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**GLOBAL FINANCIAL CRISIS AND HEALTH IMPACTS IN
ASIA AND THE PACIFIC**

The global economic crisis is affecting the economies of all Member States in the Western Pacific Region. Export-oriented sectors, which are major sources of employment and revenue, are suffering the most. The depreciation of currencies and inflation have increased prices for food, medicine, medical equipment and services. Increasing numbers of people are losing jobs and social benefits. Vulnerable populations in the Region are expected to grow substantially. Governments are under pressure to cut health budgets and expand user fees and co-payments in health facilities, which would further reduce access, equity, quality and utilization of health services, especially among the poor and vulnerable.

The crisis requires increased commitment and focus on the social sector, with health a paramount issue. Unemployment, job insecurity, the lack of a living wage, and reductions in benefits and social protection all have effects on health. Therefore, the major challenge for many governments in responding to the crisis is the need to protect health and reinforce economic and social development. The health sector can benefit from stimulus packages and other national efforts intended to maintain employment and income, while also improving social safety nets. WHO is committed to assist Member States during the crisis by advocating for the vital role of health in sustaining economic growth, in part by increasing government intervention and extending partnerships.

The Regional Committee is requested to discuss WHO's role in supporting Member States as they respond to the health impacts of the economic crisis, particularly its impact on poor and vulnerable populations, and to consider a resolution on the issue.

1. CURRENT SITUATION

The current economic crisis is undermining growth and development prospects in the Western Pacific Region. Overall, gross domestic product (GDP) in Asia fell from 7% in 2005 to 5% in 2008 and is expected to decrease further to 2.3% in 2009. Many countries are expected to experience negative economic growth in 2009.¹ For comparative purposes, economic forecasts of GDP growth in selected Asian countries, including Western Pacific Member States and countries outside our Region, as well as member countries of the Organisation for Economic Co-operation and Development (OECD), is provided in Table 1.

Table 1. Economic forecast in selected Asian and OECD countries

Country	Real GDP growth (%)		
	2008	2009	2010
Australia	2.1	-1.2	0.5
Bangladesh	6.2	5.5	3.9
Cambodia	10.0	4.8	6..
China	9.0	6.0	7.0
France	0.7	-3.0	0.0
Germany	1.3	-5.3	-0.8
Hong Kong (China)	2.5	-5.9	0.3
India	6.0	5.0	6.4
Indonesia	6.1	-1.3	0.6
Japan	-0.7	-6.4	-0.3
Malaysia	4.6	-0.3	1.1
Mongolia	11.3	9.6	10.0
New Zealand	-1.0	-3.2	0.7
Pakistan	6.0	0.6	2.3
Philippines	4.6	-0.6	1.6
Republic of Korea	2.3	-10.1	-0.1
Sri Lanka	5.8	2.6	5.7
Singapore	1.1	-7.5	1.9
Thailand	2.6	-4.4	1.4
United Kingdom	1.3	-5.3	-0.8
United States of America	1.1	-3.1	0.7
Viet Nam	6.2	0.3	1.0

Source: Economist Intelligence Unit, May 2009 update. *The Economist*

¹ World Economic Outlook Update, International Monetary Fund, January 2009.

The effects of the global economic crisis also are of concern to Pacific island countries and areas. The crisis is impacting tourism, as well as the demand for services and export goods. The economy of Pacific island countries will continue to weaken, although growth is estimated to remain positive in most countries over the next few years. For example, Asian Development Bank estimates that real GDP growth in Solomon Islands will fall from 6.4% in 2008 to 2.2% in 2009 and to 1.7% in 2010. For most Pacific island countries, stronger regional cooperation will be needed if the recovery is to be rapid. The economic forecast for selected Pacific island countries is shown in Table 2.

Table. 2 Economic forecast for selected Pacific Island Countries

Country	Real GDP growth		
	2008	2009	2010
Cook Islands	1.1	1.0	0.8
Fiji	1.2	-0.5	0.2
Kiribati	0.6	1.0	0.9
Marshall Islands	1.5	0.5	0.8
Micronesia, Federated States of	-1.0	-0.1	0.8
Nauru	1.0	1.5	1.5
Palau	-1.0	-2.0	-0.2
Papua New Guinea	7.2	4.0	3.5
Samoa	0.3	-1.0	-0.1
Solomon Islands	6.4	2.2	1.7
Tonga	1.2	-2.0	-0.6
Tuvalu	1.5	1.0	0.9
Vanuatu	6.3	3.5	0.8

Source: Asian Development Outlook 2009, Asian Development Bank.

