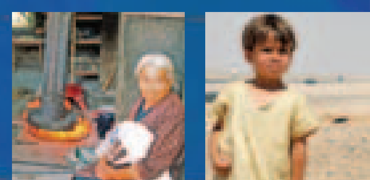
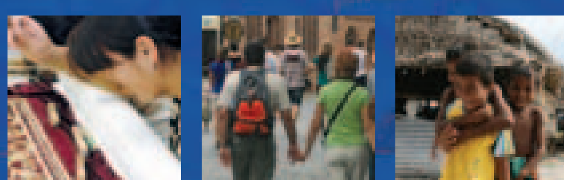
Poverty and Social Impact Analysis of the Global Economic Crisis





Synthesis Report of 18 Country Studies

NORWEGIAN MINISTRY OF FOREIGN AFFAIRS

UNDP

The series of national reports reflected in the synthesis report were funded through a contribution from the Government of Norway. Diana Alarcón is the manager of the Trust Fund. The Trust Fund is coordinated by Ambreen Malik. The synthesis report was prepared by Charles Burress and the Annex was written by Ambreen Malik based on the text from 18 PSIA national reports and interviews with key people engaged in the process.

The full national reports can be downloaded at:
http://www.undp.org/poverty/focus_poverty_assessment_publications.shtml

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FOREWORD

In September 2008, the meltdown of the U.S. subprime mortgage market precipitated a credit crisis. The speed with which this event was transmitted across the globe and the severity of the ensuing economic crisis took most observers by surprise. It became quickly apparent that no country was going to be spared from the adverse effects of the crisis, which is now turning into a human development crisis. While there are some indicators of economic recovery, there is considerable uncertainty about its sustainability, and the impact of the recent global recession on the poorest is becoming visible. The consequences of taking a child out of school or using less nutritious food – because of the loss of jobs and income – will continue to take a serious toll long after sustained economic recovery finally begins. It is critical, therefore, for the international community to begin to examine and respond to the potential human development implications of the crisis. A slide backwards may be unavoidable unless meaningful and decisive action is taken now.

Quick and concerted action will contain adverse outcomes. However, there are important differences across countries in the channels through which the crisis affects human development and the capacity of countries to respond, which points to the need to monitor and assess the impacts of the crisis at the country level.

In March 2009, the Poverty Practice of the Bureau for Development Policy (BDP) of UNDP responded to the special conditions generated by the economic crisis by opening a special window under the Poverty and Social Impact Analysis (PSIA) Trust Fund, supported by the Governments of Belgium and Norway, to support countries in generating policy responses to mitigate the human development impact of the crisis and prevent a slowdown in progress made so far towards the achievement of the MDGs.

The PSIA initiative represents a collaborative effort by UNDP and the World Bank. Initially developed by the Bank, PSIA is as an approach that provides a framework to promote a more systematic assessment of the poverty and distributional impacts of public policy reform with the intention of increasing the extent by which equity and poverty reduction objectives are incorporated in the design and implementation of public policy. The specific role of UNDP in the PSIA initiative is to support governments and national research teams to analyse potential impacts of policy on the poor and to open space for public policy dialogue among a wide range of stakeholders, thus contributing to increased transparency, accountability and ownership of policy formulation and allowing decisions to be based on empirical evidence.

The PSIA portfolio at UNDP has facilitated the availability of resources for PSIA work directly to governments and has highlighted the importance of improving the policy formulation process at the same level of priority as improving the quality of the analysis itself. Through the UNDP Trust Fund, partner governments can identify reform areas that would benefit from a PSIA exercise and they are encouraged to bring civil society organizations and other actors into policy discussions. UNDP seeks to improve the PSIA process by expanding policy dialogue and contributing to the development of the capacity of governments and other relevant stakeholders to conduct PSIA work on their own.

This Synthesis Report presents the key findings from the PSIA economic crisis studies based on a review of 18 country reports and discussions and interviews with key informants involved in the PSIA process at the country level. PSIA studies conducted in these selected countries cover many different problems exacerbated by the economic crisis and present wide-ranging policy options to mitigate its negative impact on the poor and vulnerable groups. The "economic crisis PSIA window" was rooted in the belief that times of crisis also come with opportunities to address the urgent needs of countries to find longer-term solutions to build a more sustainable and stable future.

Selim Jahan
Director
Poverty Practice, BDP
UNDP

CONTENTS

INTRODUCTION

The world was confronted in 2008 by what many economists view as the worst economic crisis since the Great Depression. Growth and income withered in every region, and the brunt of what is popularly known as the Great Recession typically fell most heavily on the poor. A recovery began in 2009, but the lingering effects will require time and wise policy to overcome.

The crisis has "cast a shadow" over progress in meeting the Millennium Development Goal of reducing extreme poverty by half, UNDP Administrator Helen Clark noted in February:

> The numbers of chronically hungry people in our world are going up, not coming down -- probably 150 million more this year than would have been predicted a couple of years ago. So that's why the way in which the governments respond to the economic crisis and the way in which they move to protect the poorest and most vulnerable people is an issue of huge concern because it will determine whether or not the Millennium Development Goals can be achieved.[1]

Recognizing that the depth and severity of the global economic crisis required rapid policy responses to prevent major setbacks for the wellbeing of people, particularly vulnerable groups, the UNDP in 2009 earmarked funding for an accelerated deployment of Poverty and Social Impact Analysis (PSIA) studies focused on response to the crisis; countries in Eastern Europe, Africa, East Asia, the Caribbean and the Middle East showed interest to undertake PSIA studies. This initiative was aimed at generating policy responses to protect human development gains in countries affected by the crisis and to stimulate a broader policy dialogue.

This synthesis report on the PSIA crisis studies covers three main topics:

- Context and rationale for the project;
- Findings and recommendations of the studies;
- Process and impact of the studies not only in responding to the crisis but also in strengthening the development of national capacities to conduct PSIA studies and to broaden stakeholder participation in the dialogue of policy options.

Eighteen countries were selected based on the merits of their proposals: Armenia, Kiribati, Lithuania, Moldova, Morocco, Namibia, Paraguay, Philippines, Syria, Ukraine, Uzbekistan, and seven countries in the Caribbean. The PSIA studies were to be completed within 4-6 months to make them relevant as a response to the economic crisis. The studies were funded through a contribution from the Government of Norway. The UNDP Poverty Group manages the PSIA initiative and provides technical guidance to country teams conducting the analysis.

PSIA studies conducted in these selected countries cover many different problems exacerbated by the economic crisis and present wide-ranging policy options to respective countries' governments. In Armenia and Kiribati, for example, PSIA studies identified people most vulnerable to the crisis. The study in Uzbekistan analyzed problems of urbanization, which worsened with the onset of the crisis as people migrate into cities in search of jobs. In Lithuania, Moldova and Paraguay, the studies recommend introducing or expanding social protection programmes. The key recommendation in the Philippines and Syria is to change the emphasis of macroeconomic policies, while PSIA studies in Namibia and Ukraine assess measures already taken by governments to respond to the crisis.

[1] Interview on "Pacific Beat," Radio Australia, accessible at Australia Network News, "UN development boss says poverty goals may not be possible," 10 Feb. 2010, http://australiannetworknews.com/stories/201002/2815774.htm?desktop.

1. CONTEXT AND RATIONALE FOR THE PROJECT

1.1 A crisis is born

The Global Economic Crisis threatened to plunge the world economy into a downward spiral and exacted a heavy toll in developing nations with little protection from external shocks. The impacts varied significantly around the globe, depending on a number of factors for each nation and household, but no region remained unscathed. The worst recession in modern history, it saw a dramatic rise in bankruptcies and unemployment, particularly in the United States and Europe with the contagion taking various forms as it spread throughout the world. Credit froze, global production and trade plummeted, share prices plunged, foreign investment fell, and personal wealth shrank. Large government stimulus programmes aimed at stemming the damage, combined with lower tax revenues, created a substantial growth of worldwide public debt that adds long-term constraints and burdens on governments and economies struggling to recover while continuing to face the many challenges found in ordinary times.

Though root causes of the crisis are still debated, its timing can be traced to what in hindsight has been recognized as an unsustainable bubble in the U.S. housing market, which is widely viewed as the beginning of the chain of events that escalated into the crisis. A cascade of foreclosures wreaked havoc in the financial sector, sending the giant Lehman Brothers investment bank into bankruptcy and leaving several pillars of Wall Street and U.S. automakers teetering on the brink. Unemployment doubled. The stock market lost half its value.[2] Shock waves spread around the globe. Western Europe's economy, closely integrated with that of the United States, quickly fell into the vortex.

In the developing world, three mechanisms were identified by early 2009 as playing key roles in spreading the consequences of the financial crisis: remittances, capital flows and trade.[3] The impact of the shift in private capital flows was more severe for emerging markets than for low-income countries. Several nations witnessed a large reversal of currency positions out of assets in emerging economies into the currency of developed countries, negatively impacting exchange rates in the latter. For exporters of manufactures and services, the main channel of transmission was a decline in trade volume, and exporters of goods were affected more by declining prices. Declining energy prices helped energy-exporting nations, but discouraged investment and economic activity in the commodity-dependent developing countries.[4]

Global impacts could be measured in macroeconomic indicators and in sobering estimates of human suffering. World GDP is estimated to have contracted by an unprecedented 2.2 percent in 2009 -- the first absolute decline among postwar crises.[5] The blow to GDP growth for low-income countries as a whole was less severe. Their dip in GDP in growth was sharper than in previous crises, but it remained positive overall and was less than the world average.[6] Yet, even if the macroeconomic impact was relatively larger in industrialized economies, the cost in human welfare was greater in developing nations with far less wealth to buffer external shocks.

2 The broadest American stock index, the S&P 500, fell 56.8 percent from its peak on October 9, 2007, to a low on March 9, 2009. See Gerald P. Dwyer, "Stock Prices in the Financial Crisis" (Notes from the Vault, Center for Financial Innovation and Stability, Federal Reserve Bank of Atlanta, September 2009), http://www.frbatlanta.org/cenfis/pubscf/stock_prices_infinancial_crisis.cfm.

3 Stephany Griffith-Jones and José Antonio Ocampo, "The Financial Crisis and Its Impact on Developing Countries" (Working Paper Number 53, International Policy Centre for Inclusive Growth, April 2009), 1, http://www.ipc-undp.org/pub/IPCWorkingPaper53.pdf.

4 Ibid, 2.

5 The International Bank for Reconstruction and Development / The World Bank, *Global Economic Prospects 2010: Crisis, Finance, and Growth* (Washington, D.C.: The International Bank for Reconstruction and Development / The World Bank, 2010), 4.

6 Roger Nord, Dominique Desruelle and Christian Mumssen, "Emerging from the Crisis: Prospects and Challenges for Low-Income Countries" (International Monetary Fund presentation, Overseas Development Institute and International Monetary Fund round-table, March 19, 2010), http://www.odi.org.uk/events/details.asp?id=2200&title=impact-global-financial-crisis-developing-countries%E2%80%94lessons-challenges-ahead#details.

"The number pushed into poverty is estimated to be at least 50 million and probably much higher."[7] According to the World Bank, "Some 64 million more people around the world are expected to be living on less than $1.25 a day by the end of 2010 than would have been the case without the crisis."[8] In Sub-Saharan Africa, up to 50,000 infants, all of them girls, likely lost their lives last year due to the crisis, according to economists from the World Bank's Development Research Group.[9]

1.2 Crisis response and PSIA

The need for urgent action prompted governments, international aid organizations and other stakeholders to seek to support governments and civil society in responding to many challenges posed by the crisis. Determining which responses are effective and which may exacerbate problems requires a proper understanding of the nature and consequences of the impacts, and given that the effects of the crisis varied widely in scale and composition around the globe, the process must be tailored to each society.

The Poverty Group in the UNDP's Bureau for Development Policy allocated funding for expedited studies using an analytic tool formally known as Policy and Social Impact Analysis, or PSIA. The PSIA approach is designed to assess the intended and unintended consequences of policy interventions on the well-being of different social groups, with a particular focus on the poor and vulnerable.[10] PSIAs examine the distributional impacts of policy reforms, whether positive or negative, and assess both income and non-income dimensions. They help governments make informed decisions about the design, sequencing, timing and appropriateness of reforms. They also enable decision-makers to better prepare for compensatory and complementary policy measures where adverse effects are anticipated.

With resources from the Government of Belgium, a joint collaboration between UNDP and the World Bank started in 2005 with three objectives: strengthen national ownership in the preparation of PSIAs, broaden the policy dialogue, and support national capacity development. The Government of Norway allocated US$1.2 million for 2009-2010 as additional resources to UNDP to continue its work on PSIA.

In 2009, UNDP earmarked a portion of the funds from Norway to conduct accelerated PSIA studies focusing on responses to the world economic crisis.UNDP invited proposals and approved PSIAs for 18 nations. In 11 of the countries (Armenia, Kiribati, Lithuania, Moldova, Morocco, Namibia, Paraguay, Philippines, Syria, Ukraine and Uzbekistan), the study was conducted independently for that nation. For seven nations in the Eastern Caribbean (Antigua and Barbuda, Barbados, Dominica, Montserrat, St. Kitts and Nevis, Saint Lucia, and St. Vincent and the Grenadines), a composite report was based on coordinated PSIA analyses in the seven countries.

This synthesis report draws on the PSIA reports[11] and is indebted also to informal follow-up reports and to discussions and interviews with UNDP staff.[12] More indicative than conclusive, it is intended to serve as an overview of the initiative, a summary of findings and recommendations, and an initial report on the process triggered in the countries by the PSIAs, including their impact in advancing policy dialogues and strengthening the capacity of governments and their partners to respond to the crisis and to conduct PSIAs in the future.

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7 Dirk Willem te Velde et al., "The Global Financial Crisis and Developing Countries: Phase 2 Synthesis" (ODI Working Papers 316, Overseas Development Institute, March 2010), ix, http://www.odi.org.uk/resources/details.asp?id=3855&title=odi-working-papers.

8 *Global Economic Prospects 2010*, 3-4.

9 The World Bank, "Economic Crises Taking a Toll on Children" (Research at the World Bank, The World Bank, 7 April 2010), http://go.worldbank.org/CKOFU9WCI0.

10 The World Bank, "Assessing the use of Poverty and Social Impact Analysis in World Bank Development Policy Loans" (report, Poverty Reduction and Economic Management, The World Bank, April 2009), 2.

11 Published studies can be found at the UNDP website, "Poverty and Social Impact Analysis of the Economic Crisis," http://www.undp.org/poverty/projects_psia_economic_crisis.shtml.

12 Special appreciation is owed to several UNDP staff members: Diana Alarcon, Senior Advisor and Cluster Leader, Inclusive Development for Poverty Reduction, Bureau for Development Policy; Claudia Vinay, Policy Specialist; Sven Isojarvi, Policy Analyst; and Ambreen Malik, Policy Specialist. The Annex of the report was written by Ambreen Malik.

2. FINDINGS AND RECOMMENDATIONS OF THE STUDIES

As expected, the studies found a wide range of impacts from the economic crisis, both in degree and nature. Some nations, such as Uzbekistan, were relatively insulated from the shock, while others, including Kiribati and several Caribbean countries, suffered severe impacts because of their relatively larger integration into the world economy. Increases in poverty and declines in GDP growth were widely reported in line with declines in income, for both governments and households, linked to a variety of causes, particularly reductions in employment, exports and remittances.

Among the most striking findings were results that conflicted with expectations. It was widely believed, for example, that a major channel for transmission of the crisis in developing countries would be a drop in remittances. In the Philippines, national dailies put the initial slackening of remittance flows on the front pages. The PSIA, however, found that remittances may have slowed but continued to grow. In Moldova, the PSIA reported that remittances surprisingly grew in urban areas during the crisis and that contrary to expectations, the impact of the crisis was mainly driven by the loss of employment and income, primarily due to the depression of the agricultural sector and the rural economy. The Morocco study, which examined the impact of the crisis on Moroccan migrant workers, found that despite falling employment opportunities abroad and despite efforts in the receiving countries to discourage migration, the crisis is unlikely to reduce significantly the stock of Moroccan migrants.

