Statement by

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An Unprecedented Crisis

At the time of the World Bank-IMF Spring Meetings, the global economy was projected to shrink by 1.3 percent in 2009 with slow recovery expected for 2010. Half a year later, the picture is not as bleak and the IMF estimates that global growth will resume this year and rise by about 3% by the end of 2010.

However, these global estimates should not overshadow inter- and intra-country disparities. Low income countries are expected to take a heavy toll and face a sharp contraction in export growth, FDI inflows, and remittances, and lower-than-committed aid. As a result economic growth this year is projected to be less than half its pre-crisis level.

While there are differences and uncertainties, we know that the poorest and most vulnerable will be hardest hit, women and children in particular. For them, the crisis is here to stay. It comes on top of the lingering food crisis and volatile food prices. It risks jeopardizing progress made towards reaching the Millennium Development Goals.

A Sense of Urgency

Past experiences tell us that there are three major trends associated with crises in developing countries. First, there is more hunger as people can afford less food and less quality food. Children are the first to suffer these impacts. Second, there is more disease as people can afford less health services. Third, there is less school enrolment and more child labour as people have to take their children out of school to work. Often girls go first.

Strong signals already indicate that the evolving crisis is no exception. Evidence from the field suggests that the “human cost” of the crisis is significant.

Hunger is on the rise. For the first time in history more than one billion people are undernourished worldwide. This number has gone up by a staggering 100 million in the past year only. Acute malnutrition is also on the rise in a number of countries including Afghanistan, Central African Republic – where malnutrition already doubled from 2006-2008 – as well as in the Democratic Republic of Congo, Eritrea and Ethiopia. Food and nutrition insecurity affects children the most, generating intergenerational impact and locking poor people in long-term poverty traps.

This is true for rural as well as urban areas. A recent survey of urban Turkish families shows that three out of four of the poorest families have reduced food consumption, and nearly half have reduced the amount of food for their children in response to drops in household income. And 29 percent of this poorest population reported a reduced use of health services1.

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Anecdotal evidence from Bangladesh and other Asian countries tell us that drop-out rates are increasing and more children are forced to work.

**Delivering on Aid Commitments**

Several developing countries have announced spending and tax measures to buffer the impact of the crisis on their vulnerable populations. But the majority of these countries will not be in a position to mobilize sufficient resources. A recent World Bank report suggests that two-thirds of the low income countries have experienced considerable fiscal balance deterioration since 2007, a GDP decline of 2.5 percentage points, contributing to a 5 percent budget shortfall on average. This translates into an estimated gap of $5.3 billion for essential social services as demand increases.

In short, many governments will face increasing difficulties balancing their budgets. In addition, if greater aid flows than currently available are not forthcoming, there are significant risks for budget cuts in social services.

The poor and most vulnerable are being hit by multiple crises. They should not take another blow with cash-strapped governments cutting health, education and social protection budgets tailored to their needs. They should not take yet another blow by cut in aid from rich countries.

We should all ensure that responses to the crisis do not come with an extra burden on the poor. If there is one point in time when aid should increase, it is in times of crisis. Countercyclical investments are needed. Now is the time to deliver on the aid commitments.

**UN Takes Action**

Tackling multifaceted crises requires concerted actions. To be effective it also requires development partners to be aligned with on-the-ground realities and priorities. This is why UNICEF – together with other agencies – has worked hard to develop a framework for a Country Crisis Response Mechanism. This framework would provide one big table at the country level where UN Country Team and International Financial Institutions would sit together under the country’s chairmanship. The Mechanism would encourage a collective and comprehensive response to the crisis while maintaining a country-driven and country-owned process.

The approach is threefold. First, help countries find ways to protect the gains already achieved as well as investments made in health, education and social protection. Evidence is consistent: where children and mothers have poor health, nutrition and education, they are likely to earn less, be less productive members of society, and pass on this poverty to their children. History shows that maintaining or even increasing social expenditures in times of crisis delivers positive returns.

Second, identify, under the country’s leadership, weaknesses and gaps in the response system as well as ways to address them. This means assessing existing programs and suggesting responses that combine scaling up, crisis-proofing or creating programs as required by the country’s situation. This also means identifying who is the best actor to take the lead and take action, and what partnerships should be established.

Third, use this mapping to guide the provision of funds, whether through the World Bank’s Vulnerability Facility and Rapid Response Mechanism, through bilateral programs or other channels.
**Investing in Social Protection Systems Makes a Difference**

Within a system-wide coordinated response, UNICEF is already providing on the ground policy support in affected countries. Key areas of engagement include strengthening action in nutrition and food security; scaling-up of interventions with high impact on young child survival, growth and development; developing social protection mechanisms including school fee abolition policies and other strategies to address cost-barriers to education; and strengthening child protection systems.

UNICEF’s position is unequivocal: social protection must be a priority.

Past experience provides ample evidence that expanding and strengthening social protection systems help reduce harmful crisis impacts on women and children. To quote only one example, Mexico’s *Oportunidades* (formerly *Progresa*) reduced rural infant mortality rate by 5 percent.

UNICEF is currently engaged in 124 social protection programmes, of which 44 are pilots, of these, 18 cases are being scaled up; and 84 are reform initiatives of existing programmes. Some of these involve cash transfers while many involve other forms of social services.

There is no one-size-fits-all solution. Social protection programmes should be designed to fit specific contexts. But two fundamentals hold true for all:

- Social protection must be child sensitive. This has the potential to benefit not only children, but also their families, communities and national development as a whole. This is why UNICEF is actively working with national governments, the World Bank, ILO and others to ensure that reforms are child sensitive.²

- Social protection systems must be long-term. This is why UNICEF is working to ensure that stable social protection schemes replace temporary emergency responses to the food price shocks (such as price control) in a number of countries including Cambodia, China, Indonesia, Maldives, Nepal, Philippines, Thailand and Vietnam.

**Monitoring and Alert Systems should be strengthened**

Policy responses are too often guided by projections based on past experiences or by anecdotal evidence or highly fragmented information. This is insufficient. We need to know where, when, and why people are vulnerable before crises hit, and how they are impacted when it strikes.

UNICEF is constantly monitoring the situation of children on the ground in over 150 countries and territories. A key element of this work is the Multiple Indicator Surveys (MICS) which produces high quality data on the evolving situation of women and children. MICS help capture rapid changes in key indicators and expand the evidence-base for policies and programmes while facilitating monitoring towards development goals.

But such statistically strong systems need to be complemented by more immediate monitoring systems. Therefore UNICEF is fully engaged in the recently created Global Impact and Vulnerability Alert System (GIVAS) presented by the Secretary General at the UN General Assembly and the G20 in September this

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year. Using new and innovative ways to gather data, such as RapidSMS, satellite imagery and media monitoring, GIVAS will be collecting (close to) real time information on the impact of sudden global changes in the lives of the most vulnerable.

But we know enough to act now. Acting now is critical to protect the most vulnerable and provide much needed buffers. Acting now is also key to building resilience against future shocks, including those related to climate change. Acting now is imperative to preserve hard-won development gains and give us a fighting chance to achieve the Millennium Development Goals.