



Economic and Social Council

Distr.: General
2009

Original: English

ADVANCED UNEDITED VERSION

Substantive session of 2009

Geneva, 30 June – 3 July 2009

Item 2 (c) of the provisional agenda*

High-level segment: thematic discussion

Theme of the 2009 high-level segment of the Economic and Social Council: Current global and national trends and their impact on social development, including public health

Report of the Secretary-General

Summary

The world economy is in the most severe financial and economic crisis since the Great Depression. Virtually all economies will see a marked slowdown in 2009, with the contraction in the developed economies translating into weaker growth in all other countries. The slowdown is rapidly transmitted through trade, which is estimated to decline by roughly 9 per cent in 2009. Unemployment rates are rising in many countries, straining national budgets and putting pressure on disposable household incomes. In many developing countries, the negative impact of the crisis on employment constitutes a major setback in efforts to achieve the MDGs and, in particular, the goal of eradicating extreme poverty and hunger. The impact of global financial and economic crisis seems to have exacerbated the effects of on the earlier food and energy crises, which, according to some estimates, pushed 130 -155 million people into poverty.

This report analyzes the impacts of these trends on social development, focusing on poverty and hunger; social cohesion; public spending on social areas, such as social protection, safety-nets, education and health; job security; and food security. The report pays special attention to the implications of the current trends for the health-related goals and makes a number of recommendations to deal with the challenges.

* E/2009/100

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I. Introduction

1. This report focuses on (a) the current global and national trends, especially in the wake of the global financial and economic crisis, fluctuations in the prices of fuel and food; (b) how these trends are impacting on social development; (c) the specific implications of these trends for pursuing public health goals, including the realization of the objective of “Health for All” articulated strongly by the World Health Organization (WHO); and (d) how to address emerging challenges in the short, medium and long term.

2. This report should be read in conjunction with the report of the Secretary-General for the Annual Ministerial Review (AMR) on the theme “Implementing the internationally agreed goals and commitments in regard to global public health”.

II. Current Trends

3. The world economy is in the most severe financial and economic crisis since the Great Depression. After several years of robust global growth, the world economy is forecast to contract by about 2.0 per cent in 2009. Under a more pessimistic scenario, however, world gross product is anticipated to decline by 3.5 per cent this year.¹ Virtually all economies will see a marked slowdown in 2009, with the contraction in the developed economies translating into weaker growth in all other countries. Of particular concern is that growth of many developing countries will fall below the level that is needed in order to make meaningful progress towards achieving the Millennium Development Goals (MDGs).

4. A sharp decline in international trade flows, a collapse in commodity prices, a drop in international tourism and a moderation in remittances have contributed to a significant deterioration in the current account balances of many developing countries. At the same time, there has been a substantial reversal of capital flows to emerging countries, combined with a surge in the external financing costs, hampering investment activities, creating downward pressure on national currencies and leading to balance-of-payments crises in many emerging economies.

5. The global slowdown is rapidly transmitted through trade. The World Trade Organization (WTO) estimates that the global exports volume will decline by roughly 9 per cent in 2009, with developed economy exports falling by some 10 per cent on average and developing country exports shrinking by 2 -3 per cent.

6. An additional constraint for economic activity stems from the tight conditions in corporate credit markets. Retail businesses and industrial firms are finding it increasingly difficult to finance their business operations in view of tighter lending conditions, in many cases threatening their existence and

¹ World Economic Situation and Prospects as of Mid-2009, UN/DESA, forthcoming.

jeopardising millions of jobs. Consequently, unemployment rates are rising in many countries, straining social expenditures and putting pressure on disposable household incomes, which could lead to further economic contraction due to continued tightening of household spending. In many developing countries, the negative impact of the crisis on employment constitutes a major setback to efforts to achieve the MDGs and, in particular, the goal to eradicate extreme poverty and hunger. The preliminary estimates of the International Labour Organization (ILO) in late 2008 indicate that the number of unemployed would rise from 179 million in 2007 to 203 - 231 million in 2009. Developing countries are likely to experience a loss of at least 50 million jobs in 2009.²

7. According to the World Bank's vulnerability assessment, about 40 per cent of developing countries are highly exposed to the poverty effects of the financial crisis and an additional 56 per cent of countries are moderately exposed. Only one quarter of the exposed countries have a reasonable fiscal capacity to undertake counter-cyclical spending. Moreover, one third of those countries with reasonable fiscal capacity are aid dependent and will require external support to finance increased spending. Three quarters of the exposed countries with limited fiscal capacity require assistance to protect poor households.³

8. Oil prices averaged about \$94 per barrel for 2008 and average prices are likely to be around \$50 per barrel during 2009. OPEC estimates that oil revenues for its member States will total \$400 billion, less than half their value of \$900 billion in 2008. This will have a negative impact on fiscal and current account balances in these countries and on their ability to fund social development activities. On the other hand, this will ease the pressure on the budgets of oil-importing countries.

