

**Sub-regional Workshop on Aligning Policies and Strategies to Achieve  
the Millennium Development Goals in South Asia  
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Opening Remarks by  
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Your Excellency Yuba Raj Kathiwada, Vice Chairman, National Planning Commission,  
Government of Nepal,  
Your Excellency Sheel Kant Sharma, Secretary-General, SAARC,  
Colleagues from ADB and ESCAP,  
Distinguished participants, ladies and gentlemen,

It gives me great pleasure to be here for the opening of this workshop which provides an important opportunity to share experiences and good practices at the sub-regional level as well as to reflect on the way forward during a difficult period in the world economy.

As you are aware, it is now more than a year since the global financial/economic crisis erupted. The global financial crisis has affected South Asian countries mainly through two channels. The first is a financial shock with the collapse of equity markets, depreciation of local currencies, limited international credit availability and increase of the cost of credit in the region. The second is an economic shock relating to declining demand for exports, reduction in tourism and declines in remittances.

This crisis, coupled with the food, fuel crisis and the threats posed by climate change, pose a huge challenge to the South Asia region. The underlying issues are interrelated and have profound social and political implications. Each needs solutions that take the others into account.

Various recent assessments had concluded that South Asian countries were lagging behind in the MDGs time schedule, even when they were growing strongly (for example, see ESCAP-UNDP-ADB Regional MDG Report, 2007 as well as forthcoming 2008 report). Now with slower growth in the region, progress on MDGs could be affected, although on the positive side, in the last three months, there have been signs of economic recovery in many developing countries including South Asian countries.

The most obvious and direct impact of the crisis is the effect on employment. In fact employment losses have tended to be more severe than GDP losses, largely because the worst affected productive sectors have been those that are export-oriented and more labour intensive. The evidence emerging from the UNDP country case studies suggests that the

impact on employment is already evident through job losses, reduction in working days and downward pressure on wages. The crisis is hitting hardest those groups which were already having trouble finding and keeping jobs, such as youth and older workers.

South Asia is one of the few sub-regions that has managed to continue to grow during this global crisis. While countries have been affected, the impact has been less so than in most developing regions.

Some have argued that South Asia's more "gradualist" approach to reform has been one important factor in reducing its vulnerability to the global crisis. Others have pointed to the fact that South Asia retained a bigger role for the public sector and therefore it is less affected by a crisis that is largely driven by markets. While South Asia's merchandise exports have suffered, its service exports have held up. Portfolio investment has declined sharply but FDI has shown remarkable resilience – pointing to investors' faith in South Asia's long-term resilience.

However, it should be noted that the South Asian economy began to slow down as early as 2007, much before the onset of the global crisis. Some argue part of the slowdown in growth was inevitable as the lack of key structural reforms constrained the continuation of the high growth phase. As South Asia strives to return to high growth path, it must assess the reasons for the slowdown in growth even before the global crisis, in order to prepare the appropriate package of measures to return to high growth.

But restoring high growth will not be enough if it remains unequal. South Asia must find ways to get back to more inclusive growth to accelerate poverty reduction. Even a slightly slower but more equal growth may achieve faster poverty reduction than very high unequal growth of the type seen in South Asia in this decade. Governments in the region are becoming more aware of these challenges and of the need to change the pattern of growth.

In this regard, improving South Asia's improving social protection systems could contribute significantly to equitable development.

The financial and economic crises in the 1990s highlighted the importance of effective social policies to cushion the impact of adverse economic developments. Unfortunately the coverage of basic social protection programmes is very low. For example, for the region as a whole, only 30% of the elderly receive pensions, and only 20% of the unemployed and underemployed have access to labour market programmes, such as unemployment benefits, training or public works programmes, including work-for-food programmes.

Health care has emerged as one of the biggest issues: only 20% of the population has access to health-care assistance, and Asia has the highest rates of out-of-pocket health care expenditure in the world.

Clearly Asian economies need to look for home grown solutions that build on Asian conditions such as the existence of large informal sectors, large numbers of working poor, high prevalence of malnutrition and high vulnerability to extreme poverty, as well as on traditions such as self reliance and family orientation. The experience with social protection schemes after the Asian crisis has already provided some lessons. For example, it is better to expand and modify if needed established safety net programmes rather than to create new ones; it is important to protect pro-poor spending, not only on health and education, but also relevant infrastructure; self-targeted schemes are more effective than other attempts at targeting.

For example, programmes such as India's National Rural Employment Guarantee Scheme (NREGS) could make a significant contribution to reducing rural unemployment and poverty.

Research suggests that the lean season rural poverty rate could be reduced by 10–15 percentage points, with poorer households benefiting more than others. Similarly *Conditional Cash Transfers (CCTs)* programmes are an innovative approach to basic social assistance. They provide money to poor families contingent upon certain behaviour changes, such as sending children to school or bringing them to health centres on a regular basis. As another example, In Bangladesh, CCTs have been used to reduce gender disparities in education (Bangladesh's Female Secondary School Assistance Programme [FSSAP]).

Hence there is a need for governments to prioritise social protection and pro-poor expenditures. In the 1990s many Asian governments attempted to protect social sector expenditure by cutting investment in rural development and this resulted in slower agricultural growth. But maintaining investment in agriculture and rural infrastructure can also be pro-poor.

Past development evidence also reveals that progress is most evident where targeted interventions have had an immediate effect, and where increased funding has translated into an expansion of programmes to deliver services and tools directly to those in need. This can be seen in the fight against malaria, in the dramatic reduction in measles deaths, and in the coverage of antiretroviral treatment for HIV and AIDS, which increased tenfold over a five-year time span. In contrast, progress has been more modest when it requires structural changes and strong political commitment to guarantee sufficient and sustained funding over a longer period of time. This is likely the reason behind the performance of most countries in reducing maternal mortality and increasing access of the rural poor to improved sanitation facilities.

Achieving the MDGs will require that a pro-poor development agenda be fully integrated into efforts to jump start growth and rebuild the global economy. At the top of the agenda is the climate change problem, which will have to be regarded as an opportunity to develop more efficient 'green' technologies and make the structural changes needed that will contribute to sustainable growth. Achieving the MDGs will also require targeting areas and population groups that have clearly been left behind — rural communities, the poorest households and ethnic minorities, all of whom will have a hand in shaping our common future.

To conclude the food, fuel and financial crises along with the looming threat of climate change provides an opportunity to rethink and rebase growth models. Asia must grow rapidly in order to provide a better life to the millions of poor people but it must also do so with more inclusive development strategies while taking into account the need for a lower carbon trajectory. I hope this meeting will provide a chance to share experiences and good practices across the region as well as to discuss how to overcome the challenges to achieving the MDGs. Thank you