

# THE CURRENT ECONOMIC CRISIS AND ITS IMPACT: AN OPPORTUNITY FOR LEGAL EMPOWERMENT OF THE POOR

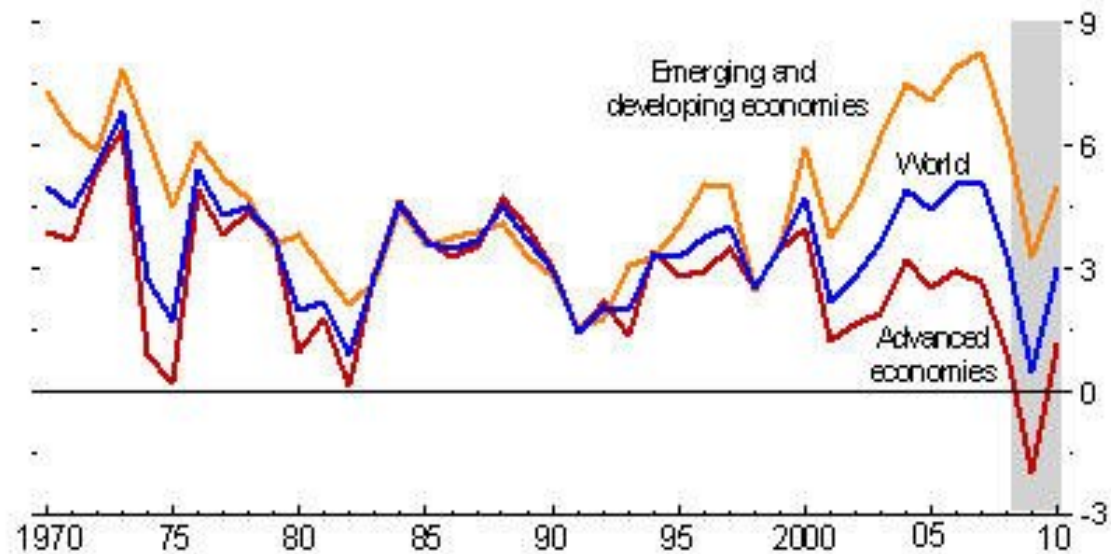
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# The Current Economic Crisis

- The world output (GDP) will contract by -.6% in 2009, compared to 3.8% growth in global output in 2007
- The advanced economies are expected to contract by 2 percent in 2009 – the largest contraction since the Great Depression
- Growth in emerging and developing economies is expected to slow sharply from 6¼ percent in 2008 to 3¼ percent in 2009
- World trade volume is projected to decline - for the first time since 1982 -by 2.8% in 2009, compared to 7.2% growth in trade volume in 2007
- Imports by advanced economies will contract by 3.1%
- Global FDI flow went down by 21% in 2008 and is likely to decline further in 2009
- Private capital flows are expected to drop from \$1 trillion in 2007 to \$530 billion in 2009
- Remittances to developing countries – which was projected to reach USD 283 billion in 2008 – may decline by as much as 6% in 2009
- Some 43 countries are "highly vulnerable" to the effects of the crisis

