

## **Ninth Commonwealth Women's Affairs Ministers Meeting**

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### **WOMEN IN THE ECONOMIC CRISIS AND RECOVERY: COMMONWEALTH PERSPECTIVES**

*(Presentation by Dr Cyrus Rustomjee, Director, Economic Affairs Division,  
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# Women in the Economic Crisis and Recovery: Commonwealth Perspectives

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Introduction

Crisis Impact & “Recovery”

Challenges for Women in A Recovery

Next Steps for the Commonwealth

# Introduction: The Commonwealth

## The Commonwealth

- A heterogenous group of 54 Countries
- Between 20% - 30% of global output, trade, population.
- 32 Small States; 25 small island economies; 5- G-20; 48 non-G-20
- With significant gender vulnerabilities and gender deprivation

## The Commonwealth Secretariat

- Multiple gender-related interventions
- Over many years
- In many aspects of the Secretariat's work

# Introduction: Vulnerable Countries:

To **economic shocks**: Countries with declining

- Trade
- Foreign direct investment
- Remittances
- Aid

To **Gender Erosion**: Countries with two or more of:

- Decelerating growth
- High levels of child mortality
- Poorest performance in achieving gender parity in schooling

# Vulnerability of Commonwealth Developing countries To Economic Shocks

Based on IMF projections for Trade, FDI, Aid and Remittances:  
The following countries considered at risk to:

**Trade shocks:** Cameroon, Papua New Guinea and Zambia

**Remittances:** Bangladesh and Guyana;  
11 others at “medium risk”

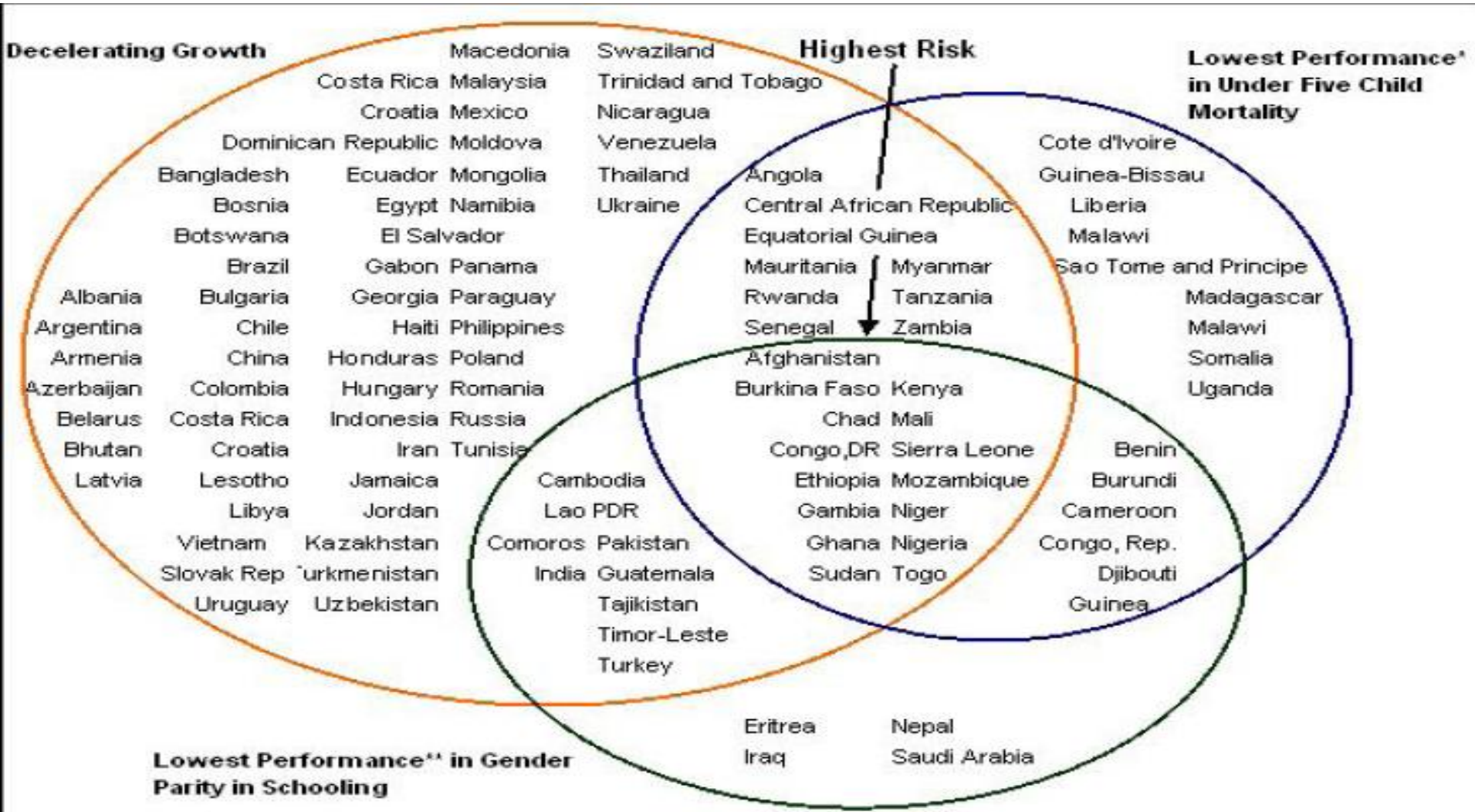
**Aid:** Dominica, Mozambique and Sierra Leone;  
13 others at “medium risk”

**FDI:** 13 countries at “medium” risk

# Gender Vulnerabilities

- According to the World Bank methodology, some Commonwealth members are at particular risk to the gender impacts of the crisis:
- Including Kenya, The Gambia, Ghana, Malawi, Mozambique, Nigeria, Tanzania, Zambia, Rwanda, Sierra Leone, Uganda, India and Pakistan appear to be amongst high risk countries.

