The Global Financial Crisis:
Assessing Vulnerability for Women and Children[1]

The current global financial crisis, on top of recent food price increases (which, while down from their peak last year continue to affect the poor in developing countries), will have serious *gender-specific* consequences for women in poor countries and their children. Decelerating growth rates in countries with pre-existing high infant and child mortality rates and/or low rates of female schooling leave women and girls highly vulnerable to the effects of the crisis. Their situation is even more precarious in the sub-set of countries where limited fiscal resources constrain governments' ability to cushion human impacts.

If left unchecked, these consequences will reverse progress in gender equality and women's empowerment (and in meeting the MDGs), increase current poverty and imperil future development. Fortunately, policy responses which build on women's roles as economic agents and their preference for investing resources in child well-being can go a long way towards mitigating these negative effects. These responses are good for women and for development– they yield high returns in terms of containing current and future poverty—and should be enacted quickly.

Main messages

1. *Women and girls in poor households in developing countries everywhere, but especially in the countries characterized by pre-existing child mortality rates and/or low female schooling, are highly vulnerable to the effects of the global economic and food crises.* Their situation is especially precarious in the sub-set of 15 countries, mostly in Africa, that are affected by both low female schooling and high infant and child deaths. See Figure 1 below.

2. *In countries with pre-existing high child mortality rates, the fall in household incomes could further increase infant and child deaths, with disproportionate effects on women and girls.* One estimate suggests that the result of the financial shock will be between 200,000 and 400,000 additional infant deaths per year on average in the 2009 to 2015 period-- or a total of 1.4 million to 2.8 million more infant deaths, if the crisis persists.[2] Another analysis of child deaths in 59 developing countries (covering 1.7 million births) suggests that a majority of these deaths will be of girl children. The study showed that while boys and girls benefit equally from positive shocks in per capita GDP, negative shocks are much more harmful to girls than to boys: a one or more unit fall in GDP increases average infant mortality of 7.4 deaths for 1,000 births for girls and 1.5 deaths for

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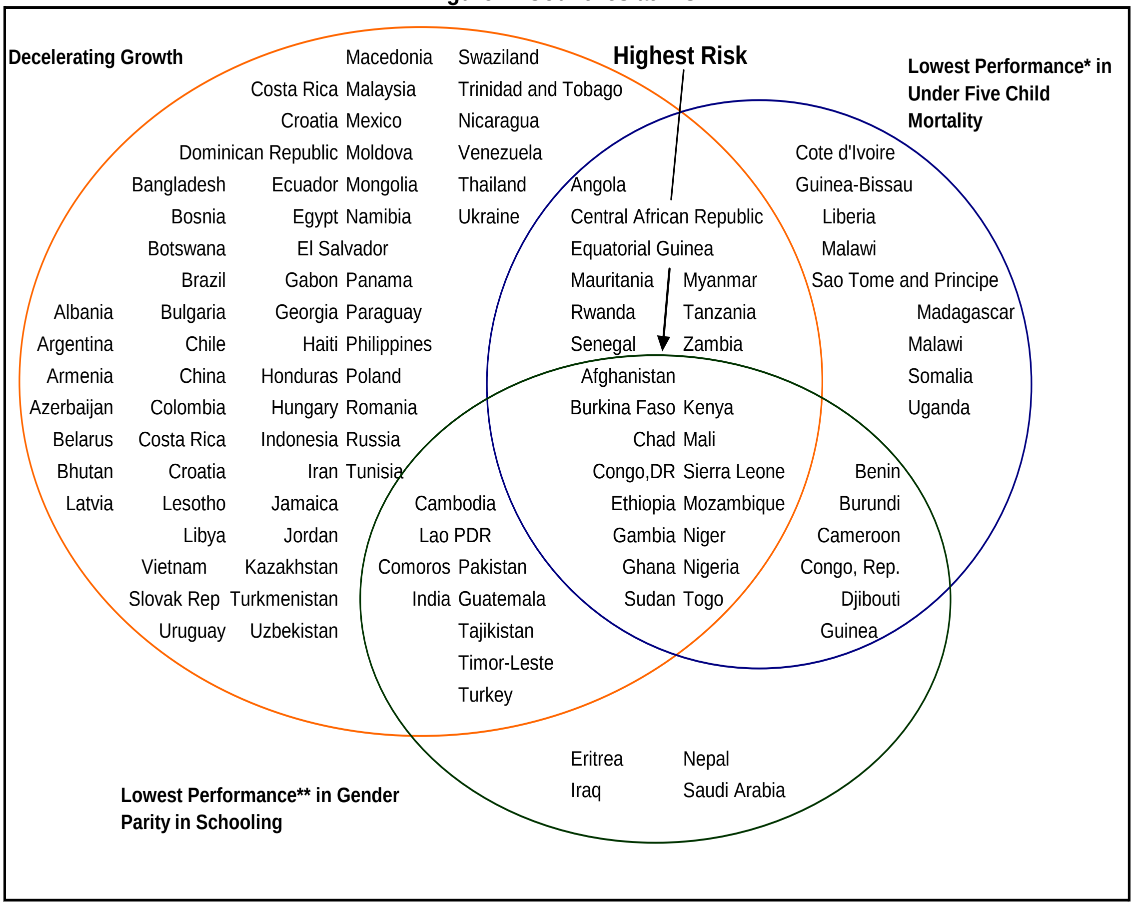
[2] "The Impact of the Financial Crisis on Progress towards the Millennium Development Goals in Human Development". World Bank Internal Policy Note, 2009.

