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GuidanceNote

Gender Equality and Poverty Reduction

UN
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FINANCIAL AND ECONOMIC CRISIS

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Turning the Global Financial and Economic Crisis into Opportunity for Poor Women and Men

I. Overview: gender equality and the crisis

The global economic and financial crisis, which began in the United States and then spread to Europe, Asia and the rest of the world, is setting back delivery on the global commitment made in the 2000 Millennium Declaration. The weakening world economy threatens to significantly impact developing countries' stability, security and growth potentials, reverse progress made in human development and poverty reduction, and lead to deeper inequalities between women and men. Prior to the current economic crisis, unprecedented increases in the price of food and oil had significantly affected many developing countries' balance of payments.[1] The economic and financial crisis

"With families facing shrinking livelihoods and job losses, and with governments confronting slumping revenue and pressures to cut back on spending, men and women around the world face tough decisions on how to meet their needs with reduced means: Will their children be able to go to school? Can they afford to see a doctor? What food and shelter can they afford for their family?"

– Helen Clark, Administrator UNDP (26 June 2009, New York)

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began shortly afterwards, leading to decreased demand and concomitant decreases in the prices of commodities and manufacturing goods. This resulted in decreases in foreign exchange inflows and thus additional negative impacts on countries' balance of payments. Economies dependent on trade in services (e.g., tourism) have also experienced dramatic falls in foreign exchange receipts as demand for such services has declined. The situation has been further compounded by the decline in foreign direct investment (39 percent in 2009)[2] due to global changes in lending behaviour and reassessments of credit risks, which have added new uncertainties and risks to the world economy. The crisis has also reversed patterns of unemployed migrant worker migration due to economic downturns, increased unemployment in destination countries, and the resulting slowdown in remittances.[3]

Previous crises (e.g., the 1997–1998 Asian financial crisis) have taught us that because economic recessions affect women, men, girls and boys differently, crisis responses must take gender perspectives into account (see Section IV for previous UNDP economic crisis responses). Lack of immediate action will prolong the crisis and increase its depth and effect on human development (e.g., malnutrition has long-term effects on physical well-being; children who drop out of school today may not return tomorrow). The crisis provides opportunities for reviewing the current economic and financial paradigms, scrutinizing what does and does not work and identifying actions that can improve the lives of poor women, men, girls and boys.

This Guidance Note highlights the differentiated impacts of the ongoing crisis on poor women and men and the associated implications for economic development and growth. It makes recommendations for UNDP country offices and their national partners for harmonizing their actions and for assisting national counterparts to enhance their capacity for effective crisis response.

II. Impact of the crisis on gender equality

WHICH COUNTRIES ARE VULNERABLE TO THE CRISIS?

Economies that are vulnerable to the crisis generally share several of the following characteristics:[4]

- Dependence on the export of one or a few commodities, or on one or a few service sectors (in particular, on goods or services whose prices have dropped or whose demand is highly sensitive to changes in consumers' income);
- A significant share of its exports are to crisis-hit advanced economies;
- Heavy dependence on remittances;
- Heavy dependence on private capital flows (e.g., foreign direct investment);
- Has exposed banking sectors and sophisticated but weakly regulated stock markets;
- A high share of its banks and assets are foreign-owned; and
- Dependence on aid.

Countries that are less able to respond to the crisis generally share several of the following characteristics:

- Has a negative balance of payment due to declining export income compared to import spending;
- Faces pressures on exchange and inflation rates;
- Reserves are low;
- Has negative fiscal balances and deficits;[5]
- Has high external debts;
- Its policy implementation capacity and institutions are weak; and
- Social protection nets are deficient.

TRANSMISSION CHANNELS OF THE CRISIS

The economic slowdown impacts women and men through different transmission channels.