Similarly, the findings point to several exigencies -- droughts, typhoons, food-grain prices, delinquent administration -- that were paramount in contributing to some countries' socio-economic hardships but that could not be attributed to the crisis. Nevertheless, these variations only compounded the stress on human welfare caused by the crisis and reinforce the need to undertake country PSIA to inform policy dialogue and decision-making.

The PSIA recommendations covered a broad spectrum and fell into two general categories: those aimed at improving the social safety net and those designed to stimulate the economy and promote employment. Several were closely tailored to each nation's circumstances and appeared in only one PSIA, such as the call for Namibia to turn to the World Bank and International Monetary Fund for external borrowing. Those that appeared in several PSIAs included cash transfers for those in need, improved coordination of social protection programmes, stronger needs-based standards for assistance, and increased public works and employment training. Several also urged deep government policy reforms, including development of proactive, well-coordinated planning to address poverty and future crises.

It should be noted that while these PSIA studies offer valuable insights and guidance for each nation, they were not intended for comparative analysis among the nations. To the extent that PSIA work is intended to inform the national policy dialogue on options to address the impact of the crisis, PSIA reports differ from country to country. There is no formula for the subject or approach in conducting a PSIA. As the studies described in this report illustrate, the scope can be broad or narrow, and the methodology likewise differs from case to case[13]. As noted above, the analysis for Morocco

[13] UNDP specific information on PSIA is available at http://www.undp-povertycentre.org/psia/eng/res.htm.

examined Moroccan migrants and their remittances in light of the crisis. In Armenia, a survey of households was employed, while the process in Syria applied three economic models to focus on implications of the crisis on government policies on price subsidies and cash transfers. In the Caribbean, focus group discussions with small groups of individuals formed the main source of information on impacts, coping strategies, government response and recommendations. It is nevertheless possible to identify important common patterns as well as key differences in these 12 case studies.

2.1 Impacts

2.1.1 Armenia and regional variation

Armenia, one of the most affected nations, reflected a distressing consequence of the world economic crisis seen in many of the countries facing development challenges – sharp reversal of the gains in addressing poverty. The nation experienced strong economic growth averaging 10 percent a year during 2001-2008. As a result, the percentage of those below the poverty line dropped from an estimated 56.1 percent in 1999 to 23.5 percent in 2008." However," the PSIA notes, "these achievements were effectively reversed by the global financial crisis (GFC) which struck the country through three simultaneous shocks -- loss of export demand, a collapse of commodity export prices, and a sharp decline in remittances and private capital flows. Armenia's economy contracted by 18.3 percent in January-September 2009, one of the steepest GDP declines in the world."

The impact on Armenian households, however, was far from uniform. The country exhibited some of the most striking regional variations. About 40 percent of households are in debt, and among these, the proportion unable to repay their debt was estimated at one-fifth nationwide. Yet, the percentage unable pay in the Argatsotn marze (province) was two thirds. In the marze of Ararat, about 45% of households could not afford to pay for meals.

2.1.2 The Philippines, a contrast in remittances

Comparing Armenia's experience with that of the Philippines, the most populous country among those studied,[14] illustrates some key variations in the impacts of the crisis. With regard to remittances, Armenia, like many nations, reported a decline, down 17.5 percent in January-July 2009 compared with the same period the year before. By late 2009, about 12 percent of labour migrants abroad had either returned or planned a return, while internal labour migration decreased by 57%. Since these workers provide the bulk of income to poorer segments of society, their diminished income had a critical impact on that segment of the population.

Remittances are a significant contributor to household income in the Philippines too, but contrary to expectations, they continued to increase in that nation, although at a slower pace. Whether measured in foreign currency or Philippine pesos, remittances from overseas workers grew in both 2008 and 2009. In foreign currency terms, the growth was 13.7 percent in 2008 and 5 percent in 2009. The PSIA for the Philippines reported, "The average monthly inflow of about US$1.3 billion played a crucial role in maintaining a positive growth of the PCE (personal consumption expenditure) throughout the 2007-2009 period."

2.1.3 Other shocks impact The Philippines

The Philippine study also illustrates another important variable that complicates the assessment of the crisis. It is among several nations that suffered other shocks that were independent of or only marginally related to the world financial crisis. In such cases, apportioning responsibility among the various external forces for negative impacts seen in the wake of the crisis is a daunting challenge.

The Philippines endured two major shocks before the crisis that contributed to its losses in the struggle against poverty. One was a sharp rise in food-grain prices in late 2007 and the first half of 2008. The domestic price of rice, the country's staple, rose about 40 percent during the period. "Because rice accounts for about 25% of food expenditures of the poorest 30% of the population, the price shock created a significant negative impact on the well-being of poor Filipinos, including small rice farmers, most of whom are net buyers of rice for household consumption," the PSIA found. The second major shock was an increase

[14] The Philippine population of 92 million is double that of Ukraine, the second most populous nation in the study.

in poverty during the seven years before the food-price shock at a time when the economy was growing (4.8 percent annually on average) faster than the population (2 percent a year). And after the crisis set in, the nation's economy was battered by three typhoons in the latter half of 2009. The sharp drop in growth of the nation's agricultural sector, from 4.8 percent in 2007 and 3.2 percent in 2008 to 0.2 percent in 2009, was due largely to the devastation in Luzon unleashed by the storms.

At the same time, the economic crisis also exacted a toll in the Philippines, as the collapse of global demand and industrial production growth resulted in a sharp drop in the country's exports of goods and services, especially electronics and semiconductors. Manufacturing was the major contributor to this contraction; its output plunged by 5.2 percent in 2009, its worst performance since the Asian financial crisis of 1997/1998.

On balance, the Philippines avoided recession, though the economy's expansion was significantly reduced. GDP growth fell from 7.1 percent in 2007 to 3.8 percent in 2008 and 0.9 percent in 2009. And recent gains in reversing poverty may have been lost. One assessment showed a decrease in poverty from 33 percent in 2006 to 29.7 percent in 2009, but, the PSIA found, the economic crisis "may have cut the gains in reducing poverty over the past three years by pushing nearly 2 million more Filipinos to poverty."

2.1.4 Combined shocks in Paraguay and Syria

Several other nations suffered effects compounded by forces in addition to the financial crisis. Drought, for example, added to the impacts in Paraguay and Syria. In Paraguay, the drought combined with the main channels of crisis in that nation -- export prices, access to international and regional markets and a profound contraction of credit – to push the country into deep recession, with a fall of GDP growth to -5.4 percent in the first half of 2009, further hindering the country's efforts to stem the long-term increase of poverty. Poverty, increasingly concentrated in rapidly urbanizing areas, is estimated to have risen from 30 percent in 1995 to 35 percent in 2007." There is increased informal employment, indigence, overcrowding, insecurity and the creation of important pockets of poverty within the Asunción metropolitan area that have no access to housing, water and sanitation, education, health and other basic services," according the PSIA analysis.

In Syria, the PSIA found that the drought is expected to be more damaging to the economy than the world economic downturn. The drought crippled agricultural production, exacerbating poverty and putting pressure on the balance of payments. These impacts were compounded by the crisis-caused fall in world demand for Syrian exports that led to a drop in manufacturing and mining.

2.1.5 Ukraine, a study in complex causes

The most complex portrait of pre-crisis contributors to current economic and poverty trends can be found in the PSIA for Ukraine. The nation's experience offers an illustrative case study of how a nation's domestic problems combined with the global economic crisis to magnify the serious negative impacts.

After the post-Soviet transformational crisis of the 1990s, Ukraine experienced nine years of economic growth in 2000-2008 that saw increases in the volume of production and services, improvement in the investment climate, an increase in the demand for labour, a decline in unemployment rates, and higher household income. However, while employment in many countries is a driver of income and poverty trends, Ukraine employment often fails to provide for basis subsistence. While the highest poverty rates are seen in households with unemployed heads, almost one fifth of Ukrainian households with an employed head is considered poor.

Despite the economic growth, Ukraine had preserved archaic production structures from the Soviet era and not undergone a major restructuring of the economy that would create an investment and innovation-led development model." A distorted political system dominated by competition among interest groups and rent seeking within state agencies limited the scope for effective social transformation," the PSIA reported." An explosion of corruption, the expansion of the shadow (and sometimes criminal) economy and administration, deeply damaged values in Ukrainian society and the system of incentive in the economy."

The living standards of most of the population declined, provoking an increase in those receiving social benefits that saw the share of social spending in public expenditures increase from 17% in 1999, to 27% in 2008. Social apathy also grew, according to the

PSIA:"Dissatisfaction with the results of the economic transformation led not to civic engagement among the majority of the population, but rather to feelings of hopelessness, absence of personal ability to change the situation, and inactivity, which is most observed among the young people."

At the same time, expectations about reaching the living standards of developed countries grew alongside an expansion of the banking sphere that fostered rapid growth in household loans, which increased 77-fold over the period of 2003-2008 and 3-fold during 2006-2008. This became one of the main drivers of inflation, and deepened inequality among the population. The ensuing global economic crisis hit at a time of growing discrepancy between the real economy and the financial sphere. The value of global financial securities before the crisis exceeded GDP by more than 10 times, compared to only 20 percent in 1980.

The economic crisis, which exacerbated the internal problems of socio-economic development during 1991-2008, initially appeared as a balance of payments and currency crisis marked by high inflation. Exports, mainly in metallurgy and chemical industries, fell sharply, and banks and companies struggled with significant debt. An abrupt devaluation of the hryvnia undermined public trust in the financial system, prompting deposit outflows and bankruptcies for some banks. The currency's depreciation was followed also by serious problems appeared in the construction and real estate sectors, where investment commitments are based on the dollar. Higher gas prices meanwhile meant communal enterprises increased the need for state-budget outlays, which could not be met amid the falling GDP.

The crisis spread to virtually all economic and social spheres, according to the PSIA. Industrial production in January 2009 was only 65.9 percent of the level from a year earlier. Household income fell, along with non-food consumption. In the first quarter of 2009, food spending declined in 8 of 10 categories. Poverty risks were the greatest among households with children, the elderly and rural households. In the first quarter of 2009, the share of households with children among the poor rose, and macroeconomic modelling indicated that the poverty rate for those living under the minimum subsistence level is expected to increase by more than 7 percentage points to reach 27.6 percent of the population in 2009, and fall only to around 27.2 percent in 2010. Furthermore, the poverty rate according to the US $5 (PPP) per capita per day criterion will grow in 2009-2010 by approximately 2 percentage points.

2.1.6 Kiribati and global economic integration

As noted earlier, the domestic conditions and PSIA approaches in each nation vary significantly. Kiribati, the most geographically disbursed nation in the group with a relatively small population of 99,000 people, is closely tied to the world economy through several channels, including trade and tourism, finance and employment. An average of about 40 percent of gross national income (estimated at A$211.7 million in 2007) comes from external sources, predominantly fishing license fees, seafarers' remittances, development assistance, and revenue from the country's Revenue Equalisation Reserve Fund. (The fund is a sovereign wealth fund invested globally and managed by investment professionals in London on behalf of the government. It provides around 25% of the recurrent budget.

The PSIA identifies several ways that Kiribati has been impacted economically by the crisis:

> Jobs are being lost in the seafarer's sector, on fishing vessels and there is a slowing in demand for crew on cruise vessels. The reduction in cruise vessel visits to the Line Islands is having a severe impact on the livelihoods of the people on the isolated island of Tabueran. The curtailment of international airline flights to Kiritimati Island is an additional constraint. Together these impacts are leading to a reduction in incomes and remittances. The recent price rises for basic food items is exacerbating the problems for many families causing further falls in their real incomes. The government's budget has been impacted by the fall in value of the nation's sovereign wealth fund, the RERF, and is likely to be further impacted by reductions in tax and tariff revenues as domestic incomes fall with domestic economic activity already stagnant, slowing further.

Because the country is virtually totally reliant on imports of fuel for all its transport and power generation needs, the near doubling of the cost of fuel imports between 2007 and 2008 placed a severe strain on the government's ability to provide additional subsidies to the domestic shipping operations and power generators and increased the operating costs of local fishing businesses, adding to the price of fish in the market.

Assessing the social impact in Kiribati, however, has been difficult because there were no benchmark poverty estimates for the country. The PSIA therefore was designed to provide information on the structure, characteristics and extent of poverty in the country which will enable the government to better identify the most vulnerable households in relation to the global crisis and to develop appropriate support and mitigation measures. The study found that about a fifth of the households and a fourth of the population, including more than a third of children, live below the poverty line. As elsewhere, female-headed households were more likely to be poor. Many of those in poverty were in debt and struggling to pay for food, education and healthcare, and living in low-quality housing without proper access to water, sanitation and other basic services.

2.1.7 Parallels in the Eastern Caribbean

The seven nations in the Eastern Caribbean cluster evidenced several of the characteristics found in the other countries studied. Like the island nation of Kiribati, a decline in tourism was a key channel of transmission, while shrinking remittances also echoed the experience of several other nations. Falling exports and access to financing also were major contributors to the impacts.

And like some other countries several of the Caribbean nations have been struggling with social issues that have arisen independently of the crisis." The crisis may have exacerbated them, constrained government's ability to address them, or delayed implementation of certain development and pro-poor policy measures," according to the region's cumulative PSIA report." Groups most affected include i) those who have lost jobs, have families to support, cannot count on alternative income source, ii) persons without tenure to land, iii) farmers who have experienced increase in cost of inputs, especially fertilizer, iv) youth who are now entering the labor force and see fewer job opportunities and v) poor and vulnerable who are at a greater risk from external shocks."

And among the 12 PSIA reports discussed here, that of the Caribbean group found perhaps the greatest degree of regional differences. Impacts were generally lower in those with less exposure to the global market. These included those with a small share of tourism and off-shore financial sectors (Barbados, Dominica and St. Vincent and the Grenadines), those with lower reliance on exports of discretionary goods like bananas and those with more diversified economies less dependent on one service, commodity or company (e.g. Stanford Bank, British American/CLICO). Also those with greater access to international capital markets (Barbados) were better equipped to weather the storm.

At the same time, impacts in several nations were amplified by other shocks not directly tied to the crisis. Among these, the PSIA singled out:

- Countries such as Dominica, where concerns over the toll taken on society by youth violence and growing drug trafficking and abuse are currently at the forefront.
- The Windward Islands, which continue to struggle with effects of the contraction of the banana sector, which is affecting farmers more than the global economic crisis.
- Montserrat, where the impact of the volcano eruptions during the 1990s overshadows the current crisis.

Overall, the PSIA reported, "The global economic crisis has had an undeniable impact on the countries of the region… In most cases, it has translated into slower growth or contraction of GDP, reduced fiscal revenue, and reduced public expenditures on the government side; as well as loss of business, lower sales, and bankruptcies within the private sector. … All these developments have implications for the welfare of households and individuals. Social impacts will be significant for some groups; it will increase vulnerability, the risk of sliding into poverty, and possible social problems."

2.1.8 Further commonalities and contrasts – Morocco, Namibia, Moldova and Lithuania

Experiences in Morocco, Namibia, Moldova and Lithuania further expand the range of impacts, national differences and PSIA approaches discussed so far.

The most narrowly focused study is likely that of Moroccan migrants and the impact of the crisis on their poverty and remittances. They were found to be highly vulnerable to the crisis, more so in Spain and Italy than in France, where their employment is relatively stable. The study found that the crisis is "likely to bring about a reduction in new migratory flows because it has led most receiving countries to adopt new laws and regulations that limit family reunions and the possibilities of legal migration. France, Spain and Italy have made legal migration to their countries more difficult and have reinforced the fight against illegal migration. The crisis will also reduce migratory flows because employment opportunities have declined. Many economists also believe that a recovery could occur without a significant reduction in unemployment." Yet, the crisis is unlikely to reduce significantly the stock of migrants. The impacts of the crisis on the Moroccan economy provide a disincentive for returning.

The study concluded that the crisis will lead to an increase of poverty for migrants in the receiving countries and of their families back home who are receiving less in transfers.