9. Although they remain relatively high and volatile, agricultural commodity prices have fallen significantly since mid-2008. The Food Price Index of the United Nations Food and Agriculture Organization (FAO) has fallen over 34 percent from its peak of 214 in June 2008 to 141 by March 2009. The financial crisis and more significantly the global recession have contributed to the significant fall in agricultural commodity prices. Despite the decline in international prices, domestic food prices remain very high in several developing countries, affecting access to food of low-income population groups.

10. Meanwhile, threat of climate change looms large. Recently, there have been number of studies, which point out that the pace of change is much faster than the one earlier predicted. While efforts towards the realization of commitments made under the Kyoto Protocol continue, the negotiations on the next step of agreement to be reached in Copenhagen in December 2009 have started. All evidence points to the need for significant collective actions to reduce the greenhouse gas (GHG) emissions and the need to reach a comprehensive agreement at Copenhagen which

² ILO, *Global Employment Trends for Women*, Geneva, March 2009.

³ World Bank (2009), "The Global Economic Crisis: Assessing Vulnerability with a Poverty Lens" Policy Note

will include the environmental and developmental challenges of addressing climate change.

11. In this time of great uncertainty, it was reassuring that the leaders of the Group of Twenty (G-20) expressed at the recent London Summit their commitment to fight against protectionist pressures and to maintain efforts towards the MDGs. In particular, they made a strong commitment to support social protection and to build a resilient, sustainable and green recovery.

III. Impacts of the current trends on social development

A. Effect on poverty and hunger

12. With lower economic growth, estimates from the World Bank for 2009 suggest that 46 million more people will fall below the \$1.25-a-day poverty line and an extra 53 million people will be trapped on less than \$2 a day compared to the estimates before the crisis unfolded.⁴ The global financial and economic crisis is superimposed on the rapid surge in food and energy prices experienced in 2008, which had pushed 130 -155 million people into poverty.⁵

13. High food prices have caused severe damage to nutrition levels, health and increased the vulnerability of poor rural households. The global financial and economic crisis is another shock that is likely to have severe implications for hunger across the globe. According to the FAO, higher food prices pushed 115 million people into hunger in 2007 and 2008, making the total number of people suffering from hunger and malnutrition to 963 million people.

14. In these conditions, there is a serious doubt on the achievement of the MDG of halving extreme poverty and hunger in the world by 2015. The financial and economic crisis is likely to affect all income groups, while high food prices will particularly impact the poorest segments of society. The urban poor are probably most at risk because of the impact the crisis will have on employment, especially in income-sensitive sectors, such as construction, manufacturing and tourism, as well as on wages, government expenditures and social protection systems. Rural areas are likely to be most affected by a decline in volumes and prices of commodities produced in rural areas and by lower transfers from urban areas or overseas.

B. Effect on social cohesion

15. At this time of economic hardship, social cohesion is under threat, with rising social tensions and increase of violence in general, and violence against

⁴ World Bank, "Crisis Hitting Poor Hard in Developing World", Press Release No. 2009/220/EXC, Washington, D.C., 12 February 2009.

⁵ It should be noted that the use of PPP exchange rate may seriously underestimate the impact of food crisis on poverty.

women in particular. Violence against women reduces the capacity of victims/survivors to contribute productively to the family, the economy and public life; drains resources from social services, including health-care agencies, the justice system and employers; and lowers the overall educational attainment, mobility and innovative potential of the victims/survivors, their children and even the perpetrators of such violence.⁶ Researchers have conservatively estimated the global costs of violence against women in the billions of dollars annually.⁷

16. Moreover, increased unemployment, rising poverty, and a general sense of despair can potentially give rise to social conflicts. Tensions can be caused between national and migrant populations. Migrants are at risk of becoming scapegoats in times of crisis with rising resentment against foreign workers. Lack of social cohesion is likely to undermine efforts to deal with the consequences of these crises as well as realization of the MDGs. Governments will need to ensure that efforts to address unemployment and rising poverty also promote social cohesiveness, as social integration is essential for achieving the MDGs.

C. Public spending on social areas

17. The economic consequences of the present global financial and economic crisis will have serious negative impacts on social development, in particular on progress towards health-related and other MDGs. Fiscal pressures in affluent countries will prompt cuts in official development assistance, which is an important source of health financing for many of the poorest countries. There is also the fiscal costs of adaptation to climate change, for which aid resources may be diverted. Fiscal revenues of low-income countries will also fall as a result of the economic downturn, which could force their governments to cut back on social spending with long lasting effects on human development. Therefore, a conscious effort must be made to maintain or direct massive resources for public investments in infrastructure, food production, education and health in order to achieve the MDGs.

18. In response to the crisis, a few countries, including developing countries, have increased spending on education and health by either creating new programs or increasing funding for old programs. Furthermore, school and hospital construction is part of the rural development programs of several countries.