Trade: A combination of price shocks and declining demand for manufactured and commodity exports and tourism services are the major contributors to many developing countries' economic slowdown. The World Trade Organization stated that in 2009, world trade flows would fall by the largest amount in more than 60 years—roughly 10 percent, with a 14 percent decline for developed economies and a 7 percent decline for developing countries.[6] The economies of almost all developing countries have low levels of diversification and are highly dependent on only one or very few commodities or manufactured goods. For example, 85 percent of Cambodia's exports are from the garment industry,[7] nearly 80 percent of Zambia's exports are from copper or cobalt[8] and almost 80 percent of Benin's exports are from cotton.[9]

Poor women and men workers tend to be over-represented in certain export-oriented sectors. Further, women usually make up the majority of workers in industries such as garment, textile and tourism, whereas men tend to make up the majority of workers in industries such as construction, mining and other heavy industry. In addition, women make up the majority of part-time workers and workers in vulnerable employment (i.e., home-based work, seasonal or own-account work), and tend to be concentrated in low-skilled sectors. In this regard, the decline in trade has forced many poor women and men to adopt short-term coping strategies that have long-term implications for human development (e.g., cutting household spending related to education, health and nutrition), and has forced many into unemployment.[10]

During the 1997–1998 Asian financial crisis, women's jobs were among the first to be cut; similar findings could be drawn from the current crisis. This is because of what some scholars have called a 'male breadwinner bias' in macro-economic policy frameworks. Whether explicitly or implicitly formulated, such policy frameworks incorrectly assume that women and children derive their livelihoods from incomes earned by husbands and fathers, and assume that typical workers have few domestic responsibilities. However, the reality is that households have multiple livelihood strategies, which involve women earning an income as well as undertaking various types of unpaid care work.[11] Despite women's actual roles, the frameworks' biases result in crisis responses giving less priority to women's labour market participation; when jobs become scarce, men are perceived as the legitimate breadwinners.

Capital flows: Capital flows have declined in almost all developing countries. Whether it is in the form of bank lending, foreign direct investment or portfolio flows, the impact is putting businesses in many sectors at risk of closure or bankruptcy. Moreover, the tightening of credit criteria and bank lending exacerbated another existing—yet silent—crisis: women have limited access to formal financial services. This is due to gender biases in property rights, women's lack of collaterals (e.g., land and other assets), cultural norms and other discriminatory practices in the economic and financial sectors.

Deteriorating economic conditions and declining trade flows have seriously impeded governments' ability to provide resources without jeopardizing the sustainability of their financial positions or the stability of their economies. In contrast to developed countries' responses (e.g., massive government interventions to restore market confidence, bailouts and the provision of subsidies), international financial institutions are prescribing to many developing countries neo-liberal policies that de-emphasize/reject government intervention in the domestic economy.[12] As a result, governments in these countries are tightening their fiscal policies and are re-prioritizing spending away from social safety nets, education and health, and areas of public service provision critical to women who are primarily responsible for family care.

Donor countries, responding to their own deteriorating economic conditions, are reducing levels of official development assistance. For those least developed countries that are heavily dependent on aid flows, the crisis presents a serious problem of financing budget priorities.

Remittances: Migration and remittances are other sectors in which the crisis is having a gender-differentiated impact. In 2008, remittances to developing countries were estimated to be $283 billion.[13] Country-specific examples of remittances' role in the economy include Tajikistan and