As shown above in the above tables, the economic recessions experienced by developed countries affect all economies in the Western Pacific Region. Export-oriented sectors and tourism, which are major sources of revenue and employment, are likely to suffer the most. Increasing numbers of people are losing jobs and employment-related social benefits, including health insurance. The International Labour Organization estimates that unemployment in the broader Asia Pacific region could rise by more than 23 million in 2009.² But the number could be even higher if people losing jobs in the informal employment sector are included. The China State Council Information Office estimates that about 20 million migrant workers lost their jobs in China alone due to the global

² High Level Tripartite Meeting on the Current Global Financial and Economic Crisis, 23 March 2009, International Labour Organization.

economic crisis.³ As unemployment increases and disposable household income shrinks, many more people will be unable to afford medical treatment where health systems rely on user fees and other out-of-pocket expenditures.

International financial institutions, such as the Asian Development Bank, the International Monetary Fund and the World Bank, as well as United Nations partner agencies, such as the International Labour Organization, have initiated various actions in response to the global economic crisis that are expected to have positive effects on the Western Pacific Region. These include knowledge sharing, policy analysis, strategic development and financial support to stabilize economic activities and strengthen and expand safety nets for the poor and vulnerable in countries hit hard by the crisis.

Health is considered to be a vital investment in economic and social development. WHO is taking important steps at global and regional levels to address the health impact of the crisis.

2. ISSUES

(1) The crisis started in the financial sector but quickly spread to the economic sector, which in turn affects the social sector. Effective response to the crisis necessitates consolidated efforts to address the impact on the social sector. Health is a central issue because unemployment, job insecurity, the lack of a living wage, and reductions in benefits and social protection all affect health. The issue for many governments is to turn the crisis into an opportunity to improve health systems to protect health and thus reinforce economic and social development in the current difficult environment.

(2) Despite various initiatives and discussions on the health impact of the global economic crisis, few concrete issues and actions have been agreed upon. Reductions in national income threaten domestic sources of health services financing. The food crisis, which occurred prior to the current economic crisis, has affected the budget for preventive health services in some countries. Similarly, the current crisis may put governments under pressure to cut health budgets for preventive health services, such as child immunization and other services essential for long-term treatment and continuous care, such as those needed for hypertension, diabetes, HIV/AIDS and tuberculosis. Cutbacks to national health budgets will be the most challenging issue in the Western Pacific Region, where public financing and provision of public health care is weak and out-of-pocket payments dominate in

³ http://mews.xinhuanet.com/english/2009-02/02/content_10750749.htm

financing health services. It is therefore crucial to advocate for health and strengthen the role of governments in financing and providing health services by emphasizing that healthy populations will be better able to fully respond to the economic crisis. Past experiences reveal that cuts in preventive health services during previous economic crises caused serious health problems, and many low-income developing countries still have not recovered from the effects on population health outcomes.

(3) Depreciation of national currencies and inflation have in the past caused price increases for food, medicine, medical equipment and services. There is a danger that essential medicines and diagnostic services may become unavailable or unaffordable in countries that largely depend on imported medical supplies. The gaps in financing goods and services have often been filled by extensive use of fees, co-payments and unofficial charges for health services in public health facilities. This was a main reason for the large increase in recent years of out-of-pocket payments in health financing in Asia. At the same time, it reduced access and utilization of health services among low-income people or pushed them to seek less expensive treatment options, including self medication, or to delay seeking care, which made their health problems more serious and costly at later stage. All these factors can have a direct impact on equity, access, service quality, utilization and poverty.

(4) Current data indicates that the crisis is also having serious effects on the working poor and vulnerable people. These “near poor” include contract and migrant workers, youth, and women and other vulnerable population groups living on incomes of US\$ 1.25–US\$ 2 per day. It will worsen the already serious poverty and social protection issues in many parts of the Asia and the Pacific, where more than 900 million people live on less than US\$ 2 a day, largely because most countries lack formal social insurance, assistance and safety net mechanisms that can protect them from absolute deprivation. In some countries, informal financial support and assistance comes through family networks that include remittances. In recent years, some countries have introduced safety net pilot schemes such as health equity funds, health care funds for the poor and community-based health insurance. But the gains achieved under these informal aid practices and pilot schemes are now in danger because of the large risk of losing jobs and reducing public spending on health. Therefore, providing social health protection and health service benefits to the poor and vulnerable, with increased public involvement and spending, is a critically important issue for all developing countries in the Region.