Box: South Africa

The Government of South Africa has introduced an expansionary budget, with budget deficit set to rise to 3.9 per cent of GDP, as a counter measure to the grim economic prospects while maintaining the course on the longer-term development

⁶ A/61/122/Add.1

⁷ Tanis Day, Katherine McKenna, and Audra Bowlus, 2005, *The Economic Costs of Violence against Women: An Evaluation of the Literature*, compiled in preparation for the Secretary-General's in-depth study on all forms of violence against women
<http://www.un.org/womenwatch/daw/vaw/expert%20brief%20costs.pdf>

challenges. On the education front, the Government will make an additional R8.1 billion available for hiring additional teachers and improving the remuneration of teachers. In addition, R4 billion will be added to the school nutrition programme. On health services, a new unit to address the quality of service provision, the National Office for Standards Compliance, will be established. An additional R1.8 billion will be available for the introduction of three new child vaccines. The spending on HIV/AIDS programmes will exceed R5 billion by 2009/2010. A further R5.3 billion will be available for improving remuneration for health workers and increasing staff levels.

Source: Budget Speech 2009, Minister of Finance, H.E. Trevor A. Manuel, South Africa, 11 February 2009

Box: China

The Government of China introduced a stimulus package of Rmb 4 trillion (\$586 billion), an amount equivalent to 15 per cent of GDP in November 2008. The spending is to be spread over two years. By March 2009, the Government has reviewed its plan and decided to place more emphasis on social welfare project, rural development and technology advancement. The public infrastructure, such as railway, road, irrigation and airport construction, is allocated the largest share of 38 per cent. The second largest share of 25 per cent is allocated to the reconstruction of regions hit by the Sichuan earthquake in May 2008. The social welfare projects, including the construction of low-cost housing, rehabilitation of slums and other social safety net projects, follows with the allocation of 10 per cent. Rural development and technological advancement share the same allocation of 9 per cent each. With China being the third-biggest economy in the world, sustaining economic growth at reasonably robust level would contribute toward cushioning the impact of the global slowdown.

Source: Financial Times, 10 November 2008; the Economic Observer Online, 7 March 2009.

19. Any reduction of social spending has a disproportionate impact on women and girls. Additionally, women and girls are negatively affected by reductions in social services and protection programmes, such as in education and health. And adverse impacts on women in terms of health, nutrition and education will also have much greater inter-generational consequences.

20. In the formal sector, where social protection measures are linked to individual contributions by employees, there is a bias against women due to gender wage-gaps and the fact that women spend less time in formal employment due to interruptions for childbearing and childcare. Some Governments have addressed the disadvantages experienced by working mothers through allocation of minimum pensions, re-distribution

towards low-income groups and credits given for years spent caring for children.⁸ However, such efforts could be curtailed in time of economic downturn. In addition, displacement from (or substantially reduced income in) the formal sector pushes people into informal sector activities, which may increase supply but potentially reduce incomes. It is imperative to have a properly designed social safety net, which should provide a predictable set of institutionalized mechanisms to help households in distress cope with shocks.

21. The impact of the current economic crisis is further felt on national pension systems. Aging populations, weak administration combined with early retirement and unaffordable benefits place extra burdens on both pension balances and overall public finances. In developing countries, already limited coverage of pension systems leaves the majority of the older population without social protection.

22. Although the importance of public spending on social areas is well recognized, many governments have limited options due to decreasing government revenues and increasingly difficult debt financing. Moreover, if the rapid inflation as in the past two years is factored in, public spending on social development is on the verge of stagnation in real terms. While social aid funds have been established in several countries, fiscal austerity is likely to affect the endowment of such funds.

D. Job security

23. Job losses are also increasing rapidly, with further layoffs already announced in industrialized and developing economies. As noted earlier, the ILO's preliminary estimates indicate that the number of unemployed would rise to 203 - 231 million in 2009. In OECD countries, unemployment rates were already 6.8 per cent in December 2008, 1.1 percentage point higher than a year earlier. In developing countries, at least 50 million jobs are likely to be lost in 2009. As more than half of the workforce of developing countries is already employed in conditions that fall short of decent work, the potential impact of the economic crisis on the livelihoods of the working poor will be much deeper than is reflected in a rise in unemployment rates. The rate of underemployment is also expected to increase sharply.

24. Volatility in financial markets has particularly harmful effects on prospects for decent work. It should be noted that even during the recent economic expansion, average real wages stagnated or fell. The past experience shows that the most vulnerable are the most affected during a downturn, through job losses and cuts in wages.⁹

25. There are numerous gender differentials related to decreased job security. Women have less job security than men as they are more often employed in the

⁸ Bridge (2009), *Gender and Care: Overview Report*, Institute of Development Studies, Brighton, UK.

⁹ ILO: *World of Work Report 2008: Income inequalities in the age of financial globalization*, International Institute for Labour Studies, Geneva, 2008.

casual and informal sector. When job security is reduced and incomes fall, girls are more likely to be withdrawn from school to contribute to household and on-farm labour. This creates a long-term deficit and imbalance in the human resource base, making it more difficult for countries to recover from economic crisis. Job loss creates poverty, and women and girls are more likely to be trafficked if family incomes disappear and subsistence thresholds are not met. In addition, women and girls who lose their livelihoods are often forced into transactional sex for food, shelter and goods, creating increased risks to their sexual and reproductive health as well as increased risks of gender-based violence, unwanted pregnancies and HIV infection.