# World Bank Assessment of the countries at risk



# Crisis and Recovery

- Ten Key considerations in crisis and recovery in Commonwealth Developing countries

1. GDP
2. Trade
3. FDI
4. Remittances
5. Aid
6. Fiscal Balances
7. Poverty Impacts
8. Social Protection
9. Gender Effects
10. External Financing Needs

- And Four Key aspects to consider in each case

1. Why does gender matter?
2. What happened in the (2009) crisis?
3. What is happening in the “recovery”?
4. What are the specific Commonwealth impacts?

# Growth (GDP) – In Good Times and In Crises

## Good Times

- ✓ Increases employment of women, increasing household income and spending on social protection, education, health, safety and family welfare
- ✓ Can increase women's employment more than men's employment

## But During Crises

- ✗ Growth reverses, reducing women's employment and associated benefits
- ✗ And impacts women disproportionately
- ✗ Worse employment conditions for those that remain in paid employment
- ✗ Significant erosion of household income
- ✗ Social impacts, including increased burden of unpaid child care

Sources: UNIFEM, UNDESA, UNICEF

# 2009 Crisis Impact on Growth

- Global GDP: 2.2% decline (2009)
- High-Income Countries: 3.3% decline (2009)
- Developing Countries 1.2% decline (2009)

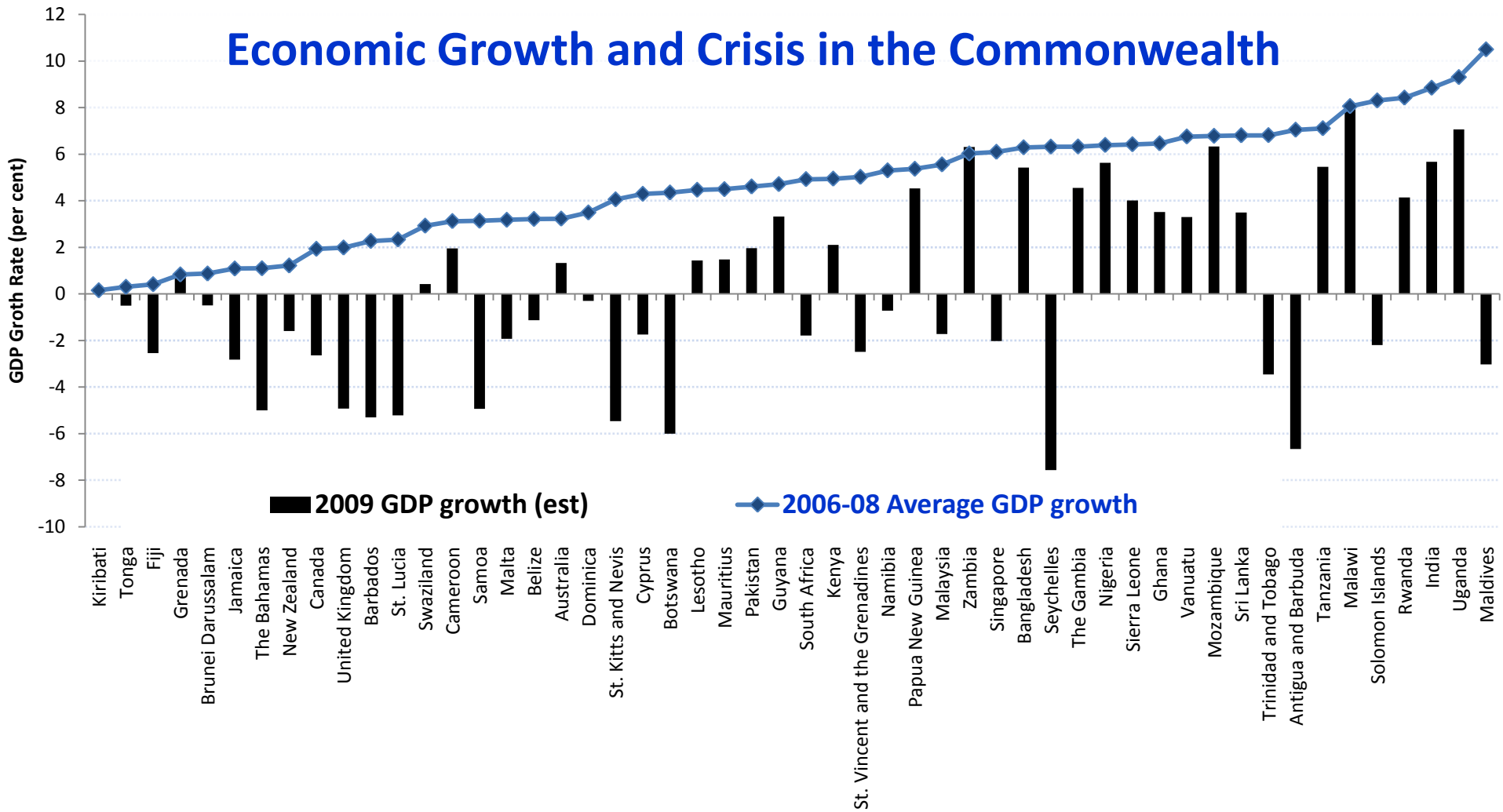
Source: WB Global Economic Prospects, April 2010

- Global GDP Firming to 2.7% (2010); ... and 3.2% (2011)
- But recovery is fragile and great uncertainties ahead
- Global industrial production has been recovering
- But Concerns for sovereign debt sustainability have grown
- Depending on consumer and business confidence and timing of fiscal and monetary stimulus withdrawal, 2011 growth could range from 2.5% to 3.4%.