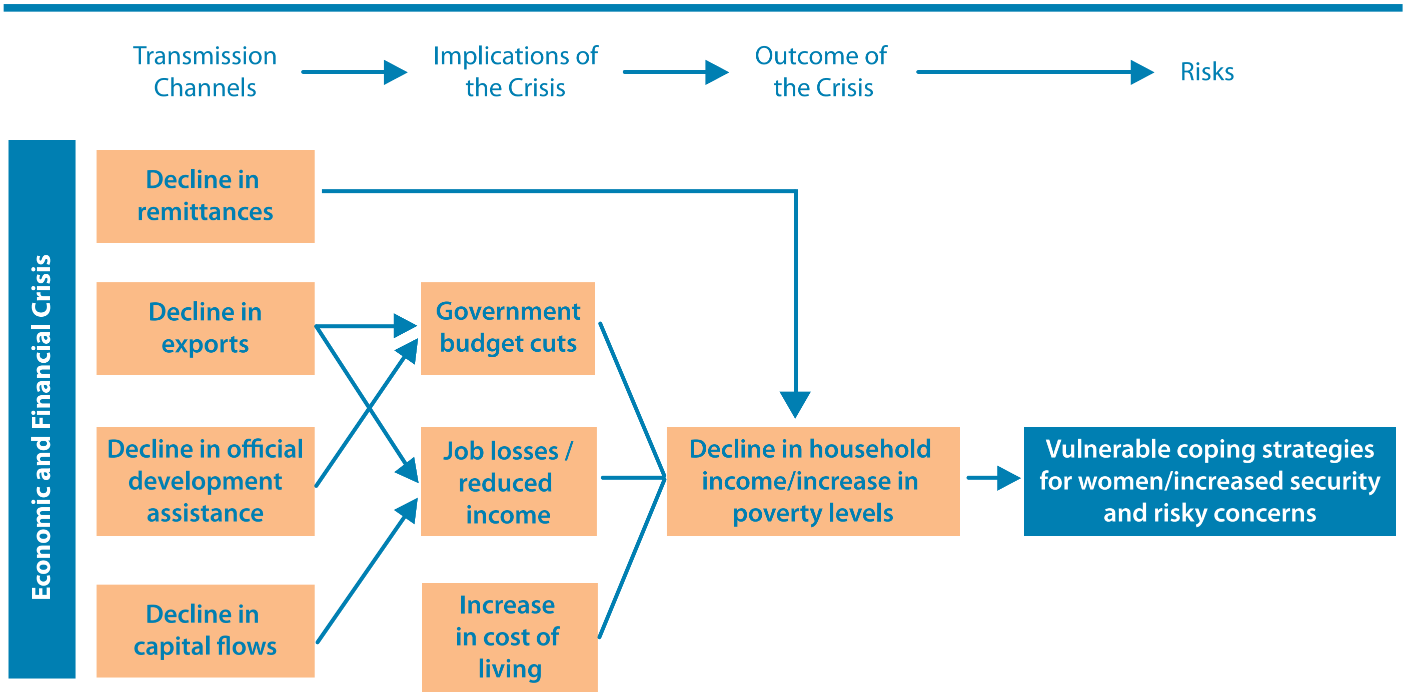
Moldova, where 2008 remittances amounted to 45.5 and 38.3 percent of national GDP, respectively.[14]

Remittances play a vital role for households in many developing countries. They are generally used for basic goods and services and they play a crucial role in local development. When remittances exceed requirements for basic subsistence, funds tend to be used for investment in land, housing or local infrastructure improvements. Women's remittances generally contribute to increasing girl's access to higher education. For example, in China, migrants' remittances to their families in rural areas—a study by The World Bank indicated that these reached $30 billion in 2005—have been essential in enabling migrants' daughters and sons to get an education.[15] Research has established that when a woman manages the use of remittances, it is more probable that the monies will be equally distributed on the needs of the entire household.[16]

Economic downturns may have serious consequences on the flow and scale of remittances, since migrant workers (whether women or men) are the most vulnerable category of workers in terms of job losses. The International Organization for Migration and The World Bank estimated that remittance flows would significantly drop in 2009.[17] In November 2009, The World Bank estimated the 2009 global decline to be 6.1 percent.[18] By December 2009, annual remittances in some countries, such as Bangladesh, Colombia, Jamaica, Mexico and Morocco, declined by as much as 15–19 percent. However, there have been major variations throughout the year, such as in Mexico, where remittances declined by 35.8 percent in October 2009. Other countries were less affected, such as the Dominican Republic, Kenya and Nicaragua, where the annual remittance rates declined by 2.2, 4.3 and 6.3 percent, respectively.[19] In 2008, migration decreased in Romania; 14 percent of migrant workers returned home. By July 2009, remittances had collapsed, plummeting to 90 percent of the previous year's.[20]

Taking into account that women are often the recipients of remittances, the decline is severely impacting them and their children. The loss of vital income puts households at risk since they may no longer be able to afford basic goods

Figure 1: Impact of the financial and economic crisis on poor women and men



Source: Anna Fälth and Mohammad Abbadi, UNDP Gender Team, 2009.

and services. To compensate, women and children tend to follow short-term coping strategies, such as taking girls out of school or reducing the number of meals per day. These strategies have serious long-term development implications. In addition, changes in migration associated with declining remittances also curtail women's empowerment and personal independence gained while their spouses were abroad.

