UNITED NATIONS **E**

ECONOMIC AND SOCIAL COUNCIL

Distr.
LIMITED
E/ESCWA/ECW/2009/IG.1/4
8 September 2009
ENGLISH
ORIGINAL: ARABIC

Economic and Social Commission for Western Asia (ESCWA)

Committee on Women
Fourth session
Beirut, 21-23 October 2009

Item 5 (b) of the provisional agenda

PROMOTING THE ECONOMIC PARTICIPATION OF ARAB WOMEN

IMPACT OF THE GLOBAL FINANCIAL CRISIS ON THE STATUS OF WOMEN IN THE ARAB REGION

Summary

The global financial crisis is still storming economies of both developed and developing countries. Analysts expect that the regression of economic activities, accompanied by increased interest rates, decreased capital flows, decreased volume of exports and slowed investment growth, will have a significant impact on growth in the Middle East and North Africa region.

Financial and economic crises in general have gender-specific liabilities. They leave disproportionate burdens on women and affect specifically poor, migrant and minority women. Given the importance of gender-specific aspects of the financial crisis, the present study tackles the impact of the global financial and economic crisis on women in the Arab countries. It presents a set of conclusions and suggestions aimed at promoting the role of women in responding to the global financial crisis.

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Introduction

1. The global financial crisis is still storming economies of both developed and developing countries. The crisis, which began as a real estate financing crisis in the United States in the summer of 2007, has become a fierce economic crisis affecting production and employment. Economic analysts contributing to World Bank *Prospects for the Global Economy 2009*[1] expected that the regression of economic activities will have a significant impact on growth in the Middle East and North Africa region and on developing countries in general. The average growth rate of the global gross domestic product (GDP) was estimated at 2.5 per cent for 2008 and 0.9 per cent for 2009. With the increase in interest rates, decrease in capital flows and volume of exports and deceleration of growth of investments in developing countries, the growth rate in those countries is likely to reach about 4.5 per cent in 2009 compared to 7.9 per cent in 2007. In the wake of the global financial crisis, foreign aid and loans, foreign direct investment (FDI) and migrant workers' remittances are projected to decrease. Also, a retraction is anticipated in world trade and subsequently in export revenues, which will create greater burdens on developing countries to find alternative or additional sources of financing for development.

2. Financial and economic crises in general have gender-specific liabilities. They leave disproportionate burdens on women and affect specifically poor, migrant and minority women. The global financial crisis forewarns of a human and social crisis which will have serious repercussions on women and children in poor countries, including increase of infant mortality rates, increase of withdrawals of girls from school and decrease of women's income.

3. Given the importance of gender-specific aspects of the financial crisis, the present study, which consists of four chapters, is a review and analysis of the impact of the global financial and economic crisis on women in the Arab countries and concludes with a set of recommendations. Chapter I presents causes of the current financial and economic crisis, its impacts and the main response plans adopted by some countries. Chapter II presents impacts of the crisis on women in general, while chapter III focuses on those impacts on women in the Arab region, after reviewing impacts on Arab countries, in particular on economic growth, Arab financial markets, goods and services markets, migrant workers' remittances, poverty rates in the region, FDI flows and unemployment.

4. Chapter IV contains a summary of the conclusions reached by the study and a set of recommendations aimed at promoting the role of women in responding to the global financial crisis, through gender mainstreaming in national development plans and budgets, providing financial and technical support to the most vulnerable female-intensive economic sectors, facilitating microloan processes and supporting programmes aimed at increasing the productivity of women, all under an integrated country-specific plan for developing human resources.

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[1] World Bank, *Prospects for the Global Economy 2009*. Available at: www.worldbank.org.