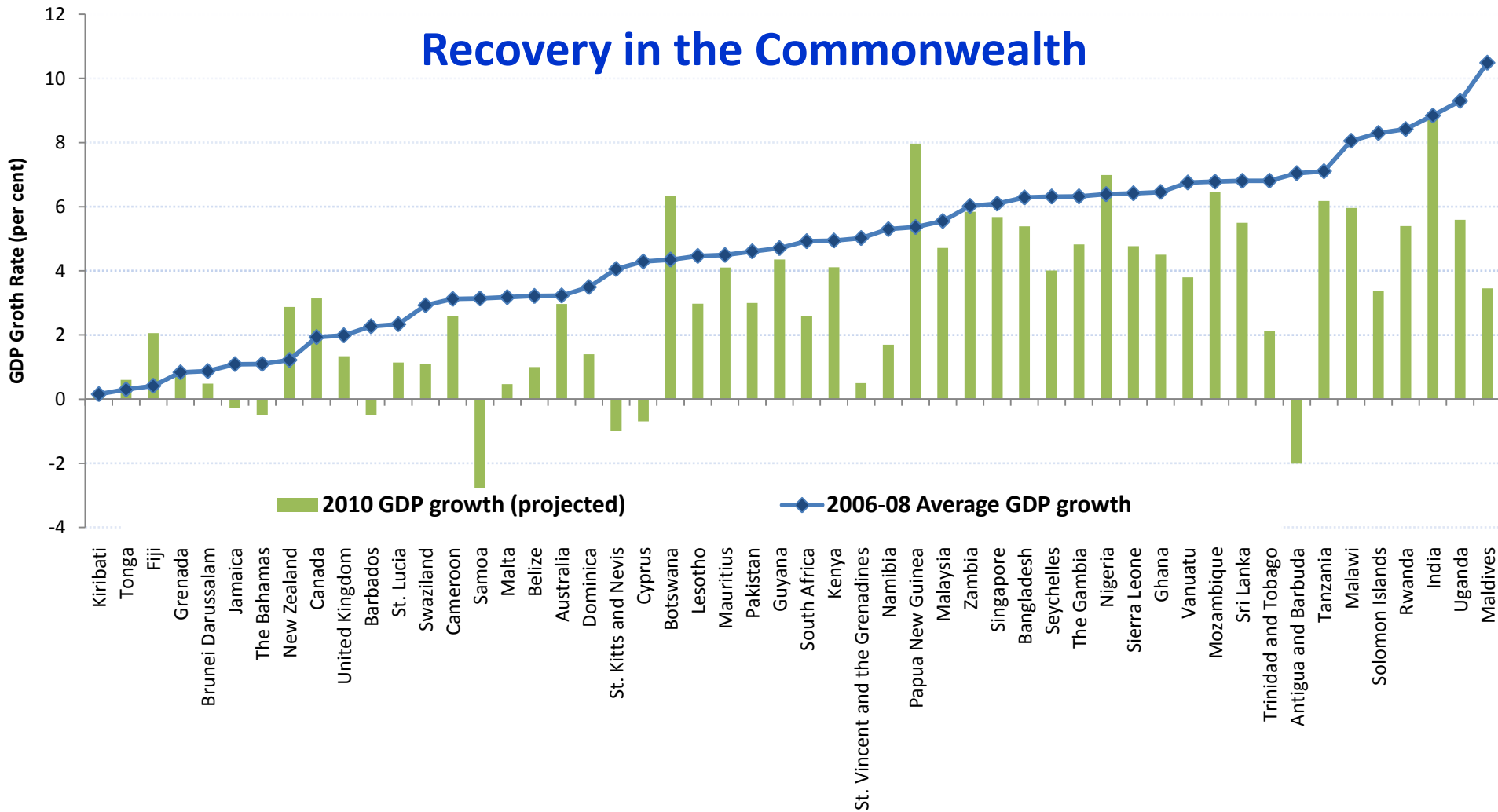
- Averaged 6.9% (2003 – 2008)
- Estimated growth of 5.2% (2010); and 5.8% (2011)
- But continues to be reliant on stimulus
- Developing countries remain at about 3% below their potential output
- And in the next 5-7 years, trend growth rates will be 0.2% -0.7% lower than had finance been as abundant as the pre-crisis period.

