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The Impact of the Financial and Economic Crisis on Sustainable  
Development, Particularly Their Social Implications

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Panel Presentation

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Distinguished Panel Members,

Ladies and gentlemen,

We meet today to discuss the financial crisis and its impact on social  
and sustainable development.

**1. A COMMITMENT TO INCLUSIVE AND SUSTAINABLE DEVELOPMENT**

The economic crisis has rolled back the hard earned development  
gains of the past several decades. Sustainable development is under  
threat with fewer resources available to deal with both development  
threats and challenges. The human costs of this crisis have been  
incredibly high as millions lose their jobs and even more fall into

poverty and income insecurity. Now more than ever, there is need for commitment to inclusive and sustainable development focusing on low carbon green growth and placing high priority on reducing poverty and inequality.

I would like to contextualize today's discussions in regional realities and solutions as part of the global response, using Asia-Pacific as the example. Asia-Pacific is a region of great diversity and imbalances. It is home of global economic powers and also the largest number of the world's poor. It has some of the best health systems but also the highest number of maternal deaths and under weight children. It has succeeded in more than halving the world's absolute poverty but it is also the emitter of 34% of CO<sub>2</sub> into the environment.

ESCAP member States are re-shaping and re-prioritizing the development agenda. The outcomes from a High-level Regional Policy Dialogue on "The food-fuel crisis and climate change" in Bali in December 2008, provided comprehensive recommendations, which resulted in the adoption of a resolution at ESCAP's 65<sup>th</sup> Commission session this year. The resolution urged member States to implement regional cooperation initiatives to address the impact of the crisis in the Asia-Pacific region. ESCAP has supported its member states to adopt a new development paradigm - an agenda for inclusive and sustainable development. The next Commission Session will identify and invest in building blocks to realize this

agenda for the region. Essentially it is about bringing economic, social and ecological balance an integrated whole to address various development deficits and inequalities facing our region.

## 2. THE IMPORTANCE OF REGIONAL DIMENSIONS

While the financial crisis started in the West as a result of a collapse in the investment banking sector, it has become an economic-trade crisis in Asia and the Pacific. As the most trade- dependent region in the world, ESCAP members have been hit hard by the contraction in global merchandise and commodity trade.

As the crisis unfolds it is estimated that as many as 24.8 million people in the Asia-Pacific region could lose their jobs. Millions more will experience rising income insecurity. The people most at risk are the poor and informal sector casual workers. Women comprise the majority of affected workers in the manufacturing sector. Also affected are migrant workers. These are areas that traditionally lack job security and other benefits such as health care, retirement packages and retrenchment allowances. Experience from Asia's 1997 economic crisis indicates that while economic growth may resume relatively quickly, it can take up to 10 years to recover the ground lost to poverty and social break down, increase in people smuggling and trafficking.



As migrant workers lose their jobs, there has been a significant decline in remittances., which have shown to be an important component of the GDP for a number of smaller economies, like Kyrgyzstan and Nepal, and many of the Pacific island countries. In fact five of the main remittance-receiving economies in the world are located in Asia and the Pacific (Bangladesh, China, India, Pakistan and the Philippines). Workers in crisis-sensitive sectors like tourism, construction and IT are particularly vulnerable. There have already been reports of an increase in the return of unemployed migrants to India, the Philippines and Indonesia. Some countries in the region now have policies to retrench migrant workers first or to replace them with unemployed nationals. They are also speeding up the deportation of irregular migrants. Other countries (like Kazakhstan, the Republic of Korea, Malaysia and Thailand) have reportedly been applying greater restrictions on the issuance and renewal of work permits.

ESCAP is promoting two inter-linked policy responses to deal with the social implications of the impact on sustainable development:

**First: Developing the foundations for social protection** needs to be seen by countries as an economic investment rather than a social cost. In the Asia-Pacific region only 20 percent of our people have access to comprehensive health care coverage and only 30 percent of our elderly receive pensions. By increasing

income security, the spending propensity of middle and lower income people who drive the economy is automatically triggered thus contributing to domestic demand and macroeconomic stability. Evidence from countries with extensive unemployment insurance suggests that such automatic stabilizers have a more prompt and consistent countercyclical effect than discretionary policies.

**Second: Fiscal stimulus packages need to be engendered** if they are to deal with women in general and the manufacturing and agricultural sector in particular where women play a significant role. For example, anticipated large public works projects will create jobs mostly in construction where 80-90% of jobs are held by men. Delivery of social services such as health, education, and agricultural extension services, and invest in small and meadium enterprises that would open equal opportunities for women, will need to be incorporated into public work programs and stimulus packages.

#### **4. NOT ALL COUNTRIES HAVE ACCESS TO THE SAME RESOURCES**

Besides job losses, another concern is the loss of development revenue due to the declining growth, capital outflow, loss of

remittances and declining ODA in Least Developed, Land Locked Countries and Small Island States. The Asia-Pacific region stretches from Turkey in the west to the China in the east, and from the Russian Federation in the north, to the Pacific in the south. It is an incredibly diverse region that has developed a range of responses to deal with the economic crisis.

In economies where structurally domestic demand accounts for high contributions to economic growth, expansionary fiscal and monetary policies are expected to play a greater role in supporting economic growth particularly in the face of declining exports. With its strong fiscal position, China announced in November 2008, the largest stimulus package in Asia (\$586 billion). At the global level, China's package is second only to the US in absolute terms, and the largest in the world in terms of percentage of GDP.

