



REGIONAL AND COUNTRY REPORTS OF THE ASEAN ASSESSMENT ON THE SOCIAL IMPACT OF THE GLOBAL FINANCIAL CRISIS

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For inquiries, contact:

The ASEAN Secretariat

Public Outreach and Civil Society Division

70A Jalan Sisingamangaraja

Jakarta 12110

Indonesia

Phone : (62 21) 724-3372, 726-2991

Fax : (62 21) 739-8234, 724-3504

E-mail : public.div@asean.org

General information on ASEAN appears online at
the ASEAN Website: www.asean.org

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This volume is a product resulting from a project jointly implemented by the staff of the International Bank for Reconstruction and Development/ the World Bank and the ASEAN Secretariat, with financial support of the Australian Government. The findings, interpretations, and conclusions expressed in this paper do not necessarily reflect the views of the Executive Directors of the World Bank, the governments they represent, the ASEAN Secretariat, the Australian Government and/or ASEAN Member States. The World Bank, the ASEAN Secretariat and the Australian Government do not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of the World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

FOREWORD

The global financial crisis in 2008 combined with food and fuel crises highlighted the vulnerability of people who are poor and near-poor in the ASEAN region. While economic recovery is now underway, all ASEAN Member States experienced a significant slowdown in their growth, with some falling into recession. Newspapers across the region reported on factory closures, the return of laid-off workers to their villages, salary cuts and decreased remittances home and families struggling to make ends meet. Many ASEAN Member States endeavoured to respond in a timely fashion – often with limited information available both on the social impacts of the downturn and the effectiveness of existing social protection instruments.

This turn of events has made policy makers keenly aware of the need to not only understand better the social consequences of economic volatility but also to strengthen social protection and labour market policies, both during crisis and “normal” periods. This creates an opportunity for a new dialogue on the role of social protection and labour market policies and programmes in ASEAN Member States.

To support ASEAN’s mission to strengthen the foundations for a region of lasting peace, security and stability, sustained economic growth, shared prosperity and social progress, the ASEAN Secretariat partnered with the World Bank to put together this Assessment of the Social Impact of the Global Financial Crisis. The project was agreed by the ASEAN Ministers on Rural Development and Poverty Eradication at their Sixth Meeting in May 2009 in Ha Noi, Viet Nam.

This report provides a rapid assessment of the social impacts of the crisis and offers a stocktaking of the range of social protection measures adopted in ASEAN Member States in response to the crisis and in the context of the pre-existing programmes available. The report also highlights a number of areas which deserve policy makers’ attention, such as social impact monitoring, programme monitoring and evaluation, targeting and programme coverage, as well as institutional coordination.

This report, which is supplemented with country case studies available in the attached CD, was prepared with the participation of the relevant Ministries and ASEAN sectoral bodies, including the Senior Officials Meeting on Rural Development and Poverty Eradication (SOMRDPE), the Senior Officials Meetings on Development Planning (SOMDP), the Senior Labour Officials Meeting (SLOM), the Social Welfare and Development (SOMSWD) and the ASEAN Heads of Statistics Offices Meeting (AHSOM). ASEAN Member States had contributed their inputs to the report.

This report is the first in this emerging cooperation between the ASEAN Secretariat and the World Bank East Asia and Pacific Region in the area of social protection and labour markets. It is a sign of our shared interest in the welfare and the future of the people of ASEAN. This joint effort is expected to also contribute to realising an ASEAN Community that is people-oriented and socially responsible.

Appreciation is due to the Australian Government for the financial support provided for this project.

We hope that this report will be a useful reference for policymakers and relevant stakeholders across the region in undertaking their social protection policies and programmes.



DR. SURIN PITSUWAN
Secretary-General of ASEAN



JAMES W. ADAMS
Regional Vice President
East Asia and Pacific Region
World Bank

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This report is a joint product of the ASEAN Secretariat and the World Bank East Asia and Pacific Region. It was made possible by the financial support of the Australian Government. The report is part of an effort to monitor and understand vulnerability and labor markets in ASEAN Member States during the global economic crisis. A snap-shot report was initially produced as background material for the 15th ASEAN Summit in Cha-am Hua Hin, Thailand, on 23-24 October 2009, based on in-country consultations in ASEAN Member States during August and September 2009, as well as on social impact monitoring of the global financial crisis by the World Bank. The “snapshot” version of the report was elaborated following the 15th ASEAN Summit into this regional report, together with detailed country studies. The country studies are presented as attachments to this regional report. They have been finalized based on further consultations with Member States in December 2009. Special thanks go to ASEAN Member States for facilitating consultations and providing the teams with essential information to produce this report. A list of counterparts who contributed to country consultations is provided in Annex 1. Thanks also go to the ASEAN Secretariat and World Bank Country Offices for coordinating country visits and providing guidance throughout the process.

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LIST OF ABBREVIATIONS

ACSS	ASEAN Community Statistical Systems
AHSOM	ASEAN Heads of Statistics Offices Meeting
ALMP	Active Labor Market Policies
AMS	ASEAN Member States
ASEAN	Association of Southeast Asian Nations
ASEC	ASEAN Secretariat
AusAID	Australian Agency for International Development
BLT	“Bantuan Langsung Tunai” Program of Indonesia
CCT	Conditional Cash Transfers
CLEEP	Comprehensive Livelihood and Emergency Employment Program
CMR	Crisis Monitoring and Response
CPF	Central Provident Fund
FDI	Foreign Direct Investment
FFF	Food, Fuel and Financial
GDP	Gross Domestic Product
GFC	Global Financial Crisis
HEF	Health Equity Funds
ILO	International Labor Organization
IMF	International Monetary Fund
KDP	“Kecamatan Development Project”
LFS	Labor Force Surveys
MOLISA	Ministry of Labour, Invalids and Social Affairs of Vietnam
NFA	National Food Authority
OECD	Organization for Economic Cooperation and Development
OFW	Overseas Filipino Workers
PNPM	“Program Nasional Pemberdayaan Masyarakat Mandiri” (National Program for Community Empowerment of Indonesia)
PMT	Proxy Means-Test
RIP	Rural Infrastructure Program
SI	Social Insurance
SP	Social Protection
SLOM	Senior Officials Meeting on Labour
SOMDP	Senior Officials Meeting on Development Planning
SOMSWD	Senior Officials Meeting on Social Welfare and Development
SOMRDPE	Senior Officials Meeting on Rural Development and Poverty Eradication
UCT	Unconditional Cash Transfers
UPP	Urban Poverty Project
WB	World Bank
WTO	World Trade Organization

EXECUTIVE SUMMARY

The effects of the global economic slowdown on people's employment and earnings are at the core of its social impacts, manifested largely through increased job "churning" and reduced worker earnings in crisis-affected sectors, as opposed to widespread open unemployment. However, the primary labor market impacts have had a range of secondary effects on household welfare beyond urban areas and the formal sector through factors such as reduced remittances. Although there are recent signs that the slowdown appears to have bottomed out in AMS, the collapse of aggregate demand is still working its way through the global economy, and the labor market and social impacts of the crisis are likely to linger for some time. Evidence from previous crises, including from other regions, indicates that social and poverty indicators often rebound more slowly than economic indicators.

The global economic slowdown has been transmitted to ASEAN economies through several channels, including: decreased global demand for the Member States' manufactured exports; declines in key commodity prices; lower levels of foreign direct investment (FDI); fewer tourist arrivals; and reduced remittance receipts from overseas migrants, as described below. Migrant and low-skill laborers in these sectors, who generally have little access to formal social safety nets, appear to be most affected. The impact on health and school enrollment remains largely unknown, but evidence from the 1997-98 financial crisis in East Asia suggests a range of possible negative impacts on human capital investment, which can have long-term consequences on people's future productivity and inter-generational transmission of poverty. The challenges of getting data on a range of social indicators during the crisis has highlighted the need for strengthening the capacity of national and regional statistical systems to generate timely and good quality information to monitor social impacts and inform policy responses.

The cumulative impacts of the food, fuel and financial crises have given increased impetus to social protection policies and programs in ASEAN. Social protection (SP) interventions have had a significant role in many of the stimulus packages. Given that the primary transmission channels have been through employment and earnings, labor market interventions to cushion the impact on employment have been an important crisis-response instrument in most ASEAN Member States. In higher and some middle income ASEAN Member States, the focus has been on active labor market interventions, including wage and tax incentives to retain or hire workers, training subsidies, etc. In lower and some other middle income Member States, decentralized stimulus measures such as small infrastructure investments and community grants have been used to generate jobs and act as a productive safety net. Apart from labor market interventions, programs to supplement household incomes have also been adopted in a number of Member States, with cash transfers of various types playing an important role in the SP policy response. While food subsidies have played a role in the global financial crisis (GFC) response, overall there has been somewhat less reliance on them, partly due to the enhanced role of cash transfers. Social insurance, on the other hand, has not for the most part been as significant a crisis response tool as other pillars of social protection, though it has played a useful role in Member States which had significant pre-existing coverage of social insurance.

The global slowdown also demonstrates how pre-existing SP programs shape the set of Member States' feasible crisis response options. Where Member States have robust SP systems in place pre-crisis, it is easier to inject incremental funding and to target specific groups in crisis response. However, where SP programs have limited coverage and delivery systems are under-developed, ramping them up when crises hit is very challenging. This highlights the importance of having solid blocks upon which to build the SP crisis response, particularly in areas such as targeting mechanisms, institutional capacity and coordination, and adequate social impact monitoring.

The global economic slowdown – and the preceding food and fuel crises – have brought home that shocks are a fact of life in ASEAN, and SP systems will increasingly need to deal with economic volatility even in non-crisis periods. For Member States which place a premium on competitiveness, the social risk management and efficiency enhancing functions of social protection systems are central, in addition to their equity function. What remains to be seen is the extent to which the increased priority given to social protection programs in crisis response represents an emerging structural shift in their future role in ASEAN economies. The nature of responses in some ASEAN Member States suggests that this could be the case, particularly with respect to the role of cash transfers.

SECTION 1

MONITORING THE SOCIAL IMPACTS OF THE GLOBAL FINANCIAL CRISIS

I. THE GLOBAL ECONOMIC SLOWDOWN IN ASEAN

In contrast to the East Asian crisis a decade ago, the current global economic slowdown originated not in the region but in the highly industrialized countries. OECD countries were not only the first but also the hardest hit by the crisis, with GDP growth for advanced economies expected to contract by 3.4 percent on average in 2009. As a region, East Asia has fared relatively well during the global slowdown, led by high growth in China which is projected to grow by 8.5 percent for 2009 as a whole. For developing Asia, growth is expected to slow somewhat from 7.6 percent in 2008 to 6.2 percent in 2009 before rebounding to 7.4 percent in 2010. For the ASEAN-5, the effects of the GFC are more pronounced, with average growth falling from 4.75 percent in 2008 to only 0.72 percent in 2009, but also rebounding in 2010 (IMF, 2009).

The extent to which ASEAN Member States (AMS) have been affected by the crisis varies considerably. While Member States such as Indonesia and Vietnam are maintaining positive (although lower than pre-crisis) growth rates, Singapore, Thailand, Malaysia, and Cambodia have been affected more significantly (Figure 1)¹. Although recent signs indicate that the global slowdown may have bottomed out and that most economies in the region have begun to rebound, the World Trade Organization (WTO) has cautioned that the world economy remains fragile and the economic outlook remains uncertain. The collapse of aggregate demand is still working its way through the global economy, and the social impacts of the crisis will most likely linger for some time, even if macroeconomic indicators show signs of recovery (WTO, 2009).

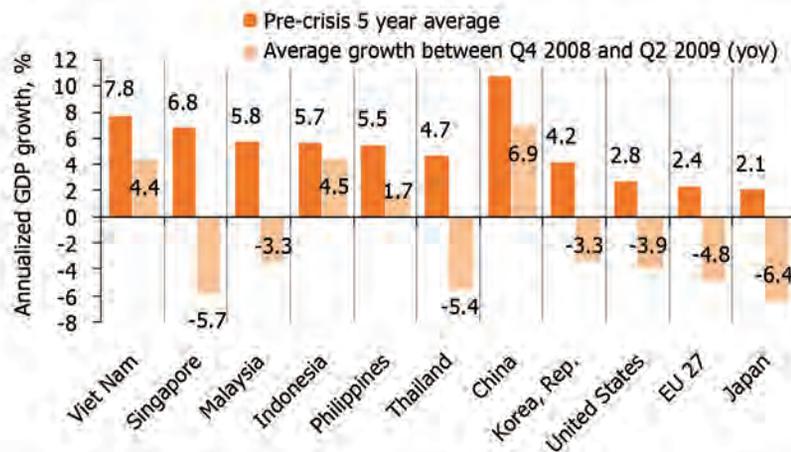
The global economic slowdown has been transmitted to ASEAN economies through several transmission channels. Among the most important are: decreased global demand for the Member States' manufactured exports; declines in key commodity prices; lower levels of foreign direct investment (FDI); fewer tourist arrivals; and reduced remittance receipts from overseas migrants, as described below. In addition to the impacts of the GFC itself, natural disasters have been compounding shocks in a number of AMS.

- **Manufacturing exports.** In the first seven months of 2009, manufacturing exports declined by 30 percent in Vietnam and by almost 40 percent in Indonesia, compared to the same period in 2008. Demand for semiconductors and electronics manufactured in the Philippines also declined as much as 60 percent in the first quarter of 2009. In Malaysia, the contraction in manufacturing continued, albeit at a slower rate of minus 14.5 percent year-on-year in the second quarter of 2009, compared with minus 17.9 percent in the first quarter. In Singapore, electronics exports contracted by 14 percent in August 2009, after a 15 percent decline in the previous month (year-on-year). In contrast, in a recent firm survey in Lao PDR, manufacturers indicated that the financial crisis

¹ Cambodia is not shown in Figure 1 due to lack of quarterly data on GDP growth. However, recent projections by the World Bank and other multilateral organizations suggest that the Cambodian economy is likely to contract by between 1.0 and 1.5 percent in 2009.

only mildly affected their business, and roughly 60 percent expected an increase in revenues for the next financial year.

Figure 1: Annual GDP growth in selected ASEAN Member States



Source: World Bank (2009a), Eurostat (2009), CEIC database and country statistics offices.

- **Commodity prices.** The average prices of crude petroleum, copper, palm oil, coffee, and rice have fallen by 15-30 percent since the start of the crisis and through the second and third quarters of 2009. Myanmar has experienced a decline in the value of exports of natural gas due to decreasing global demand and falling commodity prices. The value of natural gas exports to Thailand, its biggest trade partner, is expected to drop by 50 percent year-on-year.
- **Foreign Direct Investment.** In Cambodia, FDI decreased by nearly 50 percent in the first quarter of 2009 compared to the same period in 2008, resulting in significantly lower investment in the construction sector. Thailand faced a 22 percent contraction in FDI in the first quarter of 2009 (year-on-year).
- **Tourism.** During the first seven months of 2009, foreign tourist arrivals fell by 14 percent in Indonesia and 20 percent in Vietnam, compared with the same period in 2008. In Cambodia, the number of tourists declined by 2.2 percent in the first two months of 2009 compared to a year earlier.
- **Remittances.** Worldwide, international remittances are estimated to have fallen by 7-10 percent (World Bank, 2009b). In Indonesia, remittances are expected to decline to US\$3 billion in 2009, from US\$6 billion in 2007 (Koser, 2009). Qualitative assessments of migrant workers from Myanmar and the Philippines also suggest that the frequency and size of remittances sent home were declining in recent months, though recent estimates

indicate that overall remittance growth in the Philippines remained low but positive in the first half of 2009 (BSP, 2009).