26. On migrant workers, there have been advances in international cooperation and the normative framework related to social development, including, for example, the establishment of the Global Forum on Migration and Development, placing the challenges and benefits of international migration and development on the forefront of the development agenda. In economic downturns, however, migrant workers are among the first to lose their jobs. Countries have taken action in order to protect their national labour markets from the impact of the financial crisis, with deleterious effects on migrant workers. Rising unemployment among the immigrant populations affects the level of remittances sent home.

E. Food security

27. There are serious concerns that the international community will become more sanguine about the food crisis which is far from over. The food shortages are likely to re-surface. It is, therefore, imperative that the commitments made to address the food crisis including the impetus for strengthening the agricultural sector should be adhered to by all. Failure to do so may have serious development implications on nutrition, public health, trade and the environment. In 2008, the number of people suffering from chronic hunger reached 963 million, 70% of whom live in rural areas. At least half of the approximately 10 million child deaths that occur every year are linked to hunger and malnutrition. Structural problems, such as the lack of access to land, technology, markets, infrastructure, credit and risk-reducing mechanisms, remain major constraints for many smallholders to increase their production.

28. The global food security crisis endangers the lives of millions of people, particularly the world's poorest who live in countries already suffering from acute and chronic malnutrition.¹⁰ Among the most vulnerable are women and children under 5 who suffer diseases resulting from malnutrition and the consistent irreversible physical and mental damage that affects them throughout their lifetime. Women have unequal access to income as well as credit facilities, which are essential to ensure access to an adequate, diverse and nutritious diet.

29. The macroeconomic impacts of the financial and economic crisis in developing countries will also have significant negative effects on their agriculture

¹⁰ http://www.who.int/food_crisis/en/

sectors and food security. The extent of the impact in developing countries will depend not only upon the aggregate slowdown in growth rates but also upon their difficulties in borrowing and increasing dependence upon international credit and transfers to finance food imports and agricultural development.

30. Recognizing the urgency of addressing food security, world leaders gathered at the Madrid High-Level Meeting “Food Security for All” on 26-27 January 2009, where they renewed the commitments to halve the number of undernourished people in the world by 2015, as reflected in MDG.

31. The Madrid Meeting reaffirmed the international commitments of substantially increasing financial resources and ODA. The Meeting also underscored the urgent need to identify financing gaps and the additional resources needed for existing anti-famine mechanisms. In total, \$5.5 billion was pledged. Between the Rome (2008) and Madrid meetings, the international community has raised \$23 billion.

F. Malnutrition and health challenges

32. Inadequate dietary intake and disease are the immediate causes of malnutrition. Inadequate food consumption heightens vulnerability to infectious diseases, which, in turn, can keep the body from absorbing adequate food. These immediate causes stem from insufficient access to safe and wholesome food, poor maternal and child rearing practices and inadequate access to clean drinking water, safe sanitation and health services. Food insecurity, ill health and sub-optimal caring practices are all closely related to poverty. Poor people generally consume fewer than 2,100 calories per day. Lower-income households experience significantly higher rates of preschooler stunting and illness and worse caring practices than better-off families. Taken together, chronic and acute child malnutrition, low birth weights, suboptimal breastfeeding and micronutrient deficiencies lead to the deaths of 3.6 million mothers and preschool children each year, accounting for 35 percent of all preschooler deaths and 11 percent of the global disease burden. Difficult pregnancies and illnesses due to malnutrition cost developing countries \$30 billion annually. The combined food and financial crises are likely to cause greater micronutrient deficiencies, and increases wasting, stunting and underweight.

33. Increased food prices have led to reductions in dietary quality, even among populations not normally considered food insecure; and dietary quality deteriorates before dietary quantity. This dietary change is severely affecting health and nutritional status of hundreds of millions of people due to the rapidly increasing prevalence and severity of micronutrient deficiencies among economically disadvantaged groups.

34. Older people were also affected by the food crisis. Many older people cannot obtain decent work and lack basic income, making them one of the most

vulnerable social groups to the food crisis. They have frequently different diets and eating habits than younger people with increasing specific nutrition requirements to maintain organ systems with declining functionality. The elderly have more limited ability to access food in times of scarcity and high prices. In the absence of social safety nets, the most economically vulnerable, including the elderly, are hit first and perhaps the hardest.

IV. Specific implications for public health¹¹

35. The current crisis comes at a time when public health is at a cross roads. There has been significant progress towards the MDGs: child mortality has been reduced, the treatment and prevention have improved for HIV/AIDS, tuberculosis, malaria, poliomyelitis and neglected tropical diseases, and primary education, which has a major long-term effect on health, has significantly expanded. However, many challenges remain. Little progress has been made in maternal and newborn mortality, especially in Africa; nutrition has been relatively neglected; and in many countries, less than half the population has access to adequate sanitation or essential medicines.

36. The current global trends and multiple crises are set to have profound implications for public health. Countries that are particularly at risk include countries that have required emergency assistance and those that depend heavily on donor funding for health. Countries affected by or emerging from conflict, or those with few financial reserves, weak institutions or damaged infrastructure are especially vulnerable. Others, particularly Small Island Developing States, storm- and drought-prone countries as well as countries with extensive low-lying areas, have to face the economic downturn while coping with the imminent impact of climate change.