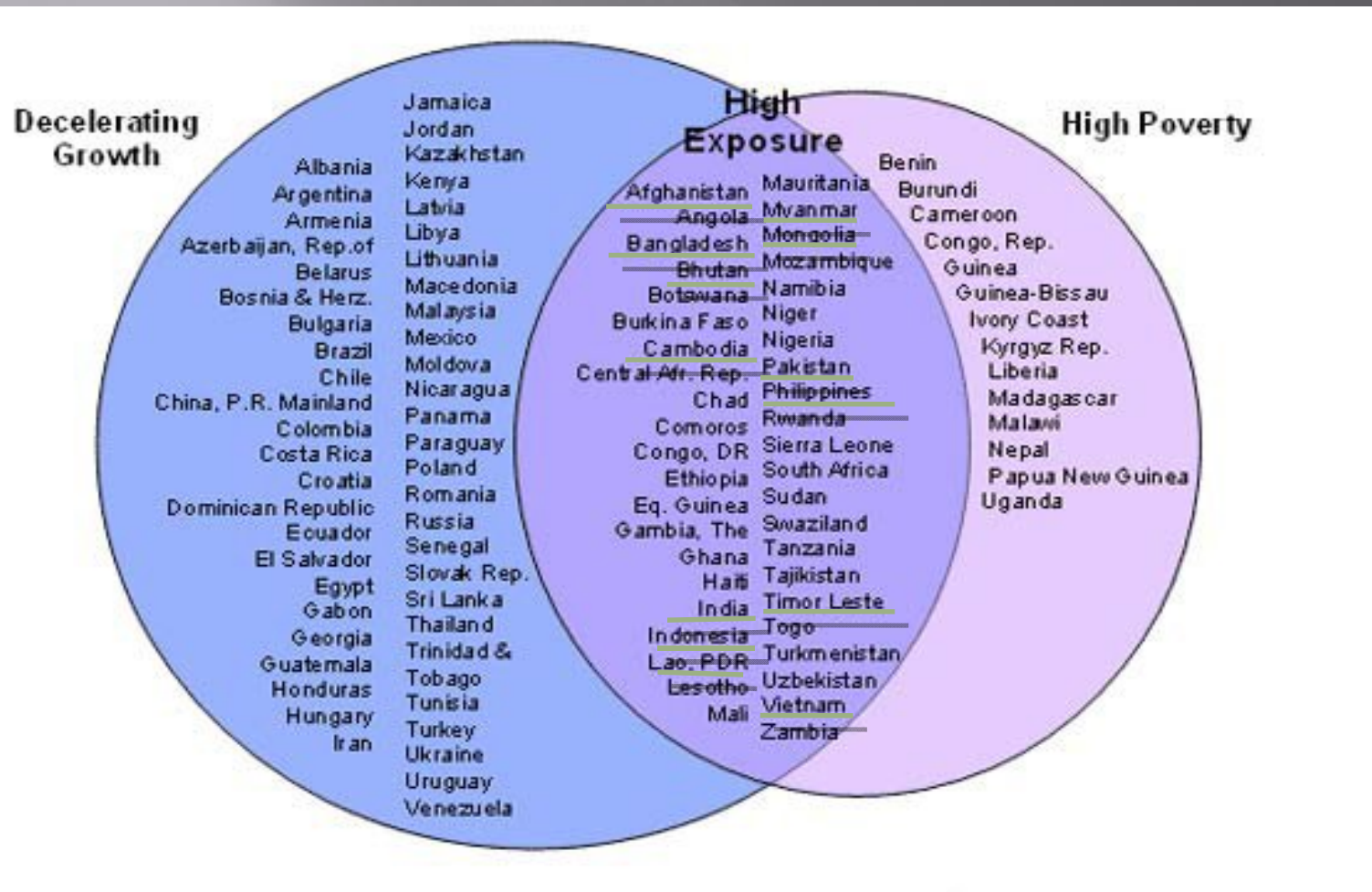
# Global GDP Growth in 2009

**Figure 1. GDP Growth**  
(Percent change)



Source: IMF staff estimates.

# The Current Economic Crisis



# The Current Crisis and Its Impact on the Poor

- The World Bank estimates that an additional 53 million people will be trapped in poverty as the current crisis unfolds - each 1 percent drop in growth could trap another 20 million in poverty
- According to ILO estimates, the global unemployment rate could rise to 7.1 per cent (from 5.7% in 2007), adding another 50 million to the pool of unemployed
- The number of working poor – people who are unable to earn enough to lift themselves and their families above the US\$2 per person, per day, poverty line, may increase by 200 million, mostly in developing economies, to 1.4 billion, or 45 per cent of all the world's employed
- Sub-Saharan Africa and South Asia will continue to stand out as regions with extremely harsh labour market conditions and with the highest shares of working poor of all regions - job loss, possible reduction in wages, poorer work condition are likely outcomes
- Between 200,000 and 400,000 more babies could die each year between now and 2015 if the crisis persists

# Legal Empowerment of the Poor: What Does It Mean?

- Legal empowerment of the poor (LEP) seeks to make the law work for everyone to provide equal economic opportunities to all
- It is an agenda of inclusive development that presents a unique focus on key livelihood rights - property, labour, entrepreneurial rights and access to justice – to prevent legal exclusion and foster economic growth, poverty reduction and human development
- Legal empowerment of the poor is an end in itself as a human rights agenda but also a means to an end
- It is a necessary condition for poverty eradication
- The current economic crisis threatens the very existence of the poor and the legal empowerment agenda can help reduce their vulnerability during the crisis and build resilience against future shocks

# Property Rights in the Context of the Current Economic Crisis

- The right to own, use and dispose of property, without fear of extortion and bribery, is a sine qua non for entrepreneurship and economic development
- Poor often find it difficult to exercise their property rights, use their properties as collateral and enjoy their full economic benefit
- The current economic crisis will threaten the security of tenure of millions of working poor as they will face destitution, liquidation, forced eviction, land grabbing and so on
- Strong, non-discriminatory and enforceable property rights can protect the poor, especially during the current financial crisis, protect entrepreneurship and self-employment and facilitate early recovery

# Labour Rights in the Context of the Current Economic Crisis

- The right to work and to decent wages, without discrimination, prejudice and harassment, is a prerequisite for a well-functioning market, and by extension, of a healthy society
- Labor rights are a critical determinant for productivity growth, capital accumulation and human development
- With rising unemployment, wages are likely to fall, working conditions to deteriorate and labour rights to be violated, with short-term impact on consumption and long-term consequence on human development
- Labour rights and decent wages must be protected to minimize the adverse impacts of the current economic crisis

# Entrepreneurial Rights in the Context of the Current Economic Crisis

- Most of the world's poor entrepreneurs operate in the informal economy and are particularly vulnerable to corruption and abuse of power
- Laws regulating small businesses are often cumbersome, ineffective and biased against the poor
- Ensuring their right to vend and run small businesses and their access to credit and services – electricity, water, sanitation – can be an invaluable step towards economic development and poverty reduction
- Small and micro-entrepreneurs are often the backbone of an economy and protecting their rights, and increasing support for them, will be critical to boost aggregate demand and speed up recovery from the current economic crisis