The following sections provide an overview of the social impacts of the global slowdown in ASEAN, using information from existing data sources and newly commissioned rapid surveys in selected ASEAN Member States (AMS). Existing data collection systems only imperfectly capture the social impacts of the crisis. While data collection systems for macroeconomic indicators in most AMS are well-developed, systems and methodologies for collecting social indicators generally lag behind. There are issues with the range of indicators collected, the periodicity and timeliness of such data, and in many cases with the quality of social data. This section brings together the best available evidence from existing micro surveys, administrative data, simulation analyses, and qualitative assessments undertaken by various agencies since the start of the global slowdown. It first reviews the overall labor market impacts of the slowdown, then focuses on the impacts on migration and remittances, which have had a pronounced effect on households in the region. It then examines the impacts of the slowdown on health and education and on poverty and welfare.

II. LABOR MARKET IMPACTS

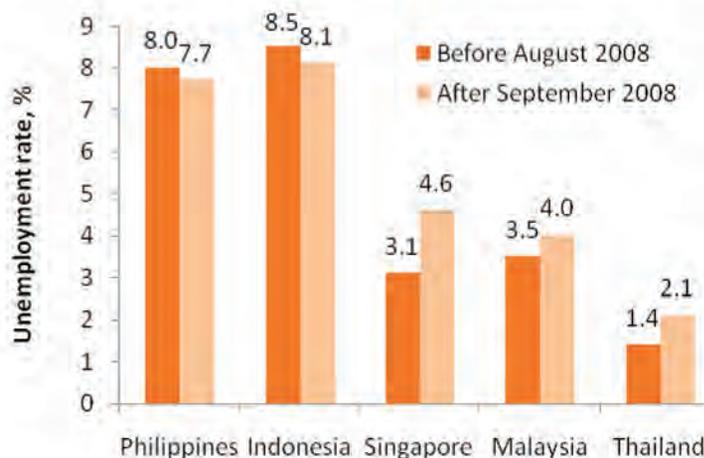
The effects of the global slowdown on employment and earnings, which are at the core of its social impacts, are occurring largely through increased job “churning” and reduced worker earnings in crisis-affected sectors rather than through wholesale job loss and open unemployment. In most AMS, workers are facing increased prospects of underemployment, lower earnings and income, shifts from formal to informal employment, greater job insecurity, and in some cases, higher open unemployment. Qualitative studies also indicate that households are experiencing greater hardships due to lost jobs and incomes. Even in AMS that on average are still facing positive growth rates, the shift in sources of growth from outward- to more domestic-oriented sectors is affecting laid-off workers, since finding employment in new sectors is oftentimes difficult. This higher “churning” in and out of different jobs, which can have serious impacts on worker and household welfare, is only imperfectly captured by standard employment and unemployment statistics, which often show little up and down movement.

Accordingly, national-level unemployment figures show little change in most Member States. For example, between June 2008 and June 2009, Malaysia’s unemployment rate increased from 3.5 to 3.6 percent, and Thailand’s open unemployment changed from 1.2 to 1.8 percent—a 50 percent increase, although the level of unemployment is still low compared with unemployment levels in the region and elsewhere. Unemployment is however sometimes a poor indicator of labor market performance, particularly in low- and middle-income Member States with large informal sectors and where enforcement of regulations is limited, as appears to be the case for most of ASEAN.

However, particular pockets of country populations have been affected more severely. These pockets are often concentrated in export-oriented sectors. The manufacturing, mining, and tourism sectors, as well as estate farming, have all been hit hard. Declines in FDI have also hit sectors such as real estate and construction. Qualitative studies show that workers in affected sectors often cope with short-term unemployment by taking on part-time jobs elsewhere with inferior pay, engaging in self-employment activities, or sometimes by going back to rural areas.

Accordingly, the share of self-employed workers and casual laborers has increased relative to formal, contracted wage employees since the start of the global slowdown.

Figure 2: Changes in unemployment rates



Philippines: July 2008-April 2009; Indonesia: February 2008-February 2009; Singapore: June 2008-June 2009; Malaysia: June 2008-March 2009; Thailand: June 2008-March 2009. Source: CEIC database and country statistical offices. Singapore's figures were resident unemployment rate.

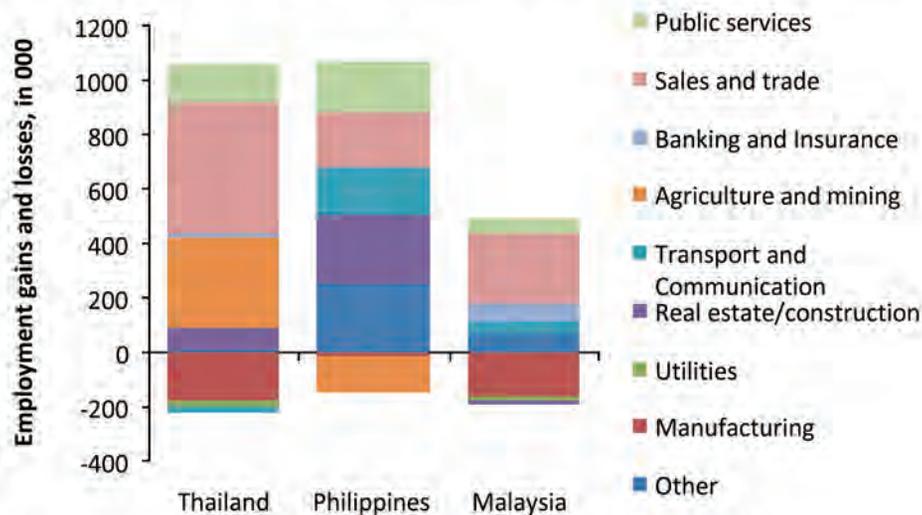
Migrant and low-skilled laborers, who work on contract or as day laborers, appear to be affected most by the slowdown. The rapid qualitative assessments suggest that enterprise managers are very reluctant to fire skilled workers, anticipating costs and delays in recruiting skilled labor when production will eventually increase, although skilled workers have commonly found themselves working fewer hours during the crisis. At the same time, self-employed workers in AMS affected by the slowdown have seen their revenues decline significantly. Small rubber plantation owners in Indonesia, for instance, are experiencing significant income declines due to the sharp fall in rubber prices, which has had a visible impact on local shop owners and truck drivers who provide an array of services to plantations.

How the crisis has affected men and women depends on the extent of female and male workers' involvement in crisis-affected sectors. In Cambodia, both the garment and construction sectors have been affected significantly. While the majority of garment sector workers are female, most construction workers are male. The shares of male and female workers in crisis-affected sectors are not that different: 6.7 percent of jobs held by women, compared to 9.9 percent of jobs held by men, are in garments, construction, and tourism, the three most vulnerable sectors. However, while the crisis may have affected male and female workers similarly, laid-off women may face greater risks. Qualitative studies indicate that some women in crisis-affected sectors have found work in the entertainment sector or other forms of employment that entail a high risk of sexual harassment. The risk of

moving toward more hazardous forms of employment highlights the need to develop effective safety nets targeted at vulnerable groups.

Most observed job losses in the region have been in manufacturing, while most job creation has been in the informal sector (e.g., sales and trade) or in the public sector. Workers who lose their jobs in the manufacturing sector, especially those with low skills, are unlikely to find jobs in well-paid sectors. Nonetheless, the data suggest that most laid-off workers appear to have found other work, even if those jobs are less remunerative. In Thailand, about 600,000 jobs were lost in the manufacturing sector, but almost 800,000 people found work in wholesale and retail trade and in the accommodation and catering sectors, where informal activities dominate (Figure 3). In the Philippines, about 100,000 people lost their job in the manufacturing sector, but almost 800,000 people found work in the agriculture and wholesale/retail sectors.²

Figure 3: Employment gains and losses across sectors in Malaysia, the Philippines, and Thailand



Figures for first quarter of 2009, year-on-year. Source: Country statistical offices.

The employment impacts of the slowdown are also often localized geographically and vary according to the local economic environment. In Indonesia, for example, the shocks are most likely to be felt among a few regions that produce commodities such as estate crops, for which world prices have dropped significantly. Regions where export-oriented factories, such as garment factories, are located are also more likely to feel the impacts (Figure 4).

² However it has to be noted that the statement that workers who lost their jobs in the manufacturing sector found new employment in another sector cannot be proved decisively without panel data. Evidence from previous crisis suggests that more people enter the labor force as unpaid family workers to support the family income. On the other hand, laid-off workers might leave the labor force as discouraged workers. The degree of churning - i.e. workers changing status of employment, the sector of employment etc. - can only be quantified using panel data.

Figure 4: Indonesia: Location of jobs vulnerable to the crisis



Note: "Vulnerable employment" is defined as employment in crisis-affected sectors. Source: World Bank calculations based on 2008 data.

In addition to affecting the quality of jobs, the global slowdown is also affecting real wages in manufacturing sectors. In most AMS, wages in manufacturing sector declined to some degree around the time that the global slowdown began, in the fourth quarter of 2008 (Figure 5). For Thailand and Malaysia the effect on wages in the first quarter was very modest and wages quickly bounced back to pre crisis levels and even higher in the second quarter of 2008. Wages in the manufacturing sector of Cambodia declined since mid 2008 but seem to have recovered in 2009. However, real wage declines may have been due to high inflation in 2008 caused by the food price crisis that affected Cambodia particularly hard. Qualitative assessments suggest that firms have been implementing a range of temporary arrangements to lower their overall wage costs, including eliminating overtime and offering workers fewer hours; placing workers on leave without pay; and reducing bonuses and non-wage benefits. In some sectors, firms have also cut wages. Qualitative assessments also reveal that daily rates for skilled construction workers and porters in Thailand had declined in May by about 60 percent compared to one year prior, while piece rates for sewing workers had declined by 25 percent.³

Overall, adjustments in employment are similar to what East Asia experienced during the crisis a decade ago. Although the nature of the crisis was different, it is instructive to look at some of the outcomes and compare it to the recent economic crisis. Lucas and Fallon (2002) summarize the effects of the East Asian crisis 1997/98 on Indonesia, Thailand and Malaysia. Their results are fairly similar to what we can observe in East Asia right now. Total employment rose in almost all countries even during the crisis, but there appears to be a considerable difference between sectors. For example employment in the construction and manufacturing sectors decreased considerably whereas more people found jobs in agriculture and some of the service industries. This is similar to what is happening today, particularly for the services sector. In the case of agriculture, the shift is not always as evident. During the 1997-1998 crisis, the sudden depreciation of the real exchange rate may have provided a bigger incentive to increase production of cash crops. While data are not yet available to determine precisely what is happening in the agriculture sector following the recent crisis, qualitative evidence suggests that agriculture is

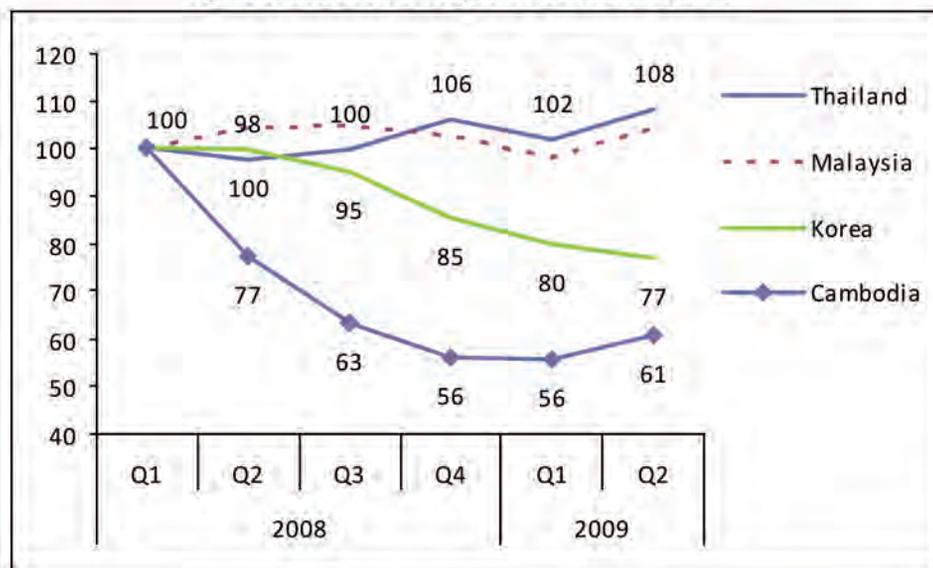
³ Follow-up work has been commissioned to see if wages have rebounded since then.

acting more as a safety net in those few cases where urban migrant workers chose to return, providing unemployed urban workers and their rural families with additional means to cope with the reduced household income. However, reverse migration seems to have been less important in this crisis than previously. Evidence from Indonesia also suggested that the degree of churning a decade ago was higher in rural than in urban areas. In particular, only 41 percent of rural men and 50 percent of women who had reported not working in 1997 were still out of work in 1998⁴, suggesting that many of those affected by the East Asia crisis had found alternative albeit inferior earning opportunities.

Unlike the current crisis, high inflation during the East Asian crisis 10 years ago significantly eroded real wages.

During the East Asian crisis, Indonesia experienced high levels of inflation. As a result, real wages especially for employed workers fell by close to 44 percent during the crisis period. Although the decline in real wages in Malaysia was not as severe as in Indonesia, it followed a period of strong real wage growth and therefore also felt in significant ways by workers. In particular, deep real wage cuts seem to have contributed to limit the impact on inequality following the 1997-1998 crisis in Indonesia, whereas in countries such as Thailand, higher unemployment rates and smaller wage cuts led to higher inequality⁵. While inflationary pressure is not a major feature of the crisis today, the qualitative evidence above suggests that many employers have found ways to cut real wages in order to lower production costs without laying off workers, so that the end effect could be similar to that of ten years ago.

Figure 5: Evolution of wages in vulnerable sectors



Source: CEIC database.

4 Fallon and Lucas (2002).

5 Ibid, p.34

III. MIGRATION AND REMITTANCES

Migrants are often among the first to be hit by economic downturns, and this crisis is no exception. Both overseas and domestic migrants report reductions in hours worked, incomes, and related benefits. In Thailand, workers from Myanmar report significant reductions in earnings and fewer available jobs. Families of Overseas Filipino Workers (OFW) stated in focus group discussions that their relatives in Taiwan, Japan, the Middle East, and Singapore have suffered from reduced overtime pay, benefits, and working hours (Pulse Asia, 2009). Declines in incomes vary according to the countries in which migrants work. Middle Eastern countries have not been as badly hit as Singapore and Japan, for example.