(5) The health sector can benefit from stimulus packages and other national efforts aimed at maintaining employment and income by investing in infrastructure development. These efforts and initiatives can also be linked to the improvement of public health services, such as water and sanitation, both in urban and rural settlements. Harmonization is also needed among different social assistance programmes addressing household necessities such as food, nutrition, income security and

basic social services through social transfers, subsidies and safety net schemes to protect the poor and vulnerable.

(6) The economic crisis undermines national and international efforts to strengthen health systems to attain better health outcomes. It can affect the health workforce, health service delivery and the supply of medical products and technologies, as well as health financing. Therefore, strengthening health systems performance in each of its building blocks, guided by the principles of primary health care, is essential during the economic crisis. This will ensure basic and quality services available to all populations. It will protect health and improve population health outcomes while reducing exclusion and extending universal coverage.

(7) The economic crisis needs strong partnership and international action in the Western Pacific Region. Many low-income developing countries would still need external aid and support to attain national and international development goals, such as the United Nations Millennium Development Goals. Therefore, it is essential that donor and international communities maintain their commitments for aid and assistance during the crisis period. All OECD countries are committed to maintain their aid programmes for health following the agreed target to devote 0.7% of their GDP to Official Development Assistance (ODA).

(8) WHO is committed to help countries advocate for the vital role of health for sustained growth while addressing the challenges and monitoring the health impacts of the crisis with increased public health interventions and expanded partnership collaboration. This Regional Committee is requested to discuss the WHO role in countries to support country-specific actions and health reforms to prevent and address health impacts of the crisis, in particularly for the poor and vulnerable populations.