In Namibia too, the PSIA found an increase in poverty, putting an even greater strain on what are already overstretched government social services. The economy is vulnerable to external shocks because of very high ratios of foreign trade to GDP and a high degree of dependence on mineral exports to only a few trading partners in Europe and North America, with an even higher degree of dependence on imports from South Africa. It also relies heavily on foreign direct investment, which constitutes 25 percent of GDP. And its revenues from the Southern Africa Credit Union account for as much as 35 percent of government revenue each year.

Yet, at the same time, Namibia's economy has distinctive strengths that have served to buffer impacts to some degree. The nation's financial sector has been little affected, owing to prudent supervision by the Bank of Namibia, and banks in the country, protected by conservative lending practices and little direct overseas exposure, remain profitable. Although job losses in diamond and copper mining, combined with increasing food prices, greatly affected the poor and vulnerable, these were partly offset by increased employment in uranium mining. Reports on tourism were conflicting; with the Bank of Namibia projecting a major setback and data from the Namibia Tourism Board showing substantially increased occupancy of tourist beds in 2009.

But with high unemployment levels and relatively high poverty rates, a substantial portion of the population remains vulnerable to economic shocks.

A more pronounced downturn was seen in Lithuania, where the PSIA concluded that the country has been "severely impacted by the global and financial crisis." The study found that "foreign investment has been declining sharply; a major credit crunch was experienced; serious job losses and fall in income resulted in rising absolute poverty levels." The latest World Economic Outlook projection forecasts a decline in real GDP by 18.5 percent this year. The national unemployment rate more than doubled as compared with the first quarter of 2008 -- from 4.9% to 11.9%. The number of social assistance recipients in the first quarter of 2009 increased by 40 percent compared with the first quarter of 2008.

Other impacts included a sharp drop in education spending of 22.8 percent, an increase in the crime rate, and a rise in mental health problems. In addition, the "shadow economy," with unregulated labor relations and evasion of applicable taxes, was projected to grow significantly.

In Moldova, the economic crisis was accompanied by increasing and deepening rural poverty. The channels of transmission included falling export demand and a decline in remittances from abroad, though the PSIA found, "Contrary to expectations, the impact of the social crisis is not mainly driven by the loss of remittances -- employment and income loss are much stronger and this is primarily due to the depression of the agricultural sector and the rural economy." The study also predicted, "Further deterioration in poverty rates is likely to occur if the significant return of migrants continues with consequent falls in remittances and rising unemployment as returning workers re-enter the domestic labour market. Given the rural origin of migration, the effects of large numbers of returning migrants may be felt more sharply in rural areas."

2.1.9 Uzbekistan, sheltered from the storm?

Uzbekistan appeared to have escaped the worst of the global financial crisis. However, even though the country's economy fared better than other transition economies, the full impact of the crisis could still hit Uzbekistan this year secondarily through the effects of the crisis on Russia and other CIS (Commonwealth of Independent States) countries, where fewer Uzbek workers can expect to find jobs.

The International Monetary Fund noted that Uzbekistan grew by 9% in 2008 and predicted growth would slow somewhat, to 7%, in 2009. This projected performance was partially attributed to improvements in the hydrocarbon sector. The share of energy and oil-product exports in the total exports of Uzbekistan increased from 21.6 percent in the first half of 2008 to 43.7 percent in the first half of 2009. A similar pattern was seen in Azerbaijan, while in contrast, countries such as Armenia, Kazakhstan and Georgia were expected to face recession while others such as the Kyrgyz Republic and Tajikistan were expected to have slow growth.

Uzbekistan nevertheless faces considerable risk. With remittances constituting a substantial part of GDP (almost 11 percent in 2007), a reduction in foreign employment could exacerbate disruptive population shifts inside the country as returning migrants join workers leaving rural areas to crowd urban areas. Remittances were down to 8.6 percent of GDP in the first half of 2009 from 13.3 percent in the first half of 2008.

Furthermore, climate changes and the water deficit in the country are likely to shrink agricultural land. The current rate of job generation remains anemic, implying that workers facing a shortage of employment opportunities in small towns or rural areas will search for informal-sector employment in Uzbekistan's more prosperous cities. (About 70 percent to 80 percent of internal migrants seek temporary employment in Tashkent City, gravitating to construction work, services or agriculture-related activities.)This will lead to unregulated and imbalanced urbanization, which will put increasing pressure on the available housing stock and public utilities in the larger urban areas. It will also lead to a mushrooming informal sector, surviving on income flows that trickle down from the narrow range of prosperous (export-oriented and capital-intensive) sectors of the economy, and would result in a more rapid and unplanned rise in urbanization and an attendant spread of urban poverty.

2.2 Government responses

State efforts to remedy effects of the crisis varied in degree and kind. Nearly all were constrained by one common impact of the crisis -- shrinking government revenues. Nevertheless some governments embarked on ambitious attempts to boost the economy and protect vulnerable groups.

The government's foremost response to the crisis in the Philippines was the Economic Resiliency Plan (ERP), which had a budget of PhP330 billion (US$7 billion) or an estimated 4 percent of GDP. It included cash transfers, food subsidies, tax exemptions (for minimum wage and less earners), job training and emergency job creation. The PSIA found that success of the effort, however, was hampered by delayed access to funds as well as poor design and implementation unresponsive to local needs.

The government of Namibia likewise adopted counter-cyclical fiscal expenditure programmes, primarily of a capital-investment nature, in economic and social infrastructure. It has also provided tax relief and subsidies to selected industries, and to the corporate and personal sectors. Additional fiscal reforms included a 50-percent increase in the development budget in the medium-term. The PSIA concluded that the government's ambitious package of reforms would likely require increased public debt.

Paraguay too adopted a fiscal stimulus plan that in effect added 1.4 percent in GDP growth and thus partially offset the nation's recession, according to the PSIA analysis. Measures adopted by other governments varied in accordance with their means and circumstances. The Moroccan government, for example, established a public-private committee to monitor the impacts of the crisis on migrants and develop appropriate responses. It also sought to help migrants by increasing access to credit, lowering transfer fees and strengthening social services at embassies and consulates where the migrants live.

In general, government responses to the crisis received relatively less attention in the PSIAs than the causes of the crisis and the recommendations for future policy.

2.3 Recommendations

The cumulative list of recommendations in the 12 PSIAs is extensive. Some target economic stimulation, while others aim at providing social protection and direct assistance for the poor and vulnerable. Some are short-term responses to the global financial crisis, and some seek to strengthen the ongoing capacity of governments and their partners to alleviate poverty and withstand the impacts of future crises.

2.3.1 Principles and policy measures from the Ukraine PSIA

The Ukraine PSIA represents one of the more detailed and systematic arrangement of recommendations, beginning with seven "Principles for Poverty Alleviation as Multidimensional Phenomenon," which are broad precepts that would apply to other nations as well. Two examples:

- Alignment of the magnitudes of means-tested targeted social assistance with the national poverty line and basic minimum guarantees;
- Social support for able-bodied workers should focus primarily on stimulating economic activity and encouraging employment;

The second example echoes recommendations in other PSIAs that vary in wording but address the critical challenge of providing assistance without discouraging the incentive to work. The Philippine PSIA suggested one approach for meeting this challenge: "For example, workfare programs, in which work requirements are imposed to screen the poor from the non-poor and to reduce welfare dependency, have a fairly good record in providing effective insurance in the wake of macroeconomic crisis and against the threat of famine. A notable feature of these programs is that the wage is not set too high. If designed well, these programs not only address short-term poverty but also build up productivity-enhancing physical assets required for long-term poverty reduction."

In the Ukraine report, the initial list of seven principles is followed by a second list of 12 "Short-term Poverty Alleviation Principles," which include fiscal reforms as well as broad social ideals. Some examples:

- Elaboration and introduction of the redistributive mechanisms through state tax and transfer systems, restoration of tax exemption for incomes at or below minimum subsistence levels;
- Support for the development of independent employment and micro-enterprising;
- Development of all kinds of public initiatives;
- Promote philanthropy, particularly in the form of charitable activities;

Following the two lists of principles are two longer lists of more specific policy measures, totalling 33 items across a wide spectrum. Some – like the call for restoring progressive personal income taxation – may have greater relevance to Ukraine, while many others have close counterparts in the policies proposed in other PSIAs. Among the latter are reforms of the social assistance system; improved access, especially for children, to healthcare, housing, food and education; expanded job training; public work; better enforcement of labour laws; and promotion of small enterprise.

2.3.2 Social protection

A top priority identified by the PSIAs is strengthening of the social safety net in many types of social assistance. Some reports, for example, urged enhanced social payment and cash transfer programmes. For Moldova, the amount of benefits is simply too low." For many of the affected groups social payments fail to compensate for lost income," that nation's PSIA found. The Philippine PSIA suggested expansion of that country's successful effort:

> The government's Conditional Cash Transfer (CCT) initiative under its Pantawid Pamilyang Pilipino Program (4Ps) appears effective as a vehicle for addressing short-term poverty and long-term human capital development. CCT programs are widely implemented in many developing countries, particularly in Latin America and, more recently, in Asia. Assessments of these programs show significant positive impacts on nutritional intakes, schooling performance, and reduction in poverty and inequality. Of all the government's current subsidy programs, the CCT initiative holds perhaps the most promise for breaking the vicious cycle of poverty and, hence, is a good candidate for upscaling toward a national anti-poverty program.

Several reports found social assistance programmes hindered by wasteful duplication, lack of coordination, and inadequate information about the nation's poverty conditions and the eligibility of potential beneficiaries. These conditions prompted calls for streamlining and integration of assistance programmes as well as improved means testing.

Several recommendations, particularly in the Moldova and Ukraine reports, stressed the importance of assistance for children, including improvements in early childhood development and preventative-healthcare programmes.

In addressing the needs of unemployed and low-paid workers, some recommendations, such as unemployment benefits, fell into the category of social protection, while others, such as job training and subsidized public work, merged with measures intended to strengthen the economy, such as those discussed in the next section.

2.3.3 Economic resilience

Recognizing that poverty levels usually fall when the economy grows, the PSIA recommendations assigned a high priority to measures designed to stimulate enterprise and employment. Such prescriptions of course must be developed and calibrated for each case. An illustrative example can be found in the Paraguay study:

> Paraguay needs to grow at approximately 6% to generate enough jobs that help to reduce poverty. Higher rates of growth are possible if the state is able to guarantee a macroeconomic climate conducive to private investments as well as higher invest in physical infrastructure to help integrate the various regions of the country. Social inclusion also requires greater access to acceptable public services such as education, health and housing. The study estimates a public investment plan for the next 11 years of approximately US$14.57 million with a financing gap of $2.83 million. Financing this gap could be covered partially with increased royalties from the Itaipú hydroelectric plant plus a temporary increase in taxes in the order of a 1 percentage increase of the Value Added Tax and 2 percentage points for the income tax in the next 6 years.

The number of economic reforms proposed in the PSIAs naturally varied. The Namibia PSIA offered an ambitious package, alluded to earlier, that would require borrowing. The PSIA recommends that the government use the relatively cheaper credit offered by the World Bank and International Monetary Fund. Echoing lessons of the Caribbean experience, the Namibian study also called for greater diversification of economic activities, such as increased development of value-added agricultural products. A diversification recommendation from the Ukraine PSIA also addressed employment and tourism: "Involve unemployed and inactive households in rural areas and small cities, in the development of "green" (rural), cultural, and ethnographic tourism."

2.3.4 Government reform

A third cluster of proposals targeted reform of the public sector. Some recommendations emphasized merit-based good governance, as in the call for excluding patronage in the Caribbean and the earlier noted criticism of corruption in Ukraine. Some of the recommendations reflect universal, though elusive goals. These include the call to "ensure fiscal discipline" in Kiribati and the recommendation for "a more stable political environment" in the Philippines. Others are specific to the individual nation, such as the Armenian study's urging of greater clarity in price controls.

2.3.5 Caribbean call for "National Development Plans"

The collective PSIA for the seven Caribbean nations argued that remedies should be devised through a coordinated strategy that would integrate all the policies and measures under a unified approach:

> The recommendations should be a part of broad National Development Plans, with overarching strategic visions of where countries would like to be within specific timeframes. While many governments have and continue to introduce a range of social protection programs, this is not the same as a coherent social protection policy. A national Development Plan will inform social sector development and reforms and guide planning in the medium and long term.

Before technical issues are tackled, the Caribbean report recommended that the strategic vision for national development be founded on several key principles:

1. Create a system for prioritizing social issues and social problems and applying resources in emergency situations.
2. Streamline and integrate social assistance/ protection functions.
3. Reduce duplication within and between ministries.
4. Promote an integrated planning and policy dialogue/framework.
5. Strengthening capabilities of research agencies in the collection and processing of data, as well as the generation and analysis of statistical indicators.
6. Evaluate and redesign existing social safety net programs.
7. Promote a culture of evidence-based decision-making.
8. Sector-specific measures: crime prevention, promotion of entrepreneurship, and promotion of agriculture.

It is worth noting that these recommendations can apply to the other nations as well. In fact, equivalents of several of them are to be found in other PSIAs.

3. PROCESS AND IMPACT OF THE STUDIES

As noted earlier, PSIAs are designed to help governments and their partners assess the intended and unintended consequences of policy interventions on the well-being of different social groups, with a particular focus on the poor and vulnerable. Determining appropriate policy responses depends on accurate understanding of the challenges being faced, and thus the PSIAs in this project began by examining the impacts of the global economic crisis in formulating recommendations.

A critical component of the PSIA process is advancing policy dialogue and strengthening the capacity of countries to respond not only to this crisis but also to future crises and development challenges. This third section of this report focuses on impacts of the studies themselves in promoting national ownership of the process and the development of technical capacity to conduct PSIA analyses. It looks at whether the PSIA process played a catalytic role to mobilize resources and build or strengthen partnerships that can provide relevant policy advice and assess the social and poverty impacts of various policies. It also includes the dissemination of PSIA studies and capacity development to understand results.

These elements of this PSIA project on the economic crisis are still in progress. Partnerships continue to be built and strengthened, and dissemination ranges from not-yet-begun to advanced. Furthermore, some of the progress that has been achieved has not yet been documented.

Meanwhile, it is anticipated that additional funds may be available for furthering the policy dialogue through:

- Dissemination
- Capacity building
- Wider stakeholder involvement

3.1 National ownership and partners

One of the objectives of the UNDP trust fund for PSIA work is building government ownership in the process to conduct PSIA work and involve other stakeholders in the assessment of policy options. Involvement of multiple agencies is described in Armenia's PSIA:

> The Government of Armenia, with financial and technical support from the UN Country Team, conducted a representative household vulnerability survey across all 11 marzes (provinces) in Armenia, including Yerevan in August 2009. The national counterparts were the National Statistical Service (NSS) and the National Institute of Labour and Social Research of the Ministry of Labour and Social Issues (MLSI).

In Lithuania, the PSIA process began with strong government commitment to engage with other stakeholders, including UNDP, which acted as a neutral mediator in fostering collaborative policy discussions and as a facilitator in bringing in international expertise to work with national experts and to assist in the dissemination of the results. A multi-partner team to conduct the assessment was mobilized by the UNDP country office among the Ministry of Social Security and Labor, the Labor and Social Research Institute 2, and social policy experts of Vilnius University. It included also the European Commission office in Lithuania as well as the UNDP Regional Centre. The process included roundtable discussions on the findings with stakeholders in two cities, including one in Vilnius, which led to the formation of a working group in the Ministry of Social Affairs and Labour on mitigation of the social consequences of the crisis. The UNDP also was played a key partner role in Syria, joining with the Syrian State Planning Commission to undertake the PSIA.

Perhaps the most detailed information gathered so far about national ownership can be found in a report from UNDP colleagues in Namibia on Namibia's PSIA process, which offers a model of a deeply engaged role by the government.[15] UNDP Namibia made initial contacts with the government's National Planning Commission (NPC) about a call for earlier PSIA proposals in February 2009 with a request for the Government to take the lead and own the process. The NPC established a Technical Committee, chaired by the Director of Development Planning, with members drawn from the Central Bureau of Statistics (CBS), the Bank of Namibia and the University of Namibia. In April 2009, the call was issued for expedited crisis PSIAs, and the proposal from the Technical Committee, on the impact of the crisis on Namibia, was approved by UNDP.