Reduced remittances are having in some cases detrimental effects on both household welfare and the local economy. Worldwide international remittances are expected to decline by 7-10 percent in 2009, and the downward trend is also affecting East Asian countries: In Indonesia, for instance, remittances are projected to decline to US\$3 billion in 2009 from US\$6 billion in 2007 (Koser, 2009). Interviews with urban/industrial workers in Vietnam, Thailand, and Cambodia highlight the hardships faced by those receiving lower remittances. These workers report that reducing or eliminating remittance payments can sometimes reduce receiving family incomes by as much as 75 percent. This reduction not only affects daily consumption but also makes it harder for families to save money or insure themselves against various risks (health, agricultural production, etc.). Eliminating these payments can thus have important longer-term impacts on families' livelihoods and well-being. Moreover, declining remittances can also affect the local economy by reducing household purchasing power.

While the global slowdown has led to reduced flows of remittances, it does not appear to have generated extensive flows of return migrants. During the 1997/98 East Asia crisis, many workers coped with job and income losses by returning from urban areas to their families and to rural areas, though systematic evidence on internal migration following crises is scarce. Qualitative evidence suggests that migrants now prefer to look for alternative employment around their current residence rather than to return to their families. Focus group discussions in several countries indicate that workers see return migration as a solution of last resort, preferring to seek work in sectors that continue to experience growth.

However, the global slowdown could induce a shift from legal to illegal cross-national migration, as some Governments have initiated programs to limit migration as part of their crisis response measures. Some AMS are taking measures to reduce the inflow of migrant workers from abroad. In Thailand, where an estimated 1.8 million workers from neighboring countries are currently employed, no additional work visas will be issued in 2009, nor will existing visas be renewed. Reports from Malaysia also suggest that the Government has reduced the number of available work permits, reduced the duration of work permits for some workers from six to three months, and encouraged firms to retrench foreign workers and hire unemployed domestic workers instead. Such programs could result in increased numbers of illegal foreign workers while potentially decreasing the number of legal migrants (Fix et al, 2009).

IV. HEALTH OUTCOMES AND SCHOOL ENROLLMENT

Although the impacts of the global economic slowdown on health outcomes and school enrollment remain largely unknown, evidence from past crises suggests that the potential impacts could be serious. A general lack of high-frequency data on social sector indicators makes it difficult to determine the impacts of the current slowdown on health and education at this stage. However, evidence from the 1997-98 financial crisis in East Asia points to a range of possible impacts on human capital investment, at least in the most affected countries. The evidence on changes in household spending behavior is limited, but an analysis of the Indonesia Family Life Survey following the 1997-98 crisis showed that families reduced health care expenditures as a coping strategy in both rural and urban areas⁶. Also in Indonesia, school enrollment fell among the poorest after 1997, and infant mortality was found to have increased by over 3 percentage points. Such losses in human capital can become irreversible if appropriate policy actions are not taken. Health and education outcomes should therefore be monitored closely in vulnerable regions and among vulnerable groups.

Most AMS appear to have been able to protect levels of public spending on the social sectors, helping preserve access to and utilization of basic social services. While data on public sector spending is not yet available for all AMS at this stage, comparison with the 1997-98 situation offers useful insights. A decade ago, public expenditure on health changed little relative to GDP in Indonesia, Malaysia and Thailand, indicating that in absolute terms spending was lower at a time where households' disposable income was also shrinking and in Indonesia, use of health facilities fell dramatically between 1997 and 1998⁷. Public expenditure on education actually fell relative to GDP in Indonesia and Malaysia, but increased in Thailand. Again, in Indonesia, enrollment rates declined and dropout rates increased, particularly among youths aged 13-19. During the current crisis most Government seemed better prepared to protect real social spending, due to better fiscal stances and lower inflation. In Indonesia, the Government included increased education sector spending as part of its stimulus package and in Thailand the provision of free education was extended from 12 to 15 years. In the Philippines, the Government planned additional investments for primary and secondary hospital facilities and allocated resources to recruit additional health care workers for these hospitals.

Accordingly, existing assessments did not find major impacts on health and education outcomes, although systems have been put under strain. In Indonesia, some crisis-affected families have started to go to public clinics for free treatment even if such clinics are farther from their homes than the private clinics they visited previously. They are also using more over-the-counter medicines rather than seeking professional treatment. In Cambodia, cyclo drivers, mostly from rural areas, have no health insurance, and the cost of health services is beyond their means. They confirmed in FGD that, as a result, if they become ill, they commonly return to their homes in rural areas where they treat themselves with traditional medicines.

6 Ibid., p.39

7 Ibid., p.37

V. POVERTY AND WELFARE

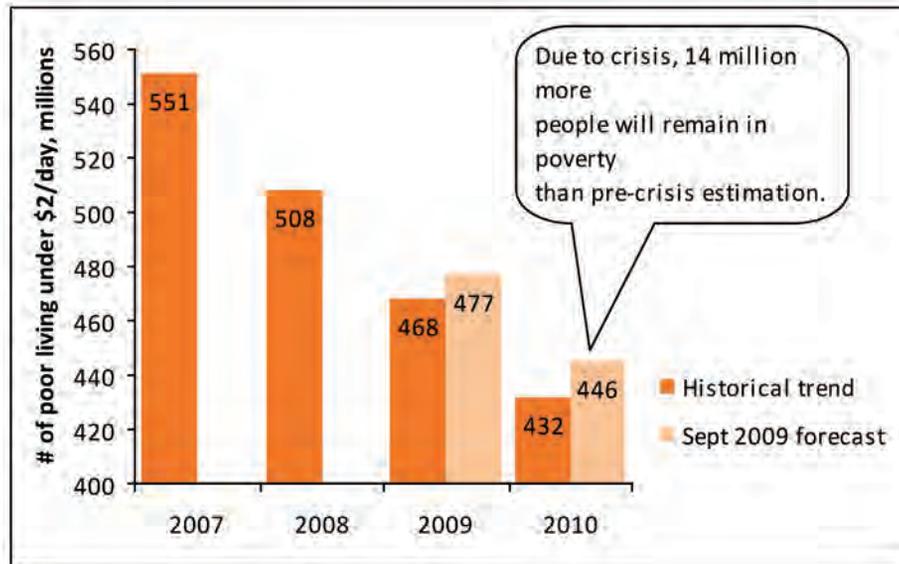
As a result of the global economic slowdown, the pace of poverty reduction in AMS, though still positive, is expected to fall (see Figure 6)⁸. Projections indicate that 14 million fewer people will be pulled out of poverty in 2009 than originally anticipated before the slowdown. The poverty reduction forgone, measured in numbers of people, is expected mostly in the emerging middle-income countries. In the most affected AMS, the absolute number of poor people is actually expected to increase: Cambodia, and Thailand will likely face absolute increases in poverty due to a contraction in per capita income. With its higher poverty rates Cambodia is the country with the largest projected increase in poverty, which is expected to rise by slightly more than 200,000 people, raising the headcount ratio from 28.6 to 29.6 percent based on the \$1.25 poverty line.

While the global economic slowdown will have serious impacts on the welfare of millions of people in the region, it is unlikely to reverse the progress made by AMS in reducing poverty in recent years. Since 1990, the share of East Asia's population living in absolute poverty (less than US\$1.25/day) has declined from 55 percent to less than 10 percent of the population. Notably, the more severe 1997-98 financial crisis, although it affected temporarily the pace of poverty reduction, did not affect subsequent progress in poverty reduction. However, the speed with which AMS will be able to recover from the current slowdown remains questionable and may still affect the region's poverty reduction efforts.

Nevertheless, it is important to interpret with caution the estimates of aggregate poverty impacts when considering the wider welfare effects of the crisis in ASEAN. Firstly, because the slowdown is affecting people of all income levels, the relatively small impacts on poverty are likely to underestimate the overall welfare impact of the slowdown. Secondly, the poverty headcount estimates do not reflect the full reality of the social impacts on a range of non-income indicators. Thirdly, as noted above, the impacts on specific groups of the population, locations, and sectors (e.g., garments, construction, and tourism) are far more pronounced and hidden in aggregate poverty estimates.

⁸ These estimates must be interpreted with caution. The poverty headcount was estimated based on growth projections, which do not take into account sectoral effects of employment that are important during crises. In-depth analyses using recent and upcoming household survey data will be needed to shed more light on the poverty and social impacts of the slowdown.

Figure 6: Poverty trends for ASEAN before and after the slowdown



Source: World Bank (2009c).

During the East Asian crisis 10 years ago, poverty reduction rates slowed down throughout the region and bounced back immediately to pre crisis levels. Between 1997 and 98 the pace of poverty reduction in East Asia slowed down considerably. However, in line with the observations of the recent economic crisis, different countries were affected quite heterogeneously. In Indonesia, poverty rates in both rural and urban areas almost doubled between 1997 and 1998, whereas in Thailand the increase in poverty was felt mainly in rural areas. Also because of the strong currency depreciations in East Asia during and after the crisis a decade ago, exports from the region boomed. This was one of the major reasons why GDP growth and the pace of poverty reduction bounced back immediately.

SECTION 2

SOCIAL PROTECTION POLICY RESPONSES TO CRISIS

I. INTRODUCTION

The main social impacts of the crisis in AMS to date have been through job churning and reduced worker earnings, with secondary impacts on remittances and household incomes. Government responses through stimulus packages and additional SP programs therefore largely reflect the need to generate/preserve employment and protect vulnerable populations. The previous section has shown how the effects of the global economic slowdown on people's employment and earnings are at the core of the social impacts of the crisis. The nature of a shock determines to a large extent which social protection measures are best suited to address the social impacts of the crisis. Price shocks, such as those experienced during the food and fuel crisis, and employment shocks such as those described in this note, are best addressed through different program responses. So countries that had set up programs recently to respond to the food and fuel crises, did not necessarily have programs in place to address the employment shock associated with the current crisis. This section summarizes the various social protection measures undertaken in the AMS in response to this labor market shock and in the context of the pre-existing programs available.

The policies and programs used by AMS and discussed in this section reflect a broad definition of social protection. Governments' responses varied in size and scope, often as a result of capacity or fiscal constraints, but tended to draw from a relatively common menu of options. Overall, these policies and programs may be categorized as protective (to protect those already in or falling into poverty), promotional (focused on enhancing employment and livelihoods and promoting sustained movement out of poverty) and preventive (mainly social insurance measures providing ex ante protection against both unpredicted and life cycle shocks), as described in Box 1. The discussion does not focus on disaster/relief interventions, although these are clearly important in ASEAN.

BOX 1. KEY SP POLICIES AND PROGRAM TYPES

Protective programs

- Social assistance cash transfers for poor and vulnerable households (conditional and unconditional; temporary/one-time and regular)
- In-kind social assistance benefits, in particular subsidized food and fuel price subsidies
- Public works programs designed to provide labor-intensive employment

Promotional programs

- Active and passive labor market interventions such as training, reductions in social insurance contributions, wage subsidies, unemployment insurance extensions and measures to minimize lay-offs
- Public subsidies/transfers to sustain human capital acquisition, including fee waivers/reductions for health and education services and scholarships
- Publicly financed livelihood programs intended to promote or sustain productive self-employment in times of economic downturn subsidized small business credit and microfinance initiatives

Preventive programs

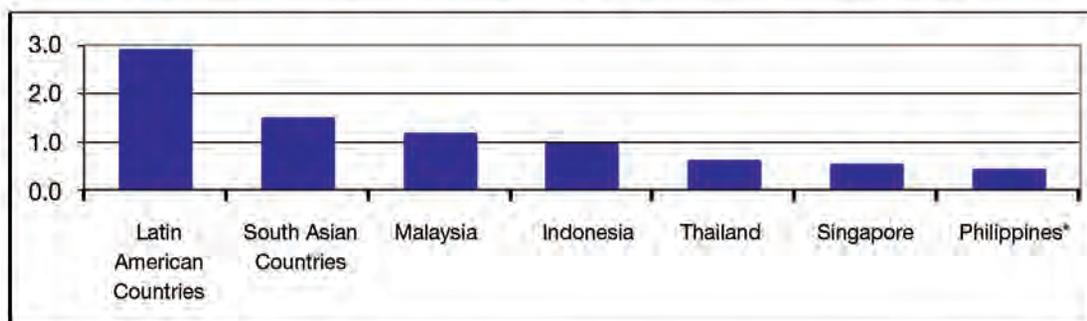
- Social insurance of various forms, including health insurance, pensions, disability, work injury insurance

II. RECENT EVOLUTION OF SOCIAL PROTECTION SYSTEMS IN ASEAN

Despite some variation across Member States, pre-crisis SP approaches in ASEAN shared some common features that were quite distinct from those in other regions. Historically, AMS had a vision of the role of the State in social protection that differed from that in other regions such as Latin America or Eastern Europe and resulted in significantly lower SP spending as a share of GDP (Figure 7). Although SP systems did vary across AMS reflecting the diversity of country income levels, administrative capacity, poverty profiles, labor market features, and other factors (Box 2), common features were:

- A strong emphasis on self-reliance through employment and on family and other informal support networks. In this context, the state was viewed as the “provider of last resort.”
- Public spending that focused more on human capital acquisition than welfare transfers.
- Concentration of social insurance coverage in the civil service and formal private sectors, contributing to low coverage in most ASEAN economies where informal employment was dominant.
- For most Member States, fairly under-developed or nascent social assistance programs, with a historically significant role for food subsidies in a number of them. More recently, there has been greater divergence of social assistance program coverage, as a result of some AMS’ increased reliance on cash transfers.

Figure 7: Estimates of Government Spending on Social Protection (% of GDP)



Note: (a) Social Protection refers to social security and welfare, (b) Source: calculations based on Besley et al. (2003), Data for the Philippines estimated from Manasan (2009)

Over the past decade, most AMS have undertaken reforms to strengthen their SP systems. General trends in SP reforms in ASEAN include:

- **Initiatives to expand coverage of core social insurance (SI) programs.** Some Member States (e.g., Thailand and to some extent Vietnam with health insurance) have achieved notable success in expanding specific types of social insurance to a wide population in both the formal and informal sectors. Other AMS (e.g. Indonesia) are aiming for wide coverage of SI but are still developing strategies to achieve the goal. Others remain at a more nascent stage, with policy still focused on the civil service and formal sector workers (e.g., Cambodia and Lao PDR), but with parallel interventions to increase access to basic services for the poor (e.g., Health

Equity Funds). This expansion has come in addition to already mature systems such as Singapore, which has one of the more innovative and integrated social insurance programs in the world administered by the Central Provident Fund.

- **Transition from a dominance of food and fuel subsidies toward greater reliance on targeted cash transfer programs.** Generalized subsidies tend to create distortions in the food and fuel markets, and often have high administrative costs and significant leakage of benefits to the non-poor. Some AMS are experimenting increasingly with cash transfers (both unconditional and conditional) to address these problems. While food subsidies remain a significant element of SP systems, programs such as Indonesia's cash transfer in response to the 2005 fuel price increase indicate new directions in transfer policies. The transition from a strong reliance on food-based SP programs to greater emphasis on cash transfers has been witnessed in much of the developing world as countries transition from lower to middle income status.