OUTCOME OF THE CRISIS, RISKS AND SHORT-TERM COPING STRATEGIES

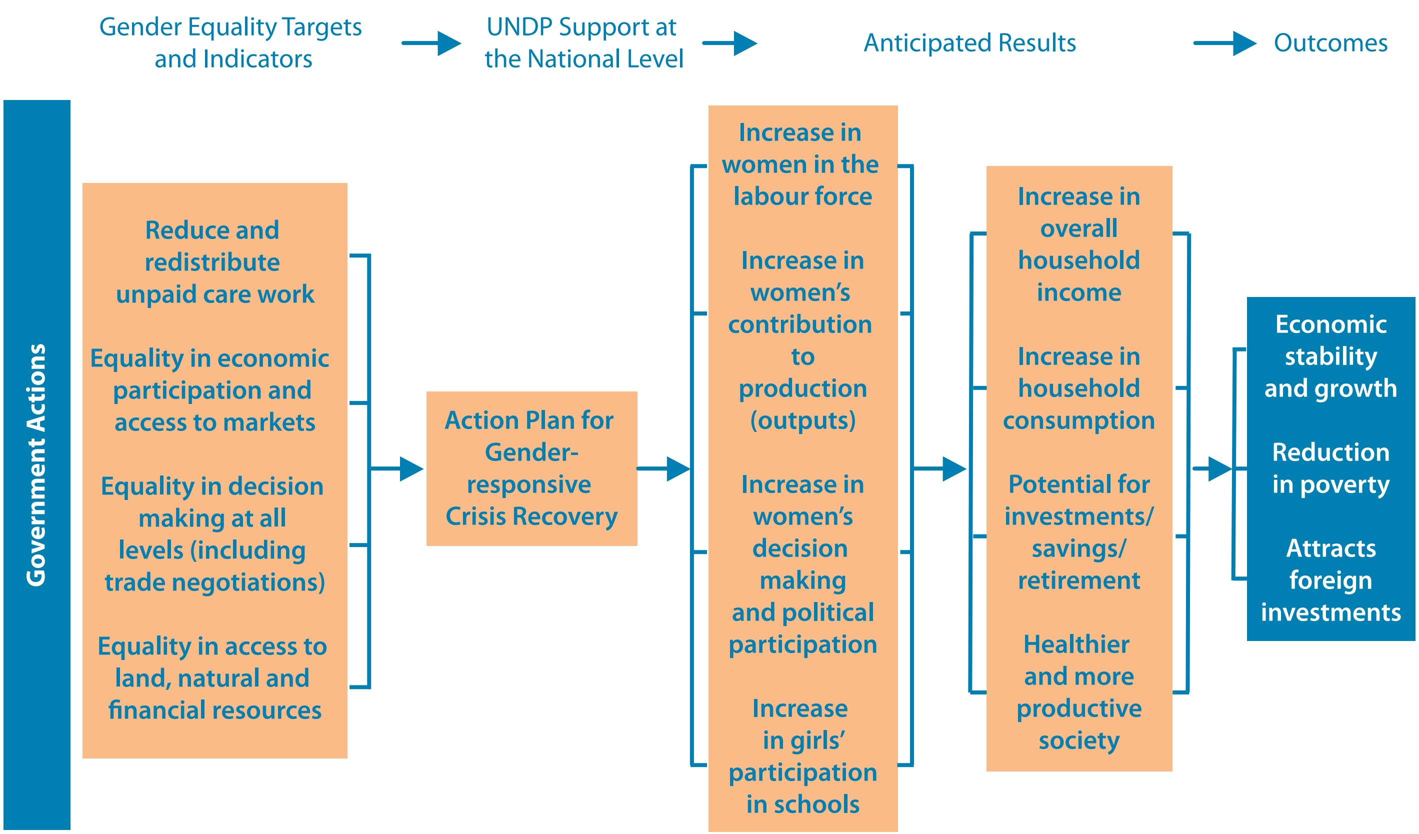
As more women and men lose their jobs, salaries and remittances slump, and as the cost of living increases, poor families are falling deeper into poverty. This forces poor women and men to adopt short-term coping strategies and risky behaviours, such as reducing household spending, reducing meals to one per day (if at all), taking high-interest loans, or engaging in alternative and risky income-generating activities (e.g., prostitution). The international community has raised major concerns with regards to these short-term coping strategies' results: increasing numbers of girls dropping out of school; rising levels of violence against women and girls; expanding HIV/AIDS prevalence; and escalating criminal activities and security risks. In this crisis, as in the case of previous crises, women and girls have been burdened with additional unpaid care work (e.g., health, child or elder care), work that otherwise would have been undertaken by the public or private sector.

"Factories are closing everywhere—and now the women are being approached by sex traffickers asking if they want to go and work in the West."