1,000 births for boys.[3] This expected increase in child mortality is likely to place added burdens on women, given their roles as child bearers and care givers. An often overlooked fallout of increased child deaths is the likely effect on maternal health – if parents choose to have additional births to cope with the reduced survival of children, then mothers will be disproportionately exposed to pregnancy-related health risks.[4] In addition, since mothers are the main health providers in poor households, the time costs of care provision will fall disproportionately on them.

Figure 1: Countries at Risk



*: Lowest Performance in Child Mortality measured by dividing 151 developing countries into quartiles based on Under Five Mortality Rate (per 1000) in year 2007, and identifying countries in the highest quartile, which includes countries that have under five mortality rate of 98 deaths per 1000 children or higher.

**: Lowest Performance in Gender Parity in Schooling measured by dividing 131 developing countries into quartiles based on Ratio of Girls to Boys in Primary and Secondary Enrollment (%) for latest year between 2004 and 2007, and identifying countries in the lowest quartile, which includes countries that have the ratio at 94.6 or lower.

Source: Decelerating Growth: WEO Projections and World Bank staff estimates. Mortality and Schooling: WDI 2009

[3] Baird, S.,J. Friedman, and N. Schady. 2007. “Aggregate Income Shocks and Infant Mortality in the Developing World.” World Bank Policy Research Working Paper No. 4346.

[4] Schultz, T. P. 1997. “Demand for children in low income countries,” in M. R. Rosenzweig and O. Stark, ed., Handbook of Population and Family Economics, 1A, Amsterdam: North Holland.

3. *Girls in poor countries with pre-existing low female schooling are highly vulnerable to being pulled out of school as households cope with declining household income.* In other low income countries girls and boys may similarly drop out of school because households no longer can afford school fees and/or children need to contribute with their labor to household income. An example of the former group of countries is Madagascar, a country with low female enrolment rates, where girls were more likely to drop out of school than boys as agricultural income plummeted[5]. In Ivory Coast, however, both girls and boys were pulled out of school as result of a drought, but boys' enrolments dropped 14 percentage points compared to 11 percentage points for girls[6]. These household coping strategies are less apparent in middle-income countries, where children are more likely to be kept in school, cushioned perhaps by the presence of social safety nets and/or relatively easier access to loans (formal or informal). In Peru, for instance, the economic crisis of the late 1980s had no discernible effect on children's school enrolments[7].