BOX 2. ASEAN MEMBER STATES' SP SYSTEMS

ASEAN Member States can be divided into three broad categories based on their pre-existing SP systems and labor market characteristics, which largely mirror relative country income levels:

- Countries with largely formal labor markets and population-wide coverage of core social insurance, social assistance, and active labor interventions. Absolute poverty is also very limited. This group includes the higher income AMS of Singapore, Brunei and Malaysia.
- Countries where the informal sector is still dominant, but building blocks of regular SP systems are in place along with a clear policy stance towards wider coverage of SP programs and a degree of administrative and fiscal capacity to support SP system expansion. Poverty rates tend to be moderate but have fluctuated during past crises. This group includes largely middle income AMS such as Indonesia, the Philippines, Thailand, and Vietnam.
- Countries where the informal sector dominates and pre-existing SP systems are limited, fiscal space and administrative capacity are more limited, and greater challenges remain in achieving basic social/Millennium Development Goal (MDG) indicators. Poverty rates remain quite high. This group includes Lao PDR, Cambodia and Myanmar.

- **A mixed role for public works programs, which are significant in lower and some middle-income AMS.** Public works have played less of a role in the regular SP systems of AMS compared to those in other developing regions such as South Asia. Nonetheless, the ASEAN region does have experience, particularly in rural areas and in low income AMS that have been particularly active in trying to institutionalize public works as a productive safety net. The consumption smoothing role of public works has been seen to have particular relevance in countries where social insurance coverage is low. Some programs have been donor-supported cash- and food-for-work schemes (e.g., Cambodia and Lao PDR), while others have been institutionalized in regular programs (e.g., Indonesia). Public works have also played an important role in past crises as rapid response mechanisms in several Member States.
- **Limited active labor market programs (ALMP) in non-crisis periods.** In non-crisis periods, other active labor programs have tended to be limited to small-scale training programs and microcredit, though with notable and innovative exceptions such as the Malaysian Human Resources Development Fund. The 1997-98 crisis in East Asia first stimulated

interest in income generating programs, including skills development and small business credit/interest subsidy programs.

- ***Adoption of “anti-poverty” programs that utilize an integrated rural development approach, particularly in low-income and rural settings.*** Programs often have a strong infrastructure emphasis and frequently give communities a role in prioritizing program activities with a focus on multi-dimensional support to poor areas rather than on targeting poor people within those areas. Notable examples include programs in Lao PDR, Indonesia, Thailand, and Vietnam. The policy balance between targeting “poor areas” and “poor people” is one that is evolving in a number of AMS, as it has also in neighboring countries such as China. While the poor area approach to poverty alleviation has appeal in an environment where household level targeting is under-developed, it is likely to have significant limitations also, especially for the “emerging poor” such as those in urban areas, or who live outside designated poor areas but are subject to localized shocks.
- ***Increased use of safety nets such as scholarships, fee waivers and conditional cash transfers (CCTs) to protect access to education.*** Indonesia has a relatively new school assistance program that provides grants to schools in exchange for their reducing or eliminating fees for the poor. Thailand has been promoting compulsory free education through educational subsidies from kindergarten to secondary school. There have also been efforts in lower income AMS such as Cambodia through its Scholarships for the Poor program for secondary education. These are reflections of wider interest in ASEAN countries in strengthening the linkages between social protection programs and human capital acquisition. The CCT program of the Philippines introduced in 2007 is a good example of the use of such instruments, with a focus on health, nutritional and educational conditionalities.
- ***Greater efforts to ensure health coverage for the poor.*** Recognizing the importance of health shocks as a factor driving households into poverty, or keeping them there, most AMS have sought to expand the coverage of affordable health services for the poor, both through insurance and other models. In 2001, Thailand introduced a health insurance scheme guaranteeing health insurance to all people without social security benefits, at a cost of 30 Thai baht per treatment. Indonesia distributed health cards entitling 16 million families to free health care at public clinics and hospitals in 2005, and has committed also to expanded health insurance coverage in a 2004 law. In Cambodia and Laos, Health Equity Funds (HEFs) are being used to improve access for the poor. HEFs are managed through cooperative arrangements between the Government, development partners, and local NGOs.
- ***Increased emphasis on improving targeting systems.*** Efforts to improve targeting to ensure better protection of the poorest, control fiscal outlays on SP programs, and improve transparency of program administration have included proxy means testing (e.g., Indonesia BLT; Philippines CCT) and participation of communities in identifying the poor (e.g., Cambodia’s IDPoor program, the MOLISA poverty listing in Vietnam).

III. SOCIAL PROTECTION RESPONSES TO THE CRISIS

Overall Social Protection Responses

The Asian crisis of 1997-98 revealed a number of limitations in the social protection policy frameworks and response capacities of AMS which they have addressed to varying degrees in the intervening years. The comprehensiveness and robustness of social protection mechanisms at the onset of this crisis varied significantly and the available instruments did not always focus on those most immediately affected by the current crisis, including the urban poor and vulnerable, laid-off workers, and more broadly those in the informal sector. Of particular note were the limited coverage of social insurance in most AMS and the low prevalence of a core social assistance program which was broadly accessible to the poor, independent of location, social category, or other factors.

Social protection interventions have become mainstreamed as part of the arsenal to counteract the current crisis and their appropriateness seems less contested than in previous crises⁹. In most AMS, the cumulative impacts of the recent food, fuel, and financial crises have given increased impetus to SP policies and programs, albeit to varying degrees depending on the country context. For AMS that have introduced economic stimulus packages, SP interventions are a significant part of the overall packages in most cases, though both the size of the overall packages relative to GDP (ranging from around 1.5 percent of GDP in Indonesia and Thailand to over 8 and 9 percent in Vietnam and Malaysia, respectively) and the share of SP as a share of the total stimulus vary substantially. For example, Vietnam in its initial package and Indonesia have dedicated the bulk of stimulus spending to tax reductions and interest subsidies of different forms, complemented by a sizeable injection of funds into household and community based SP measures. Singapore has focused on active labor interventions and tax and credit programs to help firms weather the crisis, while Thailand focused the first wave of stimulus on direct transfers and incentives to sustain human capital investments. Most stimulus packages have also included infrastructure investments which vary in labor intensity and the degree of direct employment generation. Some Member States such as Thailand, Vietnam and Malaysia have had more than one round of stimulus, with the relative importance of SP interventions shifting between rounds.

While not all AMS have introduced explicit stimulus measures in response to the GFC, concern with the social impacts of the recent crises has underscored the importance of SP. To date, several AMS (including Lao PDR, Myanmar, Cambodia, and Brunei Darussalam) have not introduced explicit stimulus packages in response to the global financial crisis, but have nonetheless strengthened SP programs to mitigate its impact.

The key SP interventions – both pre-crisis and incremental measures in response to the GFC – across AMS are summarized in Tables 1 and 2. AMS with concerted stimulus efforts have drawn from a fairly common menu of SP options, but with differing emphasis between types of interventions. As noted, given the sequential nature of the recent crises unfolding in the AMS, it is not always clear whether policies should be categorized as responses to the global financial crisis specifically or as carryover policies from the fuel and food crises. Therefore, SP responses to

⁹ It is also important to note that drawing a precise line between what can be characterized as “social protection” or “other” types of responses is not always possible (e.g., for area-based stimulus measures).

the food, fuel, and financial crises should be viewed as an evolving response rather than entirely distinct measures. In addition, Table 1 does not attempt to distinguish the relative degrees of coverage and adequacy in different programs, so there is considerable heterogeneity across Member States listed as having certain programs (e.g. for cash transfers, ranging from social assistance benefits accessible to all poor citizens to benefits confined to specific social groups or locations).

Despite the broadly common menu of SP responses outlined, there have been notable variations across AMS sub-groupings in the relative emphasis on different policies and the intensity of fiscal effort. The menu of response options outlined has been to a significant degree constrained by the availability of specific SP programs and coordination mechanisms in place in individual Member States when the crisis hit. Because of the limited reaction time when crises hit, existing programs are often the natural vehicle for immediate response and therefore influence the menu of policy options. The feasibility of different SP responses is also linked to the pre-existing degree of formality of labor markets in different AMS. While there are a number of commonalities in SP crisis response by AMS, some notable sub-regional patterns are also evident, including:

- the upper-middle to higher income AMS (Singapore, Malaysia, and Thailand, though notably not Brunei Darussalam) have placed a relatively greater reliance on direct labor retention and job stimulation measures, relying primarily on tax and subsidy systems. Such emphasis has been greatly facilitated by enterprise and individual tax systems which have wider coverage of workers, and hence allow for adjustments at the margin in tax/subsidy treatment and social insurance entitlements on a temporary basis.
- the middle income AMS (Indonesia, Vietnam, and to some extent Philippines) have placed a relatively greater reliance on community-based and livelihood approaches, reflecting greater informality of labor markets, higher rural shares in total workforces, and often under-developed household level targeting systems which may limit the capacity for “fine-tuned” responses such as those available to higher income AMS.
- the low income AMS (in particular Lao PDR, Cambodia and Myanmar) have for the most part not had a major response to the crisis in terms of new types of interventions nor major fiscal stimulus towards existing programs. This is a mixed function of relatively minor impacts for some low income AMS from the crisis to date, limited administrative capacity to scale up SP program delivery rapidly, and other factors.
- a common feature across AMS except the low income members has been the prevalence of cash transfers as part of the crisis response. These have taken a variety of forms (see Table 2 for summary of the diversity of cash transfer options adopted), ranging from one-off to more sustained but time bound, to more structural reforms (e.g. Philippines). The prevalence of cash transfers as part of crisis response is notable in a region which has not historically placed a strong reliance on cash transfers. In contrast, there has been a relative lack of reliance on incremental support to pre-existing in-kind transfer programs, in some cases due to earlier reforms of in-kind programs which had limited their coverage (e.g. Indonesia), and in others due to policy differentiation by the authorities in the SP response between the GFC and the food crisis (e.g. Philippines).

Table 1: National SP policies and programs in ASEAN pre-crisis and during the GFC

		Subsidies			Labor market			Integrated development	Social Insurance
		Univer sal Price	Food	Health and/or Educ.	Public works	Other active labor mkt	Liveliho od	Geog. targeting, block grants	Pensions, health ins., UI, etc. (formal sector & civil servants)
Singapore	<i>Existing</i>			X		X			X
	<i>Response</i>			X		X			X
Brunei Darussalam	<i>Existing</i>					X			X
	<i>Response</i>								
Malaysia	<i>Existing</i>	X		X		X			X
	<i>Response</i>		X			X	X		
Thailand	<i>Existing</i>	X		X			X		X
	<i>Response</i>			X		X	X		X
Indonesia	<i>Existing</i>	X	X	X			X		X
	<i>Response</i>						X		
Philippines	<i>Existing</i>	X		X		X			X
	<i>Response</i>			X		X			
Viet Nam	<i>Existing</i>	X				X	X		X
	<i>Response</i>						X		
Lao PDR	<i>Existing</i>			X	X		X		X
	<i>Response</i>								
Cambodia	<i>Existing</i>		X	X	X				X
	<i>Response</i>					X			
Myanmar	<i>Existing</i>						X		X
	<i>Response</i>								

Note: (i) "Response" refers to incremental response, through new programs and/or increased funding of existing SP programs. If an existing program was continued but did not receive significant additional funding, it is not reported.

An important cross-cutting point in AMS SP crisis response has been the level of institutional coordination across agencies implementing SP related programs. This is a particular challenge in the social protection field, where multiple agencies are often involved in policy development and program delivery. There has been considerable diversity of approach across AMS in grappling with this challenge. Some countries such as Singapore were already well-positioned pre-crisis due to the institutional consolidation of social insurance (under CPF) and social assistance/welfare programs (under the ComCare Fund). Others such as Philippines have used the crisis to promote greater institutional coherence in SP institutions, while other AMS has not made specific institutional coordination or consolidation efforts. While it is too early to reach clear conclusions, AMS where coordination across agencies was stronger, or where coordination mechanisms have been put in place rapidly, appear to have been able to react more quickly and implement a more integrated set of SP responses. A brief discussion of coordination challenges – as well as promising examples of institutional coordination – can be found below.

Table 2: In-kind and Cash transfers in ASEAN pre-crisis and during the GFC

		In kind transfers	Housing support	Broad coverage - CCT/UCT	Cash Transfers		
					Broad coverage - Categorical	One-time transfer	Geographically focused pilot
Singapore	<i>Existing</i>				X		
	<i>Response</i>		X		X		
Brunei Darussalam	<i>Existing</i>				X		
	<i>Response</i>						
Malaysia	<i>Existing</i>	X			X		
	<i>Response</i>		X		X		
Thailand	<i>Existing</i>	X			X		
	<i>Response</i>					X	
Indonesia	<i>Existing</i>					X	
	<i>Response</i>					X	
Philippines	<i>Existing</i>	X			X	X	
	<i>Response</i>			X	X		
Viet Nam	<i>Existing</i>				X		
	<i>Response</i>		X			X	
Lao PDR	<i>Existing</i>	X				X	
	<i>Response</i>						
Cambodia	<i>Existing</i>	X				X	
	<i>Response</i>						
Myanmar	<i>Existing</i>						
	<i>Response</i>						

Note: (i) "Response" refers to incremental response, through new programs and/or increased funding of existing SP programs. If an existing program was continued but did not receive additional funding, it is not reported.

Types of Social Protection Responses

Given the importance of GFC impacts on employment, there has been a natural focus on labor market interventions of different forms. In several middle and high income AMS, a variety of active labor market interventions have been implemented which largely target formal sector workers in crisis-impacted firms. In other middle and lower income AMS, where informal sectors dominate employment, support to employment has been focused on incremental stimulus funding for more decentralized small infrastructure and community-based livelihood initiatives (e.g. in Philippines, Thailand, Vietnam and Indonesia), or increased focus on existing labor intensive public works programs (e.g. in Cambodia and Lao PDR). The prevalence of interventions directly focused on job retention and employment generation seems appropriate given the transmission channel of the GFC.

At the same time, there remain a number of crisis-affected groups who are unlikely to benefit from direct employment-related measures, and for whom other instruments have been used to mitigate direct and secondary crisis impacts. Groups that are less likely to be included in the ambit of labor market interventions include those in the informal sector, migrant workers, or those with low education levels who may not meet minimal pre-conditions

for participation in training. Even for small infrastructure and community-based works, there will be groups who are less likely to be covered, including those with limited work capacity like elderly and some people with disabilities, or groups such as women who may generally have lower participation rates in works programs. For these groups, SP interventions like social assistance transfers which address the wider population of poor and vulnerable populations are more relevant, but some of them also face challenges in accessing safety net programs (e.g. internal migrants). The discussion below outlines the ways in which AMS have struck a balance between different SP instruments, with a key finding being the importance of blending instruments to respond to different types of crisis impacts, the location and sectoral profile of impacted groups, and the pre-existing delivery mechanisms.