At the request of the NPC, the Ministries of Trade and Industry and Finance added representatives to the Technical Committee, which drew work plans and oversaw implementation of the two projects. The NPC also asked the Directorate of Development Planning and UNDP to draft Terms of References, which were shared with senior management staff of the Ministries of Finance, Trade and NPC for comments and approval. In this way the senior management staff of key ministries, who were the intended primary beneficiaries of the project outcomes, were sufficiently sensitized about the project. It also ensured that the projects were aligned to ongoing and planned government programmes and thus of immediate and direct relevance to work of these key ministries. It is noteworthy to mention that although UNDP provided substantive technical and administrative support, including quality assurance functions to the project, such support was provided under the overall direction of and on-going consultations with the Director of Development Planning in the NPC.

The technical committee solicited bids for project personnel and awarded contracts for the two projects to national consultants from the University of Namibia and First Capital Limited. To ensure institutional memory and capacity development within the NPC, an economist was attached to the project to directly work with the consultants on a daily basis for the entire duration of the project. The consultants were informed that although they were to generate impartial and objective findings, all decisions regarding processes and relevance of the projects, were to be made by the committee.

To collect corroborate necessary data, the Central Bureau of Statistics developed the survey methodology. The questionnaire was shared with other stakeholders, including the Government Statistician, to ensure that the sample was representative. Enumerators in the field worked closely with the Office of the Governor as well as the Constituency Councillors and village headmen.

More information about the impacts of Namibia's multi-agency partnership is provided below.

3.2 Multiplier effects of PSIAs

While this group of PSIAs was conceived as an urgent response to the global economic crisis, several of them have also assumed supporting roles in other initiatives targeting crisis impacts. And some have also been recruited for other, broader initiatives that enhance their value in addressing development needs of the host nation and advancing progress toward MDGs.

The experience in Paraguay provides an example of multiple roles that were planned from the beginning. The PSIA was to be undertaken under the supervision of an inter-agency team of experts composed of UNICEF, UNFPA and UNDP in the framework of a long-standing initiative called Investing in People. The consultant that was hired was a well-known economist and former Minister of Finance.

[15] Report provided by John Ashipala and Ojijo Odhiambo, UNDP Namibia Country Office, June 2010.

The report played an important role in strengthening the government´s social policy formulation. The Government lacked not only economic analysis of the impact of the financial crisis and the effects of the drought; it also lacked a multi-year framework analysis highlighting resource gaps to achieve the MDGs. As the report was made available, these analytical elements strengthened the knowledge basis of the Social Cabinet members as well as the Cabinet´s capacity to perceive gaps and plan according to MDG goals, policy considerations and financial gaps.

On 15 December 2009 the Government held a technical inter-ministerial workshop on social policy at which the findings of the report were presented. Following debates, the Government´s Social Development Plan integrated these findings. Similarly, this report has contributed to strengthening an MDG report being prepared by the Government in collaboration with UN agencies in the country. This MDG report, including important sections of the PSIA report, will be used as the technical basis for a public advocacy campaign aimed at strengthening policy debate among key political and social actors. Paraguay's PSIA also is serving as the umbrella for a study of the affordability of extending a national nutrition and food assistance programme to children under five years old and pregnant women.

A follow-up project has already launched in Saint Lucia – to conduct a PSIA study of the nation's social and economic conditions and the impacts of implementing a VAT (value added tax) on the economy, including businesses and consumers, on revenue, and on vulnerable groups. Collaborating on the study are the VAT Implementation Project Team, the Prime Minister's Office, the Ministry of Social Transformation and the Statistics Department.

Similarly in Lithuania, the UNDP in partnership with the President's office and the Embassies of Sweden and Finland organized a policy experts' gathering on the social assistance system and work incentives and on social safety net improvements recommended in the PSIA. Weighing the PSIA recommendations and their costs, the Ministry of Social Security and Labour proposed to UNDP a follow-up proposal, now being implemented, to develop concrete recommendations on reforming the social assistance system.

In Syria, the Social Accounting Matrix created under the nation's first PSIA will be expanded and linked to recent Household Income and Expenditure Survey data to create tools allowing for simulations on the poverty impact of various policy and crisis scenarios through analyzing the effects of changes in prices (subsidies) and cash transfers in combination with the estimated changes caused by the crisis, such as falls in informal transfers (remittances), employment and earnings (exports and FDI). The results of the exercise will be presented to the Economic Committee of the Government of Syria, which is charged with making critical short-term crisis response decisions. And in a role beyond crisis-response, the results will also feed into Syria's 11th Five Year Plan and its long-term socio-economic strategy.

For the Philippines, the PSIA is intended to inform the on-going development of the nation's Economic Resiliency Plan. It will also feed into implementation of several social assistance and social safety net programmes: a) Pantawid Pamilyang Pilipino (4P) Conditional Cash Transfer Program; b) Accelerated Hunger Mitigation Program (AHMP); and c) KALAHI Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDSS). The study can also provide valuable input to the Comprehensive Livelihood and Emergency Employment Program (CLEEP).

In the Caribbean, the PSIA work is being linked to the coordination between development partners on the economic crisis as facilitated through the Poverty and Social Sector Development Donor group. The study is intended also to assist SPARC (Support to Poverty Assessment and Reduction in the Caribbean), a multi-agency programme to promote the strengthening of statistical systems for poverty monitoring and social policy development in the Caribbean. It is possible that a coordinated response on poverty and social issues (of which this crisis PSIA would be the UNDP contribution) would be part of the 2009 work-plan for the region. Crisis work in Grenada may also be linked to this regional study.

The expected role to be played by Kiribati's PSIA is highlighted in a forward by Minister of Finance and Economic Development, the Honourable Natan Teewe, who said the study represents "the first full report on poverty in Kiribati" and "enables the government to gain a better understanding of the numbers, location and characteristics of those living below the national poverty line." He welcomed the study as "an important guide to government policy-makers and community leaders alike in planning and formulating appropriate policies that could improve the lives and well-being of our people, especially those living below the national poverty line."

3.3 Capacity building

According to the earlier-noted report detailing the Namibia PSIA process, that nation's experience also illustrates how the exercise helped build and strengthen networks and partnerships to address the crisis impacts and tackle future problems. The operations of the technical committee provided an opportunity for the committee members to learn from one another and from the consultants. Ongoing consultations among committee members and with other ministry personnel established new contacts. The project further facilitated access to research and policy documents and knowledge of government research and programmatic priorities by the committee members that would otherwise be difficult to obtain. To ensure ownership and maintain institutional memory, a government economist was assigned to the project full-time basis. In addition, participation by committee members in the design and execution of survey activities provided them with a valuable learning opportunity. Furthermore, two days of hands-on training, including on econometric analysis, was conducted by the consultants to an extended team derived from participating institutions. The committee members' stake in and familiarity with the work was strengthened also by their review of interim versions of the report and guidance offered to the consultants.

According to the report from Namibia, all the key national institutions responsible for economic-policy formulation and decision making, including the Bank of Namibia, which is the principal adviser to the Government on economic policy matters, participated in this initiative as part of a collaborative effort, under the leadership of the National Planning Commission. This arrangement promoted information sharing, capacity development and more importantly, ensured that the recommendations from this research initiative can be incorporated into critical policy-making organs within the Government. Generally, the PSIA process has created closer working relationships among the participating institutions.

3.4 Dissemination

Just as Namibia offers a relatively detailed example of government ownership and capacity building, Lithuania's experience provides a model of active dissemination.

The final report was sent to the President, Prime Minister and the Cabinet members, members of Parliament, and political parties. After the final presentation of the PSIA findings and recommendations in the Parliament, two former Presidents of Lithuania requested copies and engaged in public discussion through various mass media on mitigation of long-term crisis consequences.

The PSIA findings were presented also in at least eight national conferences and seminars that included officials from many levels of government. One example was a workshop in December organised by the Ministry of Social Security and Labour for heads of social assistance divisions of all Lithuanian municipalities. Another was a seminar the previous month for top officials of the Lithuanian Labour Market and Polish Employment Service.

The PSIA results were featured in the mass media as well. The presentation in the Parliament was covered by five main television stations and national radio. PSIA experts have been invited to three radio programmes to discuss socio-economic impacts of the crisis and proposed mitigation measures in the context of constrained budgetary options. Tow TV programmes --"Week Review of Political Events" on LrytasTV and "Confrontation with Lithuania" on BTV -- featured debates and discussions on crisis impacts and responses by PSIA experts, MPs, the Minister of Social Security and Labour and representatives of social-partner organizations. The national TV show, "Time of Ideas," also featured the PSIA. The head of the UNDP Lithuania described the participatory approach of the PSIA exercise, and PSIA experts highlighted the long-term social consequences of the economic decline as well as proposed mitigation measures and their cost. The report's findings were presented and discussed also in three main Internet portals: Delfi, Bernardinai, Lrytas. And interviews with PSIA experts were published in *Veidas* (Face) and *Verslo Klase* (Business Class) weekly magazines.

In Kiribati, an analysis of the findings was presented to senior government officials, and plans were made for presentations at broader stakeholder workshops. The analysis has also been taken up by Australia's overseas aid programme, AusAID, and the Asian Development Bank and is providing inputs into collaborative work on social protection issues. The report was shared with a range of other partners, with some feedback from the private sector indicating the usefulness of the information.

The PSIA results for Ukraine were also intended to feed into the national development agenda as they are incorporated into the national anti-crisis action plan and medium-term national planning. In Namibia, dissemination began even before the report was finalized with the final draft version presented to the management of the National Planning Commission prior to conducting a national stakeholders' workshop.

Several of the PSIA reports are still in the final stages of publication review and so have not been disseminated. Moreover, information on completed activities and developments regarding the process and impacts of the PSIAs has not yet been fully collected. As a result this synthesis report should be regarded as preliminary.

Nevertheless, the information gathered so far indicates that these 12 PSIA exercises on the whole played a valuable role in providing helpful information and guidance to government policymakers and their partners not only in responding to impacts of the global economic crisis but also in providing important experience in national ownership of the PSIA process and in building capacity to meet future challenges through enhanced technical expertise and collaborative relationships with other stakeholders.

ANNEX

Executive Summaries of PSIA Country Reports

ARMENIA – Crisis Poverty and Social Impact Analysis (PSIA)

Summary prepared by: The Inclusive Development Cluster, Poverty Group, May 2010

This is a summary of the report **"Monitoring the Impacts of the Global Financial Crisis on Households"** funded through a contribution from the Government of Norway. This is part of a series of crisis response PSIA initiatives aimed at generating policy responses to protect human development gains and to stimulate a broader policy dialogue. The Poverty Group at UNDP manages the PSIA initiative and provides technical guidance to country teams conducting the analysis.

Context

The global financial crisis is a serious threat to Armenia's economic growth and the country's achievements in the area of poverty reduction over the last years. The economic decline will have particularly dire consequences for the poor and vulnerable groups of the population who have limited means to deal with successive shocks. According to 2008 official data, 23.5% of the population is poor and 3.1% is extremely poor. The Word Bank Report "On the Impact of the Economic Crisis on Poverty in Armenia" says that due to the current crisis, another 172,000 people can fall below the poverty line between 2009 and 2010 bringing up the overall estimated number of the poor to 906,000 of whom 297,000 will be extremely poor. The achievements of Armenia in poverty reduction over the last years will be erased.

PSIA Exercise

In order to quantify the impact of the crisis at the household level, a representative baseline survey/vulnerability assessment was conducted across all 10 Marzes in Armenia and Yerevan in close cooperation with the Ministry of Labour and Social Affairs and with technical support from the National Statistical Service (NSS). Survey results reflect the impact of the crisis on household incomes, employment, migration processes, food security, access to healthcare services and consumption habits in rural and urban areas in Yerevan and the marzes.

The survey employed a random stratified two-stage sample. The sample included 35 towns and 90 villages. During the first stage, enumerator areas were selected in the towns and villages as primary sample units. In the second phase, the surveyed households were selected, 4,248 in all of which 2,808 households were selected from urban areas and 1,440 from rural areas. The survey data are representative at marz level. Estimated data were re-weighted based on population. The whole collection process of the required data was carried out by enumerators through household interviews.

Main Conclusions

1. Compared to one year ago this time, some 48 percent of households said their current economic situation is bad, 12 percent said it is very bad; 37 percent of households said their economic situation had not changed.
2. Difficulties for 64 percent of households are related to high food prices, for 40 percent of households the difficulties are related to healthcare, 16 percent of households have difficulties due to loss of jobs, another 16 percent have difficulties due to decreased remittances.
3. Crisis-related difficulties were not experienced by 25 percent of households.
4. Conditioned by the impact of the crisis, the following changes in habits **among the general population** were identified:
   - Shifted to the consumption of cheaper food **(79 percent)**;
   - Stopped buying some non-food items **(68 percent)**;
   - Started engaging less in entertainment **(66 percent)**;
   - Started meeting less with friends and relatives **(66 percent)**;

- Decreased amount of food consumption **(63 percent)**;
- Reduced/stopped/cancelled using healthcare services **(39 percent)**;
- Reduced transportation costs **(32 percent)**;
- Spent savings **(32 percent)**;
- Reduced or stopped buying medicine **(20 percent)**.

Interestingly, households that have reduced consumption habits and related costs represent comparatively higher proportions in Yerevan. Summarizing the trends resulting from the changes of the mentioned habits, it can be stated that the financial crisis has not only hit household incomes in all the marzes and Yerevan but has also taken its toll on the social and psychological profile of families and family values.

Recommendations

Based on the results of the survey, the following anti-crisis measures were recommended in order to mitigate the consequences of the crisis, ensure social protection for the population, stability of jobs and food security.

1. It is necessary to formulate monitoring systems to evaluate the efficiency of crisis response strategies implemented in various sectors and intersectoral impacts. These systems should be established at sectoral (ministries or ministerial agencies) and central levels (the Government or the Ministry of Economy).
2. It is necessary to expand government projects providing temporary employment involving not only unskilled labour but also skilled labour and establish a differentiated payment approach considering the complexity of the work and labour consumption. This measure is especially important in view of reductions of positions requiring certain professional skills that have already taken place or are expected to take place due to the crisis.
3. Use clear mechanisms in the establishment of real prices for food, medication, health and utility services.
4. As a rule, the financial crisis is accompanied with the reduction of production capacities leading to mass labour force reductions. Based on this, it is necessary to:
   - implement a policy of increasing the size of the unemployment benefit considering budgetary limitations but aiming to gradually bring it up to the minimum subsistence level.
   - Provide food support for families with unemployed persons and children.
   - Expand the framework and project activities of the active policy on employment in the labour market, in particular professional trainings for the unemployed.
5. Expand the scope of food aid[1] and food security, and other social protection measures. In particular, introduce as soon as possible a school feeding project in the most vulnerable communities. The project would ensure that children in primary school would at least have one nutritious meal and concentrate on learning. It is also expected to increase child school attendance rates. The project would support the monthly budget of poor families with an average of 3,000 drams.

[1] It is worthy of mention that the implementation of such measures does not require developing new mechanisms or systems or to make organizational expenses by the Government but just use the existing social protection system.

BARBADOS AND EASTERN CARIBBEAN – Crisis Poverty and Social Impact Analysis (PSIA)

Summary prepared by: The Inclusive Development Cluster, Poverty Group, February 2010

This is a summary of the report **'Social Implications of the Global Economic Crisis on Caribbean Small Island Developing States (SIDS)'** funded through a contribution from the Government of Norway. This is part of a series of crisis response PSIA initiatives aimed at generating policy responses to protect human development gains and to stimulate a broader policy dialogue. The Poverty Group at UNDP manages the PSIA initiative and provides technical guidance to country teams conducting the analysis[1].

Context

Small islands share characteristics which make them economically, environmentally and socially vulnerable to external shocks over which they exercise little or no control, placing them at a distinct disadvantage. These inherent vulnerabilities have however caused SIDS to constantly focus on ways of building resilience.