I. THE GLOBAL FINANCIAL CRISIS

5. The world has witnessed several financial crises. However, the current global financial crisis is seen as more severe than the Great Depression of 1929. The crisis, which started in the developed countries and rapidly expanded to other countries of the world, has become a global economic depression with the decline of the global economic growth rate from 5.2 per cent in 2007 to 3.4 per cent in 2008 and 0.5 per cent in 2009. The World Bank[2] and International Monetary Fund (IMF)[3] expected a decrease in the volume of world trade from 4.1 per cent in 2008 to -2.8 per cent in 2009. Estimates reported in the *World Investment Report 2009*[4] indicate a 20 per cent FDI decrease in 2008 and project a further decrease in 2009.

A. CAUSES OF THE CRISIS

6. The root causes of the current financial crisis trace back to the credit expansion in the United States for many years, especially in real estate financing, without giving due consideration to safe conditions for granting credit. Banks in the United States gave loans to contracting companies; consumers flocked to buy properties of values exceeding their financial capacity; and banks waived their rules and went on financing 95 and 100 per cent of overvalued real properties overlooking permitted guaranties and maximum credit limits. Given the existing mortgage system, demand for acquiring private houses increased significantly leading to a significant price increase, in a phenomenon called "real estate bubble". The "bubble" kept on inflating, thereby real estate debts increased to about 6.6 trillion dollars and total individual debts increased to 9.2 trillion dollars.

7. Banks and real estate financing companies in the United States undertook to whitewash the real estate indebtedness in the form of stocks and bonds carrying high financial valuation. The expanded activities of hedge funds and Sovereign Wealth Funds and the so-called financial innovations have caused an increase in their financial assets and derivatives and their investments and speculations in financial markets and major financing institutions, which contributed to further inflating the "real estate bubble".[5]

8. With the deficit in the State budget and trade balance and the resulting slide of the dollar exchange value and retraction of capital flows to the United States, the liquidity enjoyed by financial markets and which ensured the continuity of the "real estate bubble" regressed and real estate prices fell. Those developments affected the ability of real estate financing companies to pay back their debts to the banks. Therefore, many of those banks declared cessation of deposit accounts settlements causing a global lack of confidence in them. Then, real estate financing companies, major banks and insurance companies successively went bankrupt in a "domino" effect.[6]

B. IMPACTS OF THE CRISIS

9. The repercussions of the United States mortgage crisis affected various economic activities. They were carried on from the banking sector, insurance companies and securities market to real economy sectors, therefore affecting unemployment rates which soared for the first time in the United States to 7.2 per cent by

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[2] Ibid.

[3] IMF, *World Economic Outlook*, November 2008. Available at: www.imf.org.

[4] United Nations Conference on Trade and Development (UNCTAD), *World Investment Report 2009: Transnational Companies, Agricultural Production and Development*. Available at: www.unctad.org.

[5] IMF, Finance and Development (Quarterly publication), *Cracks in the System: World Economy Under Stress*, Volume 45, No. 4, December 2008. Available at: www.imf.org.

[6] Asian Development Bank, Pacific studies series, *Navigating the Global Storm: A Policy Brief on the Global Financial Crisis*, 2008. Available at: www.adb.org.

the end of 2008. Other manifestations of economic regression included a decrease in the industrial production growth rate, a deceleration of growth in GDP and a decrease in the United States exports growth.

10. As a result of the close correlation between international financial markets under the globalization system and the revolution taking place in the field of communications and information technology, and given the economic leverage of the United States, the crisis moved on to emerging European and Asian financial and banking institutions. The real GDP in developed economies recorded a 7.5 per cent decrease during the fourth quarter of 2008 and is expected to further decrease at the same rate during the first quarter of 2009.[7] According to IMF estimates,[8] the emerging and developing economies are expected to realize a limited growth averaging 1.6 per cent in 2009 and increasing to 4 per cent in 2010. However, the real GDP will shrink in a large number of countries in 2009.