(a) Active Labor Market Policies (ALMPs). Given that the primary transmission channel for the GFC has been through the labor market, ALMPs of different types have been an important focus of SP responses in a number of AMS. While it is difficult to know how the situation may have evolved in the absence of intervention, it appears that the relatively low levels of open unemployment during the GFC are at least partly attributable to adjustments in the labor market on wages, work time, bonuses, and so on, in some cases supplemented by public incentives to retain or hire workers. Overall, ALMPs have tended to play a more significant role in crisis response in middle-high income AMS, where the more formal nature of labor relations and social insurance systems provide easier channels for directing different forms of public subsidies to both employers and workers. The philosophy behind the approach taken in several AMS is captured in the phrase “cut costs to save jobs, not jobs to save costs”. Labor market interventions across ASEAN include:

- *Providing wage subsidies and/or preferential tax treatment for employers to encourage worker retention and rehiring of retrenched workers.* Singapore has used retention incentives to good effect during the crisis, while AMS such as Malaysia have created tax incentives to rehire. There has also been use of direct wage increases for selected groups, such as Cambodia’s increase in salaries for civil servants, teachers and garment workers, and Lao PDR’s 20 percent increase in 2009 in the minimum wage for formal sector workers.
- *Use of the unemployment benefit system.* This has included extending the duration of unemployment insurance benefits in AMS and for sectors where available (as seen in Thailand, with the extension of unemployment insurance from six to eight months for formal sector employees under the SSF scheme), and tax relief on unemployment benefits for retrenched workers in Malaysia.
- *Subsidizing training to protect jobs or provide alternative activity, while enhancing worker productivity.* Examples from various AMS are provided in Box 3. The attraction of (re)training workers at a time when the opportunity cost of participation in training is low is potentially significant, although should obviously be relevant to labor market demand.

- *Expanding public sector employment as a cushion.* As seen in Section 1, public sector employment has been an area of net job creation during the crisis, particularly in middle income AMS such as Malaysia, Philippines and Thailand.
- *Public facilitation of social dialogue between employers and workers to promote worker-friendly management of employment impacts of the crisis.* Malaysia provides an example of an integrated emphasis on tripartite mediation and consultation between employers, workers and government through the Ministry of Human Resources.

Box 3. TRAINING SUBSIDIES AS AN ELEMENT OF CRISIS RESPONSE

Most governments have accompanied their stimulus packages with a mix of active labor market policies (ALMPs) to mitigate the impact on the unemployed. One element of ALMPs packages in a number of ASEAN member states has been subsidies for training and retraining of workers impacted by the GFC. In principle, and provided the skills being provided are likely to be in demand in the labor market, training subsidies can act both as a short run tool to reduce lay-offs, and as investments which can enhance the productivity of workers and contribute to sustainable recovery.

ASEAN governments have addressed this concern consistently during this crisis. In its SPUR program, **Singapore** aims to encourage companies to retain workers by sending them for highly subsidized training with absentee payroll. The SPUR-JOBS Scheme helps companies to reduce the cost of recruiting and training (including on-the-job training) locals, design or redesign jobs to make them more suitable and attractive for locals, as well as undertake productivity improvements such as through better demand forecasting, job scheduling or technology investments. **Malaysia** has provided employers with monetary incentives to retain/rehire employees (e.g. through double tax deductions for employers who hire workers who were retrenched after July 2008), as well as opportunities to offer subsidized training. **Thailand** devoted significant stimulus funds to subsidized targeted capacity building through the Tonkla Archeep programs, which has provided one month intensive vocational training and three months cash allowances to start businesses for unemployed, soon-to-be-unemployed and new graduates in 2009 and 2010. As of September 2009, official sources report over 550,000 applicants for the program, of whom 173,000 had already completed the training, and 134,000 had found a job prior to completing their training. To address the problem of unemployed urban workers, **Cambodia** implemented a cash-for-training program that provided vocational training in agriculture, industry and mechanics for over 40,000 urban laid-off workers combined with a daily food allowance of around US\$1 per day and a small monthly accommodation allowance. **Lao PDR** has also experimented with food-for-training in 100 villages in Saravane, Sekong, and Attapeu in partnership with WFP and IMG, and with a particular focus on literacy and weaving skills for women. It has also put incremental resources into the vocational training programs of mass organizations such as women's, trades, and youth unions in the first half of 2009, training over 18,000 people in areas such as agriculture, food processing and services.

Source: Country case studies (see attachment)

While the outcomes of labor market interventions to date appear positive in terms of softening the negative employment impacts of the crisis, designing active labor policies that can effectively address crisis-induced employment impacts is challenging. A first point to note is the limitations of some types of ALMPs in AMS with higher shares of informal sector employment, as incentive measures delivered through the tax or social contribution systems will only be effective for formal sector workers. A second issue is the potential mismatch

between workers in sectors most negatively impacted by the crisis (i.e. manufacturing, mining, tourism, estate farming) and the sectors with net job growth (i.e. public sector, sales and trade), with the latter requiring higher qualifications, more entrepreneurial skills, or willingness to shift from the formal to informal sector. A third issue is the spatial dimension of impacts and responses when impacts are localized, such as with estate farming, but the supply side is constrained in impacted areas in its ability to respond. Another issue is the appropriate time horizon for emergency stimulus measures in the labor market, given the risks of sustaining them too long and artificially prolonging employment in sectors or firms where structural change and shifting comparative advantage would have led to declining employment even in the absence of the crisis.

(b) Public works. Unlike previous crises in ASEAN and other regions, the GFC response has not seen the launch of new flagship public works programs. However, incremental funding to small infrastructure and community-based schemes is likely to have been providing significant temporary employment for informal workers, particularly in rural areas. The absence of major new works programs may be due to the muted effects to date on employment levels in AMS and the inclination among laid-off workers to continue with job search in urban areas and more lucrative sectors, as described in Section 1. Nonetheless, a number of stimulus packages (e.g. in Indonesia, Philippines, Vietnam, and Thailand) have included significant allocations to small infrastructure programs which in many cases are community-based approaches to create temporary employment opportunities and livelihood options and are intended to be relatively labor-intensive. The incremental funding for such community-based works has been facilitated in a number of Member States by pre-existing programs for channeling public funds for decentralized asset creation and employment generation. Examples of such approaches include Thailand's Sufficiency Economy Community Project, Indonesia's Community Empowerment Program, and the Comprehensive Livelihood and Emergency Employment Program in the Philippines, all of which are decentralized stimulus measures (see Box 4). The Indonesian CLEEP is notable for the earmarking in 2009 of funds for the most crisis-affected districts, within the wider context of significant increases in overall allocations to the program. In some cases, the programs evolved and grew from labor-intensive responses to previous crises, and most combine geographic targeting with self-targeting of poor households through the wage rate.

Lower-income AMS such as Cambodia and Lao PDR have also continued partnerships with donors and NGOs on cash- and food-for-work programs, and public works seem particularly well-suited to such lower capacity environments, both as crisis period safety nets and as productive safety nets at other times. Experience from AMS and beyond suggests that labor-intensive public works can be very effective in crisis response, particularly where there are large informal sectors not easily amenable to the range of ALMP interventions, and where targeting mechanisms function poorly and the self-targeting of public works through the wage rate offers a viable alternative. They have proven to be programs which can be put in place more quickly than other types of SP interventions such as social insurance or de novo targeted social assistance programs. They also have the attraction in Member States without significant coverage of unemployment insurance of performing a mixed safety net function of general income supplementation and flexible entry/exit for individuals in the face of unemployment or acute under-employment which provides a consumption smoothing effect.

Box 4. PUBLIC WORKS DURING THE CRISIS PERIOD

While new public works programs have not been a major feature of the GFC response in AMS, existing works programs have played a role in some lower and middle income AMS, and employment generation through integrated rural development programs has also played a stimulatory role in several lower middle income AMS. **Cambodia** has continued its donor-supported rural public works programs during the crisis, including the WFP-supported Food for Work Program, and the Mainstreaming Labor-Based Maintenance Program within the National Road Network Program with support from ILO and ADB. **Philippines** has used the crisis to consolidate existing labor-intensive works programs into the Comprehensive Livelihood and Emergency Employment Program (CLEEP), which has consolidated around 35 existing programs and public projects in need of labor. Starting in October 2008, around US\$285 million equivalent was allocated to CLEEP for construction and maintenance of local infrastructure such as farm-to-market roads and irrigation repair and rehabilitation. By September 2009, the program had created almost 200,000 short term jobs and employed over 328,000 individuals. **Indonesia** has also ratcheted up spending on grants to both rural and urban localities which are used in significant measure for local infrastructure and generate local employment through its National Program for Community Empowerment (or PNPM Mandiri). This program was introduced in 2007 as a consolidation of three major local grant/infrastructure programs: the Rural Infrastructure Program (IP), the Kecamatan Development Project (KDP), and the Urban Poverty Project (UPP). Following consolidation, spending and coverage have been increased rapidly during the period of the food and financial crisis, rising by over 10 times in nominal terms between 2006 and 2008, and accounting for over 14 percent of all social sector spending in 2008. The target is to have full sub-district coverage in rural and urban areas of the program by end-2009. Within the context of the overall program expansion, in 2009 there is an earmarked allocation of Rp 1.5 billion per district to 178 of the most crisis-affected districts (of a total of 471).

Source: Country case studies (see attachment)

(c) **Cash transfers.** The current crisis, and the food and fuel crises which preceded it, has significantly increased the role of cash transfers within the SP policy mix in many AMS. As noted in Section 1, the relatively mild impacts of the GFC on poverty headcount estimates in AMS do not reflect the magnitude of the social impacts on the region's population due to increased un- and underemployment, lower earnings, incomes and remittances, and reduced consumption. In this context, the potential role of social assistance is obvious. The GFC response has seen a significant increase in the priority given to cash transfers in a number of AMS, though it remains to be seen to what extent this represents a structural shift in priorities which will outlive the crisis response, or will revert to the pre-crisis situation. Several AMS have implemented incremental measures to supplement household incomes, mostly through cash transfers of various types (i.e. conditional, unconditional, one-time). A key distinction is between AMS that are combining crisis response and structural reforms of cash transfers, and those that are using crisis-specific transfer programs without necessarily planning to continue them as a longer-run safety net. In the former case (as exemplified by the Philippines with the introduction of a large scale CCT targeted through proxy means-testing), the crisis has served as an important catalyst for reforms that were already contemplated prior to the crisis. In other cases, such as Malaysia, it remains to be seen whether the enhancement of social assistance programs within the crisis response will be sustained as a medium to long run "jump shift" in the priority of cash transfers for the poor and vulnerable. A further interesting example

is Indonesia's targeted BLT cash transfer program, which has been introduced and withdrawn twice, first in response to the fuel crisis (in parallel with reduction in universal fuel subsidies), and more recently in response to the GFC. Examples of responses to the GFC through cash transfers are provided in Box 5.

Box 5. CASH TRANSFERS IN RESPONSE TO THE GFC

Several countries have implemented cash transfers to support household income as part of their stimulus packages. In some cases, these initiatives were already part of longer-run structural reforms of transfers. In the **Philippines**, the government scaled up the existing CCT program (*Pantawid Pamilyang Pilipino Program*, or 4P) initiated to mitigate the food crisis by increasing its budget tenfold, and the role/share of the program within the overall SP strategy is growing. As part of the reform, it is also in the process of introducing a new targeting system based on proxy means testing methods. The program has been supplemented by a categorically targeted cash benefit called *Tulong Para Kay Lolo and Lola* which is for people aged 70 and over with no regular income or social security coverage and was introduced originally in response to the fuel and food crises, but has been continued as part of the GFC response, covering around 1.37 million elderly people by late 2009. **Indonesia** reinstated in 2008 a temporary targeted unconditional transfer (*Bantuan Langsung Tunai - BLT*) it had first used in 2005 in response to high fuel prices. This was disbursed to around 18.5 million households (around 30 percent of households) in three disbursements between June 2008 and the first two months of 2009, accounting for around 0.3 percent of GDP and over 15 percent of social spending. While targeting performance is not yet known, World Bank simulations indicate that the new BLT should have had a significant positive impact on poverty reduction. To date, there has not been significant social reaction to withdrawal of the benefit. The country is also planning to expand its existing pilot PKH CCT program introduced in 2007, and has also provided for supplementary cash transfers by local communities within the stimulus package injection to the community block grant program. Due to the wide coverage and robust administration of **Singapore's** social assistance and welfare system, it was able to provide significant cash supplements/tax offsets to a range of vulnerable groups in response to the crisis, including doubling of GST credits focused on the elderly and low income households, increased senior citizen bonuses, rental rebates, and personal income tax rebates, as well as additional workfare income supplements for low-wage workers.

In other cases, the measures were more explicitly linked to the crisis response, with some timebound in different ways. **Vietnam's** Tet holiday payment of VND 200,000 per poor person (to a maximum of VND 1 million per household) to those on existing "poor lists" is a clear example of transfers that were explicitly designed as one-time and fast-disbursing income support for the poor. **Thailand's** 500-baht allowance for those over age 60 has also been introduced for a designated period, but has been extended, with the possibility of being sustained post-crisis, depending on fiscal and other factors. In **Malaysia**, the Social Safety Net, or Jaringan Keselamatan Sosial Malaysia (JKSM), programme was relaunched in February 2009 as part of its first stimulus package, with expanded eligibility for financial assistance, more than doubling the number of beneficiaries and budgetary allocation. This included an increase in the eligibility threshold for benefits. The measures are expected to increase coverage from around 60,000 to at least 110,000 households. The JKSM intervention has been supplemented by a range of stimulus-related allowance measures, including introduction of a new child care allowance for employees earning up to a fixed threshold, and housing related subsidies through temporary stamp duty exemptions and expansion of the guarantee scheme for low income households to purchase affordable housing. It remains to be seen what are the longer run plans of the Malaysian authorities with respect to mainstreaming of these interventions during non-crisis periods.

Source: Country case studies (see attachment)

An incipient though potentially significant trend in cash transfer policies in several AMS has been the introduction of conditional cash transfers in recent years. Given the long-standing ambiguity around social welfare transfers in a number of AMS, the linkage between transfer policies and human capital acquisition through CCTs may appeal as a form of “social investment” which can have positive personal and societal economic impacts. Indonesia’s Program Keluarga Harapan (PKH) was introduced on a pilot basis in 2005 and provides benefits to poor households with children 0-15 or pregnant women who are targeted through a proxy means-test (PMT). Benefit eligibility is subject to compliance with education, health and nutrition related conditions. In contrast to BLT (which is specifically crisis-related), the program is intended to remain as a permanent feature of the Indonesian SP system. The program faced initial implementation challenges, but appears to be consolidating delivery systems as it matures. Philippines has rapidly expanded its CCT program known as the “4 Ps”, which is targeted to poor households with children 0-14 or pregnant women, also based on health, education and nutrition related conditionalities. It also employs a PMT to target. The program has expanded rapidly from 20,000 households covered and P.50 million of spending in 2007 to a target of around 1 million households in 2009 (or around 20 percent of total poor households in the country) and a budget of P. 15 billion. While focused only on education, the Scholarship for the Poor program in Cambodia is also a targeted conditional transfer for poor children to incentivize secondary school attendance, while has been shown in a recent evaluation to increase attendance by around 20 percent (Filmer and Schady, 2009).