However, not all countries have the fiscal space to implement countercyclical measures due to large existing budget deficits. In Japan, the size of the public debt (170 per cent of GDP) is of particular concern. In many other countries of the Asia-Pacific region, deteriorating trade and Balance of Payment positions are becoming pressing issues. Unlike the larger economies of the region, poor countries will be unable to afford the injection of billions of dollars into bailouts and subsidies. Developing countries in Asia and the Pacific are faced with the prospect of reduced export earnings and



remittances, capital flight and the collapse of service sectors such as tourism. With falling foreign exchange reserves, developing countries in the Asia-Pacific region will need to be helped to avoid a new debt crisis. If economic growth is not restored soon, our vulnerable economies will need substantial injections of ODA and direct budgetary support to bolster their governments' balance sheets.

The time has come to restore stability and sustainability into the Asia-Pacific region's economic and social order. The economic crisis has provided the region with a unique opportunity to do this. The huge scale of government spending in the pipeline in many countries, offers an unprecedented opportunity to design development policies that will bring about more inclusive and sustainable development. Pro-poor policies aimed at strengthening social protection systems not only create the social foundations for more inclusive societies, they also make economic sense. Green growth provides us with alternatives to traditional economic growth models and can help lead the current climate change agenda.

The economic crisis can be used as an opportunity to move from individual country responses, to a more integrated and coordinated Asia and the Pacific that builds upon collective regional strengths and resources. Many of the larger economies and powerhouses in the region are investing in similar strategies. The recovery of larger economies like China, India and South Korea will have reciprocal

positive spin offs for their smaller neighbors. Asia and the Pacific's financial stimulus packages and reforms can be used as opportunities to address systemic imbalances to make development more inclusive for our people and more caring for our planet.

## 5. RESPONDING TO CLIMATE CHANGE - GREEN GROWTH

One of the greatest threats to sustainable development is climate change. The challenge is to reduce green house gas emissions while maintaining the economic growth necessary for development. ESCAP member States have started to discuss new development pathways that are climate friendly.

ESCAP Resolution 64/3 entitled "Promoting Renewables for Energy Security and Sustainable Development in Asia and the Pacific" urges member States to lessen dependencies on fossil fuels by increasing the efficiency of energy consumption, shifting toward renewable energy sources and ensuring access to basic energy services by the poor.

Green growth provides the economic pathway to achieve a shift towards a climate friendly economic development path. It is defined as ecologically sustainable economic progress that fosters low-carbon, socially inclusive development. In other words, Green Growth is a growth in the economy that uses environmental resources



productively, maintaining or restoring environmental quality and ecological integrity, while meeting the needs of all people.

Green growth includes a range of sectoral responses in agriculture, industry, transportation and housing - to name a few. It requires governments to make the necessary changes in development plans, national budgets and stimulus packages to support green growth measures.

But governments cannot be expected to achieve this paradigm shift on their own. New partnerships will be required that include the private sector. Public-private partnerships can be used to mobilize untapped resources and innovation in the business sector to help fight climate change.

At the level of the individual, we are already witnessing shifts in consumption patterns that will need to be further promoted by measures that target the micro-economy. Here partnership with civil society is critical.

For green growth to spread and develop deep roots rather than few shoots, developing countries should have access to climate friendly technology at affordable prices. This will require establishing programs that identify low cost, green technologies. It will also

require developing countries to build their capacity to assess these technologies using appropriate economic, social, safety and environmental criteria.

Implementing the green growth agenda requires financial flows with implications for aid, trade, finance as well as debt systems. It also challenges us to find ways to accelerate the development and transfer of affordable technologies. This will include identifying mechanisms and incentives to remove obstacles to green technological development and transfer in the Asia-Pacific region.

#### THE OPPORTUNITY

With economic growth of developing economies in Asia and the Pacific expected to reach 2.8%, the region is expected to be a key driver of economic growth in 2009. That being said, Asia and the Pacific, like other regions, faces considerable development challenges. We are experiencing the convergence of economic, food and climate change crises. A coherent framework for responding is required if we are to leverage existing resources. While a global crisis demands a global response, action will be much more effective if it builds upon strong regional foundations that are more coordinated, not only in terms of wealth generation, but also in managing risks and volatility.

The Asia Pacific Regional Coordination Mechanism, mandated by ECOSOC in 1998, is one of several means available to help ensure

policy coherence by United Nations and affiliated organizations when working at the regional level. It allows us to build upon each others' strengths by providing a strong UN voice when responding to issues like the current economic crisis. Recently in May this year, ESCAP hosted a meeting of the Asia Pacific RCM in Bangkok, chaired by the Deputy Secretary General which explored coordinated inter-agency responses to the implications of the crisis in the region.

ESCAP, as the Asia-Pacific regional arm of the United Nations, provides a forum that allows groups of diverse countries to share experiences and coordinate their development activities for greater regional impact through regional South-South cooperation. It facilitates cooperation among member States to develop common regional positions and solutions to global problems. By taking ownership of reviving their economies, regional members can ensure that the recovery is built on a new development paradigm that is both inclusive and sustainable. By doing so, developing countries will make a quantum leap from merely increasing their crisis-resilience, to becoming crisis-resistant, while ensuring that future growth truly helps the region and the people to live in greater freedom from want, from fear, and from discrimination.