11. While the impacts of the financial crisis are more clearly manifested in the developed countries where it started due to the inefficiency of their financial systems, this should not lead to underestimating the impacts of the crisis on developing countries which contract the repercussions through international trade of goods and services, foreign investments and international aid flows, financial market transactions and movements of persons which entail financial remittances to their home countries. The major challenge faced by developing countries consists of providing the financial resources needed for economic and social development plans in order to maintain the high economic growth rates while meeting the requisites of social equity and improving income levels for the poor. Under the current crisis, foreign aid and loans, FDI and migrant workers' remittances, as well as world trade and subsequently export revenues, are expected to decrease, which will create greater burdens on developing countries to find alternative or additional sources of financing for the development process.[9]

C. CRISIS RESPONSE PLANS ADOPTED BY COUNTRIES

12. In most cases, Governments interfered by injecting public funds in the market in order to buy bad assets, either directly or through the banking system. Central banks resorted to reducing interest rates and adopting expansionist monetary policies to increase liquidity. Some Governments were forced to acquire some leading institutions in order to avert crisis exacerbation.

13. On the other hand, international financing institutions expanded credit granting and facilitated conditions for granting member States available funds. The IMF announced that it will grant loans of up to 100 billion dollars to stumbling countries. The World Bank Group approved additional commitments of 100 billion Euros for the next three years, including 35 billion Euros for 2009, compared to about 13.5 billion Euros for 2008, in addition to providing credit facilitation in the amount of 42 billion dollars to the poorest countries in the fields of health care, education and social security networks, as well as doubling the trade financing programme credits from 1.5 billion to 3 billion dollars and assisting the private sector with about 30 billion dollars.[10]

14. Several countries and economic groups around the world took actions and adopted plans to rescue the financial markets and address the repercussions of the global financial crisis. Following are some of those actions and plans:

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[7] IMF, *World Economic Outlook: Crisis and Recovery*, April 2009. Available at: www.imf.org.

[8] Ibid.

[9] United Nations Department for Economic and Social Affairs, *World Economic Situation and Prospects 2009*. Available at: www.un.org/esa/policy/wess/wesp.html.

[10] ILO, International Institute for Labour Studies, *A Global Policy Package to Address the Global Crisis*, 2008. Available at: www.ilo.org/publns.

(a) *United States*: The Unites States administration was forced to acquire some of the real estate companies and institutions. It designed a financial rescue plan to which it allocated funds in the amount of 700 billion dollars, in an attempt to save the Unites States banking system and financial market and avert further regression in industrial production and exacerbation of the unemployment problem. In parallel with the immediate financial rescue plan, the Unites States administration adopted rescue plans for its major sectors and industries, in particular the car industry. Also, the United States Senate approved a 3 trillion dollar budget for the financial year beginning in 1 October 2008 with a view to eliminate the deficit by 2010, by emphasizing Government priority expenditures during the coming years on increasing employment rates, allocating large investments in child health care, energy, education, services and utilities, in addition to financial discipline. The new Unites States administration adopted an economic stimulus plan in the amount of 825 billion dollars which included tax reductions in the amount of 275 billion dollars. The employment packages of the stimulus plan aimed at creating 3.5 million job opportunities of which 90 per cent are in the private sector;[11]

(b) *European Union*: The European Union also adopted a rescue plan to address the challenges of the financial crisis and its economic impacts. However, it was different from the Unites States plan as it focused on injecting 200 billion Euros, which represent 1.5 per cent of the European GDP, in order to stimulate local demand and increase confidence in the European economy. The European Union rescue plan also aimed at supporting European competitiveness through encouraging smart investment, namely investment in the skills required for meeting future needs, in the means of promoting efficient energy usage and developing clean technology, in supporting such sectors as construction, building and cars, and in infrastructure and communications to stimulate innovations and inventions. The European rescue plan lies on the fundamental principle of promoting social solidarity and justice, which can be realized by helping groups affected by the implications of the global financial crisis, in particular workers who lost their jobs;[12]

(c) *Japan*: the Japanese economic rescue plan included a 32 billion dollar amount made available by the Central Bank in the form of credit facilitations and loans granted to the banks as a stimulant for loan expansion, in addition to financial aid in the amount of 21.3 billion dollars to retirees and families as a stimulant for spending;[13]