37. While the impact of the current crisis is still being analyzed, the experiences from the past suggest that populations' health as well as health services will worsen as unemployment rises, safety nets for social protection fall short, savings and pension funds erode, and health spending drops. Many private health insurers will be forced to operate under tight margins with likely consequence in higher premiums and reduction of benefits offered. ILO estimates that more than one third of the global population has no possibility of receiving the health services needed. Non-communicable diseases will likely increase. Prospective issues include mental illness, depression and anxiety, and a possible jump in the use of alcohol and other harmful substances due to increased stress. The crisis requires special attention to the health impact on vulnerable populations, women, elderly, and the young.¹²

¹¹ This section draws upon the WHO information note/2009/1, "The Financial Crisis and Global Health: Report of a High-Level Consultation", World Health Organization, Geneva, 19 January 2009.

¹² WHO Closing the gap in a generation, Final Report by the Commission on Social Determinants of Health, August 2 an array of simultaneous investments towards the MDGs 008; and http://www.who.int/social_determinants/final_report/en/index.html

38. Financial and economic policies are very closely linked with public health. The size of overall public spending influences the total amount allocated to the health sector. Spending allocations to education, water and sanitation are also critical and economic growth, together with distribution, has major impacts on other key determinants of health, especially nutrition and education. The nature of many health interventions also makes them particularly sensitive to fiscal adjustments. Because of the imperative of ensuring continuity in services and drug supply for major diseases, temporary reductions or interruptions in funding can have serious consequences for health outcomes. The nature of health spending, including the complexity of training and recruitment, increases the importance of predictable and forward looking budgetary planning. Fiscal consequences from the current crisis thus have the potential to severely affect the health sector.

39. Public health and social policies are equally inter-related. For example, the possible higher cost for health care will make health care services less accessible to many people, which will have significant social and economic repercussions. There are especially close links between health, the labour market and income generation since healthier workers have a higher productivity and labour supply increases with lower morbidity and mortality. Loss of employment, on the other hand, results in loss of employment-linked health benefits.

40. Ultimately all social determinants of health, such as nutrition, education, living and working conditions, could be impacted by the current multiple crises, while climate change poses increasing threats to health and these social determinants of health.

41. There is evidence that in times of economic hardship, social cohesion comes under threat, through increased social tensions and violent conflict. Each year, millions of people die as a result of injuries due to violence. Many more survive their injuries, but with permanent disabilities.

42. Public health provides a strong peace dividend in the aftermath of conflict. Many national and international practitioners have identified support for the provision of basic services, in particular health, as a recurring priority in countries emerging from conflict. While health initiatives alone cannot lead to the consolidation of peace, providing healthcare to populations living in war-torn areas is one way to strengthen reconciliation.¹³ Early integration of public health into peacebuilding strategies and programmes is critical in order to ensure continuation of efforts into recovery and long-term development. Clear mechanisms and procedures for describing the health situation in peacebuilding settings should be developed.

A. Impacts on health spending

¹³ Fafo AIS, Health and Conflict: Developing a knowledge based foreign policy agenda, May 2008.

43. In recent years, several countries, notably in Africa, have taken advantage of economic growth and increased aid levels to raise health spending. This has facilitated progress towards achievement of the health-related MDGs. The present crisis could put these achievements at risk and jeopardize future progress on health-related and other MDGs.

44. The current crisis could affect health spending in several ways: slower economic growth may reduce the overall public spending, including for health; access to capital may become more difficult as interest rates and risk premiums rise; and there is likelihood of downward pressure on aid.

45. Experience from the past shows that in times of economic downturn, some governments opt to protect health spending or even increase it, while others shift away from investments in the social sector, often harming public health, development and security. In cases when health financing is reduced, financial barriers exclude the poor and the vulnerable from services, affecting many women and girls. Preserving health spending, in particular for the most vulnerable, is critical in times of crisis to ensure equitable access to care.

46. To reduce inequities in health and improve access to health services, some of the efficient health protection pillars include responsive national health services, national health insurance, and social or community-based insurance. Social protection in health involves financing mechanisms such as tax-funded health financing, including conditional cash transfers and vouchers, national and social health insurance, and private health insurance, such as community-based and employer schemes. Affordable social health protection should be promoted.

47. ODA for health had more than doubled between 2000 and 2007, from \$1.58 billion in 2000 to \$4.34 billion in 2007.¹⁴ Together with private source, aid for health reached \$16.7 billion in 2006.¹⁵ The levels of aid should be maintained. While the focus needs to be on achieving results, at times of crisis, it may be the “poor performers” who need the most help. Also, aid effectiveness should be a priority. Increased efforts to implement the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action are particularly important as aid recipients need predictable and flexible funding aligned with national priorities.

48. The current crisis comes at a time when more actors are involved in the health sector and the type of financing mechanisms more diversified. Such mechanisms include collective business initiatives, multi-stakeholder or public-private partnerships, innovative financing mechanisms, R&D alliances and

¹⁴ OECD DCD-DAC online statistics.