4. *The current crisis will reduce women's income in developing countries as a result of losses in employment in export oriented industries, tightening micro-finance lending, and/or drop in remittances.* While some women in developing countries may be 'protected' from the short term impacts of the financial crisis because they do not have access to global markets (and are solely involved in subsistence or home production), other women who dominate employment in export manufacturing (for instance, Nicaragua, Bangladesh, and the Philippines) and high value agriculture (for instance, Uganda, Thailand, Ecuador) are likely to suffer direct employment losses from the contraction in industrial countries' demand for developing country exports. The banking crisis and formal credit squeeze should have a larger direct impact on men, who are the majority of users of financial services and formal sector borrowers, than women. However, women are the majority of clients of micro finance institutions (85% of the poorest 93 million clients of MFIs in 2006)[8] and as credit dries out their earnings from micro-businesses will drop—this should be especially true in Latin America and ECA, where micro finance institutions obtain a significant portion of their lending from commercial rather than concessional (grant) sources.[9] Lastly, the household income of many poor women in developing countries will decline as remittances flows slow down. World Bank projections show that in 2008 decline in the growth of remittances had already begun in a majority of countries where remittances are a significant portion of families' income.

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[5] Gubert,F. and A-S Robilliard. 2007. "Risk and Schooling Decisions in Rural Madagascar: A Panel Data Analysis." Journal of African Economies.
[6] Jensen, R. 2000. "Agriculture Volatility and Investments in Children." American Economic Review. Vol. 90 (2).
[7] Schady, N. 2004. "Do Macroeconomic Crises Always Slow Human Capital Accumulation?" World Bank Economic Review, Vol. 18 (2).
[8] Microcredit Summit Campaign Report 2007
[9] **Source: CGAP, http://www2.cgap.org/p/site/c/template.rc/1.11.12051/1.26.4005** (accessed on 2/4/2009)

5. *The loss of women's income has long-term negative implications for the welfare of poor households (that may be greater than a similar loss in men's income) because of both the contributions women make to current household income and their 'preference' to invest scarce resources on child well-being and, therefore, on future development.* In Bangladesh, Brazil, Kenya and South Africa, among others, reliable evidence shows that children's welfare (nutritional status, schooling attendance) in poor households improves more when income is in women's hands rather than in men's.

6. *Sending women to the work force has been a common, although by no means universal, household coping strategy to economic shocks.* The 'added worker' effect for women was witnessed more recently in the Latin American crisis in the mid 1990s (Argentina, Brazil and Mexico) and in the East Asian crisis at the end of the same decade (Indonesia, Philippines), with the exception of South Korea, where instead both female and male labor force participation shrank[10]. While there is more to learn about the factors behind gender specific 'added worker' effects, this data shows the importance of women's income to weathering economic crises. The predominance of women beneficiaries in selected, women-friendly public works programs designed to cushion the effects of economic shocks corroborates the importance of this household strategy.

7. *The design of policy responses to cope with the current global crisis in developing countries should invest in putting money in women's hands in poor households because of its large development payoffs – both in terms of mitigating current hardships and preventing future ones.* These investments are a smart use of development assistance and are especially urgent in those countries where women are most vulnerable to the negative gender-specific effects of the crisis. Expanding economic opportunities for poor women should be a core theme of public works and other safety nets, and financial sector operations. In particular, micro-finance institutions should be capitalized so that they continue to offer credit and other financial services to poor borrowers, the majority of whom are women.

8. *The World Bank Group Gender Action Plan will allocate the majority of its financial resources in 2009 to guide the Bank Group's crisis response towards maximizing women's incomes, especially in countries where women and girls are most vulnerable to the crisis' effects.* This includes efforts to en-gender the World Bank's US$1.2 billion food crisis response facility as well as the priority initiatives in safety nets, infrastructure, and lending resources for microfinance and SME. The IFC has already launched a US$500 million facility to assist with microfinance institutions' financing that should largely benefit women borrowers. GAP funds will also assist in producing urgently needed analytical work and research on gender-specific short-term impacts of the crisis.

[10] World Bank staff estimates using World Development Indicators data (2009).