(d) *China*: it adopted a rescue plan consisting of 0.5 trillion dollars to support financial institutions and aiming at reducing investments abroad and expanding domestic expenditures in order to reinvigorate the local market. In fact, China reduced interest rates five consecutive times since September 2008 in an attempt to drive investments and activate the local market.[14]

II. IMPACTS OF THE GLOBAL FINANCIAL CRISIS ON WOMEN

15. According to estimates of the International Labour Organization (ILO), it is expected that 50 million men and women around the world will have lost their jobs by the end of 2009.[15] Developing countries have suffered considerably from job losses in the formal sector export-oriented industries. Those losses would drive more workers into the informal sector, including agriculture, thus aggravating competition between low-income occupations. Regression has a differential impact on women and men. A woman's income loss,

[11] Organisation for Economic Co-operation and Development, *Financial Crises: Past Lessons and Policy Implications*, Economics Department working paper No. 668, 17 February 2009. Available at: www.oecd.org.

[12] European Commission, Economic and Financial Affairs, Focus on *The Financial and Economic Crisis: Facts and Policies*, 11 August 2009. Available at: http://ec.europa.eu/economy_finance/focuson/focuson13254_en.htm.

[13] Op. cit. in footnote 11.

[14] German Development Institute, *China's Policies for Overcoming the Crisis: Old Reflexes or Strategy for a New Reform Miracle?* Briefing paper, July 2009, p. 2.

[15] ILO, *Global Employment Trends*, 2009. Available at: www.ilo.org/publns.

in particular in low-income families, may have long-term adverse impacts greater than the impacts of a man's income loss.[16] The fact that two thirds of women in the world are engaged in vulnerable occupations, namely without a contract neither social security, aggravates the situation. Those women are increasingly exposed to dismissal because they are the most vulnerable and generally the first targeted by business owners for dismissal.

16. The ILO estimates that the number of laid-off women around the world would reach 22 million in 2009.[17] The ILO *Global Employment Trends for Women 2009*[18] presents several scenarios on increased unemployment rates among women. The most optimistic scenario projects an increase of the women unemployment rate by 6.5 per cent, while the most pessimistic one projects an increase of 8 per cent from the previous year.

17. Financial and economic crises have gender-specific liabilities. They leave disproportionate burdens on women and affect specifically poor, migrant and minority women. In poor countries with low girl education rates, many girls are forced to withdraw from school when their family income decreases. Despite the fact that women and men suffer equally from a job loss, women are more likely to be the first dismissed because men are traditionally considered the family main "providers". While male-dominated sectors in some countries are currently recording great job losses, female-dominated sectors in some other countries are recording the major job losses.[19]

18. In its report on the gender perspective in the financial crisis,[20] the United Nations warned of the serious consequences of the crisis on women and children in poor countries, including infant mortality increase, increase in the number of girls withdrawing from school, increase of violence against women, spread of diseases and decrease of women's income. The decrease of women's income in developing countries is attributable to job losses in export-oriented industries, constraints on microcredit and/or decrease of financial remittances from abroad. Given that poor women usually spend their meager income on their family, the loss of that income results in long-term adverse impacts on the welfare of the poor family and on the future of development.

19. The World Bank[21] expected a regression in the economy of such women-dominated industries as textile, leather tanning and shoe industries as a result of lower external demand on such exports. In India only, 700,000 workers in textile factories were dismissed. In the Philippines, 40,000 workers, of whom women represent 80 to 85 per cent, were dismissed. In Africa, women form 85 per cent of the total workers in agricultural products. With the decrease in demand for those products, including fruits, flowers and vegetables, exports will decrease causing more unemployment among women. Since 80 per cent of the income generated by women working in the agricultural sector is spent on family expenditures, it is possible to estimate the extent of hunger and need to which the families of those women will be exposed.

20. Women in the informal sector are affected in particular because economic crises cause a significant decline in demand for the outputs of that sector. Women form the majority of clients in the micro-finance sector and their access to credit is also expected to decline due to liquidity constraints in the financial sector.