SIDS are typically characterized by a combination of small population, limited resources, remoteness, susceptibility to natural disasters, excessive dependence on international trade and vulnerability to global developments. In addition, they tend to suffer from diseconomies of scale, high transportation and communication costs, and costly public administration and infrastructure. Caribbean SIDS have a high degree of trade exposure and depend largely on a few economic sectors and narrow export base, with heavy reliance markets in the USA and the UK. Foreign Direct Investment (FDI), foreign aid and migrant remittances also contribute substantially to these economies. But individual countries experience varying types and degrees of dependence on and linkages to the global economy. The crisis has been transmitted to the region through employment, the tourism sector, remittances, FDI, exports, and access to financing.

PSIA Exercise

This was a regional exercise covering Antigua and Barbuda, Barbados, Dominica, Montserrat, St. Christopher and Nevis, Saint Lucia and St. Vincent and the Grenadines The analysis focused on two processes: *impacts* and *responses*, at two levels, government and individual. Impacts, which may fall into the economic and social category, are often interrelated. To the extent possible, they were quantified, based on existing indicators, at the aggregate level. At the individual level, they were drawn from focus group discussions and key informant interview findings. The report itself, drawing on the research on impacts and responses, is framed by two concepts, vulnerability and resilience, both of which exist at the systemic (state) and the individual levels.

The analysis includes three elements: review of impacts along different transmission channels; individual and government responses to the impacts, comparison across countries and assessment of country vulnerability and resilience.

Impacts

The global economic crisis has had an undeniable impact on the countries of the region. The global recession has been transmitted through to the countries in a variety of ways. Research in the present studies has identified 13 different transmission channels[2] and their expected mode of transmission. While distributional impacts cannot be measured, each transmission channel is followed by a list of groups most likely affected. In most cases, it has translated into slower growth or contraction of GDP, reduced fiscal revenue, and reduced public expenditures on the government side; as well as loss of business, lower sales,

[1] This was a regional exercise covering Antigua and Barbuda, Barbados, Dominica, Montserrat, St. Christopher and Nevis, Saint Lucia and St. Vincent and the Grenadines.

[2] These are: Income, Employment, Consumption, Diet, Behaviour, Health, Education, Revenue and Fiscal Space, Remittances, Tourism, Exports and Imports, Increased consumer prices, Debt.

and bankruptcies within the private sector. Meanwhile, some NGOs are having greater difficulties in raising funds. All these developments have implications for the welfare of households and individuals. Social impacts will be significant for some groups; it will increase vulnerability, the risk of sliding into poverty, and possible social problems.

Although the impact from the global economic crisis may not always be apparent in the case of particular sub-groups within society, this does not mean that significant social concerns do not exist. A key finding is that several countries are struggling with social issues that have arisen independently of the crisis. The crisis may have exacerbated them, constrained government's ability to address them, or delayed implementation of certain development and pro-poor policy measures. Groups most affected include i) those who have lost jobs, have families to support, cannot count on alternative income source, ii) persons without tenure to land, iii) farmers who have experienced increase in cost of inputs, especially fertilizer, iv) youth who are now entering the labor force and see fewer job opportunities and v) poor and vulnerable who are at a greater risk from external shocks.

Government Response

The primary government responses to the crisis, fall into the following main categories:

- *Positive responses:* Measures related to the food and fuel price increase; changes in income tax thresholds, zero setting on import tariffs, subsidies to farmers; expansion of public assistance through increased monthly assistance levels, pension levels, and number of beneficiaries.
- *Neutral responses:* retention of key social programs in the face of the crisis
- *Negative responses:* budget cuts of social programs
- *Institutional changes:* Initiatives are underway in several countries to improve their targeting systems.

In general, there have been relatively few new social protection measures, and they have been minor in scope. There are various possible reasons why positive response measures (as opposed to program cuts) have been relatively limited: i) countries have not experienced high levels of impact (Dominica, and St. Vincent to a lesser degree), ii) there were relatively strong social protection measures in place already, reducing the need for additional measures (Barbados), iii) because of limited fiscal space, some countries were severely constrained in their ability to respond; and there may have been cut-backs on social spending, along with general budget cuts (St. Kitts and Nevis, Antigua and Barbuda) and iv) furthermore *cut-backs* on social protection measures were made by Governments where the fiscal situation had deteriorated significantly, and resilience tended to be poor.

Conclusions

Exposure to global economy: Impacts of the crisis appear to lower in countries with:

i) A relatively small share of tourism and off-shore financial sectors in the economy (and in absolute GVA terms). (Barbados, Dominica and St. Vincent and the Grenadines).

ii) Lower reliance on single export markets

iii) Lower reliance on exports of goods that fall into the category of discretionary spending (tourism, bananas) (St. Lucia, Dominica, St. Vincent and the Grenadines)

iv) More diversified economies, i.e. less dependent on one service, commodity or company (e.g. Stanford Bank, British American/CLICO).

v) Greater access to international capital markets, either because of their better credit rating or lower debt/GDP ratio, can more easily resort to counter-cyclical spending. (Barbados)

Social Protection: The strength of social safety net systems can influence resilience:

i) The more efficient and strategic a country's public assistance programs were before the crisis hit, the more able it will be to cushion the blow. In contrast, if there many individuals were in need, but lacking social support, they may become even more vulnerable. (Barbados provides a good example of the former, Antigua and Barbuda of the latter).

ii) Economic crisis can push countries *away* from more efficient social policies, as exemplified by populist measures such as the weekly petition session at the Prime Minister's office, reinforcing the patron/client attitude which OECS has already described as pervasive throughout the region.

iii) Lack of baseline data and time-series data for social indicators reduces government's ability to respond in a timely and targeted manner when a crisis occurs. (St. Lucia being a notable exception).

Importance of crisis relative to other social problems:

i) In countries such as Dominica, concerns over the toll taken on society by youth violence and growing drug trafficking and abuse are currently at the forefront.

ii) The Windward Islands (Dominica, St. Lucia, St. Vincent and the Grenadines) continue to struggle with effects of the contraction of the banana sector, which is affecting farmers more than the global economic crisis.

iii) For Montserrat, the impact of the volcano eruptions during the 1990s overshadows the current crisis

Reliance on grant financing for budget support is inherently risky.

i) Relations may change with donor countries, leading to a reduction or elimination in aid.

ii) A donor country may decide to cut funding from one year to the next for internal reasons, such as change of government or reduction in commodity prices which sustain their economies.

iii) The currency may appreciate against the currency in which aid or subsidies are provided (as in the case of the British pound sterling) leaving some countries, such as Montserrat, with drastically reduced budgets.

Country resilience can be increased in a number of ways by i) promoting economic diversification, to reduce dependence on demand for a limited range of exports (whether tourism, financial services, or bananas); ii) reducing the debt to GDP ratio, strengthening the ability to borrow on international capital markets thereby enabling a quicker policy response in times of crisis; iii) strengthening management, human, and data/analytical capacity to manage resources and respond to crisis and iv) strengthening the social safety net, so that individuals face lower risks of falling into poverty and can recover more quickly.

Recommendations

The recommendations should be a part of broad National Development Plans, with overarching strategic visions of where countries would like to be within specific timeframes. While many governments have and continue to introduce a range of social protection programs, this is not the same as a coherent social protection policy. A national Development Plan will inform social sector development and reforms and guide planning in the medium and long term. Before the technical issues are tackled however, a strategic vision for national development is necessary. Key recommendations include:

1. **Create a system for prioritizing social issues and social problems and applying resources in emergency situations.** Decisions on support need to be made on the basis of urgency of the problem, severity of impact on the society, sustainability of the solutions identified, as well as on the need to protect the most vulnerable in the society. These are all interlinked.
2. **Streamline and integrate social assistance/protection functions.** Currently mandates are frequently assigned to ministries which are not geared/aligned with the portfolio adequately. Closely related policy areas may be scattered across different ministries all focused on a higher priority sector. The optimal solution would be the creation of a Social Protection Agency with the mandate to coordinate programs, create an enabling environment and monitor and evaluate the delivery of the social programs for efficiency and effectiveness.
3. **Reduce duplication within and between ministries.** Related to and possibly resulting from the absence of a national development plan is the fact that in many countries there is often duplication within and between ministries. Planning is spread across ministries and is poorly integrated. This leads not only to poor coordination but to inefficient use of scarce resources – both human and financial – which countries with high debt/GDP ratios can ill afford. Consolidation of those duplicated programs is needed: there is a need for central and sector specific planning.

4. **Promote an integrated planning and policy dialogue/framework.** Participatory decision making and consultations, in which effective communication with key stakeholders and beneficiaries have taken place, will provide the space for Government to implement social and economic policies with the cooperation of those whose lives are being affected. It will also allow for inputs from stakeholders to which they will be more committed.
5. **Strengthening capabilities of research agencies in the collection and processing of data, as well as the generation and analysis of statistical indicators.** Better management of resources can strengthen the resilience of countries in the region. In order to better manage resources, timely, accessible and reliable data must be collected and stored. The development of information management systems that are adequate to the task is therefore essential. This would involve systematically collecting social statistics data in one place, better coordination and reporting of data.
6. **Evaluate and redesign existing social safety net programs.** There needs to be a focus on training and development for employment to ensure that these programs are not creating dependency. Additionally i) improve targeting - two ways to improve targeting are through use of means testing, and conditional cash transfers. Neither of these is well developed in the region; ii) institutionalize effective monitoring and evaluation systems and iii) develop a common registry of beneficiaries - this will improve the ability of the agencies to target beneficiaries and also reduce the practice of accessing several similar programs (double dipping) by clients.
7. **Promote a culture of evidence-based decision-making.** In order to improve policymaking, a culture of relying on evidence, as opposed to political imperatives, vested interests, intuition, or even theory is needed. Analysis which assesses both intended and unintended consequences and feeds into policy debate and policy design can strengthen the policymaking process.
8. **Sector-specific measures.** The following recommendations relate to areas indirectly related to social assistance, but were nonetheless deemed important to strengthening a country's resilience in the face of crisis.

- **Crime prevention:** Effective management of crime through preventive and remedial measures.
- **Entrepreneurship:** Promote entrepreneurship, expand micro enterprise development, provide technical assistance and institute regulatory framework and incentives to encourage banks to provide credit to small businesses.
- **Agriculture:** Promote diversification so as to limit dependency and support import substitution.

KIRIBATI – Crisis Poverty and Social Impact Analysis (PSIA)

Summary prepared by: The Inclusive Development Cluster, Poverty Group, No.5 - March 2010

This is a summary of the report on the estimation of basic needs poverty lines and the incidence and characteristics of poverty in Kiribati funded through a contribution from the Government of Norway. This is part of a series of crisis response PSIA initiatives aimed at generating policy responses to protect human development gains and to stimulate a broader policy dialogue. The Poverty Group at UNDP manages the PSIA initiative and provides technical guidance to country teams conducting the analysis.

Context

The impacts of the global economic and financial crisis are affecting Kiribati in diverse ways through multiple transmission channels:

- The cost of fuel imports all but doubled between 2007 and 2008 putting a severe strain on the government's budget to provide additional subsidies to the domestic shipping operations, power generator and increased the operating costs of local fishing businesses adding to the price of fish in the market;
- The sharp rises in the prices of key basic food items in the diets of poor households (notably rice flour and sugar) during 2008, and which have remained high since, has been especially hard on the poorest and most vulnerable in the urban centre of Tarawa;
- The decline in world trade and the lay-up of a number of merchant shipping vessels has reduced the number of Kiribati seafarers and has consequently led to a decline in remittances, which have also been adversely affected by the depreciation of the US$ against the Australian dollar, the national currency of Kiribati;
- The termination of cruise vessel visits to Tabueran Island has completely removed the source of income and livelihood from the people of this very remote island in the Line Island group;
- The reduction in employment on-board cruise and foreign fishing vessels is further reducing employment prospects for I-Kiribati.

PSIA Exercise

The social impact of the economic crisis is difficult to assess because there are no benchmark poverty estimates for the country. This paper provides estimates of National Food and Basic Needs Poverty Lines for Kiribati based on an analysis of the household data from the 2006 Household Income and Expenditure Survey (HIES). For the purpose of the analysis the country has been divided in three regions; South Tarawa (the urban centre), the Rest of the Gilbert Islands (the rural areas) and the Line and Phoenix Islands, remote islands some 2000 miles east of the capital Tarawa. National and regional level poverty lines have been estimated and the incidence of poverty has been measured providing the basis for estimating the relative poverty and hardship experienced by the poorest households across the three regions. From these, incidence levels, depth and severity of poverty have been measured. Estimates have also been made of Gini coefficients on levels of inequality in expenditure by households. An analysis of the poorest 30% (bottom three deciles) of households has also been conducted looking at characteristics such as their socio-economic status, demographics and level of household access to basic services. Together with the poverty indicators these provide a good indication of which households are the most disadvantaged in Kiribati, what common characteristics they might share and why they might be in this situation. Such information will be useful for government to define targeted policies and interventions to assist in alleviating their poverty and hardship, as a point of departure to learn about the impact of the crisis in the country.

This report is the first detailed quantitative analysis of poverty and hardship in Kiribati. It therefore provides a benchmark against which progress in reducing poverty can be measured for the future. It provides the Kiribati government and its development partners with new insights into the human development status of the country and should assist in the development of policies and projects aimed at raising the level of well-being of the people and the particular impact of the global crisis in the country.

Conclusions and Recommendations

Around one-in-five households and almost one-in-four of the population of Kiribati live below the national minimum cost of living or basic needs poverty line, with those on South Tarawa being slightly more likely to experience poverty than those living in the rural areas where subsistence production underpins daily life. Further female-headed households had a slightly greater chance of being in poverty and more than one-third of all children lived in households below the poverty line. Households living the below the basic needs poverty line struggle to pay bills, especially those related to education and health, and to purchase adequate and suitably nutritious food. They might need to borrow regularly from informal loan providers ("loan-sharks") who charge very high interest rates for small unsecured loans to meet family commitments and community obligations. They are thus frequently, and occasionally constantly, in debt.

Many of the poor, especially those on South Tarawa, live in low-quality housing without proper access to water, sanitation and other basic services. The drift of population from the outer-islands to the urban centre of South Tarawa, especially amongst young men and women, leads to higher levels of unemployment and growing numbers of people living in poor quality housing conditions. Poor housing conditions lead to poor health, poor employment prospects, and poor education attainment. It is also leading to higher dependency ratios in the rural areas and a weakening in the tradional social structure.

In the short run a major fiscal stimulus package along the lines of those being implemented in larger countries is not possible within the framework of the current fiscal situation. Labor-intensive smallworks projects would be more appropriate in putting income into the hands of households most affected by the economic situation. Such projects could be mobilized quickly by island councils in village communities and would not require the provision of much in the way of heavy equipment or costly imports. A determined program of public enterprise restructuring would also yield significant cost savings and create opportunities for new private sector investment. These projects would require support form development partners.

In the medium term the government needs to commit to renew economic and public sector reform and to improving governance standards and service delivery. In the specific context of Kiribati, there is need to promote rural enterprise activities, especially in the agriculture and fisheries/aquaculture sectors, to create income generating opportunities as well as meeting local social development and infrastructure priorities - current high prices of imported food and fuel give many opportunities for domestic agriculture to provide import substitutes for the rice and cereal products that feature prominently in the diets of those in urban Tarawa. In the social area small-scale hardship alleviation projects for improving water supplies, health services, sanitation and similar community based projects need to be priorities. The quality of basic service delivery needs to be improved, through better training of teachers, better staffing of schools and clinics, better maintenance of health and education facilities and infrastructure and improving the availability of essential teaching materials and medical supplies.

The potential for a continuing weakening in the fiscal situation in the face of high fuel prices and rising personnel costs in particular is a serious challenge and needs careful monitoring to ensure that fiscal discipline is maintained. Renewed economic growth needs to be generated in the domestic economy through an appropriate investment enabling environment and improving governance standards. The long-term impacts of climate change on the fragile atoll environments are also of considerable concern to the government and these impacts are exacerbating the economic and social problems of the country.

LITHUANIA – Crisis Poverty and Social Impact Analysis (PSIA)

Summary prepared by: The Inclusive Development Cluster, Poverty Group, No.2 – December 2009

This is a summary of the report **'Inclusive Lithuania : Through Analysis Based Policy Dialogue towards Effective Decision Making'** funded through a contribution from the Government of Norway. This is part of a series of crisis response PSIA initiatives aimed at generating policy responses to protect human development gains and to stimulate a broader policy dialogue. The Poverty Group at UNDP manages the PSIA initiative and provides technical guidance to country teams conducting the analysis.