¹⁵ Effective Aid, Better Health: Report prepared for the Accra High Level Forum on Aid Effectiveness, 2-4 September 2008.

integrated health systems initiatives that rely on income from investments¹⁶. While these have allowed increased funding to the health sector, they are inherently pro-cyclical. Their revenues are thus likely to fall during a recession. Sustaining funding for health through ODA will be crucial in these times of crisis if low- and middle-income countries are to reach the MDGs. To engage private industry and individual to finance the battle against HIV/AIDS, tuberculosis and malaria, UNITAID has announced a new initiative with online travel industry CEOs to allow air travellers booking online to make a \$2 per-flight donation to HIV/AIDS, tuberculosis and malaria efforts worldwide.

49. The multiplication of actors poses the risk of increasing fragmentation of strategies and policies. The vertical programmes have succeeded in attracting funds and making progress in their respective areas, but more balanced approach will be required so that improvements are also made in health systems and basic health care.

50. The effects of the crisis on the balance of payments through reduced export revenues and capital flows, as well as on exchange rates and inflation have an impact on health. The price of imported medicines, raw materials and medical equipment tends to increase with inflation and devaluation. Those dependent on long-term treatment particularly risk progressive impoverishment. These possible changes in the availability and cost of treatment can happen relatively quickly with rapidly worsening economic environment. Mechanisms such as the international drug purchase facility UNITAID, the GAVI Alliance and the Global Fund to Fight AIDS, Tuberculosis and Malaria are significantly lowering prices for specific medicines and vaccines. Generic drug substitution can also counter cost increases.

51. The need to contain medical costs can also present an opportunity to increase efficiency, for example, by seeking synergies between different programmes, such as tuberculosis and tobacco control, and increasing use of communication technologies.

52. Leaders in developed and developing countries as well as international financial institutions have made strong public, political commitments to health and development. Member States of OECD and European Union have made pledges to sustain their current level of aid. The Hokkaido Toyako G8 Summit in 2008 focused on health as a key area setting forth the Toyako Framework for Action. G8 countries' aid, however, is already lagging well behind the targets agreed to at the G8 summit in Gleneagles, Scotland, in 2005. Even before the present crisis, projections suggested a need of additional \$ 34 billion in 2007 dollars by 2010 in order to meet the Gleneagles targets.¹⁷ On the other hand, even if aid flow

¹⁶ More data is needed on the effect of the economic downturn on faith-based and community organizations and other non-state providers of health care.

¹⁷ *Aid Targets Slipping out of Reach?*, OECD Development Assistance Committee, November 2008.

increases, if its spending is restricted as reported for IMF-supported programmes in low-income countries of sub-Saharan Africa¹⁸, there will be limited health benefits.

53. In response to the United Nations Secretary-General's call for action, an inter-governmental High-Level Task Force on Innovative International Financing for Health Systems (Task Force) was launched at the MDG High-Level Event on 25 September 2008. The Task Force will explore ways to encourage non-traditional donors and voluntary levies earmarked for health in poor countries, as well as front-loading ODA and report to the G8 Summit to be held in La Maddalena, Italy, in July 2009. The final report will be available to the United Nations General Assembly in September 2009.

54. Overall, there is considerable scope for building awareness of the ways in which the current crisis affects health spending. A stronger evidence-base, including gender-sensitive data, is needed to show the economic benefits from sustained investments in health, including women's health.¹⁹

B. Change in household health-seeking behaviour

55. The most common effect in times of economic downturn is for the households to increasingly seek health care services from public sector providers. It is also likely that the need for health care will increase over time particularly among poor households, due to impacts on such aspects as nutrition and living environments. Unless public sector services are ensured adequate financial support in these circumstances, quality of care is likely to deteriorate at the time when publicly-funded services are under pressure. This may be exacerbated by the possible risk of the brain drain of health professionals, which could be caused by expansion of health services in developed countries under their stimulus packages, while lower-income countries contract theirs under austerity programmes.

56. Many of the household health-seeking consequences of recession are often hidden. For example, unemployment will have health consequences due to loss of income and access to employment-linked health insurance schemes. Also, the first care likely to be dropped is funding for sexual and reproductive health and prevention of HIV and sexually transmitted infections (STIs). Individuals -- particularly women -- and households will be challenged to pay user fees and costs of catastrophic illness. This will almost certainly negatively affect health-seeking behaviour and utilization of health services, especially in the poorest quintiles, further deteriorating the health status of those populations. Other implications may include women dropping out of family planning programmes and services due to increased out-of-pocket expenses and a general increase in the overall price of sexual and reproductive health services, particularly contraceptives.

¹⁸ *The IMF and Aid to Sub-Saharan Africa*, Independent Evaluation Office, 2007.

¹⁹ http://www.who.int/mediacentre/events/meetings/2009_financial_crisis_report_en_.pdf

57. By reducing out-of-pocket health-care costs and promoting health service utilization, the availability of some payment mechanism for health – tax-based, insurance-based or more typically a mix, can reduce the impact of health shocks on households. During a financial and economic crisis, access to risk pools provided by taxation or health insurance for poor households can be critical, and where the poor cannot pay, government or ODA contributions are vital.