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[16] World Bank, *The Global Financial Crisis: Assessing Vulnerability for Women and Children.* Policy brief by Shwetlena Sabarwal, Nistha Sinha and Mayra Buvinic, March 2009. Available at: www.worldbank.org.

[17] ILO, *Global Employment Trends for Women,* March 2009. Available at: www.ilo.org/publns.

[18] Ibid.

[19] United Nations Development Programme, *The Current Economic and Financial Crisis: A Gender Perspective,* by Rania Antonopoulos, The Levy Economics Institute of Bard College. Working paper No. 562.

[20] Stephanie Seguino, University of Vermont, *Emerging Issue: The Gender Perspectives of the Financial Crisis,* statement submitted at the fifty-third session of the United Nations Commission on the Status of Women, New York, 2-13 March 2009.

[21] Op. cit. in footnote 16.

21. With regard to the poorest developing countries, it is expected that, if the financial crisis was not addressed effectively, poverty rates would rise and the future of development would be at risk, especially with the expected downswing of the official development assistance. Despite the slight drop in food prices from the levels attained at the peak of the food crisis in 2008, the continuous economic crisis is still threatening the welfare of women and their families.[22] Considering that most of the income earned by women is spent on family food, health and education needs, the whole society is at risk of being affected by women's lowered income or dismissal and of experiencing a decline in the national income and a rise in poverty rates. The soaring food prices had led to lower expenditures on food, and in many women-headed households, the number of daily meals was reduced from three to two meals or to one meal. In some others, where the number of daily meals was not reduced, the food quality and variety were reduced, leading indeed to more malnutrition and anemia. The United Nations Children's Fund estimates that the anemia among mothers would increase by 10 to 20 per cent in 2009.[23]

22. Therefore, if the crisis was not contained, several developing countries would not be able to achieve the Millennium Development Goals (MDGs), in particular those related to reducing child mortality rate and maternal mortality ratio and promoting gender equality and empowering women. For example, the World Bank estimates[24] indicated that if the crisis was not contained, the financial shock would result in 200,000 to 400,000 additional infant deaths per year on average from 2009 to 2015. Research indicated that declines in GDP led to significantly higher average infant mortality of girls than of boys.

23. Also according to the World Bank estimates, there are 33 developing countries where women and girls, particularly in poor families, are exposed to the impacts of the global food and financial crises. It is expected that 15 of those countries (mostly in sub-Saharan Africa) will record a decrease in girls' education rates and an increase in infant and child mortality along with an economic growth deceleration, therefore particularly aggravating the situation of women and girls. The World Bank[25] has warned that if the impacts of the current global financial crisis were not addressed effectively and resolutely, they would reverse the progress achieved in the area of gender equality and women empowerment, increase the current number of people living in poverty and threaten the future of development, putting the countries in sub-Saharan Africa in particular at risk.

III. IMPACTS OF THE GLOBAL FINANCIAL CRISIS ON WOMEN IN THE ARAB REGION

A. IMPACTS OF THE CRISIS ON THE ARAB COUNTRIES

24. The global financial crisis did not spare anybody because of the intertwined nature of the global economy. The extent of damage incurred to the Arab economies is contingent on the degree of their integration in the global economy.[26] Arab economies are generally exposed to the global economy in terms of their reliance on exports and imports. Data included in the table below confirm that Arab economies are the economies most exposed to the world among developing countries. The rate of exposure of the Arab economies to the global economy increased, in terms of ratio of foreign trade to gross national product from 61.2 per cent in 2001 to 86.7 per cent in 2007, and in terms of ratio of imports to GDP from 25 per cent to 34 per cent in the same period. According to the literature on international trade, the economy of a certain country is considered exposed to the global economy if the first mentioned ratio reaches 40 per cent and the second reaches 20 per cent.

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[22] World Bank, Poverty Reduction and Economic Management Network/Gender and Development, *Impact of Financial Crisis on Women and Families*, by Shwetlena Sabarwal and Nistha Sinha, February 2009.

[23] Op. cit. in footnote 20.

[24] Op. cit. in footnote 16.