(d) Food subsidies. A number of AMS have provided incremental resources to food-based programs in response to the food price crisis and the GFC, though this has been less widespread or pronounced than might have been expected (see Box 6). The food safety net story in ASEAN has been an interesting and varied one over the course of the food, fuel, and financial crisis. The most straightforward examples have been Member States such as Malaysia and Cambodia, which significantly increased their food subsidies in late 2008 and early 2009 as part of the GFC/food crisis response. In contrast, in Indonesia, a targeted cash benefit (a revamped version of the BLT cash transfer which had been used in 2005 to mitigate the social impact of fuel price reforms) was introduced in 2008 as a response to the food crisis. While the rice subsidy program has been retained, the marginal increments in spending in social assistance crisis response have been through cash. A final example is Philippines, where rice subsidy spending was ramped up in 2008 in response to the food crisis, but then reduced and offset by a targeted cash benefit in 2009 during the GFC response. While increasing funding to existing food subsidy programs is a viable response option, particularly for low income Member States without significant alternative programs for incremental SP spending, overall it is unclear whether generalized increases in food subsidies in response to the GFC are the most efficient or effective SP response for several reasons. Firstly, as evidence from several AMS shows, they are likely to spread benefits to a significant share of the non-poor, diluting the poverty mitigation impact. Secondly, there may be more significant transactions costs than for cash benefits where such programs involve food distribution and require supply side capacity in logistics than may be under-developed. Thirdly, food will inevitably be less fungible than cash and may not provide affected households with as much flexibility in coping with crisis impacts.

Box 6. FOOD TRANSFERS AND SUBSIDIES IN RESPONSE TO THE FOOD AND FINANCIAL CRISES

The role of food transfers and subsidies has been mixed in AMS in response to the food and financial crises, and to shows the increasingly nuanced policy responses in a number of AMS depending on the nature of the crisis. On one end of the response spectrum, **Cambodia** had significant interventions in food markets during 2008 and 2009. This was initiated in early 2008 with purchases by a state-owned firm of 300 metric tons of rice, which was then sold in Phnom Penh and Siem Reap at a discount of up to 30 percent on the prevailing market prices. This was complemented by releases from private millers who were supported by low-cost credit from the state to buy up rice stocks that would otherwise have flowed out of the country. During 2008, the initially banned rice exports but reversed the ban a few months later, with an immediate impact in reducing rice futures prices. Finally, together with WFP and ADB, the Government established a multi-ministerial Food Working Group in September 2008 to coordinate direct food assistance to vulnerable households and inputs to small scale farmers. **Lao PDR** has also used direct food transfers in response to flood and infestations in recent years for affected areas under its Protracted Relief Recovery Operation implemented in partnership with WFP, which covered 143,600 people in 2008. **Malaysia** has a long history of subsidies for food and other essential commodities, in particular low grade rice and oil products, and price controls on a number of other food items. The stimulus package provided an increase in subsidies to encourage production of food on unused land, though it is expected also that there will be a significant fall in fuel subsidies between 2008 and 2009 in response to global price movements.

The reliance on food subsidies in other AMS has been more differentiated between the food and fuel crises, and indicates a trend towards greater reliance on cash transfers in crisis response. **Philippines** is an emerging case of transition away from a reliance on commodity-based transfers and subsidies to greater reliance on cash transfers in its SP policy mix. In 2007 and 2008, spending on its core National Food Authority (NFA) rice subsidy program rose sharply, both as a share of GDP (from around 0.2 percent of GDP to around 0.8 percent in 2008), and as a share of total public spending (from around half to almost three quarters of SP total spending in 2008). The NFA subsidy is a universal price subsidy which benefits both the poor and non-poor, with over 40 percent of the subsidy estimated to accrue to the non-poor. Despite the continued importance of the NFA subsidy, the Government has since 2008 placed increased reliance on cash transfers of various kinds, and are broadening the use of a proxy means test for targeting such benefits. In 2009, the NFA subsidy spending is estimated to halve in nominal terms, while spending on cash-based transfers has risen sharply to around half the level of the NFA subsidy, from close to zero in 2007. **Indonesia** has had a subsidized rice program for the poor in some form since the previous Asian crisis. Despite targeting of the poor based on a set of poverty indicators, the program has remained subject to significant leakage to the non-poor, with almost half of the beneficiaries neither poor nor non-poor, and the estimated subsidy received by the non-poor around 2.5 times that of the poor (World Bank, 2006). However, the direct household transfer response to the food and fuel crisis has been built around a new version of the BLT cash benefit, indicating a policy preference for marginal increases in SP spending to be channeled through cash rather than in-kind subsidies.

Source: Country case studies (see attachment)

- (e) **Social insurance.** **The potential role of social insurance as a crisis response tool is largely determined by the pre-existing system coverage, and as a result its role in GFC response has been limited in most AMS.** Social insurance programs, particularly those seeking to extend coverage to the informal sector, require substantially more time to design and roll out than other SP instruments such as public works. As such, they are unlikely to be effective tools in crisis situations unless already operational prior to the onset of a crisis. This inherent constraint is reflected in the GFC crisis response in AMS, where social insurance has not been as significant as other pillars of social protection. However, it has played a useful role in more formalized economies of

ASEAN that had significant pre-existing coverage of social insurance, through measures such as extension of UI benefits (noted above with respect to Thailand) and more lenient treatment of social insurance contributions. An example of the latter is the reduction in EPF employee contributions for Malaysian workers from 11 to 8 percent from February 2009 to end 2010. Interestingly, around half the workers have chosen to sustain their original rates of contributions to date. Similarly, Singapore has introduced a range of measures through its tax system to protect household incomes, including a 20 percent personal income tax rebate, and doubling of the Goods and Services Tax Credit benefits, the two measures estimated to cost over S\$1 billion in 2009.

- (f) **Programs to promote continued access to social services. Facilitating sustained access to social services has been a part of the crisis response in a number of AMS.** The employment and secondary impacts of the GFC raise the obvious risk of detrimental coping strategies by households such as withdrawing children from school and avoiding necessary medical treatment. Analysis from the region also suggests that these risks are more pronounced for girls and women. In a number of AMS, free access policies for health and education that were already in place, while in other cases, free access policies have been extended to wider groups (e.g., in Thailand, including 12-15 year olds under the free education policy). School feeding programs have also been a tool in particularly low-income Member States such as Lao PDR and Cambodia, and have received incremental financing in response to the FFF crises.

Cross-cutting Issues in Social Protection Policies and Programs in ASEAN Member States

- (a) **Targeting and program coverage. A key cross-cutting issue for all AMS seeking to scale up existing transfer programs or introduce new transfer programs in response to the GFC – as well as the food and fuel crises – has been how to identify poor beneficiaries and those specially impacted by the crisis.** Where robust identification processes were already in place, it has been relatively easy to inject additional funds and/or expand eligibility to the near-poor or those particularly affected by the crises who were not previously beneficiaries. This can be seen in the GFC response of Member States such as Vietnam, Singapore and Malaysia. However, as noted in the discussion of pre-crisis SP programs, many AMS did not have a pre-existing generalized poverty/social assistance benefit, but focused on specific categories of the population. If broad-based targeting mechanisms were not already in place, it has proven difficult to introduce new targeting mechanisms mid-crisis which are very precise, and AMS have had to rely on easily verifiable categorical individual or household indicators (such as old age, which was used as an indicator in Thailand), or on existing area-based funding channels.

The efforts of AMS to improving targeting mechanisms in SP programs have not been an outcome of the FFF crises per se, but the crises have focused the attention of policymakers on targeting systems in a way not seen previously. Disentangling what in targeting reform is “crisis response” and what is accelerated but incremental reform of SP systems is not straightforward, but there is a growing body of experience in AMS in this area, and at all levels of country income. Box 7 gives a summary of some of the recent efforts of low and middle income AMS to improve their systems for identification of the poor for the purposes of SP program eligibility.

Box 7. RECENT AMS INITIATIVES TO IMPROVE TARGETING OF SP PROGRAMS

In recent years, a number of AMS have sought to overhaul their targeting systems for identifying poor households. This is part of a broader trend towards diversifying anti-poverty programs away from a heavy reliance on area-based approaches to programs which are more suited to the diverse needs of individual poor households, wherever located within the country. Some of the notable experiences in this respect include:

- As noted, **Philippines** has introduced a proxy means test as part of its 4Ps program. Known as the National Household Targeting System for Poverty Reduction, the PMT method is intended to act as the backbone targeting mechanism for access to targeted government programs, and the national health insurance program for the poor is presently considering adopting the methodology. As noted above also, Indonesia is also using a proxy means test for identifying poor households eligible for its PKH CCT program introduced on a pilot basis in 2007.
- Since 2007, **Cambodia** has used its Identification of Poor Households (IDPoor) method of identifying poor households in rural areas. This method combines local participatory processes with a standard set of household welfare indicators. Village representatives interview households against a standard set of criteria – mostly related to household assets – and there is then a verification process by the community. The Ministry of Planning coordinates the process, sharing the information on poor households to local actors, and issuing Equity cards to identified households which entitle them to free or subsidized health care under the Health Equity Funds. The program covers over 5,000 households in seven provinces, and is supported by GTZ.
- In its NTP-PR program and under the crisis-response Tet one-time cash payment, **Vietnam** uses a “poor list” method developed by MOLISA to identify the poor in urban and rural areas. Poor households are identified annually by the Commune People’s Committee based on official rural and urban poverty lines which were set in 2005 and have not subsequently been revised. In practice, eligibility is determined by the Committee through a combination of survey and community discussions. World bank analysis indicates that the current method may have challenges in its identification of the poor, e.g. while national household survey data for 2006 found 49 percent of people in the Northwest region to be below the poverty line, the MOLISA “poor list” identified only 22 percent of households in the region as poor. The methodology is presently being refined with an aim to transition to a proxy means-test in order to improve targeting performance.
- In recent years, **Malaysia** has sought to streamline its targeting system for social welfare benefits under the E-Kasih program launched in December 2007 and housed under the Prime Minister’s Department. Until this time, the country has relied on means-testing of applicant households, with social workers assessing their income against a national poverty line. However, there are a range of Ministries administering targeted social transfers and services, and the previous system was considered to be fragmented and in need of improvement. While E-Kasih is a useful step in the direction of streamlining of targeting, it remains to be seen how the consolidated data of poor and ultra-poor households will overcome the underlying challenges of reliable measurement of household income

Source: Country case studies (see attachment)

Complexities arise when those most directly affected by the crisis are not typically included in regular targeting systems. As noted in Section 1, this has been the case in the food and financial crises to some extent when direct impacts have been felt more in urban areas, or among formal sector workers, since regular targeted SP programs tend to be focused more on the rural poor. There may also be gender dimensions or specific challenges related to migrant workers in Member States where employment impacts have been concentrated

among these groups. In such cases, tensions may develop between short-term crisis response objectives and long-term SP system goals. Some reforms being introduced in AMS such as proxy means testing can provide a vehicle for simulating the impacts of crises using household survey data, and the proxy means testing formula can be adjusted to facilitate targeting in response to crisis. Equally, where capacity is lower or systems are not in place, the self-targeting nature of labor-intensive public works provide benefits which have been demonstrated in previous crises.

One group that AMS at all income levels have found particularly challenging to deal with in their SP crisis responses has been migrant workers, both those coming from other AMS and internal migrants. As noted in Section 1, migrant workers have been among the first affected during the crises. However, the SP framework for dealing with migrant workers is generally underdeveloped. Since many migrants work in the informal sector, they are unlikely to have SP coverage, either because they are foreign nationals, or because eligibility in safety net schemes for nationals is linked to residence and ID systems that link the migrant worker to the place of origin rather than working location.

(b) *Institutional coordination:* The GFC also highlights the challenges of rapid and coordinate social policy responses when SP programs are spread across various agencies, often responsible for different segments of the population. Not all AMS have a central agency responsible for coordinating SP programs. Rather, implementation of SP programs is often the responsibility of separate Ministries and ad hoc program units. In practice, this has resulted in the use of different targeting approaches for various SP programs, often with separate and unlinked beneficiary databases, and parallel monitoring of program implementation and outcomes. The challenges of coordination across programs are amplified when there are multiple funding sources for programs, and donors and agencies providing technical and financial support face their own coordination challenges. The urgency of crisis response and the high-level political focus on SP programs as part of broader stimulus packages can act as catalysts for increasing institutional coordination and coherence. Despite these challenges, ASEAN provides promising examples of institutional consolidation and coordination, both pre-crisis and during the crisis-response period. Box 8 provides details on two country examples.

Box 8. INSTITUTIONAL COORDINATION OF SP PROGRAMS AND CRISIS RESPONSE

Some ASEAN member states provide promising examples of coordinated action across agencies responsible for SP programs. In **Singapore**, a good degree of institutional consolidation had taken place before the crises: in the area of social insurance through the Central Provident Fund, and in the area of social assistance and welfare services through the ComCare Endowment Fund. In both cases, this greatly facilitated a coordinated and efficiently executed SP response to the GFC. ComCare's presence at the local level, coordinating an extensive network of government and non-government agencies to support the needy, facilitated channeling of crisis-related incremental expenditures and programs for the poor.

In the **Philippines**, the cumulative impacts of the FFF crises have been a useful catalyst for institutional and policy convergence in social protection. In 2008 the government created the inter-agency National Social Welfare and Protection Cluster, headed by a Cabinet-level Secretary, to consolidate over 60 existing programs led by various government agencies into a single national social welfare strategy. The Cluster elaborated a comprehensive inventory of existing SP programs with a view toward consolidating them over time and reallocating resources towards more effective programs. It also facilitated the rapid development of a new proxy means test meant to improve targeting.

(c) *Monitoring the Impact of SP Programs: Most AMS are still seeking to put in place timely and reliable systems to monitor not only the impacts of crises on socio-economic indicators, but also effective M&E systems to assess the welfare impacts of their SP program responses.* While timely mobilization of resources and programs to respond to crises has naturally been the top priority of AMS, there remains a strong need in most countries for better program monitoring and understanding of the program effectiveness. Indonesia provides an example of efforts to remedy this situation. Under the lead of the national planning agency BAPPENAS, the Government is establishing a Crisis Monitoring and Response (CMR) system which is designed to gather the necessary data to monitor the effects of the GFC on Indonesians, the coping mechanisms being adopted, and the socio-economic consequences of these developments. The CMR will draw both on existing data sources and on a new quarterly household survey which is designed to be relatively inexpensive and representative at the district level. This is to be complemented by rapid qualitative work by SMERU, a national independent research institute. Lao PDR has also established a crisis monitoring and early warning team under the Prime Minister's Office which is intended to monitor impacts and consider appropriate responses. It is relying on data already being regularly collected and examining the need for additional monitoring tools.