58. Cash transfers, either conditional or unconditional, are another way of providing cash for poor families. Some of the most common conditions used to encourage health behaviours focus on healthcare check-ups and the provision of nutritional needs although unconditional transfers targeting women have been shown to result in increased spending on the health of their children. Cash transfers perform well in smoothing recipients' consumption during crises and in ensuring continued investment in health. A common drawback of all such targeted schemes is that they tend to be relatively unresponsive to changes in the need of assistance.

C. Opportunities for collaboration between and within countries to minimize the negative impacts

59. The current financial and economic crisis is likely to affect health outcomes in a number of ways. Fiscal pressures are likely to lead to lower levels of health spending. Incidence of illness may be higher because of increased exposure to risk factors, both physical and psychological. The crisis changes the relative prices of commodities, which in turn will change household consumption patterns. Some health-care inputs have high import components, for example, pharmaceuticals, whose prices are likely to increase substantially and whose availability may decrease. Moreover, changes in employment patterns and incomes that occurred as a result of the crisis are likely to have an effect on health outcomes and the demand for health care.²⁰

60. The following are suggested areas of action to ensure that the public health sector is protected from the negative impacts of the multiple crises.

- 1. Implementation of large-scale internationally coordinated fiscal stimulus packages that are mutually reinforcing must be directed towards the health goals and other MDGs. A small percentage of the fiscal stimulus packages of developed countries could be allocated to low income/adversely-affected countries;**
- 2. Government health spending should be maintained in times of crisis. Macroeconomic responses should be pro-poor and geared towards minimizing impact on poor households. A challenge is to strike**

²⁰The Health, Nutrition, and Population Family (HNP) of the World Bank's Human Development Network ([HNP Discussion Paper](#)), July 2000: Health Care During Financial Crisis, What can we learn from the Indonesian national socioeconomic survey?

the right balance between essential curative services and preventive programmes;

3. Countries should maintain their commitments to increase their aggregate level of aid. Aid for health and related sectors should be sustained so as to achieve the health-related MDGs by 2015. Tapping innovative sources of funding should be further explored to raise additional funds for health. Implementation of the principles of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action in the health sector are vital, as greater predictability of external financing becomes crucial;

4. The response to the crisis needs to be multisectoral and requires the development of integrated health policies and programmes. Policy coordination will be required across several sectors – linking policies that stabilize prices, reducing the cost of buying food, helping people maintain health insurance payments and keeping children in schools. Aiming to provide access towards universal health care is a crucial component of this mix;

5. In time of economic downturn, the demand for public services will increase as patients tend to rely more on public sector provision. The public sector should have adequate financial and human resource support;

6. Rigorous analysis and monitoring of the implications of the current crisis on health and development are needed, including through regional collaboration, in order to mitigate and manage the problems as soon as possible;

7. Governments should recognize the role of civil society organizations as service providers and advocates and should fully integrate the resources and services they provide to national health systems;

8. Public health is a key in peacebuilding efforts to ensure long-term peace and sustainable development.

V. Managing the impact of the current global and national trends

61. Since October 2008, policymakers in the developed countries have implemented various emergency plans. Massive public funding was made available to recapitalize banks, making governments active players in financial markets through their partial or full ownership of failed financial institutions. In addition, after aggressive monetary policy loosening, fiscal policy measures have moved to the forefront in trying to revive

economic activity, with a number of countries having passed major fiscal stimulus packages.

62. The United Nations System Chief Executives Board for Coordination (CEB) has also announced its joint initiative to assist countries and the global community to overcome the crisis. On 5 April 2009, the CEB announced nine joint initiatives to confront the multiple facets of the crisis and to accelerate the recovery. They include: 1) additional financing for the most vulnerable, a joint World Bank – UN system mechanism, including through the proposed Vulnerability Fund; 2) strengthening programmes on food security; 3) promotion of trade, including through the conclusion of the Doha round; 4) A Green Economy Initiative; 5) A Global Jobs Pact; 6) A Social Protection Floor; 7) emergency action on humanitarian, security and social stability; 8) developing technological infrastructure to facilitate the promotion and access to innovation; and 9) strengthening macroeconomic and financial surveillance and implementing an effective economic early warning system, as well as urgent establishment of a UN system-wide vulnerability monitoring and alert mechanism.

A. Short-term measures at the global and national levels

63. **The Government stimulus packages, though intended to reactivate the global economy, should be aligned with long-term sustainable development goals. Developed countries can make investments in infrastructure, renewable energy, and energy efficiency for the fight against climate change. Similarly, developing countries can also align the new fiscal stimulus with their long-term development goals.**

64. **Additional stable and predictable foreign aid flows will also be needed. Developed countries should meet their aid commitments without further delay. In addition, more stable aid flows should be achieved through enhanced donor coordination and multi-annual agreements on levels of support to low-income countries. A direct fiscal support to developing countries that are suffering from severe fiscal constraint can be most effective in the present crisis situation.**

65. **Substantial increases in international liquidity and development financing are needed for developing countries to be able to refinance their outstanding debt and to cover fiscal and balance-of-payment gaps.**

66. **The increase in resources can be mobilized through new issuance of SDRs, pooling of international reserves, enhancing lending capacity of multilateral development banks and accelerated delivery on existing aid commitments.**

67. **Additional financial resources should be provided without pro-cyclical policy conditionality and geared towards improved aid effectiveness and better aid predictability.**

68. At the national level, efforts must be strengthened to avoid fiscal contraction on social spending, including social protection, social safety nets, employment, education and health.