– Jitra Kotchadet, union leader and women workers' activist, Thailand

In the Central African Republic, the mining industry was hit hard by the crisis. While men are the majority of formal workers in the sector, women are over-represented in the informal sector concentrated around the mines. As such,

Figure 2: Gender-responsive framework for economic recovery and achievement of the Millennium Development Goals



Source: Anna Fälth and Mohammad Abbadi, UNDP Gender Team, 2009.

women have been severely impacted and have lost a crucial source of income. A recent United Nations Children's Fund (UNICEF) study indicates that in three provinces, 16 percent of children under five years old suffer from acute malnutrition; 7 percent suffer from severely acute malnutrition. This is a direct result of the country's extreme poverty, which particularly affects women in rural areas where more than 6 out of 10 people live on less than $1.25 per day.[21]

Figure 2 provides a framework for gender-responsive economic recovery and achievement of the Millennium Development Goals. In this context, it is important to give priority to interventions that promote gender equality (such as social infrastructure and small infrastructure projects that employ and benefit both poor women and men); extend credit for women producers and entrepreneurs; and provide technical education for young women and men living in poverty. In addition, experience gained in Latin America[22] shows that social programmes targeting women, such as conditional cash transfers, yield effective results in empowering women and benefiting their families.

III. Practical guidance: the UNDP role in crisis response

The crisis is a serious threat to the achievement of the Millennium Development Goals (MDGs). It has already had impacts on family incomes and food intake (MDG1); girls' education (MDG2 and 3); gender equality (MDG3); children's and maternal health and HIV/AIDS (MDG4, 5 and 6); access to water and sanitation (MDG7); and official development assistance, debt and trade (MDG8). It has been estimated that between 200,000 and 400,000 more children a year may die if the crisis persists.[23] It also poses threats to law and order and states' overall stability.

Collaborative efforts are needed more than ever in times of crisis. At the international level, UNDP should play a major role in partnering with UN agencies as well as the International Monetary Fund and The World Bank in monitoring and evaluating the allocation of G-20 funds to developing countries in order to ensure the effective utilization of those funds in development needs and economic recovery.

At the country level, UNDP should collaborate with other development partners (e.g., civil society organizations, women's groups, media, the private sector and other stakeholders) to take the lead in supporting governments and coordinating the UN system response.

INTERNATIONAL LEVEL

The crisis has made it clear that there is an urgent need for more and better regulations within the global economy, and many proposals have been put forth for reforming the current financial and economic system. Strong messages on this have been made by national leaders such as Prime Minister Gordon Brown, President Barack Obama and President Nicolas Sarkozy. Commitments to reform the financial sector were made at the G-20 meeting in April 2009[24] and to enhance international multilateral cooperation at the G-8 meeting in July 2009.[25] Concrete proposals, such as new global institutions, authorities and advisory boards (e.g., the Global Stimulus Fund, the Global Financial Regulatory Authority, and the Global Economic Coordination Council) were made by the President of the United Nations General Assembly in preparation for the World Financial and Economic Crisis and its Impact on Development conference, held at the end of June 2009.

These debates and proposals for an expanded state role in regulating the economy are consistent with critiques and alternatives proposed by gender experts. The message has been that unregulated markets cannot necessarily reach and work for everyone. A redefinition of what 'production' is—and is not—is needed in order to account for the value and contribution of women's unpaid care work. Feminist economists have also called for better state regulation to add balance to the economy in order to ensure that women and men are participating on equal terms without gender discrimination, biased regulation, or norms that lead to harms (e.g., unequal pay for equal work).

The international community is amenable to change. This provides an opportunity to ensure that financial system and architecture reforms benefit everyone—developing and developed nations, urban and rural areas, poor and rich, women and men. However, questions remain regarding how this change should be pursued and who will participate in decision making. To ensure an inclusive and transparent financial system, new regulatory measures should be based on a well-functioning network of national and regional authorities and key stakeholders from both developed and developing countries and should include effective reporting and monitoring systems on international financial institutions. If the International Monetary Fund is placed at the centre of global macroeconomic policy coordination, developing countries' participation should be increased in order to ensure that their voice is equal to developed nations—particularly with regards to decisions that directly affect them. In this regard, UN agencies and their partners must engage in a global response to the crisis and in immediate negotiations to re-think the financial architecture and the methodology by which this money should be allocated to benefit poor women and men.