Context

Lithuania has been severely impacted by the global economic and financial crisis: foreign investment has been declining sharply; a major credit crunch was experienced, serious job losses and fall in income resulted in rising absolute poverty levels. The latest World Economic Outlook projection forecasts real GDP to decline by 18½ percent this year. The situation in the labor market worsened significantly. According to the data of the Labor Force Survey, the unemployment rate in Lithuania stood at 11.9% in the first quarter of 2009 and was one of the highest in the EU. The national unemployment rate more than doubled as compared with the first quarter of 2008 (from 4.9% to 11.9%). Statistical data analysis indicates the steady increase in numbers of social assistance recipients since the third quarter of 2008. The number of social assistance recipients in the first quarter of 2009 increased by 40 percent if compared with the first quarter of 2008.

Policy measures implemented in the country during the economic decline were aimed at reducing state budget expenditure, increasing revenues and where possible, increasing employment; a difficult balance to achieve at times of tight budget constraints. The measures, if achievable, will enable a larger number of persons to benefit from active labor market policy measures.

PSIA exercise

In order to assess the actual short and long term impact of the economic crisis on the socioeconomic situation in Lithuania and with a view of supporting the government to assess difficult and often contradictory policy options to mitigate the long-term consequences of the crisis, UNDP Lithuania carried out an assessment of the impact of the economic crisis in Lithuania based on available evidence and stakeholder consultations. For carrying out the assessment UNDP Lithuania has mobilized partnership among the Ministry of Social Security and Labor of Lithuania (MSSL), Labor and Social Research Institute 2 (Institute) and social policy experts of Vilnius University, the European Commission (EC) Representation in Lithuania, as well as the UNDP Regional Centre.

The Economic Crisis PSIA focused mainly on examining the expected size of the poverty risk level and social exclusion for the general population and vulnerable groups under conditions of economic recession including the analysis of expected increases and effects of income inequality. Three vulnerable groups considered as the most affected by the crisis were included in focus group analysis: a) Persons who lost their jobs in the period of economic recession; b) Families with children entitled to and receiving social assistance; c) Persons who took bank loans and already facing difficulties in repaying them (newly emerged group in light of economic downturn).

Main conclusions and recommendations

1) The major long term negative social consequences of the economic downturn in Lithuania manifest themselves in job losses (forecasted level of unemployment in 2015 is higher than the 2008 level) and income decrease (falling to the 2006 levels in 2009-2010, the pre-crisis level will

be reached only in 2015). These events have led to rising long-term unemployment and growing social exclusion. They have also boosted emigration and growth of the shadow economy in the country.

2) Lithuania could mitigate the rising unemployment through measures at the policy level aiming at preservation of current jobs in public as well as private sectors:

a) Limiting job cuts in the public sector by promoting flexible forms of employment, primarily protecting the most vulnerable groups - cost benefit analysis showed that salaries could be reduced rather than reducing the number of employees in the public sector. As a result of this measure, almost 50,000 jobs could be preserved in 2010, and this would help protect more than 30,000 residents from poverty.

b) Allowing for a wider application in the private sector of tax deferrals and wage subsidies to enterprises having orders in hand - in order to preserve at least 10% of the forecasted number of unemployed for a particular year, subsidies of jobs would have an annual cost of LTL 60 million to LTL 125 million (depending upon the total number of unemployed). However, this would allow reducing spending on unemployment benefits by 42% and reducing the number of the impoverished by dozens of thousands persons annually.

3) (Re)integration of the unemployed into the labor market through expansion of public, including green jobs, development of vocational training for workers that are least competitive in the labor market, organization of vocational training under trilateral agreements, development of subsidized employment refocusing employment priorities to support workers who have family obligations. If the said measures cover 30,000-50,000 unemployed, their costs would amount to something between 0.12% to 0.27% of GDP. These measures would allow a significant reduction of the de-qualification and de-socialization of unemployed workers.

4) Improvement of the support (social security) network in the country through simplification of conditions for the payment of social assistance benefits and relaxing additional requirements by applying the income and assets test as an eligibility criterion; as well as extending the coverage of unemployment social insurance benefits. From the financial point of view, if all people living in poverty were offered the possibility of receiving social assistance in Lithuania, this would require increasing national expenditures from 0.33% of GDP in 2009 to 0.63% in 2010, but before 2015 these costs would go back to the level of the year 1996 (0.23% of GDP).

In case the national Government fails to take measures aimed at supporting employment and improving the social support network, the situation in the labor market and household income will continue to deteriorate in Lithuania for the next 2-3 years. The deteriorating macroeconomic situation and the rising level of poverty in the country will intensify other negative social phenomena such as emigration, an increase in crime, growing numbers of addictions and suicides in the country.

Follow-up measures

- PSIA findings will form inputs to the upcoming National Report of Lithuania on Social Protection as well as the Social Inclusion Strategy Document for the period 2010-2012.
- The President's Office will gather a group of experts to elaborate further measures to contribute to alternative responses to the crisis. Expert meetings are planned to take place in early December 2009. Among the measures proposed so far is the support to the Ministry of Social Security and Labor of Lithuania to prepare a new National Action Plan for Social Inclusion that will analyze the survival strategies of the Lithuanian population and organize public discussions in 2010 to assess different policy options to reduce poverty.

MOLDOVA – Crisis Poverty and Social Impact Analysis (PSIA)

Summary prepared by: The Inclusive Development Cluster, Poverty Group, No.1 - December 2009

This is a summary of the report **"Impact of the Economic Crisis on Poverty and Social Exclusion in the Republic of Moldova"** funded through a contribution from the Government of Norway. This is part of a series of crisis response PSIA initiatives aimed at generating policy responses to protect human development gains and to stimulate a broader policy dialogue. The Poverty Group at UNDP manages the PSIA initiative and provides technical guidance to country teams conducting the analysis.

Context

The Government of The Republic of Moldova has made significant progress in achieving the Millennium Development Goals (MDGs), in particular in reducing poverty[1]. Significant results have been achieved in promoting social reforms. However, despite progress made against poverty, a large percentage of the population remains vulnerable. Poverty continues to affect traditionally vulnerable categories, such as the elderly, children, people with no education or professional skills, long-term unemployed and people with occasional jobs. Geographical disparities in poverty are persistent; absolute poverty has increased in small towns and rural areas where over 70% of the population lives.

PSIA Exercise

The PSIA report looks at the social impact of the economic crisis that can be quantified through empiric evidence and envisages the outstanding social impact that it may have. Social impacts may be diverse and could affect different population groups, individuals and households in different ways. The report looks at social impacts comparing income losses and adjustment in consumption expenditure and it differentiates the impact on households with and without children. It also provides an assessment of some general implications for overall poverty levels and aggregated impacts at the community level. The analysis covers the period from last quarter 2007 to first quarter of 2009 hence comparing a period before the crisis with a period already affected by the crisis.

Main Conclusions and Recommendations

The report shows evidence of increasing and deepening[2] rural poverty- this trend could get worse in case economic recovery programs are not supported by strong social policies. Contrary to expectations, the impact of the social crisis is not mainly driven by the loss of remittances - employment and income loss are much stronger and this is primarily due to the depression of the agricultural sector and the rural economy. Further deterioration in poverty rates is likely to occur if the significant return of migrants continues with consequent falls in remittances and rising unemployment as returning workers re-enter the domestic labour market. Given the rural origin of migration, the effects of large numbers of returning migrants may be felt more sharply in rural areas.

For many of the groups affected by the crisis, social payments are not enough to compensate income losses. The PSIA study provides two sets of recommendations; the first regarding actions to prevent an increase in rural poverty and unemployment; the second relates to reinforcing social protection initiatives.

Rural poverty and unemployment

Short term:

1. **Public works as temporary safety net:** especially targeted to returning migrants, youth and women.

[1] Absolute poverty decreased from 30.2% in 2006 to 25.5% in 2007 and extreme poverty from 4.5% to 2.8% during the same period. Source: Child poverty report, 2008, NBS/UNICEF; Poverty and Policy Impact Report, 2007, Ministry of Economy and Trade.

[2] Appearance of "new poor" households in rural area and of "already poor" households which are falling in an even deeper poverty.

These kind of programs have a double positive effect since they provide income to households and create public benefits via infrastructure rehabilitation, community work or implementation of activities in environmental protection.

Medium Term:

2. **Improve employment & social services, support youth & self-employment:** i) improve coordination of services of the Government, private sector and CSOs, ii) improve job-readiness, help job search for rural youth, women, & returning migrants, iii) address bottlenecks in the agricultural supply chain, iv)Lower employment costs of young workers & encourage business start-ups and v) Micro-finance services: credit, savings, insurance.

Long Term:

3. **Generate sustainable rural income:** i) develop non-farm rural economy, notably agro-processing, ii) provide agricultural public goods—extension services, irrigation, iii) implementation of Conservations Agriculture.

Social protection

Short term:

4. **Accelerate the roll out of the law on Social Support** by simplifying application procedures, improving communication that would target the most vulnerable and monitor implementation focusing on the most vulnerable;
5. **Transfer or incorporate the child benefit of 50 MDL in the Social Support Scheme.** This would increase the amount of funds available for Social Support by 20 Million MDL increasing minimum state guaranteed income of 430 MDL, which is now below absolute poverty and has no impact on poverty reduction;
6. **Reduce the number of the categories entitled for nominal compensations keeping the following:** families with 4 or more children under 18, families with a child with disability (not institutionalized) and adults with disability.
7. **Prevent child malnutrition by** continuing the distribution of food to pregnant women, lactating mothers and children under 3 years of age during the winter;

Medium Term:

8. **Fully implement the National Program for the Promotion of the Integrated Social Services, focusing on the development of these services in rural areas.** The Program should be costed and adequate resources must be allocated. The results of the assessment show that the families with many children, families with children headed by others than their parents and families having income from agriculture are most affected by the crisis.
9. **Increase the coverage of the Early Childhood Development (ECD) program, focusing on the most vulnerable children,** as young children (from 0 to 7 years of age) are the most vulnerable to the effects of the crisis such as malnutrition, which would jeopardize their future health, development and education
10. **Consider the possibility of implementing conditional cash transfer programs** which can target vulnerable groups temporarily throughout the crisis and recovery period; with special focus on households which are not covered by other social protection programs. This would help to ensure continuity of children's education.

Long Term:

11. **Simplify the pension system,** linking it to contributions to social insurance and focusing on an increase of coverage to meet the basic needs of the elderly (many of them living with grandchildren left behind by migrating parents)
12. **Within the medical insurance programs, gradually extend the reimbursement of medicines for the most frequent childhood illnesses,** initially from up to 10 years old and at a later stage up to 15 years old. The assessment shows that the families started to spend more on health, due to the increase in cost of medication and medical services.
13. **Redesign coverage of the basic health package for the mother and child,** expanding coverage and seeking for higher impacts by concentrating on the delivery of the most effective medical services (e.g. primary care, immunization etc).

MOROCCO – Crisis Poverty and Social Impact Analysis (PSIA)

Summary prepared by: Cherkaoui Mouna, April 2010

This is a summary of the report **"Impact of the world economic and financial crisis on the social conditions and poverty of Moroccan migrants and on their remittances"** funded through a contribution from the Government of Norway. This is part of a series of crisis response PSIA initiatives aimed at generating policy responses to protect human development gains and to stimulate a broader policy dialogue. The Poverty Group at UNDP manages the PSIA initiative and provides technical guidance to country teams conducting the analysis.

Context: The world economic and financial crisis affected significantly the economies and labor markets of some of the main receiving countries of Moroccan migrants. Despite economic recovery taking place earlier than predicted, forecasts for 2010 are still skeptical about the speed and shape of the recovery. The economic crisis affected also the Moroccan economy through negative impacts on tourism, exports, foreign direct investments and remittances. The impact of the world economic crisis on the social conditions and poverty of Moroccan migrants and on their remittances is reinforced by: i) the depth and length of the crisis in the receiving countries; ii) the socio-demographic and socio-economic characteristics of Moroccan migrants; and iii) the situation in the home country.

Conclusions and Recommendations

The socio-demographic and socio-economic characteristics of Moroccan migrants make them highly vulnerable to the crisis

The socio-demographic and socio-economic characteristics of Moroccan migrants play a significant role in explaining the impact of the crisis on the social conditions and poverty of Moroccan migrants and on their remittances. Analysis of the socio-demographic and socio-economic characteristics of Moroccan migrants using data from the High Commission on Planning indicates that Moroccan migrants are highly vulnerable to the crisis but also that their vulnerability is higher in Spain and Italy than in France.

The legal status in the receiving countries may appear at first favorable because a majority of migrants state that they are either naturalized citizens or about to become naturalized citizens of the receiving country. However, analysis of country data shows that countries most affected by the crisis (such as Spain) are the ones with highest percentage of non-naturalized migrants.

Age and marital status also play a role. Most Moroccan migrants are young, with a duration and period of migration that differs for the countries studied. The most recent and younger migrants are more likely to lose their jobs during periods of crisis. Whereas Moroccan migrants in Spain and Italy are adversely affected by slowdown of economic activity, their peers in France with longer duration of migration are less affected by the crisis.

Most Moroccan migrants have a low level of education and qualifications. The most recent migrants have a somewhat higher level of education but are confined to low-skilled jobs. Most Moroccan migrant households are composed of a couple and their children. One can assume that a couple with two working adults is in a better situation to face the adverse effects of economic crisis. Women are usually working in sectors that are less sensitive to economic fluctuations and their employment is more resilient. Their propensity to remit is higher than that of men. Here again the heads of households living alone are more numerous in Spain and Italy.

Most Moroccan migrants' employment is relatively stable in France. However, their employment is very insecure in countries that are most affected by the crisis. In each of the country studied, the study combined the sectors of employment of Moroccan migrants with the sensitivity index of each sector to the business cycle. The analysis reveals that Moroccan migrants are employed in sectors that are most sensitive to the crisis. This holds particularly true for Spain and Italy.

Moroccan migrants have invested in both the origin and receiving countries. Unfortunately their investments were mostly channeled to the real estate sector, which is highly affected by the crisis. Hence, these investments cannot be used to mitigate the effects of the crisis.

The crisis will lead to a reduction in new migratory flows but is unlikely to significantly change the stock of migrants

The crisis is likely to bring about a reduction in new migratory flows because it has led most receiving countries to adopt new laws and regulations that limit family reunions and the possibilities of legal migration. France, Spain and Italy have made legal migration to their countries more difficult and have reinforced the fight against illegal migration. The crisis will also reduce migratory flows because employment opportunities have declined. Many economists also believe that a recovery could occur without a significant reduction in unemployment.

The crisis is unlikely to reduce significantly the stock of migrants. Despite the fact that some countries are offering voluntary return packages, they do not appeal to Moroccan migrants. The fact that the crisis has also affected the Moroccan economy leads Moroccan migrants to attempt various alternatives before returning. They can accept smaller remuneration and more difficult employment conditions. They can send members of their families to Morocco until they find better work conditions. They can also relocate themselves to another European country less affected by the crisis. If the crisis continues some will be forced to return.

Even if the stock of migrants will probably remain the same, the composition of the stock between legal and illegal migrants is likely to change. A number of migrants might fall into illegal migration following the loss of employment, which served as a basis for legal immigrant status granted by the authorities. Therefore, despite a small reduction in illegal 'new' migrants, the total number of illegal Moroccan migrants could increase.

The crisis will lead to an increase of poverty among Moroccan migrants in the receiving countries and of poverty of their families at home due to a reduction in transfers

The impact of the crisis on poverty is very important. In the receiving countries the poverty rates in the non-European migrant population, and specifically of the Maghreb and Moroccan population, were high even before the crisis. An increase in unemployment will make some Moroccan migrants fall into extreme poverty in the receiving countries.

The crisis led to a sharp reduction in remittances during the first semester of 2009. This reduction is more important for transfers coming from European countries. The reduction of transfers will increase the risk of poverty of the families of migrants staying in the home country. The reduction during the second semester of 2009 remains but is smaller than the one prevailing during the first semester.