To date, in several AMS much of the "real time" evidence on program impacts in the crisis has come from sources outside governments which often use qualitative rapid assessment methods. Examples include the studies of the Thai Development Research Institute in early 2009 which sought to assess the coverage and impacts of initial stimulus interventions on the poorest, survey and qualitative work (known as "social weather reports") of the Social Weather Station independent research group in the Philippines, and qualitative work in several AMS by the World Bank and national researchers using rapid assessment techniques. There has also been useful data-based work simulating the impacts of the crisis in Cambodia which is instructive in predicting the likely employment impacts and factors such as differential gender impacts across impacted sectors.

(d) Exit Strategies: A challenging issue faced by countries from all regions of the world is the exit strategy from crisis-response SP interventions and other stimulus measures. A lesson from past crises in Asia and beyond is the importance of clarity on the exit strategy from crisis-response measures. Exit strategies can vary from total withdrawal of crisis-specific measures, to partial scaling back, to integration of programs into the longer-run SP system. Whatever the preferred approach, managing public expectations is paramount, especially if interventions are intended to be temporary. As discussed, AMS present an interesting mix of all these responses, both across and within Member States.

IV. CONCLUSIONS AND RECOMMENDATIONS

The GFC has impacted different AMS to quite different degrees, and the scope and depth of their social protection responses to the crisis reflect that diversity. As Section 1 demonstrated, the macro- and microeconomic impacts on AMS exhibit a wide range, from acute and broad-based impacts to more modest, concentrated and indirect impacts in other countries. While it is too early to determine the long run impacts of the global economic slowdown on AMS or the full impacts of SP policy responses, some preliminary lessons are emerging. Some raise issues which would benefit from regionally coordinated responses, others would benefit from cross-regional sharing of experience to provide the lessons across AMS, and others will require specific country-based responses.

The cumulative impacts of the FFF crises have brought home that shocks are a fact of life in ASEAN, and that SP systems will increasingly need to respond to a variety of shocks having different transmission channels. The responses to the GFC potentially represent a watershed in how AMS look at social protection and the policy priority they give it. The GFC has highlighted that well designed and implemented SP programs are not simply welfare measures, but can be efficiency as well as equity enhancing. For Member States which place a premium on competitiveness, the social risk management and efficiency enhancing functions of social protection systems are central.

The GFC has also emphasized that effective and timely SP crisis response is in large part a function of what was in place prior to the crisis. Waiting until the onset of a crisis to introduce programs, develop delivery platforms, or strengthen targeting systems is likely to result in delays. In contrast, AMS with well-developed SP systems have been able to respond quickly and more coherently to the GFC. The nature of the SP system that Member States choose is likely to reflect the heterogeneity of ASEAN itself - there is no "right" or "one-size-fits-all" set of SP policies. However, whatever the level of development, experience from the GFC response suggests that blending safety net, active labor market, and livelihood responses - complemented by longer run efforts to expand social insurance coverage - will help address the needs of different groups during periods of crisis and provide flexibility of response.

Recommendations

In order to facilitate future crisis response and improve social risk management in non-crisis periods, several issues deserve attention from policymakers in AMS, some of them suggesting possible coordination, convening and facilitation roles for ASEAN as a regional body.

(a) **Social impact monitoring.** The GFC has demonstrated a clear need for more timely and good quality data for monitoring crisis impacts, which can also help to improve monitoring of social dynamics on a sustained basis. Initial efforts could be focused on the following three main areas.

1. **Strengthen country statistical systems to collect better, more frequent social sector/employment data (Labor Force Surveys – LFS – and Household Surveys), with the goal of building capacity to respond quickly in crises.** While some AMS already produce critical labor and household data with reasonable frequency, most systems can be strengthened by identifying ex-ante a handful of critical social indicators to be monitored at higher frequency. Initially such indicators would be drawn from existing data sources and may in some AMS be somewhat limited. Other AMS already produce such data or have plans to do so with greater frequency. The main areas for focus in crisis monitoring are those discussed in Section 1 of this report, including disaggregated data on national and sectoral growth rates; sectoral employment rates and net job creation/destruction rates by sector; wages trends by sectors; timely data on remittance flows and migration/return migration; information on access to basic health and education services; and public spending on key sectors and programs. These should be disaggregated spatially and by gender. Some indicators, while desirable, will remain unlikely to be available with sufficient frequency. The key one is poverty rates, which are likely to be measured reliably in relatively infrequent nationally representative surveys. A useful way of dealing with this constraint is using the most recent available data to carry out simulations on the likely poverty impacts of crisis, given available information on past poverty/employment/growth elasticities, the sectoral composition of employment, crisis impacts and poverty, etc. While imperfect, such simulation exercises can be useful in terms of prioritizing policy responses when time is of the essence. Other indicators such as health and education outcomes are unlikely to be available and also less likely to be useful in the immediate crisis response, given the significant lags between impacts on service access and outcomes.
2. **Develop rapid surveys to fill critical information gaps in times of crises.** These surveys, such as sentinel site surveys and rapid social impact surveys, do not necessarily need to be nationally representative, but to capture critical indicators in key sectors and regions. The surveys could be collected at relatively low frequency in normal times, with the frequency being increased during crises. Sentinel site surveys may be preferable where countries have the capacity to quickly implement small scale surveys, but rapid qualitative assessments are a good alternative and can provide useful information to capture rapidly evolving circumstances at the firm and household levels, filling critical information gaps.

3. **Strengthen the collection and use of administrative data.** An area that is sometimes overlooked, but that can potentially be an important resource for social monitoring is administrative data collection. Most AMS already collect important administrative data in areas such as health, education, etc., but the information tends to be processed slowly, with significant lags in the update of registries and in the aggregation of individual observations. These difficulties in processing data translate into long “turnaround” times and, often, a lag of 6-12 months between when the information is collected and when it can be analyzed. Strengthening country level capacity to collect and process administrative data, focusing on safeguarding the quality of the information and on shortening the time needed to aggregate it so it can be used for policy making, could greatly contribute to improve social monitoring both in regular and crisis times, at relatively low opportunity cost where the information is already available.

Within the areas identified above, there is a role for ASEAN/ASEC to facilitate individual country efforts at the regional level. In particular, within the framework set by the ASEAN Charter (2008), the discussion of a new Framework of Cooperation in Statistics is underway, with the goal of building an ASEAN Community Statistical Systems (ACSS)¹⁰. Areas under discussion for enhanced statistical cooperation include, among others, data harmonization (mostly related to trade and FDI) and cooperation on national accounts and labor statistics. However, a common set of indicators could also be identified across AMS to facilitate regional monitoring of core socio-economic indicators in the longer run. USAID is currently providing technical support to ASEC towards the development of an agreed set of regional statistics on poverty, and existing sources such as ILO databases could be of use in specific areas such as employment. It will be important to start with indicators which are already commonly available in AMS and with strengthening country statistical systems. Moreover, this process should be accompanied by efforts to develop simple monitoring tools and improve the use of existing administrative data. This will be a long process in lower capacity AMS, and there will be an ongoing need for technical support from the higher capacity AMS and international technical and donor agencies. ASEC could play a significant role in convening both public and non-government research and statistical institutions which can share resource materials and act as resource agencies for their wider use in individual countries, facilitating the sharing of best practices and provision of essential technical cooperation.

- (b) **Strengthening of Social Protection policies and programs.** The GFC has also shown that countries with well-developed SP systems were better placed to react quickly through existing channels when the crisis hit. While it is natural to expect that the consolidation of a fully developed social protection system will take time, efforts to improve program coverage, institutional coordination and program evaluation could bring large returns in terms of program effectiveness.

1. **Improving targeting and program coverage.** Identifying program beneficiaries through appropriate targeting and achieving optimum coverage is not an easy task. Optimal targeting methods will likely vary for programs

¹⁰ <http://www.aseansec.org/24191.htm#Article-5>

designed to assist people who have suffered from a shock as opposed to the chronically poor, for example. Moreover, some categories, such as informal and migrant workers, are more likely to suffer from exclusion as mentioned in section III. Individual countries should choose the most appropriate targeting method(s) given program objectives, resources and institutional capacity constraints, but there is significant value added in learning from recent experiences in AMS and other regions in the world.

In the particular case of migrant workers, the GFC has highlighted the challenges for both destination and source countries in promoting an orderly and welfare-enhancing flow of migrant workers. This is not a straightforward area, given the variable nature and profiles of migrant workers, ranging from high-end formal sector workers to illegal and highly informalized migrant workers. A first step towards maximizing the benefits of migrant labor for host and sending countries and workers could be to initiate analytical and policy work to understand the constraints and possibilities for greater inclusion of migrant workers in national social security systems in host countries. While the ultimate objective should be to include legal migrant workers in the social security systems of host countries, this will frequently run up against the same challenges that including national workers in the informal sector face. A second area which deserves attention is strengthening the databases on migrant workers, which will facilitate oversight and support in regular times and particularly during future crises. Thirdly, ensuring adequate regulation within sending countries of labor agents who act as middlemen in facilitating identification, placement and movement of migrant workers will be an ongoing need which needs to strike a balance between promoting the flow of workers and ensuring that they have basic worker protection in place at the destination. This should also include an emphasis on keeping good statistics on the flow of workers through such channels. Agencies such as ILO have considerable expertise in this area.

2. **Improving institutional coordination.** Crises often provide a window of opportunity to rethink existing institutional coordination mechanisms, or to create new ones when these don't exist or are not strong enough. Some AMS have recently taken important steps towards reducing program fragmentation and increasing institutional coordination in the administration of social sector policies, and most countries in the world have, at some stage, had to decide the most effective way to manage social policies. In some cases, countries have chosen to create Ministries or central agencies variously localized within the Government structure, while others have opted for developing inter-institutional coordination mechanisms of various types. These reform efforts are naturally country specific and largely dependent on context, though there is substantial scope for learning from other countries' experiences.
3. **Strengthen country systems to evaluate Governments' responses.** To strengthen the impacts of Governments' responses in the short-term and to enhance governments' abilities to respond to similar crises/shocks in the longer term, there would be a need to monitor and evaluate not only social outcomes but the impacts of the adopted policy measures. This could be done by creating evaluation units in ministries that would work with statistical offices in tailoring surveys to capture the effectiveness of adopted programs and measures.

Within all of the areas identified above, ASEAN/ASEC can play a role at the regional level by promoting exchanges of good practices among AMS and beyond. In particular, identification of the poor for the purposes of targeting social protection interventions is an area of considerable dynamism in recent years in AMS. At the same time, some of the core technical knowledge and skills needed to experiment with different targeting methods are in short supply across the region, and in particular in lower income AMS. ASEC through bodies such as SOMRDPE (ASEAN Senior Officials Meeting on Rural Development and Poverty Eradication), SOMDP (ASEAN Senior Officials Meeting on Development Planning), SLOM (ASEAN Senior Officials Meeting on Labour), SOMSWD (ASEAN Senior Officials Meeting on Social Welfare and Development), and AHSOM (ASEAN Heads of Statistics Offices Meeting) can play a facilitating role in convening agencies for exchange of emerging successful experiences in targeting, institutional coordination, and program evaluation mechanisms.

Moreover, ASEC could facilitate cross-country dialogue and promote the inclusion of migrant workers in national security systems of host countries. Senior Labor Officials Meeting (SLOM) is currently developing a regional instrument on migrant workers, and this provides a useful source of dialogue on the issue. In particular, the efforts within this process to agree a common definition of migrant workers will be an important first step. To promote the inclusion of migrant workers in national social security systems, ASEAN could initiate more policy work on this sensitive area through initial work to develop a cross-country inventory of national practices with respect to migrant workers.

Finally, ASEC can contribute to documenting good practice in social protection crisis response and to developing a database of experts who can support design and implementation of future programs. While many lessons were learnt about effective crisis response from the 1990s Asian crisis, it is also evident that systematic documenting of experiences, policy responses and outcomes of those responses was less complete than desirable. In order to facilitate future crisis responses of AMS, ASEC can play a useful role – in cooperation with national and regional research institutions and possibly development partners – in acting as a central repository for documentation on crisis impact and response.

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ANNEX 1

THE WORLD BANK'S STAFF INVOLVED IN THE WRITE-UP OF THE REGIONAL REPORT

Name	Designation
Emmanuel Jimenez	Sector Director, EASHD
Vikram Nehru	Sector Director, EASPR
Xiaoqing Yu	Sector Manager, EASHS
Philip O'Keefe	Lead Economist, EASHS
Andrew Mason	Lead Economist, EASPR
Jamele Rigolini	Senior Economist, LCRCE
Xiao Ye	Economist, EASPR
Martin Reichhuber	Consultant, EASPR
Sara Giannozzi	Consultant, EASHS
Minna Hahn Tong	Consultant, EASHS

THE ASEAN SECRETARIAT'S STAFF INVOLVED IN THE OVERALL PROJECT

Name	Designation
Dr. Donald Tambunan	Head, Social Welfare, Women, Labour & Migrant Workers Division, ASEAN Socio-Cultural Community (ASCC) Department
Mega Irena	Senior Officer, Social Welfare, Women, Labour & Migrant Workers Division, ASCC Department
Liza Sjamsoeddin	Technical Officer, Social Welfare, Women, Labour & Migrant Workers Division, ASCC Department

IN-COUNTRY CONSULTATIONS (AUGUST – SEPTEMBER 2009)

INDONESIA

Date	Agency	Person
17 September 2009	Deputy to the Minister for Poverty Alleviation, Coordinating Ministry for People's Welfare	Dr. Ir. Sujana Royat, DEA (and staff)
	Deputy to the Minister for Monitoring and Evaluation, National Development Planning Agency (Bappenas)	Dr. Ir. Bambang Widiyanto, MA
	Deputy to the Minister for Poverty, Labor and Medium/ Small Enterprises, National Development Planning Agency (Bappenas)	Dr. Prasetijono Widjojo MJ, MA
	Director for Poverty Reduction, National Development Planning Agency (Bappenas)	Dr. Ir. Endah Murniningtyas, MSc (and staff)
	Director for Protection and People Welfare, National Development Planning Agency (Bappenas)	Drs. Pungky Sumadi, MCP, PhD (and staff)
	Deputy to the Director General for Social Statistics, National Statistics Office (BPS)	Arizal Ahnaf, MA
	Director for Development Methodology of Census and Survey, National Statistics Office (BPS)	Dr. Hamonangan Ritonga, MSc. (and staff)
	Director, Statistics and Employment, National Statistics Office (BPS)	Dr. Wendy Hartanto, MA (and staff)
	Director for People Welfare Statistics, National Statistics Office (BPS)	Happy Hardjo, MEc (and staff)
	Director for Social Empowerment Statistics, National Statistics Office (BPS)	Drs. Wynandin Imawan, MSc (and staff)

