



Impact of Global Crisis on attainment of MDGs

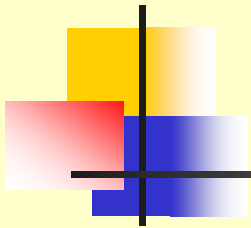
FFF in the Arab Context

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Conceptual

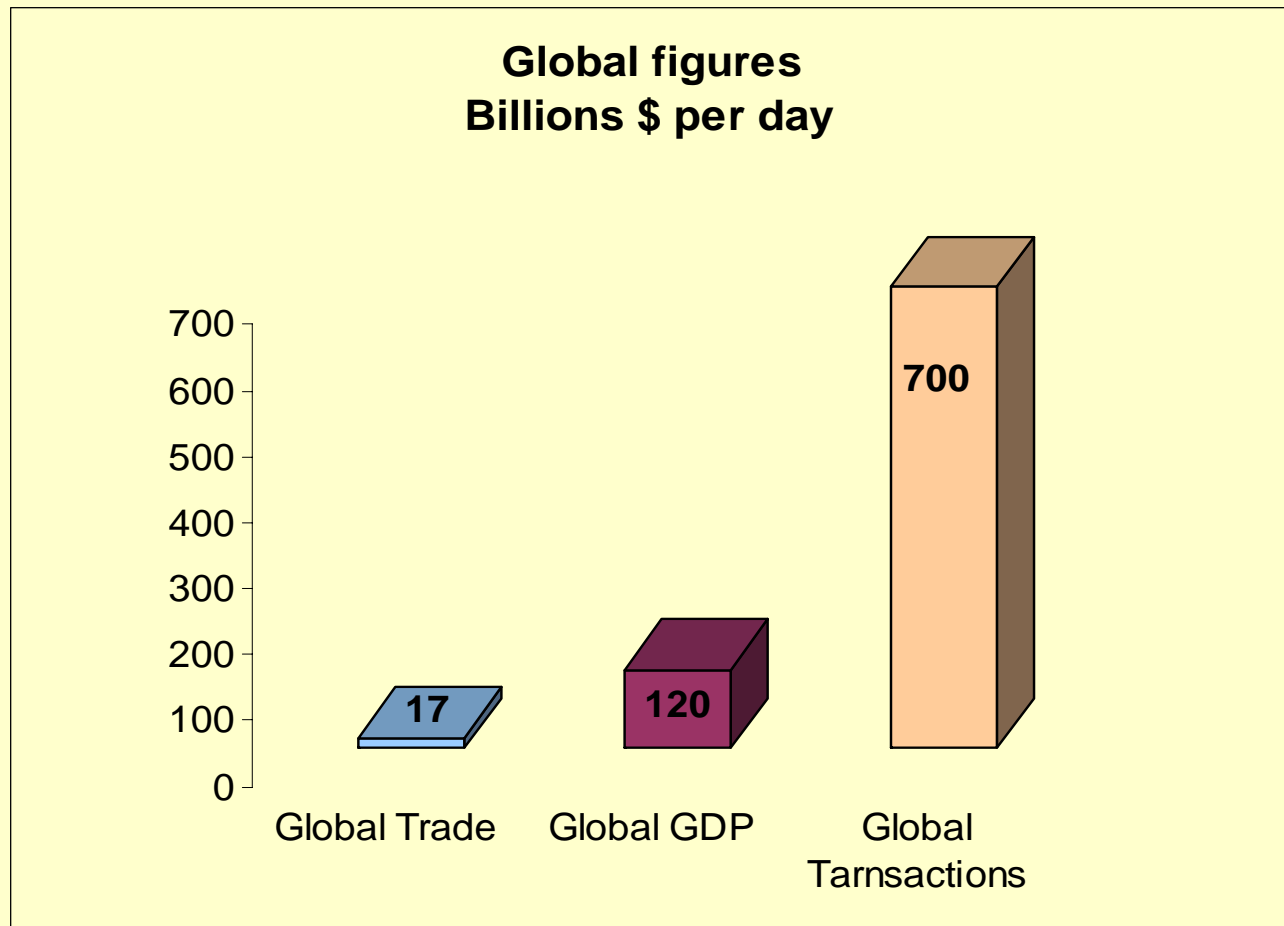
- HD versus (economic Growth) paradigms
- Critique of neoliberal economy and globalization
- How can we define the crisis and its root causes:
 - Just bad management and corruption
 - Stock Market or Financial crisis
 - Economic crisis
 - ..or beyond that: crisis of the prevailing economic model?