- 2009 GDP well below trend growth across the Commonwealth
- About a half of all members registered negative growth in 2009
- With very adverse consequences for their ability to respond to the crisis
- 2010 GDP estimated to be significantly below the 2006-2008 average

# Economic Growth and Crisis in the Commonwealth

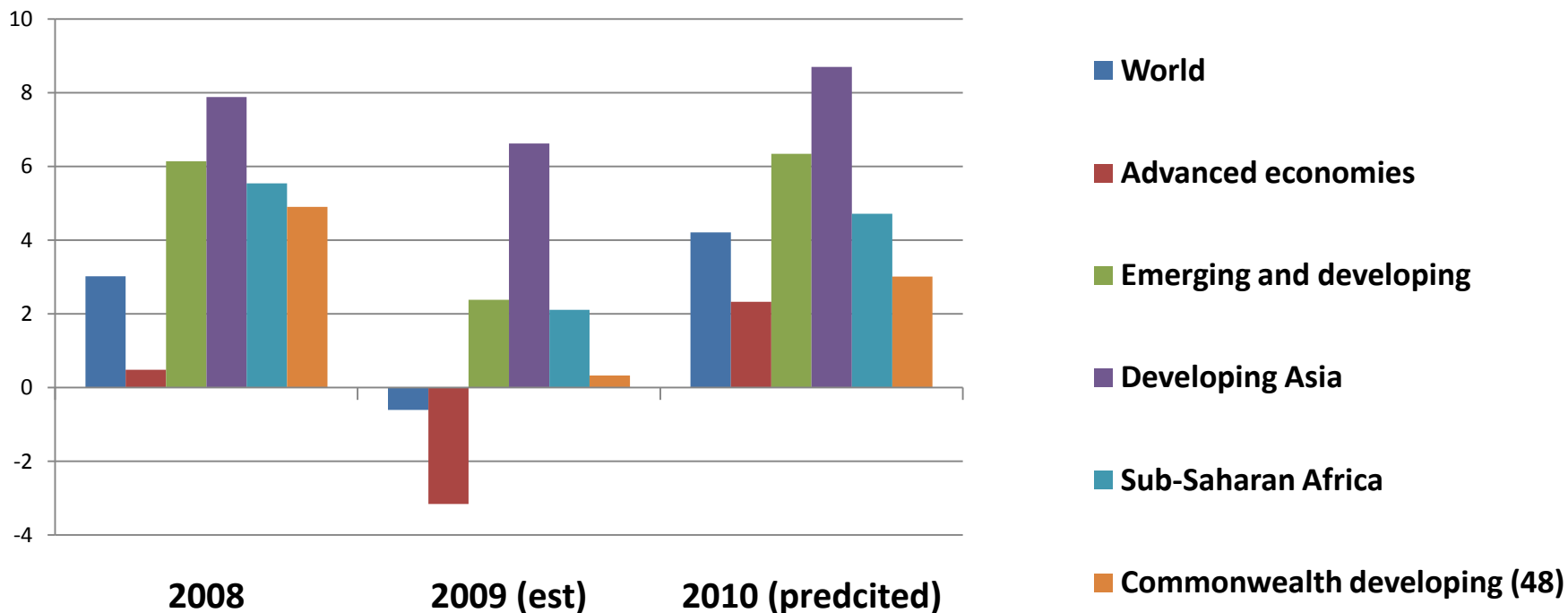


# Recovery in the Commonwealth



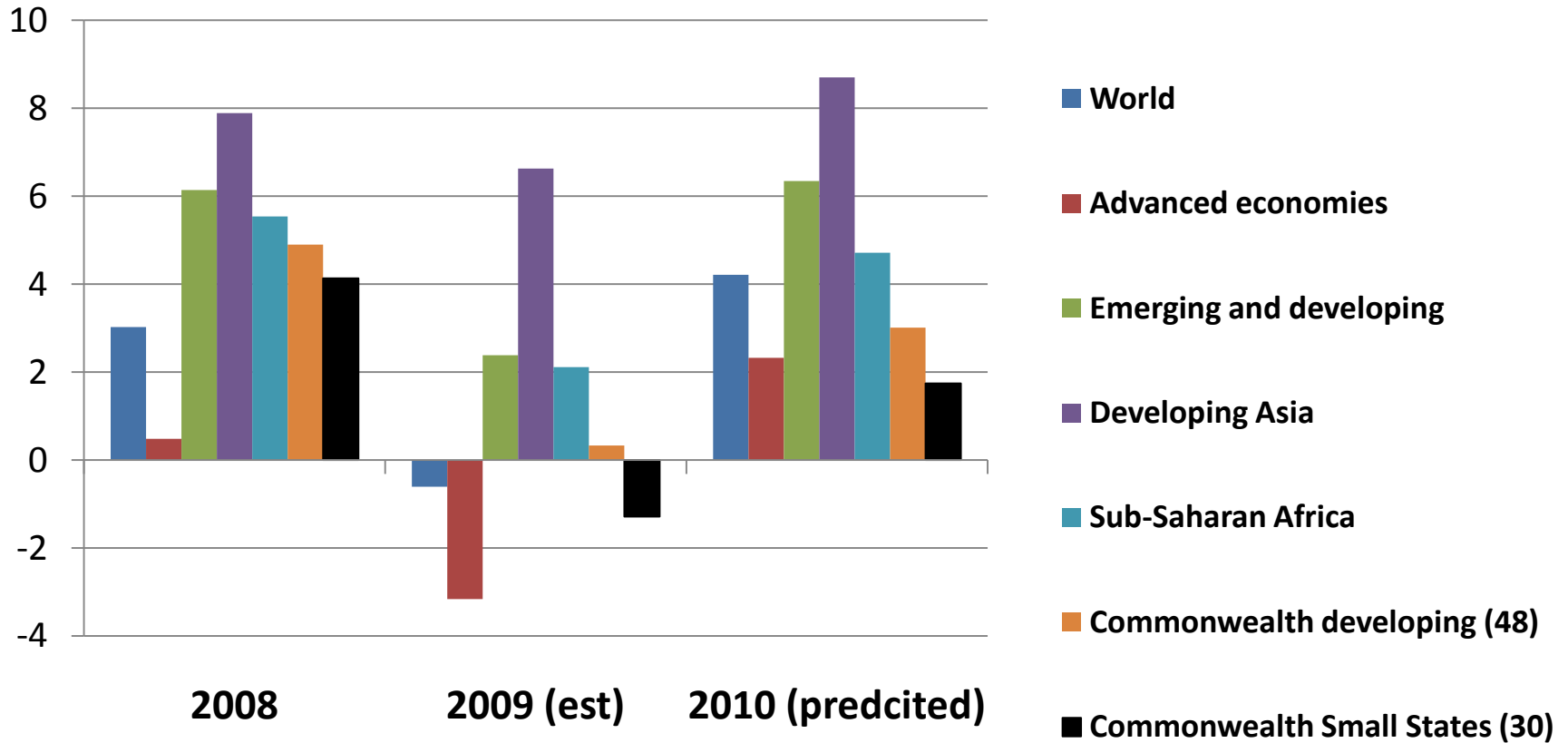
- On average, CW developing countries have grown slower ...