[25] Op. cit. in footnote 16.

[26] Mostafa Abu Elqassem Khosheim, *The Global Financial Crisis and Its Impacts on the Arab Countries*, Sho'oon Arabiya magazine, issue No. 138, summer 2009 (in Arabic, pp. 8-12).

EXPOSURE OF ARAB ECONOMIES TO THE GLOBAL ECONOMY

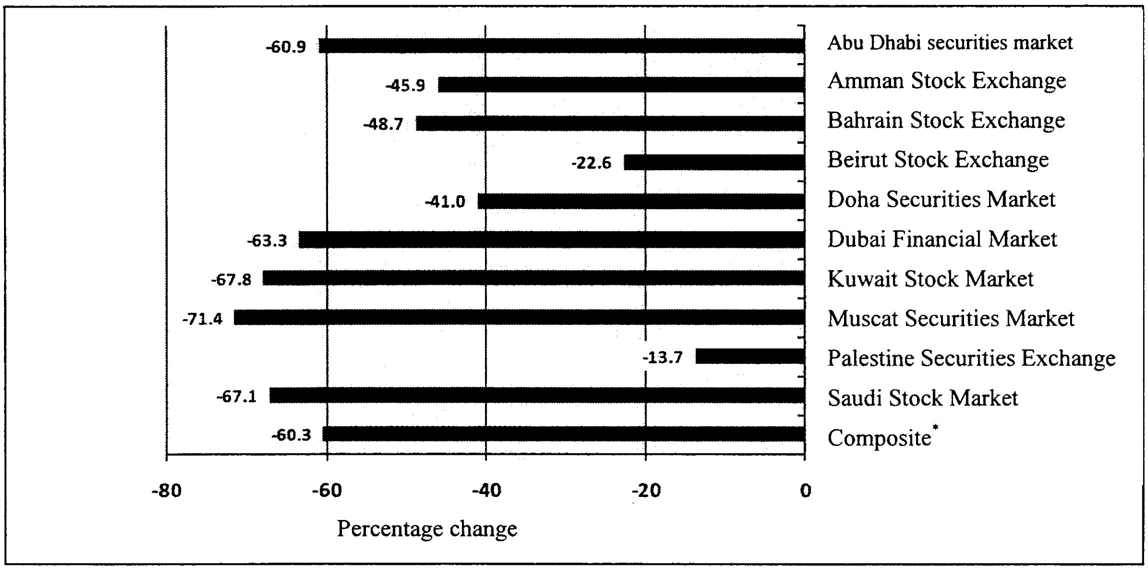
Years	2001	2002	2003	2004	2005	2006	2007
Exports in millions of dollars	238 374	244 888	300 871	400 681	599 194	659 581	784 653
Imports	168 120	173 968	203 119	266 196	325 029	372 954	508 006
Total trade	406 494	418 856	503 990	666 877	924 223	1 032 535	1 292 659
Gross national product (GNP)	664 008	672 711	753 555	890 132	1 091 568	1 276 282	1 491 482
Ratio of foreign trade to GNP	61.2%	62.3%	66.9%	74.9%	84.7%	80.9%	86.9%
Ratio of imports to GNP	25%	25.9%	27.1%	29.9%	29.8%	29.2%	34%

Source: League of Arab States, Arab Monetary Fund, *Joint Arab Economic Report*, 2008.

1. *Impact on economic growth and Arab financial markets*

25. The impact of the global financial crisis on financial markets in the Arab region was considerable. Financial market and stock market indices recorded significant setbacks and the composite index fell more than 60 percentage points in February 2009 compared to that of February 2008[27] (see figure I).

Figure I. Market indices in selected Arab countries
(*Percentage change from February 2008 to February 2009*)



Source: The Arab Monetary Fund database, 1 March 2009.