The Virtual economy

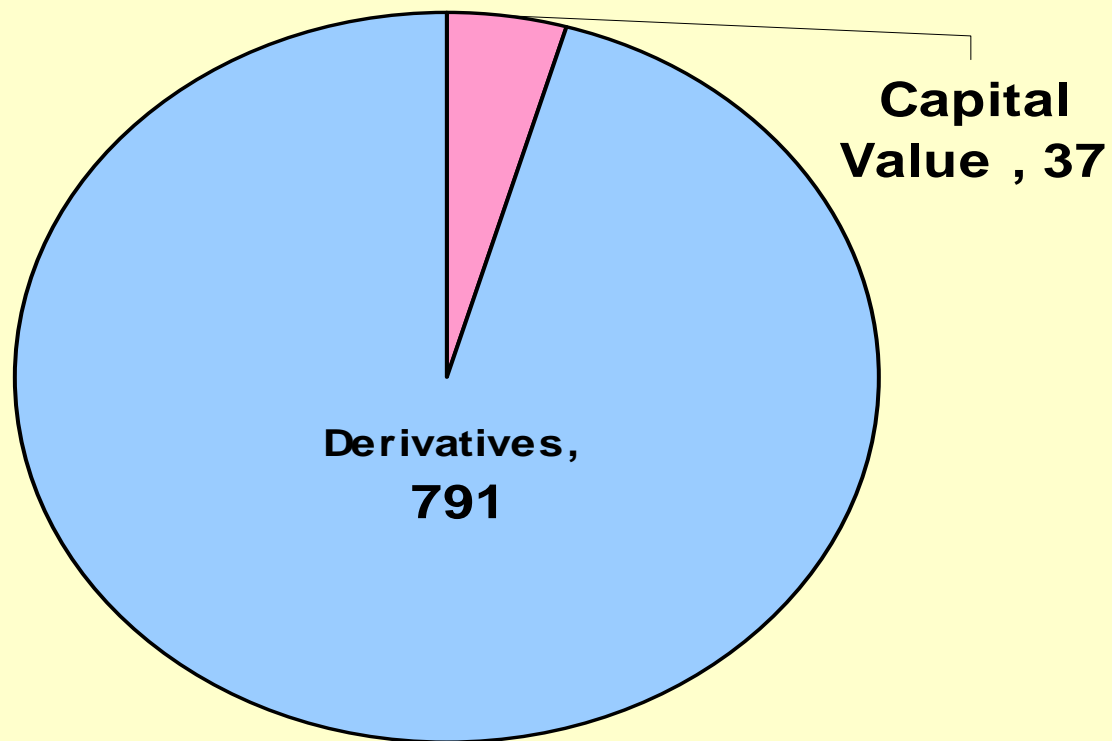
Global Transactions, versus global trade and GDP in 2001 (multiple sources)