Growth performance of Commonwealth developing countries



- **CW small states have performed even worse**

**Weaker growth performance of small states**



# Trade

## In Good Times

- ✓ Increases employment, especially in labour-intensive manufacturing export sectors
- ✓ Increases women's income
- ✓ Generates tariffs and other trade-related revenues, which can be used to improve social spending

## But During Crises

- ✗ These sectors can be the most immediately affected; effects can be wholesale; employment conditions can significantly deteriorate; work can become less well paid, more casual and with fewer protections
- ✗ Consequently women's and household incomes are immediately effected, household spending on basic social needs are directly affected
- ✗ Declining exports reduces external sources of financing, increasing government's external borrowing requirements and forcing adjustments – declining import demand and lower domestic spending.
- ✗ Aggregate demand declines; and Government revenues decline, affecting social spending

Source: UNIFEM

- Developing countries, including Commonwealth members, are now much more dependent on trade
- UNCTAD data show that the export-GDP ratio for LDCs is 45% today compared to 17% in 1995.
- The contribution of exports to GDP in landlocked developing countries has also increased from 23% to 58% during 1995-2008.

- 30 Commonwealth countries are known as small states.
- Given their high degree of openness and dependence on trade for growth, the global economic crisis has had disastrous consequences for them.
- A fall in OECD import growth of 13% points will have likely to have contributed to a fall in average GDP growth in SVEs by **2.93%** points

Scenarios	Fall in SVEs GDP growth (% points):
OECD import growth falls by 11 percentage points (as happened in 2001)	<b>2.48</b>
OECD import growth fell by 13% in 2009	<b>2.93</b>

- 13% decline in global trade, with all regions experiencing major declines in exports (WTO)
- More recent World Bank Data suggests that global trade contracted even further:
  - With world merchandise trade volumes declining by 17.6% in 2009
  - Of which goods and services trade declined by 14.4%.
- Lowest point considered to have been reached in approximately March 2009
- Services trade has also declined. World Tourism Organisation estimates tourism arrivals to have declined by 7% in the first six months of 2009; and estimates the decline in 2009 to have been between 4% - 6%.

Sources: WTO, World Bank Global Economic Prospects, April 2010; World Tourism Organisation.

- ✓ Massive support to trade finance, with G-20 leaders pledging \$250 bn (London Summit, April 2009), WBG, particularly IFC providing liquidity and guarantees; and export credit agencies supporting trade finance.
- ✓ Trade protectionism was moderated and unlike previous episodes of crisis: Trade-restricting or distorting measures only 0.5% of world merchandise trade
- ✓ Aid for trade has expanded (Geneva Global Review, July 2009), though only a half is directed to developing countries

- World trade volumes expected to expand by 4.3% (2010)... and 6.2% (2010)
- But will still remain about 5% below the 2008 level
- Recovery in trade is crucial for Commonwealth developing countries
- Which are open, many of which are reliant on a small basket of primary commodity exports
- Whose production is labour intensive and female-labour intensive.

# Foreign Direct Investment

Good Times	During Crises
<ul style="list-style-type: none"><li>✓ Significant employment generation for women</li><li>✓ Particularly in labour-intensive exports</li><li>✓ And in this, particularly in manufacturing</li></ul>	<ul style="list-style-type: none"><li>✗ Can be associated with weaker labour standards in crisis</li><li>✗ And increased casualisation of workforce</li><li>✗ Vulnerabilities of women accentuated where international capital is mobile and relocates away from sites which are highly labour-intensive and female-intensive</li></ul> <div data-bbox="1145 1279 1758 1353" style="border: 1px solid black; padding: 5px; text-align: center;">Sources: UNIFEM, UNDESA, UNICEF</div>

- \$436 million in 2008
- But in 2009, a 40% Decline
- With severe consequent reductions in women's employment
- Particularly where investment has declined in labour-intensive export sectors
- 2009 estimate: \$385 million

- FDI expected to be less affected than other forms of finance
- But parent firms confronting higher capital costs
- Consequently FDI to developing countries expected to decline from 2007 peaks of 3.9% of GDP, to 2.8% - 3.0% in the medium term.
- Consequences likely to be serious, as FDI accounts for 20% of total investment in Sub-Saharan Africa.