A lesson learned from the Asian financial crisis is that targeted expansionary policies were effective in expediting recovery processes. In the current crisis, most developed countries responded by injecting money into their economies to regain market confidence and pursued massive bailouts, subsidies and stimulus packages. Currently, however, The World Bank, the International Monetary Fund and the same developed countries are imposing neo-liberal policies on developing countries and pressuring them to reduce government spending, programming and expenditures.[26] It is also important to apply greater policy consistency. Whether or not developed countries' increases in government spending or decreases in taxes manage to kick-start their economies, developing countries should have the same opportunities to apply similar policies.

Increased resources should be channelled to developing countries, including through increased official development assistance, in order to protect the gains made towards achieving the MDGs and to kick-start economies in the global south. Countries with large reserves, such as China, can help stimulate developing nations' economies by increasing investments, enhancing trade and broadening south-south cooperation. Pressure should be maintained on the international community in order to promote the achievement of MDG8 through further developing an open, rules-based, predictable and non-discriminatory trading and financial system; through comprehensively dealing with debt problems via national and international measures; and though specifically addressing the needs of least developed countries. The Doha Development Round needs to be completed—without it the trade system will remain unstable.

Finally, leadership at the global level is critical. This crisis is an opportunity for the emergence of visionary women and men who can move the world towards a new and more inclusive and equitable global economy.

NATIONAL LEVEL

In times of crisis, collaborative efforts are needed more than ever. As such, governments and UNDP should work together to carefully plan and design their spending to target those areas that will contribute the most to economic recovery.

Factors such as falling commodity prices are increasingly constraining the poorest countries' ability to make budgetary choices without jeopardizing financial sustainability or economic stability. The World Bank has estimated that developing countries will face a financial gap of between \$300 and \$700 billion, depending on the severity of the crisis and the strengths and timing of policy responses.[27] There are early signs that governments are adjusting their budgets and cutting allocations to sectors critical to reducing poverty and gender inequalities. For example, Georgia cut programme funding for children's medical assistance, oncology, gynaecologic, urgent health and rural health.[28]

National governments need to do everything possible to protect expenditures critical to achieving the MDGs. Expenditure areas include health, basic education, domestic energy, water and sanitation, agricultural extension and some infrastructure. Other areas, such as those the 'Beijing Platform for Action' identifies as less critical, should be targeted for cuts instead.[29] Empowering women and girls is a smart and often low-cost investment. Significant savings can be made through more effective aid coordination and management as well as by controlling government waste and corruption.

Most low-income countries lack the capacity to provide pro-poor government stimulus. However, some more developed countries, such as China, Indonesia and Malaysia, have announced stimulus packages with a specific focus on the rural poor. Some countries, such as the Republic of Korea and the United States, have seized the opportunity to simultaneously address two major global and parallel challenges—the economic crisis and global climate change—to develop new and greener economies. While the US is focusing on making clean and renewable energy more profitable, the Republic of Korea is focusing on recycling, carbon reduction, energy conservation, flood prevention, river management and maintaining forest resources.[30] What is important is that such stimulus expenditures or other crisis spending yields benefits for both women and men.

Expansionary fiscal and monetary policies will be necessary to maintain or increase spending on the sectors and controlling floods), and expanded social services (e.g., child and elder care and increased access to education).[31] Creating jobs by investing in social infrastructure (e.g., expanding and improving the provision of health, education and nutrition), would lighten the burden of unpaid care work for women and would allow women to enter paid employment.[32]

Social protections guard against livelihood risks and vulnerabilities, help mitigate the adverse effects of shocks to household income, and prevent generational transmission of poverty. Measures include social insurance, social assistance (e.g., cash, food, vouchers and subsidies) and social services (e.g., maternal and child health and nutrition programmes). Such social safety net programmes should be encouraged, particularly in middle income countries.

ACTION PLAN FOR GENDER-RESPONSIVE CRISIS RECOVERY AT THE COUNTRY LEVEL

UNDP country offices should develop action plans to support gender-responsive recovery programmes. The action plans could either be stand-alone initiatives or integrated into crisis response plans. In this regard, the following activities should be carried out:

Step 1: Establish a Gender and Crisis Advisory Group

Objective: Ensure coherence in crisis response.

Members: The Gender and Crisis Advisory Group (GCAG), chaired by the Resident Coordinator/ Representative, should consist of members of the Gender Theme Group, poverty advisers, and representatives from government and NGOs.