Atlas- Monde diplomatique 2003



Manipulation

**Capital and derivatives stock value: Trillions
of \$ - oct 08**



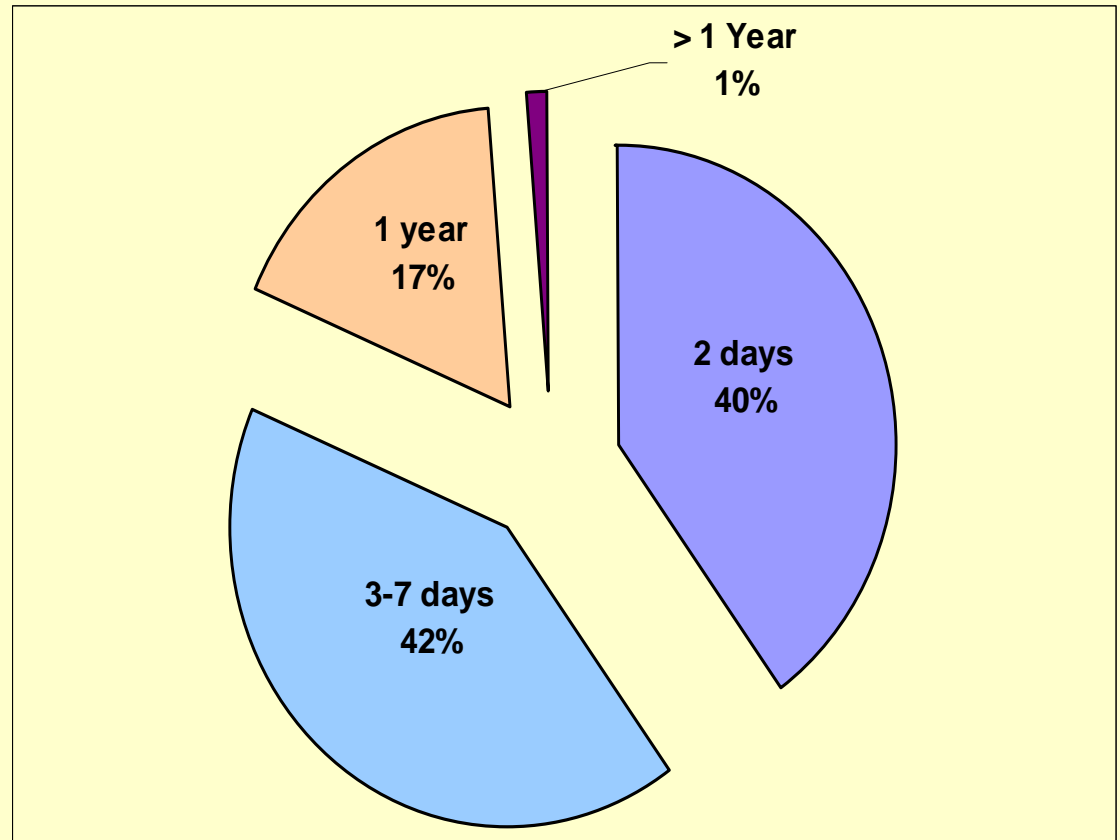
Speculation

40.1% of contracts are two-day spot transactions, 41.7% are three to seven day transactions, and only 1.1% are for more than one year. These contracts are purely speculative.

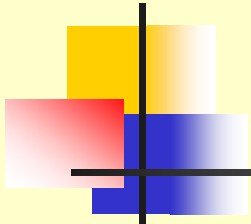
This market is beyond any public control and totally disconnected from productive activities.

(Social Watch 2001)

Daily turnover in currency exchange market ,
by length of contract (%) - 1998



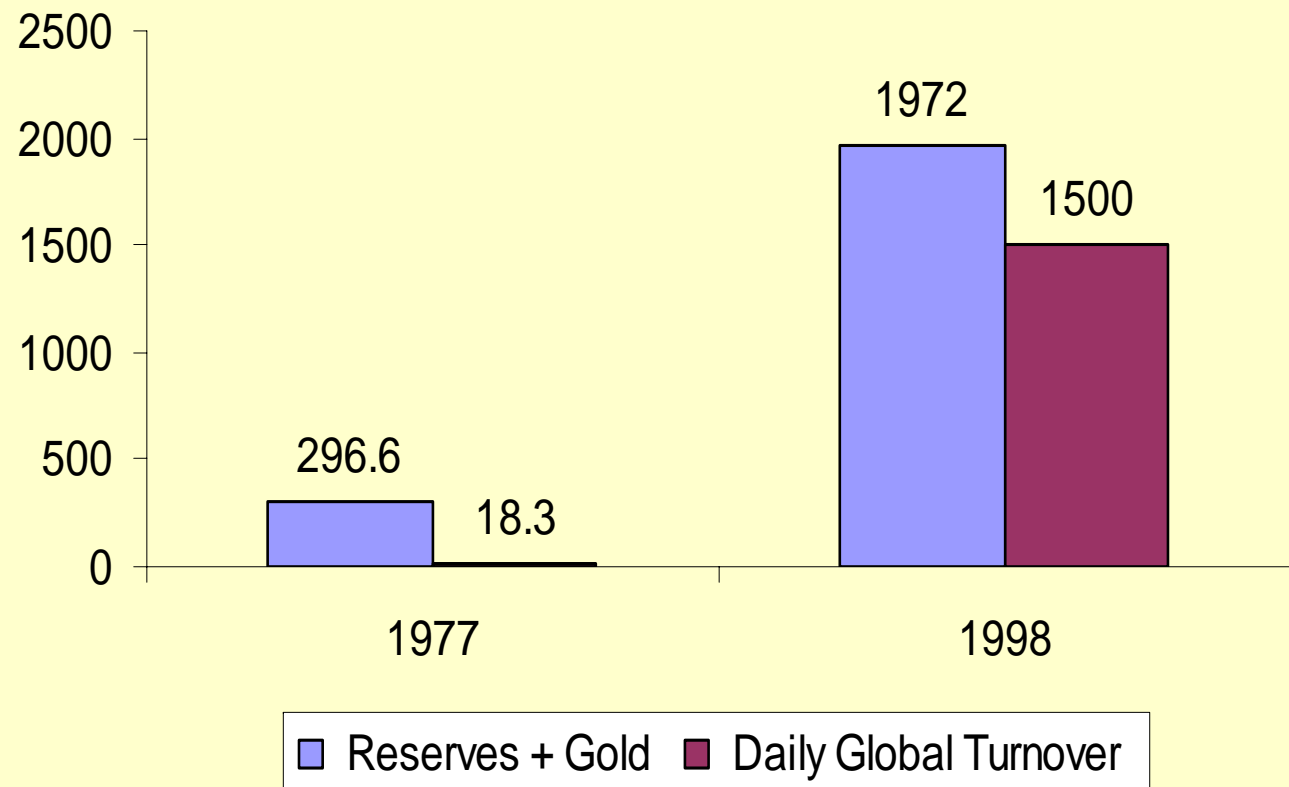
The no control situation



Year	Ratio
1977	16.2
1998	1.3

Social Watch 2001

Global reserves + Gold compared to daily turnover (1997,1998) - Billions USD





Channeling the crisis to developing countries: global prospects

- Crisis originated in developed countries, which are also leading the economic downturn.
- Developing countries are hit through:
 - capital reversals,
 - rising borrowing costs,
 - collapsing world trade and commodity prices,
 - subsiding remittance flows.