Source: World Bank: Global Economic Prospects, April 2010.

# Remittances

## Good Times

- ✓ Reliable source of household income
- ✓ Particularly for female-headed households
- ✓ Counter-cyclical source of income
- ✓ A large share of external resources for Commonwealth developing countries

## But During Crises

- ✗ Directly reduces household income
- ✗ Deprives women of a resilient source of income for critical household expenditures, on health and education.
- ✗ Reduces women's relative influence over household budgets

Sources: UNIFEM, UNDESA, UNICEF

# Remittances

Several members critically depend on remittances.

- India (\$ 45b), Nigeria (\$10b), Bangladesh (\$8.9 b), Pakistan (\$7b), Sri Lanka (\$2.7 b), Jamaica (\$2.2b), and Kenya (\$1.6 b)
- For several members remittances represent more than 20% of GDP
- Lesotho, Guyana and Jamaica most critical dependence on migrants' earnings
- 20 Members with share remittances is more than 2% of GDP
- Bangladesh, Sierra Leone, Sri Lanka, Dominica, Uganda, the Gambia, St Vincent and Grenadines, and Nigeria are the next set of countries that are vulnerable to adverse shocks in remittances

- 20% growth during 2006-08;
- But a 6.1% decline in 2009
- Developing country remittances of \$317 bn (2009)
- Involving 192 million people, or 3% of world population
- Several Commonwealth countries severely impacted

## Global Remittances:

- Recovery expected in 2010 in most regions
- But will remain below 2008 levels even in 2011
- Lagged effect may see South Asian remittances levelling
- And with declines in the Caribbean having significantly declined in 2009, recovery may be stronger

# Aid

## Good Times

- ✓ Has represented a major positive reallocative tool, promoting gender equality and redistributive policies favouring women.
- ✓ Has contributed to Strengthening social safety nets which protect vulnerable communities, including women
- ✓ Has directly helped increase social spending in health, education, housing and welfare .

## But During Crises

- ✗ Declining aid can reverse all of these gains; and can directly impact expenditure on programmes promoting women's empowerment and gender equality
- ✗ Particularly if declining aid resources resulting in the postponement or scaling down of social protection programmes favouring vulnerable groups; and in the scaling down of social infrastructure expenditure

Sources: UNIFEM, Commonwealth Secretariat

- For Commonwealth members, aid has been procyclical
- Last decade: significant rise in aid flows - debt relief initiatives and new donors
- Three members considered most vulnerable to fluctuations in aid in the presence of extreme volatility: Mozambique, Sierra Leone, Dominica

- Excluding debt-relief grants, net official development assistance remained broadly unchanged in real terms in 2006–07.
- DAC Aid rose by about 10% in real terms in 2008.
- And rose slightly, by 0.7% in 2009 in real terms... to 0.31% of Gross National Income
- But declined in US\$ terms, from \$122.3 bn (2008) to \$119.6 bn (2009)
- Non-DAC (“New Donors”) increased aid by 63% in 2009... to \$9.5 bn
  - Aid from non-DAC donors is increasing... by 63% from 2008 – 2009.... to \$9.5 bn.

- Despite increased commitments by donors, a potential reduction in aid cannot be ruled out
- And potential reductions in aid flows are therefore a serious concern.
- Future challenges:
  - Current spending is still \$14 bn short of the 2010 target of an increase in aid by \$50 bn by 2010 (in 2004 dollars)
  - The Gleneagles commitment to double aid to Africa by 2010 is currently \$18 bn short of target

# Fiscal Policy & Fiscal Balances - Revenues

## In Good Times

✓ Carefully structured tax systems can minimise impacts on women's employment and income.

✓

## But During Crises

✗ Government taxes can precipitate gender inequalities by increasing direct taxes on household goods & consumption;

✗ And by altering the structure of labour markets against women.

Sources: UNIFEM, UNDESA, UNICEF

# Fiscal Policies and Fiscal Balances: Expenditures

## In Good Times

- ✓ Can be a major positive reallocative tool
- ✓ Promoting gender equality...
- ✓ and redistributive policies through state intervention.
- ✓ Strengthening social safety nets which protect women
- ✓ Increasing social spending in health, education, housing and welfare

## But During Crises

- ✗ Declining fiscal spending reverses all of these gains
- ✗ With women typically first and most directly impacted
- ✗ Through social protection programmes which favour men (eg: short-term labour-intensive public works and construction programmes and other male-dominated social protection initiatives)
- ✗ Through scaling down of social infrastructure expenditure

Sources: UNIFEM, UNDESA, UNICEF

- Severely declining revenues across Commonwealth developing countries, due to lower growth, employment and import revenues
- And significant deteriorations in fiscal balances, for countries with little fiscal space and where social expenditure has come under acute pressure.
- Particularly severe impacts in Sub-Saharan Africa.
- And reductions in some member countries, in core poverty programme expenditures, in health and education

- Initial resilience; and subsequently rose by almost 3% in 2009
- To support domestic demand.
- For most developing countries widening deficits due to revenue losses on account of declining demand
- Not due to fiscal stimulus
- One third of developing countries introduced discretionary fiscal stimulus plans in 2009...
- Resulting in deteriorating debt ratios, particularly in low-income countries.

