

**THE IMPACT OF THE GLOBAL ECONOMIC SLOWDOWN ON POVERTY AND
SUSTAINABLE DEVELOPMENT IN ASIA AND THE PACIFIC**

Key Messages

Why discuss the social impacts of the crisis when developing Asia is bouncing back?

The Asia and Pacific region has been subjected to severe global and regional economic slowdown in the past, most notably during the 1997/98 Asian Financial Crisis and the fuel and food price spikes in 2008. The current global economic crisis is different from the Asian Financial Crisis: it is global in nature, Asia may not export its way out of this crisis as in 1997, and government response is mainly fiscal in nature. The region has to find a new path out of this crisis.

In the current crisis global economic forces which have been transmitted from the Western industrialized countries have substantially reduced growth rates in Asia, dampened trade and investment flow. The crisis has already spill over effects to other sectors including the rural economies. It resulted in increased unemployment and underemployment and in rising poverty and vulnerability. It is estimated that 60 million people will remain mired in poverty in the Asia and Pacific region. These women, men and children would have been lifted above the \$1.25 extreme poverty line in the absence of the economic crisis in 2009,

Governments in the region have learned from past crises. But the scale of the current crisis is a daunting challenge for almost all countries. It affects mainly the urban educated youth, those around the \$2 poverty line. Women in export industries who gained a lot from the globalization of the last decade, are now the first losing their jobs. Rather than directly impacting on the very poor in rural Asia, the crisis makes particularly the low income groups in the cities vulnerable to poverty.

Asia's growth is slowly recovering, albeit on a much lower scale than before the crisis. This is further supported by the stimulus packages many governments in the region have launched. These massive public investment programs provide in the short run more fiscal space for infrastructure and industry promotion, as well as large tax cuts, However they much less is allocated for social protection and social services.

The region is making major reforms in the economic and finance sectors to rebalance its growth strategies. However, there are questions whether enough countries properly use the opportunities of this crisis to (a) reform towards a more job generating growth path that includes addressing the related education challenges, and (b) build up more sustainable health financing and social protection systems that can face the challenges of the future.

The Asian Development Bank (ADB), in collaboration with the Government of the People's Republic of China, the Government of Viet Nam, the ASEAN Secretariat and major development partners (i.e. ADBI, BMZ/GTZ/KfW, DFID, ILO, IPRCC, JICA, UNDP, WHO, and the World Bank) are organizing a high-level Asia-wide regional conference on *the Impact of the Global Economic Slowdown on Poverty and Sustainable Development in Asia and the Pacific*. The conference also serves as the *3rd China-ASEAN Forum on Social Development and Poverty Reduction* and the *4th ASEAN+3 High-Level*

Seminar on Poverty Reduction. Furthermore, the conference will feature a special seminar on the *impact of the crisis on the environments of the poor*. Nearly 300 representatives from governments, civil society, academia and multilateral and bilateral development agencies will discuss and share country experiences, strategies and responses.

In the context of a globalized world economy in which Asia considers rebalancing towards national and regional growth, this conference, the largest such event in Asia, shall influence policy makers to use the crisis as an opportunity for making urgently needed reforms in the social and labor market systems. Without them, growth and development in the region will not become truly inclusive.

The Environments of the Poor in the Context of the Crisis

The financial crisis poses significant risks for environments of the poor. Massive unemployment has forced millions of urban dwellers into poverty. Many move into overcrowded slums further degrading the environment and putting added pressure on weak urban infrastructure. At the same time – though over a much longer tenor – climate change is making most environments of the poor – both in rural and rural areas - less habitable. Pressure on natural resources especially in the rural areas, accelerated through climate change, reduces the quality of the environment in which the poor and low income groups live and are depended on the most. Sea level rise, extreme events, and shifting rainfall patterns are exacerbating the incidence and severity of their health and welfare in nearly every developing country.

In times of financial crisis, governments change priorities to stimulate growth demand through large-scale infrastructure developments. Spending on a pro-environment agenda tends to take lower priority, and ensuring environmental sustainability of remaining government priorities can take a back seat in such growth oriented fiscal stimulus agenda. Within this context the poor are most affected as they live in the most degraded urban and rural environments, and are most vulnerable to natural disasters and the effects of climate change.

The "Green Growth" strategy approaches the financial crisis as an opportunity for fiscal stimulus recovery packages with a double objective: (a) to stimulate the switch to a low carbon economy in light of increasing global concerns over the effects of climate change, and (b) to create new economic and social opportunities for the poor through labor intensive programs that improve the environments in which the rural and urban poor live.

Whilst much of the green growth discussion to date has been focused on mitigating CO₂ emissions through investments in the energy and transport sectors, there are significant poverty and environmental/CO₂ reduction co-benefits to be gained from investing in other areas, such as management of natural resources, ecosystems, and social welfare. Such opportunities to bring environmental and poverty reduction concerns closer are often easier to achieve in the climate change adaptation area than in the mitigation field.

The broad range of views and experiences presented in this seminar will give participants a broad understanding of current knowledge and potential options on how to widen fiscal stimulus packages to improve environments of the poor through green growth strategies. In addition to measures for which there is already strong support, speakers will propose additional measures which should be considered in the overall stimulus package.