69. Even in low-income developing countries, a basic package of state-financed social transfers can be designed to mitigate the impact of the crisis on the poor and the vulnerable and should be seen as a long-term agenda of investing in people. It can also provide a significant fiscal stimulus to the economy.

70. Although the precise impact of the crisis on international migration and remittances is still uncertain, there are already clear indications that many migrants have a high probability of losing their jobs and income with commensurate effects on the flow of remittances, which form an important source of income to many poor families in the developing world. The world community should ensure the crisis does not lead to a backlash against migrants in receiving countries, as well as imposition of further restriction on migration. Such restrictions are usually imposed on unskilled workers and tend to exacerbate the sufferings of poor people.

71. With regard to health, a focus on primary health care and universal coverage with an essential package of highly cost-effective interventions and services, focusing on prevention, are necessary.

72. Alignment of fiscal stimulus packages with health-goals and other MDGs could include investments in capacity-building and training of health professionals, service delivery with special focus on primary health care, including infrastructure, and information and knowledge tools to promote public health goals.

73. In terms of food security, there is a need to meet the immediate needs of vulnerable populations while at the same time building longer-term resilience by addressing the underlying causes. In the case of food and agricultural output, the long-term investments include the expansion of rural infrastructure and improving market access, and the conservation and replenishment of natural resources.

74. In the short-term, technical support is needed for taking immediate steps at improving availability and access to nutritionally adequate quantity and diversity of good quality and safe food and to providing nutrition support for the most food insecure and nutritionally vulnerable. Investing in nutrition is one of the best strategies to implement in the current crisis as it raises the growth prospects for developing countries in the short and long term owing to its positive impact on productivity, health and education.

75. Successful agricultural policies can contribute to good health by producing both the food and income needed for well-being, and successful health policies can benefit agriculture by protecting the agricultural labour

force against diseases. For example, antiretroviral therapy to reduce the effects of HIV is one of the most important labour-saving technologies in African agriculture. A diversified agriculture, in turn, leads to greater resilience and an increased ability of farmers to respond to health problems. Diversification of rural economies into non-agricultural production is also needed as a means of reducing poverty.

B. Medium to long-term measures

76. At the Doha Conference on Financing for Development, member states agreed that the Bretton Woods institutions must be comprehensively reformed so that they become more democratic and more responsive to current and future challenges. This decision should be pursued vigorously so as to increase the voice and votes of the poorest countries.

77. The international community should recommit itself to the expeditious conclusion of Doha trade negotiations with pro-development outcomes. All efforts should be made to ensure that the world does not resort to protectionism and unfair trading practices.

78. Special funds or funding should be earmarked to ensure that spending in social areas is commensurate with the challenges of development, particularly in the area of human resource development.

79. Risk pooling in health should be strengthened for an essential package of prevention and primary health care services through national single-payer arrangements, national and other forms of health insurance, or other risk-pooling arrangements coupled with modern approaches to results-based financing. Where possible, abolish user fees for primary health services and in particular for family planning, HIV and maternal health services. Abolishing user fees for education, in particular primary education, would also be highly beneficial.

80. Monitoring and health surveillance should also be strengthened to rapidly detect health impacts and put in place high-level mechanisms to mitigate impact. An early alert system should be put in place to monitor the impacts of the crisis on health systems and health conditions and improve the coordinated response to mitigate the impact on the most vulnerable groups.

81. It is vital to increase the equity and efficiency of health systems to improve women's access to health services, including reproductive health services, and to reduce the burden of care-giving on women.

82. There is a need to strengthen capacity to design and implement agricultural technologies and best practices for scaling up interventions that improve the quality and diversity of foods as well as increase agricultural incomes and employment.

83. Support should also be given to the incorporation of nutrition considerations into agricultural research and the adoption of technologies, and to the transfer and diffusion of varieties and proven small-farmer community-based technologies and techniques that will lead to better nutrition. There is a need to strengthen capacity to design and implement social protection policies and safety net programmes that protect and promote nutrition. There is also a need for building national institutional capacity to support nutrition and food safety policies and programmes.

84. The integration of gender perspectives in aid modalities and efforts to enhance aid delivery mechanisms should be encouraged. This involves using gender-responsive budgeting more effectively to ensure adequate resource allocation for women's health in the context of the financial crisis. There is also a need to assess the economic costs of lack of attention to violence against women; and making health services more responsive to the prevention and treatment of violence against women. **It is also important to enhance the capacity of national statistical systems to produce sex-disaggregated and gender-sensitive data for all health-related indicators; and disseminating gender statistics widely for developing evidence-based gender sensitive social development policy-making.**