The crisis led the government of Morocco to put in place a number of socio economic measures with the aim to mitigate the negative impact of the crisis on Moroccan migrants

NAMIBIA – Crisis Poverty and Social Impact Analysis (PSIA)

Summary prepared by: The Inclusive Development Cluster, Poverty Group, No.3 - January 2010

This is a summary of the report **"Impact of the Global Financial Economic Crisis on the Namibian Economy"** funded through a contribution from the Government of Norway. This is part of a series of crisis response PSIA initiatives aimed at generating policy responses to protect human development gains and to stimulate a broader policy dialogue. The Poverty Group at UNDP manages the PSIA initiative and provides technical guidance to country teams conducting the analysis.

Context

The Namibian economy is characterized by heavy reliance on natural resource extraction for the export market and dependence on imports to meet domestic demand for goods and services. In 2009, Namibia's real GDP is estimated to have contracted 1.9% and may only register modest recovery to grow at projected rate of between 2 and 4% in 2010. During the first quarter of 2009 however, the real GDP is estimated to have contracted by a massive 5.8% compared to a growth of 1.1% recorded in the fourth quarter of 2008, with the critical sectors of mining and quarrying; manufacturing; fishing; and hotels and restaurants (proxy for tourism) contracting by 65.6%, 39.5%, 33.5%, 17.1%, respectively. And despite remarked improvement in macroeconomic policy implementation and thus being better placed to deal with an economic slump under ordinary circumstances, Namibia, like most African countries, is in a weak position to deal with the current global financial and economic crisis because of relatively high poverty levels and importantly, heavy reliance on commodity, principally diamond, exports. With relatively high poverty levels (i.e. proportion of households having monthly expenditure of less than N$ 262.45[1] per adult equivalent), estimated at 27.6%, with 13.8% being severely poor (proportion of households having monthly expenditures of less than N$ 184.56); a high income disparity, with a Gini Coefficient of 0.63; and a high rate of unemployment, estimated at 37% in 2004, the majority of the Namibian population remain particularly vulnerable to economic shocks.

As a response to the global financial and economic crisis (GFC), the Government in 2009 introduced a number of policy reforms and actions aimed at providing stimuli for consumer and investment demand expansion and lessening the burden of poverty and unequal distribution of wealth. These included, but were not limited to, increased development and operation budget over the MTEF period by 50%; lowering of corporate (excluding mining) tax from 35% to 34%; increasing tax exemption on retrenchment packages from N$ 100,000 to N$ 300,000; increasing tax free amount on pension payout from N$ 20,000 to N$ 50,000; lowering the personal income tax for lower earners while raising the threshold from N$ 36,000 to N$ 40,000; the introducing of a new, higher tax bracket for people earning more than N$ 750,000; and the zero rating of VAT on a basket of essential commodities. On the monetary policy front, the reforms included, but were not limited to, the reduction of the Repo rate by a further 200 basis points between 16th April 2009 and 17th June 2009 alone to stand at the current 7.0%.

PSIA Exercise

A study was commissioned to assess and quantify, on an ex ante basis, the likely/potential impact of the financial and economic crisis on the Namibian economy, in general, and the possible effect of the policy reforms that the government had introduced, in particular.

A comprehensive report was produced which identified the crisis transmission channels that would have the strongest effect on the Namibian economy. The report

[1] 1USD = 7.5N$ at current exchange rates

identified possible transmission channels, assessed and quantified the impact by industry and sector, and proposed possible mitigation measures, with a focus on cushioning the poor from the adverse effects and enhancing their resilience in the short, medium and long terms.

Results

The channels through which the crisis was/is/could be transmitted to the Namibian economy include, but are not limited to, trade, investment, stock market prices and SACU (Southern African Customs Union) revenues.

Impact by sector

Mining sector: With an estimated contraction of 51% and more than 1900 jobs lost (2008-9), the mining sector was the hardest hit by the GFC. The most significant decline was in diamond mining, down by 62%, and the closing of the country's only copper mine. Uranium mining however, increased and most of those who had lot jobs in the diamond mines found employment in this growth area.

Manufacturing sector: Manufacturing contracted in 2008, but there have been no significant job losses and most companies in the sector have no plans to retrench workers despite running at lower capacity.

Service industry: There are reported declines in tourist arrivals, hotel bookings and receipts from the sector although there are no reported closures of lodges. The crisis also seems not to have had any significant impact on the financial sector as Namibian subsidiary banks and their South African parent banks had minimal exposure to the international banking system.

NSE index: NXS Stock Exchange decreased steadily and significantly in 2008 and early 2009.

Food prices: The food import bill has increased due to rising global food prices and loss of purchasing power due to the falling value of the South African Rand/ Namibian Dollar. Food price inflation has been relatively high, varying between 18% in October 2008 and 10% in September 2009. This has adversely affected the local population, especially the poor, unemployed and other vulnerable groups.

Fiscal deficit: The budget deficit has increased to 5% in 2009/2010 from 1% the previous year. This was due in large part to reduced revenues from the mining sector, especially diamond, and reduced SACU (customs) receipts, which are expected to decline by N$ 1 billion, as well as increases in development expenditure. Early indications point to Namibia's debt to GDP ratio increasing [substantially] to 25% in the next fiscal year.

Other Effects: In the absence of corrective, redistributive measures being put in place to address inherent poverty and inequality in Namibia, the study found out that that growth in the past has tended to favor only the wealthy and did indeed perpetuate inequality. Secondly, the zero-rating of VAT for basic commodities introduced by the Government has disproportionately benefitted the wealthier segments of society at the expense of the poor.

Conclusions

The areas the hardest hit by the global financial and economic crisis are diamond and copper mining and tourism. A significant number of jobs were lost leading to higher unemployment This, compounded with the increasing food prices, greatly affected the nation's poor and vulnerable groups. Reduced tax revenue and increased development spending have led, and will continue to lead, to increasing budget deficit which, though still within acceptable levels, makes any additional spending

on programs aimed at mitigating the effects of the crisis a difficult task indeed. The zero-rating of VAT on basic commodities, initially meant to favor the poor has indeed favored the wealthy disproportionately at the expense of the poor and vulnerable groups.

PARAGUAY – Crisis Poverty and Social Impact Analysis (PSIA)

Summary prepared by: The Inclusive Development Cluster, Poverty Group, No. 7 - March 2010

This is a summary of the report on the impact of the economic crisis on poverty and MDGs in Paraguay and social expenditure implications. The report was funded through a contribution from the Government of Norway. This is part of a series of crisis response PSIA initiatives aimed at generating policy responses to protect human development gains and to stimulate a broader policy dialogue. The Poverty Group at UNDP manages the PSIA initiative and provides technical guidance to country teams conducting the analysis.

Context

- Poverty indicators in Paraguay have been steadily deteriorating since 1995. Global poverty has increased from 30% of the population living in poverty 1995 to 35% in 2007.
- This increase has been more dramatic for those living in extreme poverty. This indicator went from 14% to 19.4% during the same period.
- Geographically, the increase in poverty has been concentrated mainly in urban areas where poverty went from 24% to 36% while there was a slight reduction in rural poverty (37% to 35%).
- This reflects the rapid and irreversible urbanization process taking place in Paraguay, which is in line with similar processes in other countries in the region. This process has not been adequately captured in policies for poverty reduction and therefore there is increased informal employment, indigence, overcrowding, insecurity and the creation of important pockets of poverty within the Asunción metropolitan area that have no access to housing, water and sanitation, education, health and other basic services.
- In the last 13 years, the economically active population grew by just over 600 thousand, of which only 170 thousand was able to find full time employment. Of these, 100 thousand found employment between 2007 and 2008. This means that between 1995 and 2005 only 70 thousand jobs were created (only 7000 jobs created per year).
- This lack of dynamism in job creation has led to an increase in informality.

During the second half of 2008 several events affected the Paraguayan economy:

- A new government is sworn representing the most important political change in six decades bringing hopes for social change and development.
- The global economic crisis affects Paraguay mainly through export prices, access to international and regional markets and a profound contraction of credit.
- However, the Paraguayan economy was relatively well prepared for this due to fiscal and financial reforms that led to a fiscal surplus of 2.8% of GDP, external debt of only 13% of GDP and international reserves of approximately 22% of GDP. Domestic debt was also considered to be under control, the financial system was well capitalized and there was enough liquidity both in domestic and international currency.
- Nonetheless the study estimates that the Paraguayan economy went from a positive expected growth of 48% to a negative growth of -4.8%
- An unexpected drought affects the yield of the main agricultural products compounding the effects of the global economic crisis leading Paraguay into a deep recession during the first half of 2009 with a fall in GDP of -5.4%
- The fiscal stimulus package compensated this effect adding 1.4% to the GDP and it is expected that the final drop for 2009 will be 4%.

PSIA Exercise

Through a partial equilibrium model the report estimates the necessary budget resources for the next 10 years to finance social expenditures central to poverty reduction. Macroeconomic variables were included as parameters such as GDP growth, inflation and exchange rate. The aim is to quantify a public investment plan and determine its sustainability and feasibility of reaching certain goals (transportation infrastructure, water and sanitation, housing, education, health, extreme poverty, rural development and security).

These variables are integrated into a financial programming model of the Central Administration to make projections on tax and non-tax revenues, current and capital expenditures and debt payments, based on certain macroeconomic assumptions (6% GDP growth, 5% average inflation, stable real exchange rate and population growth). This way it is possible to obtain the amount of resources necessary to finance the current expenditures of the state apparatus and still achieve the above mentioned goals. The fiscal model is able to determine the resulting surplus or deficit position of the government's budget as well as potential income sources to finance the deficit, if any.

Conclusions and Recommendations

The situation of poverty in Paraguay has deteriorated in the last two decades and this trend is likely to continue if the economy continues growing at the mediocre rate of the past and public expenditures remain the same. By the year 2020 there could be approximately 3 million people living in poverty, of which 1.7 million could be living in extreme poverty.

Paraguay needs to grow at approximately 6% to generate enough jobs that help to reduce poverty. Higher rates of growth are possible if the state is able to guarantee a macroeconomic climate conducive to private investments as well as higher invest in physical infrastructure to help integrate the various regions of the country. Social inclusion also requires greater access to acceptable public services such as education, health and housing. The study estimates a public investment plan for the next 11 years of approximately US$14.57 million with a financing gap of $2.83 million. Financing this gap could be covered partially with increased royalties from the Itaipú hydroelectric plant plus a temporary increase in taxes in the order of a 1 percentage increase of the Value Added Tax and 2 percentage points for the income tax in the next 6 years.

The projections and analyses conducted indicate that the objectives of accelerating economic growth and reducing poverty are feasible in the medium term. The concomitant public investment plan can be financed through an orderly public expenditure policy in all sectors, keeping public salary increases at levels no higher than inflation, increasing taxes in the amounts mentioned above and by improving the efficiency of public spending.

If this situation is sustained until 2020, GDP could go from 14.14 to as high as $39.2 million, poverty could drop to 20% from the current 35% and extreme poverty could drop to be 4.5% from the current 19.4%. The number of people employed could go from 1.9 to 3.1 million.

THE PHILIPPINES – Crisis Poverty and Social Impact Analysis (PSIA)

Summary prepared by: Corazon Urquico, UNDP Philippines, June 2010

This is a summary of the report **"Tackling Poverty and Social Impacts: Philippine Response to the Global Economic Crisis (GEC)"** funded through a contribution from the Government of Norway. This is part of a series of crisis response PSIA initiatives aimed at generating policy responses to protect human development gains and to stimulate a broader policy dialogue. The Poverty Group at UNDP manages the PSIA initiative and provides technical guidance to country teams conducting the analysis.

Context

When the crisis erupted in mid-2008, most observers in the development community contended that the global economy would slide to recession and that it would take at best a couple of years or at worst several years, as in the Great Depression of the 1930s, for the world economy to fully recover lost ground. No Asian economy, big or small, was expected to be spared from the fallout of the crisis. The Philippines entered the crisis on a sound footing relative to its major East and Southeast Asian neighbors (except Indonesia), which commonly experienced economic contraction, especially in the industrial and export sectors. The impact on the Philippines was expected to be felt in exports, foreign direct investments and overseas remittances.

PSIA Exercise

The assessment of the impact of the Global Economic Crisis (GEC) on the Philippines was carried out in partnership with the National Economic and Development Authority (NEDA), the country's chief planning agency. UNDP Philippines and NEDA worked with Dr. Arsenio Balisacan and his team at the Asia-Pacific Policy Center (APPC) in the preparation of this report. Part of this report has also drawn substantially from the authors' ongoing work for the Asian Development Bank. The report provides an understanding of the impact of the GEC on poverty on the Philippines and goes beyond anecdotal evidence characteristic of many previous accounts on the social impact of the GEC by systematically examining the evidence and recent data and drawing policy lessons and recommendations toward improved poverty-mitigating responses to financial and economic shocks.

Main Conclusions and Recommendations

- While the country avoided recession, the impact of the GEC on the economy was nonetheless severe. The crisis pushed down GDP growth rate from its long-term potential of 4.7% a year by 1.0 percentage point in 2008 and 3.8 percentage points in 2009.
- If there was no GEC and the economy moved along its long-term growth path (business as usual), mean income would have increased by 1.8% between 2008 and 2009, which would have caused poverty to fall, rather than increase, from 28.1% to 27.7% during the same period. Given these estimates and current population growth projections, nearly 2 million Filipinos were pushed to poverty owing to the GEC.
- From the supply side, the industry, particularly manufacturing, was hit hardest, effectively reducing the sector's output growth in 2009 by 6.0 percentage points relative to its long-term growth potential.
- From the demand side, the drop in Personal Consumption Expenditure (PCE) growth relative to long-term trend—by 0.8 percentage point in 2008 and 1.7 percentage points in 2009—was remarkablymuted because remittances of Overseas Filipino Workers (OFW) did not slow down as sharply as expected at the onset of the crisis.
- Private capital formation (PCF) and exports, however, took the brunt of the crisis. PCF grew

close to its long-term pace in 2008 but dropped by 9.9% in 2009. Exports shrank by 1.9% in 2008 and 14.2% in 2009. While the growth of government expenditures in 2008 was less than its long-term trend, that in 2009 was significantly higher by 2.8 percentage points.

- Surprisingly, employment in 2008 grew at a pace close to its long-term trend and even slightly faster in 2009. Underemployment, however, was on the high side at the height of the crisis. Employment share in industry dropped noticeably starting in 2008, which mirrored the drop of output in the sector. However, contrary to common claims in accounts about the crisis, there was no noticeable shift of employment from the formal to the informal sector.
- Contrary to expectations, remittances of OFWs, which fueled PCE, did not contract during the crisis. This is significant because, from the expenditure side of the national income accounts, PCE has contributed about three-fourths of the GDP growth in recent years.
- The menu of interventions to address the crisis was very limited and implementation was heavily top-down and unresponsive to local needs. By and large, projects and activities supported by the Economic Resiliency Plan (ERP) tended to be mere dole outs and did not build productive assets that would form the foundation for a faster but more inclusive recovery and growth.
- In contrast, the study cites the government's Conditional Cash Transfer (CCT) initiative under its Pantawid Pamilyang Pilipino Program (4Ps) as an effective vehicle for addressing short-term poverty and long-term human capital development. It lauds the 4Ps programme as the most promising for its potential in breaking the vicious cycle of poverty and, hence, is a good candidate for upscaling toward a national anti-poverty program.
- But the study cautions that 4Ps' potential is likely to be particularly high in areas where the provision of basic social services, such as schools and health facilities, is adequate and accessible. However, in areas where such provision is non-existent or highly inaccessible (as in many remote rural areas), CCT programs alone are likely to have far more limited effects. To be effective, they need to be complemented by programs addressing the supply-side constraints to access of social services and economic opportunities.

