Gubat" project until December 2009.	<a href="mailto:fmbdenr@mozcom.com">fmbdenr@mozcom.com</a>
Kabalikat sa Kabuhayan Farmers' Training Programme	Post Crisis	SM Foundation, Harbest Agribusiness Corporation, Department of Agriculture regional field units and local government units	Cavite, Batangas, Cebu, Camarines Sur, Davao, Negros Occidental, Pampanga and Laguna	Training program for vegetable farmers	The program provide vegetable farmers with options or alternatives to improve their income through the production of high-value commercial crops; the production of high-value commercial vegetables suited for lowland conditions; the transfer of modern technology in vegetable production through the use of plastic mulch, organic fertilizers and organic pesticides, thus producing bio-safe	Some 814 farmers from 201 barangays in 64 municipalities have participated in the training program.	Hon. Jose C. Ginez

					commodities and potentially opening the market for organically produced vegetables; and development of a market match for the vegetable farmers through SM and other supermarket chains.		
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*Key Points:*

- The Vietnamese economy is highly dependent on exports and has been most severely impacted in the wood processing industry.
- The central government has committed a 6 billion USD stimulus package and an ambitious rural skills development programme to train 1 million workers to shift into industrial production (over the next 12 years).

*Background Summary:*

The Vietnamese export industry is concentrated primarily in footwear, textile, garment, and wood processing. 68% of GDP in 2007 was based on export. There has been a 10% decline in exports in the first six months of 2009. The main industry hit by the crisis is the wood processing industry, which registered a nearly 60% decline. FDI also slowed down: FDI disbursements decreased 18.4% the first six months of 2009 compared to last year. Growth forecast for 2009 is 5-6.5%, while it was 8% in 2008. The shock, to some degree, has been absorbed by an emerging middle class with new spending power.

Unemployment rose: the projected unemployment rate for 2009 is 5%. The UNDP technical note “The impact of the global economic downturn on employment levels in Viet Nam: an elasticity approach” forecasts that the economic downturn with over one million people entering the job market every year, would imply, other things equal, an additional 300.000 to 700.000 unemployed workers in 2009 and the same figure in 2010, leading to an increase in Vietnam’s unemployment rate from the current level of 4.6 percent to somewhere between 6.7 and 7.6 percent in 2009, and 7.2-8.7 percent in 2010, depending on the growth scenario taken. According to the Ministry of Labour, Invalids and Social Affairs (MOLISA) (Thanh and Quynh, 2009), as of January 23, 2009, about 67 thousand labourers working in enterprises have lost their job due to the global economic downturn. In the northern mountains area, five million Vietnamese workers in traditional trade villages lost their jobs. These villages specialize in arts and crafts industries. Furthermore, it is estimated that the number of workers who will lose their job in 2009 as a result of the crisis could exceed 150 thousand (CIEM, 2009). There were numerous job losses, frequent reductions in working hours and wages, reduced remittances, and more reliance on informal sector jobs.

Central government responses have included an economic stimulus package of \$6 billion (=6.8% of GDP). It amounts to roughly 8.7 percent of the expected GDP for 2009. The package is organized around five groups of measures: 1) promoting production and exports, 2) supporting consumption and investment, 3) further loosening the financial and monetary stance, 4) reducing poverty and providing social welfare, and 5) strengthening public sector management at all levels. It includes increased spending in housing and rural infrastructure development and the implementation of preferential programs to decline VAT and extend tax payment duration. It also includes covering preferential interest rates on loans taken from local commercial banks by SMEs in addition to credit guarantees.<sup>28</sup> In June 2008, the project on Strengthening Training for Industrialization and Modernization in rural areas from 2008-2020 was set up by the Ministry of Agriculture and Rural Development (MARD). It aims at training 1 million rural laborers every year until 2020. Indeed, according to MARD, there are more than 25 million farmers nationwide, accounting for 55.7 per cent of total labor force.

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<sup>28</sup> Investment and Trade Promotion Center, Ho Chi Min City, January, 2009.