- Following initial resilience, in 2010:
  - Lower revenues due to reduced growth
  - Demands for higher levels of social expenditure
  - and increased social protection and
  - Higher debt servicing
- So placing significant pressure on fiscal balances.
- Fiscal deficits likely to increase further in about half of all developing countries in 2010
- Position for all other developing countries likely to be very difficult.

- Global poverty projected at 15% by 2015, vs 14.1% without the crisis.
- An additional 64 million in extreme poverty by the end of 2010
- And an additional 54 million will remain in extreme poverty by 2015 than would have without the crisis
- In SSA, poverty rate of 38% expected in 2015, vs 36% without the crisis; and 20 million fewer lifted out of poverty
- An additional 265 000 infant deaths in the period 2009 - 2015
- An additional 1.2 million children under five dying in the period 2009-2015

- Estimated 350,000 more students may be unable to complete primary school in 2015 alone
- 100 million more people will remain without access to improved sources of water.
- MDG's: all have been set-back. Human development MDG's regressing

- More recent country specific studies show that increased poverty effects due to the growth slowdown could be much higher than projected.
- ODI country cases show significant poverty increases for Bangladesh, Ghana, Nigeria and Uganda amongst Commonwealth developing countries.

Country	Reduced growth due to crisis (% points)	Poverty increase due to reduced growth (in '000)
Bangladesh	-1.2	289.3
Ghana	-2.2	227.7
Kenya	-0.4	57.7
Nigeria	-5.0	5046.8
Uganda	-1.0	233.0
Zambia	-2.4	38.8

Source: ODI (2009)

- In 2009, spending on social safety nets relatively protected ... but severe challenges in 2010 and beyond
- Several SSA countries have protected social spending
- A few also protected capital expenditure
- But several have been forced to contract social spending
- Key challenges in effectiveness of social safety nets: small, poor coverage of the poor.

- Increased unemployment of women – in all sectors though particularly in manufacturing export and agricultural export sectors
- Deteriorating employment conditions
- Social protection programmes have often been biased against women, in short-term public works and construction
- Severe declines in household incomes, threatening women's livelihoods

## Gender Effects (2)

### Impact on Household Income

- Across Commonwealth developing countries, household income has reduced for four key reasons:
  - Reduced employment due to declining domestic demand
  - Reduced employment due to declining exports
  - Reduced income through declining remittances
  - Reduced ability to produce due to declining credit and access to credit
- Each channel has had acute gender-specific consequences

## Gender Effects (2)

### Impact on Household Income

These developments directly undermine past progress, with evidence showing that

When household income improves:

- Mother's income relative to the father's is found to have improved child survival probabilities **in Brazil**
- Women's income in **Côte d'Ivoire** is found to raise the household food expenditures.
- Micro-credit programmes in **Bangladesh** have resulted in households' consumption increases more due to female participation compared to male.
- Women's increases share in household income and improved empowerment have been found to reduce consumption of such adult goods such as alcohol and cigarettes (both in **Bangladesh** and **Côte d'Ivoire**)
- In **Pakistan**, women's increased incomes or improved control over resources is found to have a positive impact on children's food security
- In **Egypt**, women's improved human capital and empowerment has been found to be associated with increased investment in children
- In **Indonesia**, the human capital of women is found to have a significant effect on the household health care expenditure

- Declining social spending has:
  - Decreased full-time paid employment of women
  - Eroded achievements in education and health
  - Reduced girls enrolment at school
  - Imposed significant additional burden of unpaid care work on women and girls

The Crisis has also:

- increased chronic hunger as women and girls eat fewer meals per day
- Reduced support to smallholder and subsistence farming
- Increased levels of violence against women and girls
- Increased HIV/AIDS prevalence
- Increased criminal activities and security risks, with adverse impacts on women's safety

Normally, countries need external financing for:

- Current account deficits : payments for imports less export receipts
- Maturing short-term debt:
- And interest payments on long-term debt and other obligations falling due.

## Where Does the Money Come from?

- Private International Creditors
  - Foreign Direct Investment
  - New debt
  - New Portfolio Equity
- Official International Creditors
  - The World Bank
  - The IMF
  - Other official creditors
- Surplus reserves

- In 2009, 59 developing countries had an unfilled external financing need. (World Bank, 2009)
- Requiring \$352 bn.

- How was the “financing gap” closed?
  - Significant global effort
  - Very substantial economic contraction (large declines in spending)
  - Very large contraction in current accounts
  - Using up of reserves
  - And for some, eventually securing more than expected sources of credit

# External Financing Needs

- In 2010, all developing countries will need a total of \$1.1tn in external financing
- The poorest developing countries, especially those relying on grants or subsidized lending, will need an additional \$35bn - \$50bn just to sustain pre-crisis social programs.
- For 2010, the external financing gap for countries which cannot cover needs from sources of external funding, is estimated to be **\$315bn**
- Almost as much of a gap as turned out to be in 2009

- Modest recovery in private capital flows expected in 2011:
  - FDI increasing from \$385 bn (2009) to \$600 bn (2011)
  - Net bond flows increasing from \$54 bn (2009) to \$60 bn (2011).
  - But Commercial banks unlikely to increase lending
- Financing gap expected to decline from \$315 bn (2010)
- But still with an unfilled external gap of \$180 bn (2011).