Follow-up Measures

- The study suggests that incoming political administration must marshal political support for inclusive growth and a development agenda because the poor, though a large sector, are a weak lobby group in the balance of political power.
- Poverty reduction remains a huge policy challenge for the Philippines not only because absolute poverty in the country is high and widespread, but the pace of its reduction is also very slow compared with that of other Asian countries at broadly similar income levels. Slow reduction has to do with the rather low rate of economic growth, especially after accounting for the country's rapid population growth.
- Moving the country to a higher growth path resembling those of its neighbors has to be high in the development agenda. This will require seriously addressing the critical constraints to private investment and growth, namely: (i) tight fiscal situation due largely to weak revenue generation, (ii) inadequate infrastructure, particularly transport and electricity, and (iii) weak investor confidence owing to governance concerns, especially corruption and political instability.
- For economic growth to be inclusive, reform initiatives aimed at reducing the highly inequitable distribution of development opportunities need to receive much more serious attention. It is thishigh inequality—higher than in most Asian countries—that has greatly muted the impact of economic growth on poverty reduction.
- High priority should be placed on education, health, infrastructure, and productive assets such as land and credit. Various social protection and social safety net programs need to be comprehensively reviewed, with the aim of improving their governance. This would mean reducing leakage and administrative costs, eliminating redundancies and overlaps, exploiting synergies across programs, and promoting sustainability.

SYRIA – Crisis Poverty and Social Impact Analysis (PSIA)

Summary prepared by: The Inclusive Development Cluster, Poverty Group, No.6 - January 2010

This is a summary of the report **'The Impact of the World Economic Downturn on the Syrian Economy, Inequality and Poverty'** funded through a contribution from the Government of Norway. This is part of a series of crisis response PSIA initiatives aimed at generating policy responses to protect human development gains and to stimulate a broader policy dialogue. The Poverty Group at UNDP manages the PSIA initiative and provides technical guidance to country teams conducting the analysis.

Context

The global economic downturn manifested its impact on the Syrian economy through a fall in the demand for exports from the rest of the world. Production of manufacturing and mining products fell by 1.9 percent and 2.3 percent respectively in response to the decline in foreign demand.

The downturn has come at a time when Syria is suffering the adverse consequences of drought. The drought has worsened the performance of the agricultural sector, which accounts for one fifth of Syrian GDP and has put pressure on the balance of payments.

PSIA Exercise

The objectives of the study are to undertake a multi-level analysis to quantify the potential short-term impact of the global economic crisis and drought on the domestic economy, including their impact on inequality and poverty. The analysis also evaluates impacts of government intervention to accelerate economic recovery.

The multi-level analysis relies on a **macro-econometric model,** a computable general equilibrium (CGE) model and a micro-simulation model. The three models are used to assess the impact of a 10 percent decrease of the demand for Syrian exports and a 10 percent decrease of agricultural performance resulting from drought. The impact of a 10 percent devaluation of the Syrian Pound is also used to check whether this measure is suitable to accelerate economic recovery.[1]

Predictions of the Multi-Level Analysis

Following the fall of world demand and drought, the **macroeconomic model** predicts that real GDP growth will reduce from 7.7 percent to 4.1 percent in 2008 and from 6.2 percent to 2.2 percent in 2009. The Syrian economy will begin recovery in 2009, but real GDP growth will be below what could be achieved without the crisis.

According to the **CGE Model** the fall of world demand for Syrian exports leads to a contraction of real exports by 4.2 percent. At the sectoral level, export losses range from 3.0 percent in other services to 5.5 percent in mining, the most export oriented activity. For these sectors, export contractions translate into output and value-added decline. The conjunction of drought and world economic downturn worsens the negative impact on the Syrian economy. The real GDP falls by 3.1 percent and unemployment increases from 9.6 percent to 13.9 percent. Real exports decrease by 5.9 percent, whereas real imports contract by 3.8 percent.

The devaluation of the Syrian Pound to cope with the international crisis does not appear to be efficient to curb the negative impact on real GDP and unemployment. The fall in real GDP broadens to reach 1.1 percent (from 0.1 percent without devaluation). Adding the effect of drought, the change in real GDP reaches negative 4.1 percent.

[1] The 10 percent fall in export demand is predicted by several studies dealing with the impact of the world economic crisis such that of the International Monetary Fund concerning the Syrian economy.

The reason for these results are to be found in the high dependence of the Syrian economy on exports; while the depreciation of the exchange rate improves the competitiveness of exports and facilitates an expansion of exports by 3.4 percent, import demand contracts by 8.7 percent but higher prices production costs and subsequent price increases result in an increase in the price index by 2.3.

According to the **micro simulation model** the global economic downturn is expected to have a marginal impact on income distribution in Syria. The most important change in the distributional pattern is expected to come from the national drought. The crisis is not expected to have an important negative effect on poverty either. The percentage of persons living in poverty would not increase by more than 1 percentage point, whatever the poverty line chosen. For instance, the pre-crisis incidence of extreme poverty at the reference poverty line is estimated at 12.3 percent. The drought would, nevertheless, increase extreme poverty from 12.3 percent to 14.9 percent. The devaluation of the Syrian pound would further worsen the poverty impact of both the crisis and drought by roughly 2 percentage points.

Key Conclusions and Policy Recommendations

The Syrian economy does not have the flexibility to react to the devaluation of the Syrian Pound. The increase in exports remains below what is needed to counter the negative consequences of the fall in export demand and the increase in the price of imports increases the cost of production and leads to a generalized increase in consumer prices. In addition, sensitivity analysis based on different values of the import and export elasticities does not show any significant improvement in the effectiveness of devaluation to boost economic activities.

The devaluation of the Syrian Pound should be accompanied by other measures to enhance local demand in order to reap the potential benefits of the devaluation. Simulations of an increase in government expenditure by 15 percent show that it would counteract the negative impact of the crisis and lead to faster recovery - real GDP is expected to increase by 0.4 percent and the unemployment rate is expected to decrease from 9.6 % to 8.8 %. Further to offset the potential negative effects of the devaluation on poverty, policymakers may consider an increase in food subsidies or the implementation of direct cash transfers to the poor. The current study has not explored the potential effects of such safety nets. They could make the natural extension for future researches.

UKRAINE – Crisis Poverty and Social Impact Analysis (PSIA)

Summary prepared by: The Inclusive Development Cluster, Poverty Group, June 2010

This is a summary of the report on the impact of the economic crisis on poverty in Ukraine. The main focus is on identifying key poverty issues, the economic crisis in Ukraine and its impact on poverty, key poverty trends in the pre-crisis period, and changes in these trends during the crisis. The paper highlights suggestions to improve social policy in poverty alleviation measures, and contains recommendations for appropriate policy reforms. The report was funded through a contribution from the Government of Norway. This is part of a series of crisis response PSIA initiatives aimed at generating policy responses to protect human development gains and to stimulate a broader policy dialogue. The Poverty Group at UNDP manages the PSIA initiative and provides technical guidance to country teams conducting the analysis.

Context

After the post-Soviet transformational crisis of the 1990s, Ukraine experienced nine years of economic growth in 2000-2008 that saw increases in the volume of production and services, improvement in the investment climate, an increase in the demand for labor, a decline in unemployment rates, and higher household income. However, in spite of economic growth, there was no major restructuring of the economy that would create an investment and innovation-led development model. A distorted political system dominated by competition among interest groups and rent seeking within state agencies limited the scope for effective social transformation. An explosion of corruption, the expansion of the shadow economy and administration, deeply damaged values in Ukrainian society and the system of incentive in the economy. Furthermore, while employment in many countries is a driver of income and poverty trends, Ukraine employment often fails to provide for basis subsistence. While the highest poverty rates are seen in households with unemployed heads, almost one fifth of Ukrainian households with an employed head is considered poor. Therefore employment today did not protect families from poverty.

PSIA Exercise

A study was commissioned to assess and quantify the impact of the economic crisis on poverty and to track the timing of its impact on household welfare. In order to evaluate the potential consequences of the economic crisis, ex-ante analysis based on a combination of the data on microeconomic distributions and macroeconomic structures and models were used.

An approach was applied based on a combination of macro-indicator time series and micro-level household budget survey data to evaluate the potential impact of the crisis on poverty and inequality. The method used was based on the PovStat software, which models changes in poverty and inequality indicators under various economic development scenarios. The model is based on the assumption that economic growth is a primary determinant of poverty trends. It assumes that average household per capita consumption grows to the same extent as output (per capita) in the sector in which the household head is employed. Using the household level data, output and employment growth in various sectors is transformed into growth rates for average per capita income or consumption of households in these sectors. Based on the approach above, it was possible to evaluate the impact of output trends on poverty indicators by decomposing the poverty rate into two components: absolute and relative changes in household incomes.

Conclusions and Recommendations

The economic crisis, which exacerbated the internal problems of socio-economic development during 1991-2008, initially appeared as a balance of payments and currency crisis marked by high inflation. Exports, mainly in metallurgy and chemical industries, fell sharply, and banks and companies struggled with significant debt. An abrupt devaluation of the hryvnia (national currency) undermined public trust in the financial system, prompting deposit outflows and bankruptcies for some banks. The currency's depreciation was followed also by serious problems appeared in the construction and real estate sectors, where investment commitments are based on the dollar. Higher gas prices meanwhile meant communal enterprises increased the need for state-budget outlays, which could not be met amid the falling GDP.

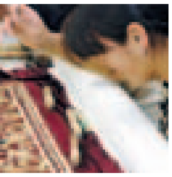
The analysis shows that in Ukraine the crisis spread to virtually all economic and social spheres. Industrial production in January 2009 was only 65.9 percent of the level from a year earlier. Household income fell, along with non-food consumption. In the first quarter of 2009, food spending declined in 8 of 10 categories. Poverty risks were the greatest among households with children, the elderly and rural households. The modeling results based on the average forecasted macroeconomic indicators suggest that the poverty rate for those living under the minimum subsistence level is expected to increase by more than 7 percentage points to reach 27.6% of the population in 2009, and fall to around 27.2% in 2010. Furthermore, the poverty rate according to the US $5 (PPP) per capita per day criterion will grow in 2009-2010 by approximately 2 percentage points.

The report highlights two policy areas that need to be considered in the context of the economic crisis to prevent an increase in poverty:

- Ensure that the majority of the population does not fall into poverty, by providing minimum social guarantees for those workers with full-time employment, and who make all their social insurance payments (primarily labor pension and unemployment assistance).
- Protection to population groups that are most at risk of extreme poverty as the crisis unfolds.

The report puts forth several key principles of poverty alleviation under crisis conditions and proposes the principle directions and short-term measures for such policy implementation. The principles of multidimensional poverty alleviation include:

- Establishing and maintaining rational and scientifically justified correlations between minimum social guarantees and minimum wages;
- Aligning the amounts of social targeted assistance with resource availability, with national poverty criteria, and with basic minimum guarantees;
- Focusing social support for able-bodied population groups on measures that encourage labour market engagement;
- Ensuring a fair distribution of benefits which are financed by public funds;
- Refocusing the social assistance system on poor population groups;
- Promoting multichannel financing of poverty alleviation activities; and
- Systematically adjusting poverty reduction policies and programming in light of monitoring and evaluation results.



UZBEKISTAN – Crisis Poverty and Social Impact Analysis (PSIA)

Summary prepared by: The Inclusive Development Cluster, Poverty Group, No.4 - January 2010

This is a summary of the report **'Addressing Urban Poverty in Uzbekistan in the Context of the Economic Crisis'** funded through a contribution from the Government of Norway. This is part of a series of crisis response PSIA initiatives aimed at generating policy responses to protect human development gains and to stimulate a broader policy dialogue. The Poverty Group at UNDP manages the PSIA initiative and provides technical guidance to country teams conducting the analysis. This PSIA exercise in Uzbekistan involved not only UNDP, but also UNECE and UN-Habitat. It was a good example of interagency cooperation.

Context

In late 2009, Uzbekistan appears to have escaped the severest impacts of the global financial and economic crisis. Its economic performance, compared to that of other transition economies, has been superior. Yet, the full impact of the crisis, which is likely to be transmitted through its effects on Russia and other CIS countries, could still hit Uzbekistan in 2010.

Moreover, the medium-term prospects in Uzbekistan for generating broad-based productive employment remained significantly constrained. Prosperity is driven by the more capital-intensive sectors of the economy and by the fuel and energy sector in particular. Continued growth is still contingent on expanding the exports of commodities, but their international prices are likely to be subject to considerable volatility in the coming period.

PSIA Exercise

The study reviews trends in urbanization and on urban poverty in particular, and documents the most recent economic trends in light of the global economic and financial crisis. It also reviews some medium and longer-term trends, such as underlying demographic changes and migration patterns, housing policies, environmental factors such as the national supply of water, and structural changes in agriculture and the economy as a whole.

Increasing numbers of younger workers are currently entering the labor force meanwhile employment opportunities in neighboring countries, such as Russia and Kazakhstan, are diminishing (remittances were down to 8.6% of GDP in the first half of 2009 from 13.3% in the first half of 2008). Furthermore, climate changes and the water deficit in the country are likely to increase the share of agricultural land that is unfit for cultivation. The current rate of employment generation remains anemic implying that workers facing a shortage of employment opportunities (either in small towns or rural areas) will search for informal-sector employment in Uzbekistan's more prosperous cities (70-80% of internal migrants seek temporary employment in Tashkent City gravitating into construction work, services or agriculturerelated activities).

This will lead to unregulated and imbalanced urbanization, which will put increasing pressure on the available housing stock and public utilities in the larger urban areas. It will also lead undoubtedly to a mushrooming informal sector, surviving on income flows that trickle down from the narrow range of prosperous (export-oriented and capital-intensive) sectors of the economy. In the medium term, this would result in a more rapid, and unplanned, rise in urbanization and an attendant spread of urban poverty.

Conclusions and Recommendations

It should be a strategic priority for Uzbekistan to concentrate additional resources on sectors that can foster a more employment-intensive pattern of growth. Creating a more dynamic process of urbanization and reducing urban poverty will have to go hand-in-hand with an industrial strategy that is more employment-oriented. Such a strategy could encompass a variety of measures. These could include explicitly channeling public investment and resources into internationally competitive employment-intensive sectors. Such measures could also involve the use of tax and subsidies and commercial credit to promote priority sectors or the use of public-sector matching funds for selected private-sector investment projects.

While the Government of Uzbekistan should strive to develop a more comprehensive and coherent industrial policy, it should place a priority on linking it to a well articulated plan for urban development.

However, the first priority is to generate widespread and remunerative employment, which can support increases in private incomes and public financial resources. A related priority is to spread such employment opportunities outside of the Tashkent complex in order to create more balanced and sustainable industrial and urban development.

Following is a summary of some priority policy recommendations to address the increasingly important issues related to urbanization in Uzbekistan.

- Develop comprehensive policy analysis on trends in urbanization in Uzbekistan and the prospective mid- and long-term options for dealing with them. The aim would be to evaluate various mid- and long-term policy options such as balancing the urban network with the foreseen industrial and agricultural development, promoting an inclusive urban framework to develop affordable housing solutions and services etc.
- Improve research and monitoring capacities on urban issues. This would entail strengthening capacities across a range of disciplines and enhancing the competencies of research institutes.
- Develop capacities and instruments to promote integrated territorial development at regional, district and city levels in order to adequately address the wide variety of challenges related to human settlements.
- Prepare City Development Strategies to ensure that the main stakeholders and relevant sectors are able to participate in the framing of a common vision of urban territories in relationship to socioeconomic development. Particular attention should be paid to regional networks of cities, small urban centers and villages because of competition with agriculture on land-use.
- Improve the instruments for the property market and the management of real estate, including boosting the capacities of housing market stakeholders, such as private and community developers, in order to diversify the kind of housing that is made available to city dwellers. A major priority should be to adequately meet the housing needs of low-income groups.

Key housing policy recommendations include:

- Developing a reliable housing dataset collected at the regional and local levels to help the government identify and understand housing problems, investigate suitable policy options, and monitor and evaluate their implementations.
- Formulating a strategic housing policy in line with the national Welfare Improvement Strategy which could allocate resources and implement measures in a coordinated manner.
- Developing housing strategies at the regional and local level - at the regional level, priorities for housing provision can be linked with other regional economic and spatial strategies. At the local level, national and regional housing policies can be adapted to fit the specific context and local governments can effectively involve communities and other stakeholders in key decision-making

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August 2010