



Issues, Threats and Responses to the Global Crunch----- Focus on Poverty

United Nations Development Programme

Crisis has two phases



1 - Financial

- Fall in prices of shares, corporate bonds and weakening of currencies

2 - Real

- Sharp slowdown in economic growth and rise in unemployment
- In advanced economies, crisis moved from financial sector to real sector
- In developing economies, slowdown in real sector is affecting the financial sector adversely



ADVANCED COUNTRIES

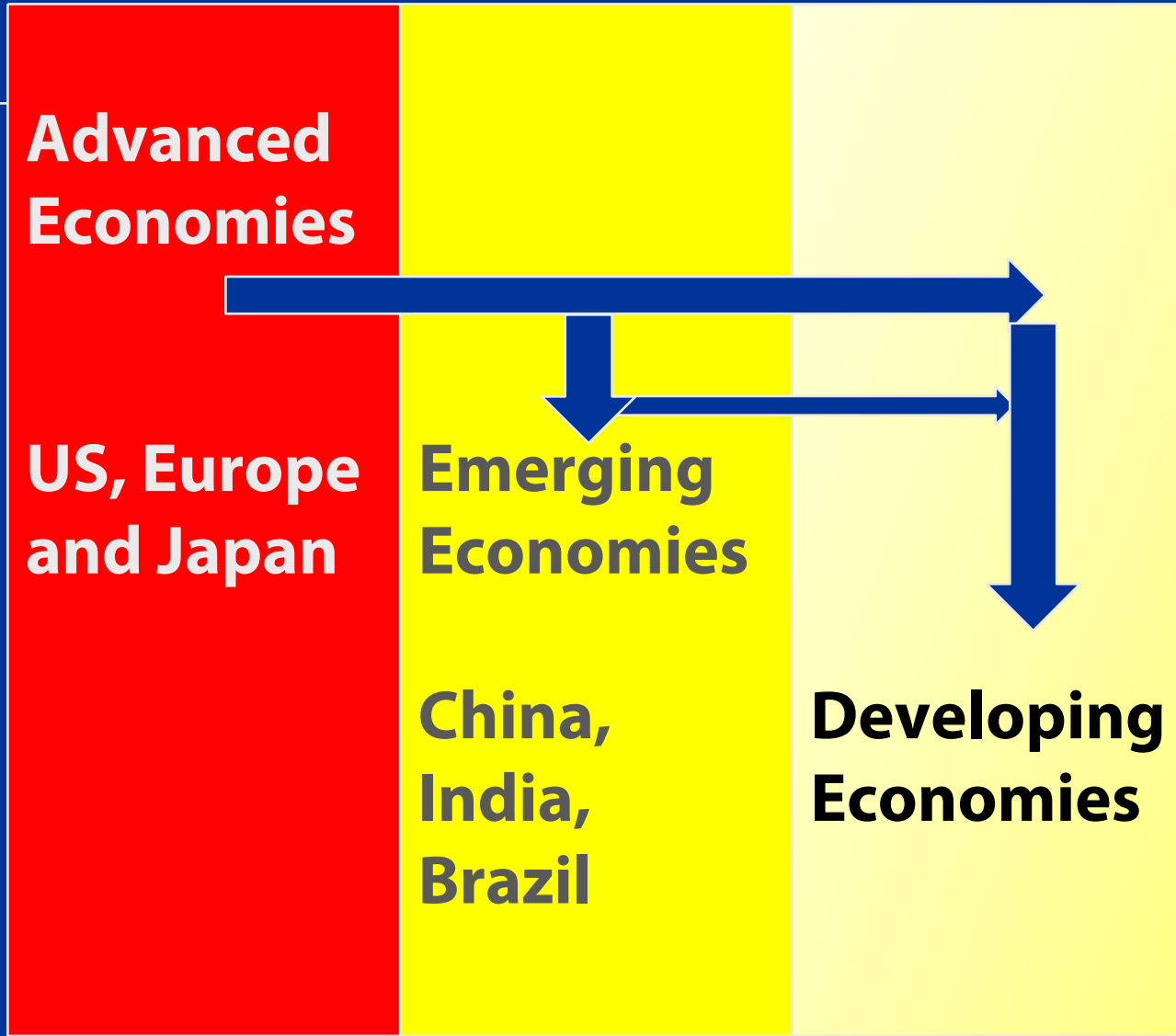
US, Europe and Japan

**Advanced
Economies**

**US, Europe and
Japan**

**Emerging
Economies**

**China, India,
Brazil**



Transmission channels



Trade flows



Remittances



Foreign
Direct
Investments



WHAT ARE AT STAKE?

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Transmission channels



Trade flows

39% exports slump



Remittances

\$16.4 B in 2008
Flat growth or - 4%



Foreign
Direct
Investments

-52%; only \$13M
in Jan compared
to \$27M period
2008; \$184M in
2007

Global crisis will increase poverty and hunger



- Growth (that is high, sustained and inclusive) is fundamental to reduce poverty;

BUT GROWTH WILL SLOW DOWN!

Growth prospects



- IMF projects 5.5% average for Asia in 2009
- NEDA projects between 3.1% - 4.1% for RP due to assumptions of:
 - weaker exports (down by 39% = \$1.6B end Feb.)
 - lower manufacturing outputs
 - flat growth of remittances
- World Bank projects only 1.9% after forecasting 3% in December 2008

Spending will be tight



- ▶ Reduced government revenues will mean tighter budgets; lesser ODA likely
- ▶ Spending on basic social services likely to suffer
- ▶ Reversals in the hard-fought progress on the MDGs achieved from 2000-2007



Why threat is big

Where we are coming from: **GLOBALLY**

- 1.5 billion live on just over a dollar a day
- Sharp increases in food prices added 100M vulnerable to poverty in 2008

Where we may be heading

- Global economic crisis threatens to inflate these by another 46M in 2009 as jobs and incomes are lost

Issues for poverty



- Labor will be the most vulnerable because:
 - trade slows (biggest trading partners US and Japan heavily hit by crisis)
 - remittances slump
 - capital flows dry up (FDIs)
 - commodity prices increasingly volatile
- JOBS WILL BE LOST!**



WHAT'S THE WORRY?

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Poverty and Hunger Situation

- **Poverty increased by 2.5% bet. 2003 and 2006**
 - **In terms of families,**
 - 24.4% in 2003 to 26.9% in 2006
 - 4 million in 2003 to 4.7 million in 2006
 - **In terms of population,**
 - 23.8 million in 2003 to 27.6 million in 2006
- **Subsistence incidence (Food Poor)**
 - 1.9 million (families)
 - 12.2 million (population)

**Poverty in the Philippines is a rural phenomenon;
3 out of 4 poor families are in the rural areas.**

Poverty and Hunger Situation



- **Social Weather Station (SWS) Survey**
 - **2.9 million families experience involuntary hunger at least once in the past 3 months** after the record-high 23.7% (estimated 4.3 million families) in the previous quarter.
- **Hunger consistently at double-digits for over four years since June 2004**

Responses



- **Increase spending on projects that stimulate growth and create jobs**
 - Job creation thru labor intensive infra
 - Increase income and productivity of small farmers
 - Strengthen SMEs
- **Social protection programmes and safety nets (conditional cash transfers)**

Responses



- Continued financing of essential services--- health and education
- Use ODA for urgent priorities
- Better and fast monitoring of impact

Responses



- In better or bad times, good governance is fundamental!



Thank you!!!