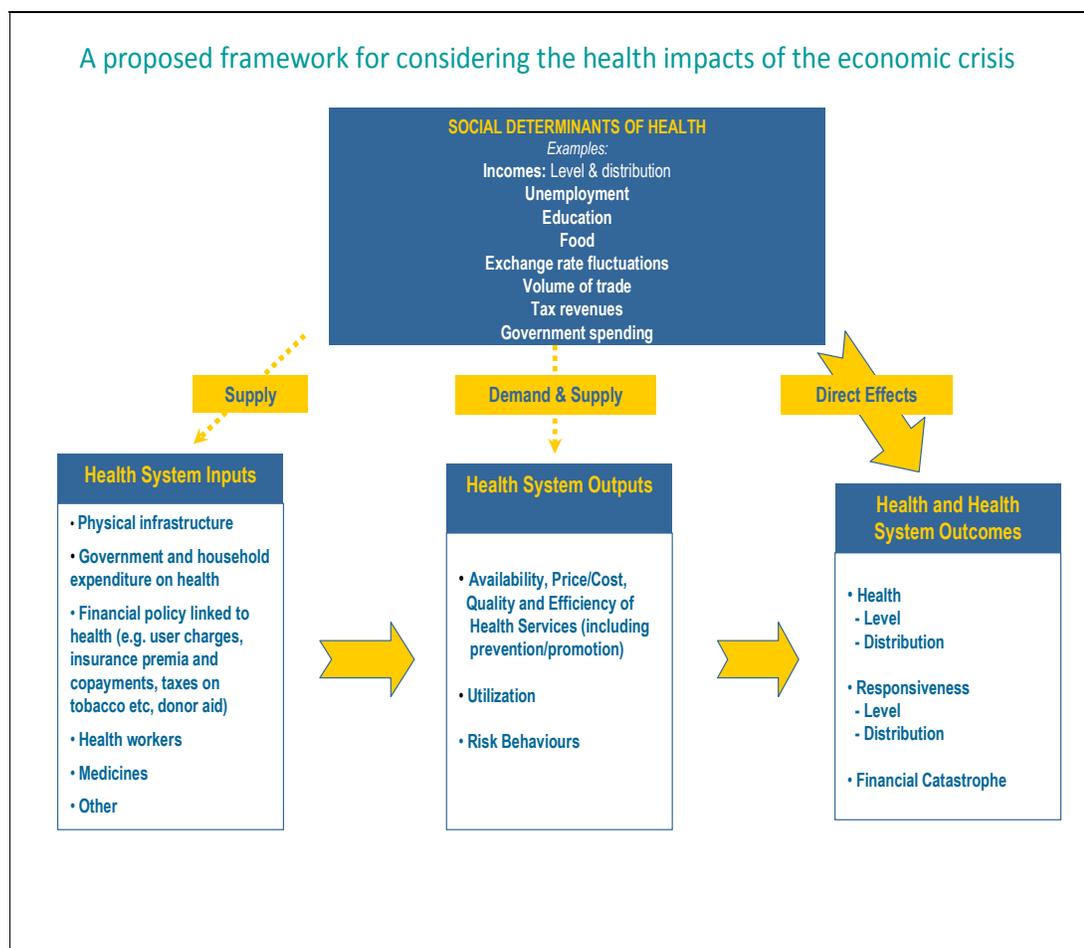
3. RESPONSES

A high-level consultation on the financial crisis and global health took place prior to the WHO Executive Board meeting in January 2009. A framework for action at the global, regional and country levels was developed encompassing (1) leadership, (2) monitoring and analysis, (3) pro-poor and pro-public health spending, (4) policies for the health sector, and (5) new ways of doing business in international health. A working group has been established to monitor the health impact with representatives from all regional offices.

Prior to the London meeting of the G20 in April 2009, Dr Margaret Chan, WHO Director-General, made a public statement on health impact of the global economic crisis. She emphasized that

a global crisis requires a global solution and therefore called for global solidarity and actions by putting the lives and livelihood of people at the centre of actions in response to the crisis.

A WHO Technical Consultation on Monitoring the Impacts of and Responses to the Economic Crisis from a Health Perspective held in Geneva in early May 2009. The consultation agreed a proposed framework for considering the health impacts of the economic crisis as shown below.



In March 2009, the Regional Director for the Western Pacific wrote to Member States expressing his concern. He encouraged strong country efforts to protect and promote health. The economic crisis and its effects on health were discussed during technical consultations of health financing experts held in Manila in March and April 2009. The health impact of the economic crisis also was discussed from regional and country perspectives, including the specific situations in Cambodia, China and Mongolia, at the 96th Consultation of WHO Representatives and Country Liaison Officers for the Western Pacific in Manila in April 2009. In addition, the topic was discussed

with representatives from Pacific island countries during a consultation on the system of health accounts held in Nadi, Fiji, in early May 2009.

The main focus of these consultations was to improve regional and country-level work by identifying critical actions needed in Member States in collaboration with national and international partners and to provide effective and country-specific support to avert the negative health effects of the crisis.

Following the Nadi meeting, the monitoring of the health impacts of the economic crisis in the Pacific is being initiated with the following proposed indicators:

(1) Health care utilization

- increase in or shift to the use of government facilities;
- use of alternative or traditional medicine; and
- shift from health facility consultation to self-medication.

(2) Medical supply

- prices of medicines;
- pharmaceutical sales; and
- increase in purchase of over-the-counter drugs.

(3) Financing health care

- changes in approved government health budget; and
- decrease in health investment.

4. Lifestyle and behaviour changes

- Changes in food consumption; and
- shift in diet, such as from canned to natural foods.

A joint study on the health impacts of the global recession in Asia, especially for the poor and vulnerable, commenced in May 2009 in collaboration with the Asian Development Bank. The study will assess the health impacts and policy opportunities through field research in five countries of the region: Bangladesh, China, Malaysia, Nepal and Viet Nam. A draft working paper, including policy notes developed during the study, will be discussed in August and presented further to an ASEAN Plus Three conference to be held in September 2009 in Viet Nam.

The Regional Office for the Western Pacific actively participates in the work of a WHO global group studying the economic crisis and global health and also coordinates regional and country-level actions on global initiatives. The Regional Office and the WHO country offices support country-level studies on medicine price, cost and availability initiated by IMS Health in a number of countries in the Region.

4. ACTIONS PROPOSED

The following actions are proposed for consideration by the Regional Committee:

Member States:

- (1) To advocate at the highest political decision-making levels for sustained investment in health and development during the economic crisis.
- (2) To review health care financing policies and ensure financial protection for the poor and vulnerable in accessing health during the economic crisis.
- (3) To implement pro-health and pro-poor policies based on primary health care principles.
- (4) To continue monitoring the possible health impact of the economic crisis, including health outcomes, availability of resources for Health, utilization of services, health care costs for households and consumption and prices of key inputs like medicines.

WHO:

- (1) To provide support to countries in conducting analysis and strengthening policies for protection of the poor and vulnerable.
- (2) To develop an advocacy paper to increase awareness of the potential health impact in particular for the poor and vulnerable and to invest in Health to avert negative impact from the economic crisis.
- (3) To provide country comparison and build evidence on the impact of the economic crisis on health, using appropriate real-time data indicators and analytical studies.