# Access to Justice in the Context of the Current Economic Crisis

- The current economic crisis is likely to unleash 'economic cannibalism', with the poor being the hardest hit
- The economic downturn will increase the demand for justice among the poor, especially to protect their property, jobs, working conditions and their right to do business without the fear of extortion
- The current crisis presents an unique opportunity, and a moral imperative, to expand the access to justice for the poor and legally empower them to survive the current downturn
- Legal empowerment of the poor can be an effective policy response to the current economic crisis, especially to protect the poor and the vulnerable

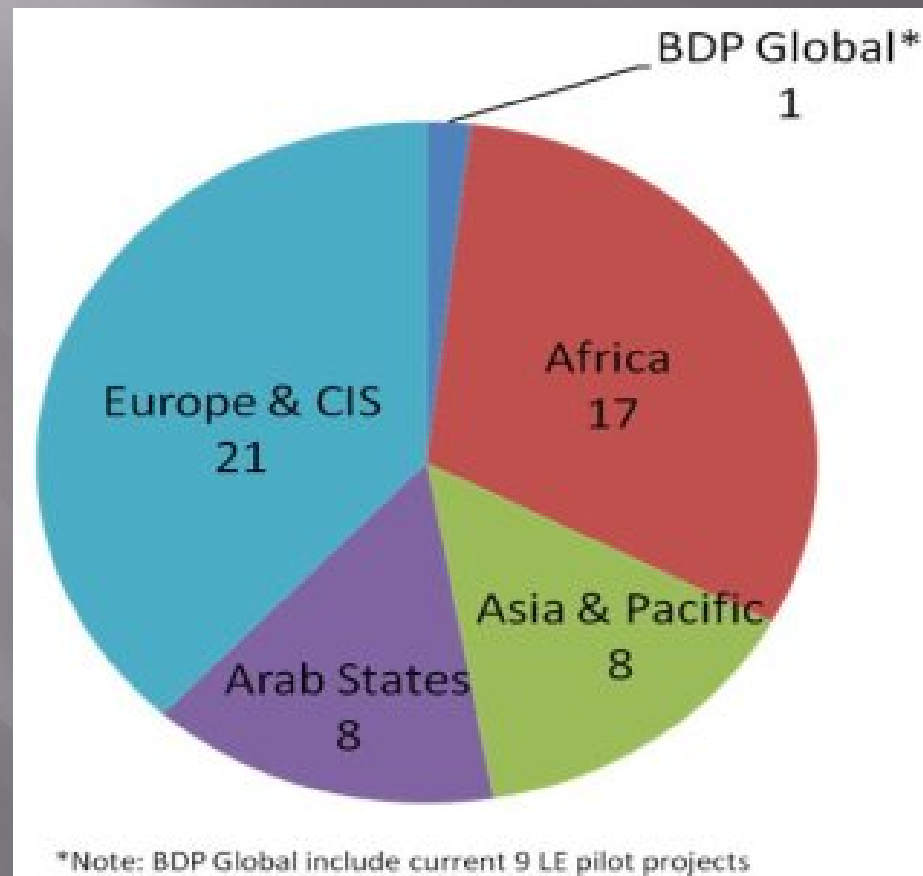
# The Agenda for Legal Empowerment of the Poor and UNDP

- The Commission on Legal Empowerment of the Poor presented its final report, *Making the Law Work for Everyone*, in June 2008
- The report makes a compelling case for actions and reforms to protect and promote the property, labour and entrepreneurial rights of the poor
- UNDP has taken on itself the task to implement the key recommendations of the Commission
- With a legal empowerment core team in BDP, UNDP is developing a global programme for legal empowerment of the poor, which will strengthen its current work in this area and will generate political commitment and resources to strengthen the key livelihood rights of the poor

# UNDP's Legal Empowerment Efforts

- UNDP has long been involved in legal empowerment of the poor in different forms and manifestations
- LEP core team in BDP undertook a mapping exercise to identify legal empowerment and access to justice projects that are currently being implemented by UNDP country offices across the world
- The exercise identified 55 on-going projects on legal empowerment related issues, addressing - in one way or other - access to justice, property rights, labour rights and business rights
- These LEP projects have an average duration of three years or more - it vindicates the need for longer term engagement in legal empowerment/access to justice reform initiatives.
- Legal empowerment projects are also relatively large, on average USD 400,000
- Almost all legal empowerment projects include capacity development as one of their objective, though actual activities seem to focus mostly on training

# UNDP Legal Empowerment Projects by Region



# Conclusion

- The current economic crisis presents both a challenge and an opportunity for legal empowerment of the poor
- It calls for a renewed focus on property, labour and business rights to sustain and promote entrepreneurship among the poor, to help them weather the storm in the short run and climb out of poverty in the long-term
- Legal empowerment of the poor will require strong political commitment, resources, capacity development and grassroots level engagement, which will also help safeguard the poor against future economic shocks and downturns
- As a priority, UNDP will scale up its efforts, and undertake new initiatives, for legal empowerment of the poor