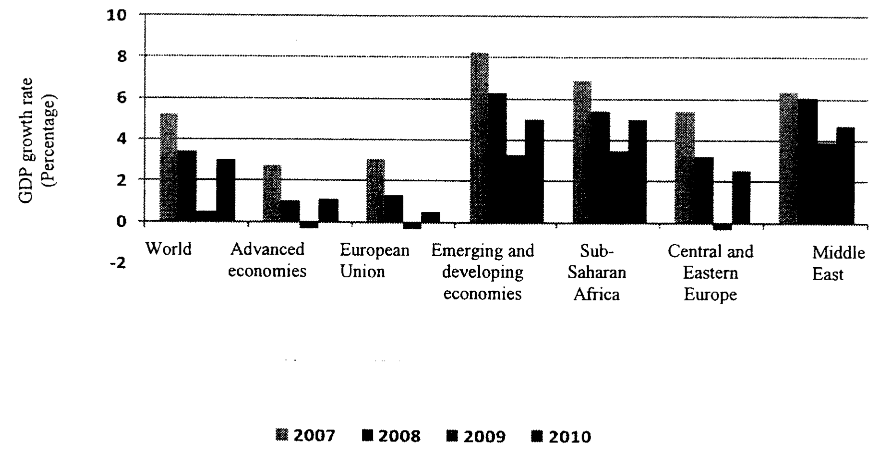
* The composite index includes three North African Market indices: the Casablanca Stock Exchange, Egypt Capital Market and the Tunis Stock Exchange.

26. According to IMF estimates,[28] the average growth rate of the GDP worldwide is expected to decrease from 5 per cent in 2007 to 3.5 per cent in 2008 and 0.5 in 2009 (see figure II). The economic growth in the Middle East region is also expected to decrease by more than 2 percentage points from about 6 per cent in 2008 to 4 per cent in 2009. However, the expected growth rate is still higher than the existing growth rates in other regions for the same year. Economic growth rates are expected to rise significantly in 2010.

[27] The Arab Monetary Fund database, 1 March 2009.

[28] IMF, *World Economic Outlook* Update, January 2009. Available at: www.imf.org.

Figure II. Regional GDP growth rates in purchasing power parity terms (2007-2010)



Source: IMF, *World Economic Outlook* Update, January 2009. Available at: www.imf.org.

Note: The IMF *World Economic Outlook* classification of the Middle East region includes Egypt, the Islamic Republic of Iran and the Libyan Arab Jamahiriya.

2. *Impact on goods and services markets*

27. The financial crisis rapidly evolved into a crisis in the real markets with a decrease in demand for goods and constriction of bank credit. The prices of basic commodities, in particular oil, decreased considerably. The oil price plummeted by two-thirds in a few months after the barrel price had reached 140 dollars in July 2008. Thus, the crisis moved from developed and industrial countries to developing countries that are exporters of crude material. Projections of a new great global depression and a decrease in investment expenditures in such new strong economies as China, India, Brazil and the Russian Federation, have led to a decrease of demand on iron, cement and construction material in general, causing a sudden offer surplus.

28. Service markets experienced a considerable decrease in demand for international travel and tourism, in particular transport services in general. The decrease in demand for tourism is expected to affect considerably the Arab countries receiving international tourists, including Egypt, Lebanon, Morocco and Tunisia. The activity of Arab airlines companies operating at the international level will also be affected. Egypt is expected to lose a large part of its revenues collected from the Suez Canal transit operations. Morocco, Qatar and the United Arab Emirates are expected to record a decrease in revenues generated by international transport and shipment services and international airport fees.

3. *Anticipated impact on migrant workers' remittances*

29. The Arab region, which includes labour-sending and labour-receiving countries, relies to a great extent on migrant workers. Workers from Arab countries and other regions of the world, in particular South and South-East Asia, constitute the major part of the workforce in the countries of the Gulf Cooperation Council (GCC), thus making the Arab region vulnerable to any economic collapse in the GCC countries. Other Arab countries, in particular Yemen, are characterized by high out-migration to other Arab countries and other regions in the world.[29] Arab countries rely to a great extent on remittances sent by their migrant workers.