Impact on MDGs: global

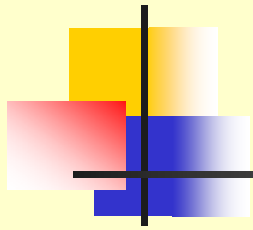
- Increasing income poverty,
- Lower Government revenue,
- Lower public and private spending on social services ... affecting all MDGs.

Significant additional efforts will have to be made to bring countries back on track in meeting MDGs set for 2015, although these may vary from country to country.



Impact on Arab Region

- Oil prices affects in different directions oil exporters and oil importers.
- Real estate directly affected, specially the giant firms of GCCs (Dubai). Positive aspect normalizing inflated prices of houses and real estate.
- Manufactures exporters affected by economic slowdown in Europe and USA.
- Rising unemployment (internal) and return of migrant workers form aboard because of crisis and rising unemployment if receiving countries (including GCCs).
- Decrease in remittances.
- Differentiated impact on tourism revenues (less tourists in general).



Impact on Arab Region

- Less public revenues and less public spending expected, especially on infrastructure, equipment and costly social services.
- Less FDIs, and more constraints on lending and investment.
- Inflation is expected to pertain at relatively high level, though limiting the positive impact on lower food and fuel prices.



Factors affecting the impact of crisis

- The impact is the result of a combination of factors (external and domestic), regional-national context, as well as of the reaction and policy response concerned countries.
- Factors affecting the impact may include: **size of the country and its market; level of integration in global economy; level of involvement in contaminated sectors or activities; natural resources; type of economic governance; sectoral structure of the economy; being exporter – or importer and what type of commodities; role and capacity of private sector and CSOs; debt burden; previous accumulation of financial resources; level and nature of poverty; political stability and war – conflict situation...etc;.**



Differentiated impact by sub region or country

- **GCCs:** directly affected because of high level of integration in global economy and contaminated sectors: Oil. Real state. Stock markets.
- Accumulated financial resources in previous years help to absorb the shock.
- Affected in public spending, and will be difficult to keep the same level of subsidies and service coverage.
- Allocate less resources to assist other countries.



Differentiated impact by sub region or country

- **Diversified economies and MICs:** will be more affected by unemployment, and decreasing of remittances.
- Less exportation to Europe and USA and other regions directly hit will affect the overall economic performance.
- Return of migrant workers from GCCs (Mashrek) and from Europe (North Africa).
- Direct impact on lower middle classes (more social polarization) and expected increase in poverty incidence.



Differentiated impact by sub region or country

- **LDCs and Crisis countries:** in general less affected by the financial crisis, but more affected if Food and Oil prices rise again.
- Disconnected from global economy, and more depending on ODA and other specific development and humanitarian assistance measures.
- They will be less affected in the short term by shrinking markets and investment, and the minimum ODA level will probably be kept for priority countries.
- Domestic factors may be more important than global ones.



Impact on specific MDGs in Arab Region

■ **MDG 1:**

- Poverty incidence may increase mainly in MICs;
- Rise of unemployment will be felt in all countries but mainly in MICs again;
- Higher oil prices will increase poverty in MICs and LDCs, and provide resource for more public spending in oil producers.
- Food prices (higher) will affect LDCs mainly (Hunger) and to a lesser extent MICs.
- Some countries with high water scarcity will be more affected by the combination of effect of climate change and food prices fluctuations (Jordan)



Impact on specific MDGs in Arab Region

- **MDG 2, 4, 5 ,6** (education and health):
 - Less public social spending; LDCs affected in quantitative aspects (enrollment and coverage), and MICs affected when the need is for infrastructure and equipment.
 - Less affected if preventive health system, more if curative.
 - Difficult to achieve MDG targets for MMR, and for IMR and prenatal mortality because they are more costly.
 - Quality of education, secondary and tertiary education more affected (in MICs), including gender equality.



Impact on specific MDGs in Arab Region

■ **MDG 3:**

- Indirect and complex impact;
- Expected negative impact on women economic participation (rise in women unemployment), and in secondary and tertiary educational equality;
- Some changes in family situation due to expected movement of migrant worker back home, and internal movement between rural and urban areas where more affected by unemployment and poverty;
- Maternal and reproductive health care negatively affected;
- Less importance given to women personal status and gender issues under the pretext of focusing on other priorities.