



Address of *Kori Udovički*, Assistant Administrator, Assistant Secretary General, UNDP Regional Director for Europe and the CIS at the Conference on the Social Impact of the Financial Crisis in Eastern Europe, Turkey and Central Asia

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I. INTRODUCTION

Your Excellencies, Labour and Social Protection Minister Abdykalikova, Esteemed Ministers, Government officials, Representatives of the Employers and Workers organizations, Dear Ladies and Gentlemen,

1. **It is an honor for me to address this gathering today, and always a pleasure to visit this beautiful city. I would like to take this opportunity to, first, express my warm gratitude to the government of Kazakhstan for co-hosting this conference, and to Minister Abykalikova for her presence here today.** We greatly appreciate the Kazakhstan government's hospitality, our excellent and expanding cooperation, and our hosts' readiness to tackle head-on the difficult topic of this conference: The Social Impact of the Financial Crisis. Likewise, esteemed Ministers and guests, thank you for travelling here and participating in this event today, and tomorrow.
2. **I address you on behalf of the UN system in the region of Eastern Europe, Turkey and Central Asia.** This conference is a joint endeavor of the International Labour Organization, The United Nations Children's Fund, The Food and Agriculture Organization and the United Nations Development Programme. It also enjoys the support of the UN System, in particular the United Nations Economic Commission for Europe, the UN World Food Programme, and the United Nations Development Fund for Women. The World Bank, European Bank for Reconstruction and Development, and the International Monetary Fund are also with us today. We have pooled our efforts because we see the topic of this conference as a priority that merits bringing together our varied mandates and expertise.
3. **We look forward to hearing about your experiences, benefiting from mutual advice, and—together—taking stock of the effects that the global financial crisis has had on our citizens' welfare.** We also hope to use this crisis as an opportunity to pause and reflect on our policy approaches and their effectiveness. We want to ask ourselves what can we do together to improve the impact of our social policies now, in response to the crisis, but also more permanently. Our systems need to ensure that in bad times the vulnerable are protected, and that in good times the benefits of growth are broadly and generously distributed across all social groups.
4. **We have two busy days ahead of us, and I would like to call your attention to four points:**
 - a. First: This region has been severely affected by the crisis, with disproportionate effects on the poor. The social impact will be felt for years to come—even in the unlikely event that a strong economic recovery begins right away.

- b. Second: We—and by “we” here I mean the governments and the UN system—will need to “do more for social protection with less”, at the very least in the coming 2-3 years.
- c. Thirdly: Doing “more” with “less” resources requires more effort, more innovation, and more readiness for change and adjustment.
- d. Finally, I bring the message that the UN system stands ready to, itself, do “more with less” and to assist and support you, the governments and peoples in this region, to minimize the social impact of the crisis, and to lay the foundations for more equitable and robust growth, when growth resumes.

II. IMPACT OF THE GLOBAL FINANCIAL DOWNTURN ON THE REGION

- 5. **There are recent signs of economic recovery, thanks to the effects of the unprecedented stimulus made by governments earlier this year.** However, the effects of this stimulus will fade, and the global economy remains vulnerable. Moreover, **the GDPs of the countries of this region have been hit harder by the global financial crisis than any other part of the world.** The crisis has undermined growth and threatened to set back many of the gains of the past decade, including progress in social development.
- 6. **The foundations for growth and recovery over the past decade, that lifted so many out of poverty, will need to change in the future.** Strong export growth to the EU and Russia, and large capital inflows fueling credit booms and financing large current account deficits, seem unlikely to work as robustly as before. Instead, the region will need to invest in increasing its competitiveness, by investing in infrastructure, effective government institutions, and above all—its people.
- 7. **This conference is devoted to social side of the crisis. We know that, regardless of recent macroeconomic improvements, there will be a deep and severe social impact in the region.** Unemployment has already risen sharply based on ILO definitions. Latest available data show that during the previous 12 months, the unemployment rate has gone up by almost ½ in Turkey and nearly ¼ in Russia. As recession has deepened in Russia and other destination countries for labor migrants, the remittances that cushion household incomes across the region have tumbled, falling by one-third in Moldova and Tajikistan, for instance. Income poverty is on the rise across the region.
- 8. **Amplifying challenges for the poor and rural society, food prices remain high in real terms, affecting the poor disproportionately. In the first half of 2008, the region was confronted by rising food prices as a result of the world food crisis. With the onset of the financial downturn, a second shock has resulted in undernourishment ranging from 5-26%.** We see both demand and supply imbalances in the agricultural sector; meaning that even though crop yields are adequate, people cannot buy the food that they need for their families. On the other hand, farmers face difficulties due to high cost of inputs and cannot sell their products at fair prices.
- 9. **Let me offer some interesting human development forecasts based on UNDP analysis of GDP projections. Some of these are also in the lobby so you can see them visually.** It is clear that the crisis has evolved in different directions depending on the country context, and countries now face different challenges. However some overriding messages are clear. Looking at co-movements of income and human development indicators, there are **three characteristics** which emerge clearly, even with the most optimistic of growth figures:

- a.) First, the human development impact of the crisis in the region is projected to be **considerable**. If the experience of the last two decades in the region is a fair guide, we can expect substantial adverse effects on a broad range of human development indicators. **For example, life expectancy for men in the region is forecast to decline by six months between 2008 and 2010. Child mortality is forecast to rise as it has in other crises, while the overall regional unemployment rate is projected to rise from below 8% in 2007 to nearly 10% in 2011.**
 - b.) Secondly, even if the hoped-for return to positive growth comes very soon, the impact will be **long-lasting, so we will be addressing the social legacy of this recession for the medium to long term**. This is because improvements in employment and living standards and reductions in poverty and social exclusion are likely to occur with significant time lags. **For example: even though GDP growth is expected to return for much of the region in 2010, income poverty is forecast to keep rising through 2011.**
 - c.) **Thirdly, the impact will affect the poorest populations.** In fact, the number of people living on less than \$5 per day could increase by some 50 million by 2012. This increase is equal to a tenth of the region's population.
10. **Looking at the data, we see that the crisis will likely make achieving the Millennium Development Goals more challenging. For the region's poorer countries, at least some of the MDGs could remain entirely out of reach.** In order to reach the first Millennium Goal to reduce poverty by half, the region would need to see double digit levels of per-capita growth from 2011-2015, while keeping income distribution from worsening. This does not seem likely.

III. CHALLENGE FOR POLICY MAKERS: DO MORE FOR SOCIAL PROTECTION WITH LESS

11. **Now, to forestall these trends, more needs to be done—as I said—with less.** As GDP has fallen, so have budget revenues, constraining the fiscal space available for crisis response. In addition to limiting short-term fiscal space, these trends are leaving us fewer resources to accelerate progress in health and education. For much of the region, the worst of the crisis – in terms of its impact on social services and social protection – may still be to come, as sharp cuts in many budgets are expected in 2010. So while the need will be greater, our resources will be limited.
12. **The good news is—there is still room to do more even with less.** But doing more social protection with less means first and foremost reaching those who need it and **ONLY** those who need it. This is challenging for any country. Needy families need to be reached through a subtle interplay of light regulation, incentives and decentralized action: by local government units, budgetary institutions, and civil society organizations and the citizens themselves.
13. **Doing more with less also means perfecting the instruments employed by public employment services and social protection agencies.** The conference papers written by our ILO and UNICEF colleagues show that these institutions across the region have responded valiantly to the crisis. But they also show that the instruments employed by public employment services in many countries are unable to effectively link labour supply and demand. We also see that spending on active labour market policies in the region lags well behind the average spending of the European Union. Few countries have needs-based social protection programmes that have both the capacity and the funding needed to reach the poor and vulnerable.
14. **The conference papers prepared by the Food and Agriculture Organization show that food security has rarely featured as part of national crisis responses.** Agricultural development needs to be boosted by

investing in production and post-harvest technology, improving market access, and establishing sustainable practices for adaptation to and mitigation of the effects of climate change.

15. **Ultimately, doing more for human development means prioritizing social budgets now so we can see benefits in the longer term.** The costs associated with cutting special expenditures and stimulus packages too soon could not only prolong the job crisis, but also threaten sustainable recovery down the road.
16. **There can be no blueprint for success in such interventions.** They have to be developed and learned, mainly through trial and error. It is a sign of a wise person who remains flexible enough to change policies if needed, and who learns from others' experiences to avoid his or her own errors!
17. **But I contend that we have many reasons to be optimistic about our response to this challenge.** In addition to educated populations, natural resources and a proud history, this region has also a good base to draw upon when it comes to policy making. To cite a few concrete examples, we have seen conditional cash transfers promote gender equality in education in Turkey. We see the Russian government making strides in targeting social assistance as well as allocating federal budget funds to maintain health care standards for the poor. As an anti-crisis measure, the government of our host country, Kazakhstan has launched a Road Map programme to support 4700 investment projects including renovation of housing and communal services and insulation of schools, designed to create 250,000 jobs in the process. These are just a few of the good ideas being put into practice in the region, our collective knowledge of good practices will grow as we hear from each other today and tomorrow.
18. **Our focus will be to exchange ideas and experiences on policies to increase employment, ensure social protection for vulnerable groups and advance agricultural development.** We are so grateful to have Ministers and Deputy Ministers from the Social Welfare, Labour, Finance and Agriculture sectors together in one room. This is a rare opportunity to approach issues from different perspectives, and in so doing make conclusions about the interdependence of employment, social protection and food security.
19. **It is by working together with you, and becoming more aware of your experiences, that the international community can better provide the support that you need to more effectively respond to the crisis.** We are also very grateful to have social partners and multilateral actors with us, to enrich our discussions and our joint plans for future partnerships.
20. **But we urge you not to delay in responding to the social impacts of the crisis.** Failure to make social issues a priority, or even action taken too slowly, can lead to escalating social and economic costs. Your leadership is needed to ensure that your countries emerge from this crisis without turning back the clock on the human development advancements experienced in the past decade throughout Eastern Europe, Turkey and Central Asia.
21. **We are therefore relying on you to stimulate a lively discussion at this conference.** We as the UN system remain committed to supporting you in the future as leaders combating the negative social impact of the crisis. We would be honored to accompany you in this journey, and pledge to you our coordinated support. With that I wish you a successful conference, and I thank you again for the opportunity to share ideas and pursue opportunities for partnership.