LAO PDR

Date	Agency	Person
16-17 September 2009	Ministry of Education, Department of Planning	Sengsomphone Viravouth, Director General Nouamkham Chanthabouly, Acting Director of Female, Planning and Cooperation Department
	Ministry of Public Health, Department of Planning	Vongsanith Monkonvilay, Deputy Director General of Planning and Corporation Department Bouaphat Phonvisay, Technical Officer, Planning and Corporation Department Ouneheuane Chittaphong, Deputy Director General, Planning and Corporation Department (MPI)
	Ministry of Labor and Social Welfare, Department of Labor	Khamkhane Phinsavanh, Director General, Labour Management Department Boungnorth Chanthavone, Chief, Administration Planning & Cooperation Social Security Organisation Silivongsone Dararahmy, Technical Officer, Division of Skills Development, Skills Development and Employment Department Mixay Sengchanthavong, Deputy Director of Policy and Planning, Division of Skills Development, Skills Development and Employment Department Thonephokham Inthasone, Technical Officer, Labour Management Department Southchalith Vomgkhaione, Technical Officer, Labour Management Department
	Ministry of Planning and Investment, Department of Planning	Kalouna Nanthavongduangsy, Deputy Director, Social Development Planning Division, Planning Department
	Ministry of Finance, Department of Policy	Boualith Khounsy, Director Division, ASEAN Division, Fiscal Policy Department
	Ministry of Planning and Investment, Department of Statistic & Department of Planning	Mrs. Phetsamone Sone, Deputy Director General, National Statistic Department Vixay Santhivong, Director of Division, Division of National Accounting, National Statistic Department
	Lao National Tourism Administration	Mr. Thaviphet Oula, Deputy Director of Division, Planning and Corporation Xaynalong Bounta, Technical officer Division of Statistic, Planning Department

MALAYSIA

Date	Agency	Person
7-8 September 2009	Ministry of Rural and Regional Development	Mohd. Haniff Bin Hassan; Nursiah Bt. Arshad, Deputy Secretary General (Policy)
	Ministry of Human Resources	Datin Junaidah Bt Kamarrudin, Secretary; Norfaliza Ismail, Principal Assistant Secretary, International Division
	Department of Statistics	Dr. Hj.Abdul Rahman Bin Hassan, Deputy Chief Statistician (Economy)
	Ministry of Finance	Yap Lay Hua, Head Regional Finance Cooperation Section; Dr. Sundaran Annamalai, Deputy Under Secretary (Fiscal)

MYANMAR

Date	Agency	Person
16-17 September 2009	Department of Development Affairs	Mr. Myo Mint, Director General; Mr. Tun Iwin, Deputy Director
	Ministry of National Planning and Economic Development	Ms. Tin Moe Moe ; Ms. Thin Thin Nwe
	Central Statistical Organisation	Mr. San Myint, Director
	Department of Labour	Khin Ma Ma Swe, Director ; Aye Mon Soe, Assistant Director
	Department of Social Welfare	Mr. Aung Myat Oo
	Department of Education, Planning and Training	Mr. Aung Htay Win
	Department of Health	Dr. Tin Win Kyaw, Director Public Health
	Central Bank of Myanmar	Mr. Ko Lay Win
	Myanmar Insurance Enterprise	Mr. Aung Thein Tun

PHILIPPINES

Date	Agency	Person
17 September 2009 (some previous consultations done in August 2009)	National Anti-Poverty Commission	Mr. Domingo Panganiban, Secretary Ms. Agnes Catherine Miranda, Director Macro Policy Unit
	National Anti-Poverty Commission	Ms. Milca Anoso Staff, NAPC Macro Policy Unit
	National Economic and Development Authority	Ms. Violeta Corpuz, Assistant Director, NEDA Project Monitoring Staff Mr. John Callanta and Mr. Myk Dumlao, NEDA Project Monitoring Staff
	National Economic and Development Authority	Ms. Tess Lagarto, Division Chief, NEDA Social Development Ms. Girlie Casimiro, NEDA Social Development
	Department of Social Welfare and Development	Ms. Margarita Sampang, Director, 4Ps
	Department of Social Welfare and Development	Mr. Vincent Leyson, NHTS-PR National Project Manager
	Department of Social Welfare and Development	Mr. Adrian Aldea, DSWD Program Management Bureau
	Department of Labor and Employment	Ms. Teresa Peralta, OIC-Director, DOLE Bureau of Labor and Employment Statistics Ms. Christine Suarez, DOLE Bureau of Labor and Employment Statistics
	Department of Labor and Employment	Ms. Thelma Magat, DOLE Office of Undersecretary
	Philippines Central Bank	Ms. Hecelyn R. Reubustes, BSP Department of Economic Statistics

SINGAPORE

Date	Agency	Person
9 September 2009	Ministry of Community Development, Youth and Sports; Ministry of Manpower; Ministry of Finance; Department of Statistics (Ministry of Trade and Industry)	Liason: Pamela Lee, Chang Yong Qi, ComCare and Social Support Division (CSSD) of MCYS

THAILAND

Date	Agency	Person
2-14 September 2009		K. Sophon Asvanuchit, Advisor to DPM Kobsak
	Ministry of Finance	K.Trairak Tengtrairak, Advisor to Finance Minister
	TDRI	Dr.Viroj Na Ranong, Research Director
	NESDB	
	TDRI	Dr. Worawan Chandoevwith; Dr.Somchai Jitsuchon
		Dr.Kanok Wongtra-Ngan, Advisor to PM
	Fiscal Policy Office	K.Somchai Sujjapongse, Director General
	Ministry of Social Development and Human Security	K.Saranpat Anumatrajkit, Director of International Affairs
	Workshop	

VIET NAM

Date	Agency	Person
14-21 September 2009	Oxfam	Mr. Steve Price
	VASS	Mr. Nguyen Thang
	UNDP	Mr. Nguyen Tien Phong
	MARD, IR Department	Mr. Tran Van Cong
	ILSSA	Ms. Lan Huong & Mr. Luu Quang Tuan
	MOLISA – Social Protection Department	Mr. Tran Huu Trung, Ms. Le Minh Giang & Ms. Le Kim Dung
	UNDP, Adviser on NTPPR, MOLISA	Mr. Peter Chaudhry
	IPSARD	Mr. Dang Kim Son

Cambodia and Brunei Darussalam: No meetings scheduled. Information provided through prior engagement on crisis impacts for Cambodia, and through written materials provided by the Government of Brunei. Informal discussions were also held with the government officials of Brunei Darussalam during the Conference the Impact of the Global Economic Slowdown on Poverty and Sustainable Development in Asia and the Pacific, Ha Noi, Viet Nam, 28-30 September 2009.

WORKSHOP ON THE PROJECT OF THE ASEAN ASSESSMENT ON THE SOCIAL
IMPACT OF THE GLOBAL FINANCIAL CRISIS
8-9 DECEMBER 2009, BANGKOK, THAILAND

BRUNEI DARUSSALAM

No.	Name	Title
1.	Ms. Hajah Amimah Haji Abdullah	Assistant Director of Planning, Department of Economic Planning & Development
2.	Ms. Norfatiniwati Muhammad	Assistant Economic Officer, Department of Economic Planning & Development

CAMBODIA

3.	Mr. Siv Vannara	International Cooperation Department, Ministry of Labour and Vocational Training
4.	H.E. Pagnathun Theng	Deputy Director General, General Directorate of Planning, Ministry of Planning
5.	Mr. Heang Lenh	Deputy Director Department, National Institute of Statistics, Ministry of Planning

INDONESIA

6.	Mr. S. Happy Hardjo	Director of Statistical People's Welfare - BPS Statistics
7.	Mr. Hariyadi Agah	Head of Multilateral Cooperation Division, Ministry of Manpower and Transmigration
8.	Mr. Ridho Amrullah	Staff of Multilateral Cooperation Division, Ministry of Manpower and Transmigration
9.	Ms. Rahma Iryanti	National Development Planning Agency

LAO PDR

10.	Mr. Chit Thavisay	Deputy Director General, NLCRDPE Prime Ministers Office
11.	Mr. Phongsaysack Inthalath	Deputy Director General, Labour Management Dept, Ministry of Labour and Social Welfare
12.	Mr. Chomyaeng Phengthongsawat	Director of International Relation and Coop Division, Ministry of Labour and Social Welfare
13.	Ms. Sipaphaphone Chounramany	Technical Officer, Planning Department, Ministry of Planning and Investment

MALAYSIA

14.	Mr. Zulyadain Limat	Assistant Secretary, National Social Policy Implementation Division, Ministry of Women, Family and Community Development
15.	Mr. Hj. Ismail Yusoff	Deputy Chief Statistician, Department of Statistics
16.	Ms. Manorancitham Rathnam	Principal Assistant Secretary, Strategic Planning Division, Ministry of Rural and Regional Development
17.	Mr. Md Sabri bin Karmani	Deputy Director General, Labour Department, Ministry of Human Resources
18.	Ms. Saidah Hashim	Principal Assistant Director, Distribution Section, Economic Planning Unit

MYANMAR

No.	Name	Title
19.	Mr. Tun Than	Deputy General Manager, Social Security Board, Ministry of Labour
20.	Dr. Tun Lwin	Deputy Director, Department of Development Affairs, Ministry of Progress of Border Areas and National Races and Development Affairs
21.	Mr. Myo Set Aung	Deputy Director, Department of Social Welfare, Ministry of Social Welfare, Relief and Resettlement
22.	Ms. Myint Myint Win	Assistant Director, Central Statistical Organization Ministry of National Planning and Economic Development
23.	Ms. Mya Mya Htay	Assistant Director, Planning Department Ministry of National Planning and Economic Development

PHILIPPINES

24.	Ms. Agnes Catherine Twano Miranda	Director, Macro Policy Unit, National Anti-Poverty Commission
25.	Ms. Joji Aragon	Assistant Secretary, OSEC, Department of Labour and Employment
26.	Ms. Honorita Bayudan	Regional Director, Department of Social Welfare and Development
27.	Ms. Bernadette Balamban	OIC, Social Sectors B Division, National Statistical Coordination Board
28.	Ms. Myrna Clara Asuncion	Assistant Director, National Economic and Development Authority

SINGAPORE

29.	Ms. April Chin	Social Assistance Policy Officer, ComCare and Social Support Division, Ministry of Community Development, Youth & Sports
30.	Mr. Eu-Fah Edmond Lee	Deputy Director Income, Expenditure and Population Statistics Division, Singapore Department of Statistics

THAILAND

31.	Mr. Boontham Lertsukekasem	Director, Policy and Planning Bureau, Ministry of Interior
32.	Ms. Wimolrat Ratchukool	International Affairs Office, Ministry of Social Development and Hum Sec
33.	Ms. Piengpaph Withyachumnarnkul	Chief of Foreign Relation, Department of Employment, Ministry of Labour
34.	Ms. Ruayrin Kogkonta	Statistician Ministry of Information and Communication Technology
35.	Ms. Saowaluck Inbrumbrunt	Statistician Ministry of Information and Communication Technology
36.	Ms. Jinangoon Rojananan	Director of the Social Development Strategy and Plan Office National Economic and Development Board , Office of the Prime Minister
37.	Mr. Voravit Vorathanyakit	Senior Policy and Planning Analyst Office of the Prime Minister Office of the National Economic and Social Development Board

VIET NAM

No.	Name	Title
38.	Mr. Vinh Tran Minh	Ministry of Agriculture and Rural Development
39.	Mr. Van Nong Nguyen	Senior Advisor, General Statistics Office
40.	Mr. Hieu Trung Tran	Central Institute for Economic Management, Ministry of Planning & Investment
41.	Mrs Nguyen Thi Lan Huong	Director of Institute of Labor Sciences and Social Affairs Ministry of Labor, Invalids, and Social Affairs
42.	Ms Vu Lan Huong	International Cooperation Department Ministry of Labor, Invalids, and Social Affairs

ASEAN SECRETARIAT

43.	Dr. Donald Tambunan	Head, Social Welfare, Women, Labour and Migrant Workers Division ASEAN Socio-Cultural Community Department
44.	Ms. Mega Irena	Senior Officer, Social Welfare, Women, Labour and Migrant Workers Division ASEAN Socio-Cultural Community Department
45.	Ms. Ramadani Sukono	Technical Assistant, Social Welfare, Women, Labour and Migrant Workers Division ASEAN Socio-Cultural Community Department
46.	Dr. Aladdin Rillo	Head, Finance Integration Division, ASEAN Economic Community Department
47.	Mr. John Frederick de Guia	Senior Officer for Statistics, ASEAN Economic Community Department

INTERNATIONAL COUNCIL FOR SOCIAL WELFARE

48.	Ms. Braema Mathiapparanam	Regional President
-----	---------------------------	--------------------

ASIADHRRRA

49.	Ms. Marlene Ramirez	Secretary General
-----	---------------------	-------------------

AUSAID

50.	Ms. Jessica Hoverman	First Secretary, AusAID Jakarta
51.	Mr. Edward Archibald	Director, Economics and Public Finance

WORLD BANK

No.	Name	Title
52.	Mr. Philip O'Keefe	Lead Social Protection Economist, Human Development Sector Unit East Asia and Pacific Region, World Bank
53.	Ms. Xiaoqing Yu	Sector Manager, Social Protection & Lead Economist Human Development Sector Unit, World Bank
54.	Ms. Asmeen Khan	Lead Governance Specialist, East Asia Regional Governance Hub, World Bank
55.	Ms. Sara Giannozzi	Economist, East Asia and Pacific Human Development, World Bank
56.	Mr. Martin Reichhuber	Economist, Poverty Reduction and Economic Management, World Bank
57.	Dr. Ririn Salwa Purnamasari	PREM - Poverty Team, World Bank Jakarta
58.	Dr. Valerie Kozel	Senior Economist, Poverty Reduction and Economic Management, World Bank Ha Noi
59.	Ms. Rashiel Velarde	Social Protection Analyst, Human Development Department, World Bank Manila
60.	Ms. Carrie Turk	Senior Social Development Specialist, World Bank
61.	Ms. Piriya Pholphiral	Human development Economist, World Bank Bangkok Office
62.	Ms. Rawong Rojnavit	Operation Officer, Regional Governance Hub, World Bank Bangkok Office
63.	Mr. Jamele Rigolini	Senior Economist, East Asia and Pacific Region, World Bank

INTERNATIONAL LABOUR ORGANIZATION

64.	Dr. Armin Bauer	Senior Economist, Regional Sustainable Development Department, ADB Manila
65.	Dr. Luxmon Attapicj	Country Economist, ADB Thailand Resident Mission

INTERNATIONAL LABOUR ORGANIZATION

66.	Dr. Gyorgy Sziraczki	Senior Economist and Head, Regional Economic and Social Analysis Unit, ILO Regional Office for Asia & the Pacific
-----	----------------------	---

GTZ

67.	Mr. David Oberhuber	Country Director, GTZ Thailand
68.	Mr. Apichai Suchindah	Policy Advisor, GTZ Thailand

UNICEF

69.	Ms. Dejana Popic	Social Policy Officer, Social Policy and Economic Analysis Department, UNICEF EAPRO
-----	------------------	---

UNDP

70.	Dr. Michaela Prokop	Senior Technical Advisor, Economic Crisis Monitoring and Response, UNDP Jakarta
71.	Mr. Taimur Khilji	Policy Specialist, MDG/Poverty, UNDP Jakarta

OXFAM INTERNATIONAL

72.	Ms. Wahyuningrum	Policy Advisor – ASEAN
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