LED Crisis Responses:

Project	Pre Crisis/Post Crisis	Agencies	Regions targeted	Type of projects	Outputs	Outcomes	Focal points
Poverty Reduction through Integrated Small Enterprise Development (PRISED)	Pre Crisis	Vietnam Chamber of Commerce and Industry and the SME-PC - ILO	Four provinces (six in 2006) - Binh Phuoc - Quang Ngai - Thanh Hoa - Tra Vinh	Entrepreneurship enhancement and Value Chain	The program comprises the adaptation of SBA manual with the VCCI, - SIYB training workshops, the preparation ILO/ITC PPP workshop, the preparation of a KAB pilot and a Value Chain Research.	Increase job creation and incomes, expand production and sales, decrease price and increase quality, and occupy more steps in the value chain and/or link to new markets	Jenny Ikelberg
Vietnam's Business Link Initiative (VBLI)	Pre Crisis	Tri-sector Partnership between the Vietnam Chamber of Commerce and Industry, UNIDO, DFID and IBLF and the Footwear Industry (Pentland, Nike, Adidas-Salomon)	Footwear Industry Cluster	Management Support System Training	The program focus on Occupational Health and Safety (OHS) through an effective manufacturing process, the reduction of noise/heat/dust. Participants will be able to transfer knowledge and skills on OHS and their capacity to monitor, inspect and regulate working conditions are strengthened.	Health and safety personnel are strengthened. The State regulation on overtime is observed. Information dissemination and communication are broader.	Mr. Nguyen Quang Vinh, Programme Director <a href="mailto:vbli@hn.vnn.vn">vbli@hn.vnn.vn</a>
Sustainable Rural Infrastructure Development in Northern Mountain Provinces	Post Crisis	ADB Japan Special Fund	Northern mountain provinces	An investment proposal targeting a sector development project is agreed to by the Government	The program undertakes sector assessment and institutional diagnostics for the area. Follows a preparation of a feasibility study for the ensuing. The program comprises project and detailed feasibility studies for four core subprojects for agreed-upon investment options, and various frameworks for social and environmental safeguards. The	Enhance the connectivity between isolated communes and districts, and provide a better access for ethnic minorities to markets and social services.	Ms. Mitra, Senior Social Development Specialist, SERD <a href="mailto:mmitra@adb.org">mmitra@adb.org</a>

					compliance documents satisfy the standard requirements of both the Government and ADB.		
Green Production and Trade to Increase Income and Employment Opportunities for the Rural Poor	Funding: Pre-Crisis	UN Joint Program (MDF-Fund, Private sector development window)	Northern mountain provinces	Develop better integrated, pro-poor, and environmentally sustainable "green" value chains	The programme aims to increase incomes and employment opportunities for crafts raw materials growers/collectors and for grassroots handicrafts, home products and furniture producers, targeting about 4,000 poor farming and crafts producing households in the four northern provinces of Vietnam. The approach is to develop better integrated, pro-poor, and environmentally sustainable "green" value chains, enabling poor growers, collectors and producers to improve their products and linking them to more profitable markets.	The programme will result in a) an improved understanding of the handicrafts and furniture value chains; b) sustainable income increases of crafts and furniture raw materials growers/collectors; c) sustainable income increases of rural crafts and furniture producing households and enterprises; and, d) improved policies and regulatory frameworks at the provincial and national levels for the pro-poor promotion of handicrafts and furniture production.	Resident coordinator: John HENDRA <a href="mailto:john.hendra@undp.org">john.hendra@undp.org</a>
Better Work Vietnam	Designing: Pre Crisis	ILO and IFC (International Finance Corporation)	The entry point is the apparel industry in the Ho Chi Minh City area with a view to expanding to other industries and areas from the	Independent enterprise assessments with enterprise advisory and training services	Better Work Vietnam combines independent enterprise assessments with enterprise advisory and training services to support practical improvements through workplace cooperation. It is a voluntary industry-based	Better Work Vietnam expects to have the following impacts: <ul style="list-style-type: none"> <li>• improved working conditions and job opportunities;</li> <li>• increased market access due to credible demonstration of labour standards compliance,</li> </ul>	

			second year		<p>scheme designed to work at the enterprise level. Enterprises can use STAR1, the Better Work Information Management System to demonstrate compliance and corrective action to their international buyers. This allows buyers to reduce their own auditing and redirect resources toward fixing problems.</p>	<p>reduced worker turnover, and improved productivity for enterprises;</p> <ul style="list-style-type: none"> <li>• export growth, increased employment, and positive social and human development impacts; and</li> <li>• enhanced reputation protection due to credible information on compliance in supplier factories and assurance that suppliers are taking remedial action for international buyers.</li> </ul>	
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