- Global trade: a fragile recovery... but the value of global trade remains 20% below pre-crisis levels.
- Global poverty: will continue to decline...
- But the recovery will not make up lost ground: 71 million fewer people will have escaped poverty by 2020, as a result of the crisis.
- Finance: access to finance for developing countries is expected to remain tight. World Bank analysis suggests a lowering of trend GDP growth of 0.7% as a consequence; with potential output growth reduced by 8% from pre-crisis path

In the Commonwealth, many developing countries are starting 2010 and the “post-crisis” period with:

- A lower economic base
- Much weaker fiscal capacity
- Larger domestic economic and social infrastructure needs
- Larger demands for social protection and safety nets.
- Substantially Reduced International Reserves

How will they cope?

And what will be the burden of adjustment on women?

Six Key Steps to Recovery For the Smallest and Most Vulnerable Commonwealth Countries:

1. Resuscitating global trade and protecting the integrity of the global trading system (including a successful DDR)
2. Resumption of capital inflows, to close external financing gaps
3. Accelerated protection of social systems and strengthening social safety nets
4. Accelerated global initiatives promoting counter-cyclical macroeconomic policy stimuli and associated counter-cyclical regulatory initiatives.
5. Recognition and implementation of global public goods-type responses for several key challenges for the smallest and most vulnerable economies.
6. A development-friendly international sustainable development governance architecture

## Women and Trade

- ✓ Resuscitating, restoring and sustaining trade to OECD and EME markets...
- ✓ ... and strengthening the role, influence and sustainability of women in goods and services trade in and across Commonwealth developing countries.

## Women and Employment

- ✓ Training retrenched women to enter new male-dominated sectors;
- ✓ Supporting training with access to information and finance; and
- ✓ Sustaining employment through increased physical and social infrastructure

# Key Commonwealth Challenges Directly Impacting Women (1)

## Women, Diversification and Innovation

- ✓ Diversifying economic output and trade in Commonwealth developing countries, particularly in small states;
- ✓ Finding and supporting accelerated opportunities for women's participation in diversification strategies...
- ✓ ... and innovating, through technology transfer and identification of new sources of growth emerging from increasing labour and capital mobility

## Women and Social Protection

- ✓ Increasing resources for and strengthening social safety nets, through international advocacy, shared Commonwealth experiences and prioritisation of domestic policies and budgets

# Key Commonwealth Challenges Directly Impacting Women (2)

## Women and Finance

- ✓ Increasing – and improving efficiency of spending – in health, nutrition and education; and sharing pan-Commonwealth experiences of best practice.
- ✓ Protecting aid flows to sectors in which women are most vulnerable; and securing the transfer of substantially greater proportions of global aid, IFI and national resources to women, through targetted project and programme-specific strategies, supported by focused international and domestic advocacy.
- ✓ Adapting to new and emerging global regulatory rules, in finance...
- ✓ ... and addressing challenges to the diversification of tradable services in finance  
...
- ✓ ... and establishing innovation and new niche institutions and products for women's credit and saving.

## Climate Adaptation, Mitigation and Financing

- ✓ Securing fast-start climate finance for adaptation and mitigation directed at women ...
- ✓ ... and integrating opportunities and addressing needs of women in planning, designing, managing and implementing National Adaptation Strategies.

## International Sustainable Development Government

- ✓ Influencing global economic, financial and environmental governance...
- ✓ ... By influencing global agendas, particularly the Rio + 20 Agenda.

## Three Commonwealth Roles

- Addressing gender challenges in the Commonwealth, in the post-crisis period will require massive, sustained effort and resources.
- And will be guided by the effectiveness of three distinct roles and contributions:
  - The role of the Commonwealth Secretariat
  - The role of Commonwealth member countries
  - The role of the Commonwealth in international advocacy

Five Key Tasks for the Commonwealth Secretariat:

1. Deepening and making more widely accessible, existing gender-focused and gender-responsive initiatives
2. Strengthening analytical work on gender impacts and potential solutions in the Commonwealth (including analysis of market niches in finance)
3. Broadening technical assistance to members in addressing core gender vulnerabilities
4. Deepening regional collaboration to promote gender-focused action
5. Identifying new challenges and new opportunities for advancing Commonwealth gender action.

## Five Key Tasks for Commonwealth Members:

1. Strengthening national gender-focused and gender-responsive programmes
2. Sharing best practice with other Commonwealth member countries, including in efficiency, effectiveness, simplified administration and implementation of social safety nets that protect women and the most vulnerable.
3. Identifying and building specific partnerships among Commonwealth members – bilateral and regional partnerships
4. Offering skills and resources to other Commonwealth member countries
5. Identifying and prioritising issues for Commonwealth global advocacy

## Five Possible Ideas for Global Advocacy

1. Fast-tracking financing for MDGs 3 and 5 to 2015 and establishing an international steering group to report on fast-track progress and recommend policy adaptation and financing alternatives.
2. Achieving global aid commitments on time; and allocating proportionately greater portions of additional aid resources to addressing gender vulnerabilities and gender deprivation.
3. Specifically allocating existing and new aid to financing an increase in spending on national social safety nets and social protection for women and vulnerable groups, say by a third, compared to the pre-crisis 3-year average.
4. Securing a majority (ie: >50%) of climate finance fast-start adaptation funding for small and vulnerable countries, for: community-based adaptation and for capital projects that are women-led and managed.
5. Joining up action on gender, by linking and coordinating international advocacy, across the MDG review process, Mauritius + 5 process for SIDS and the Rio+20 process; and ensuring that all reviews and agenda explicitly address the sustainable development challenges of vulnerable groups, particularly women.