[29] ILO, Regional Office for Arab States, *The Impact of the Financial and Economic Crisis on Arab States: Considerations on Employment and Social Protection Policy Responses*, by Christina Behrendt, Tariq Haq and Noura Kamel, April 2009. Available at: www.ilo.org.lb.

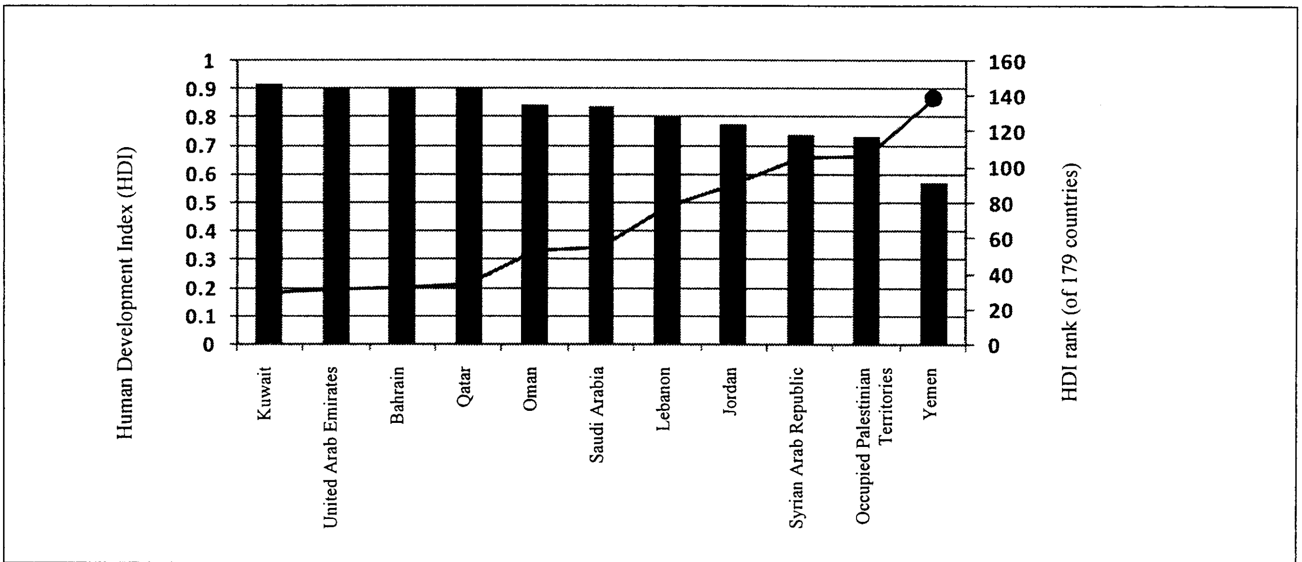
Arab workers constitute 23 per cent of the migrant workforce in the Arab countries, which are in particular the GCC countries and the Libyan Arab Jamahiriya. Egypt, Jordan, Palestine, and Yemen are the major labour-sending countries to the GCC countries and the Libyan Arab Jamahiriya, while Algeria, Morocco and Tunisia send their workers to the countries of the European Union, in particular France and Spain.

30. In fact, remittances constitute the principal source of income for a large number of households and partially make up for the lack of access to formal social protection mechanisms. Should this source of income stop due to implications of the global financial crisis, the living standards of a considerable part of the population of the Arab world would regress. According to the World Bank estimates remittances flowing from the GCC countries increased by 38 per cent in 2008. Those remittances are expected to shrink by 3 per cent in 2009. On the other hand, remittances flowing to the Middle East and North Africa continued to grow in 2008 but by lower percentages than previous years, and may decrease by 1.4 to 5.2 per cent in 2009.[30]

4. *Impact on poverty rates in the region*

31. Available estimates on poverty indicators in Arab countries show significant differences between those countries. The poverty rate exceeded 40 per cent in countries with the least income, namely the Comoros, Djibouti, Mauritania, Palestine, Somalia, the Sudan and Yemen. It varied between 10 and 20 per cent in Bahrain, Egypt, Jordan, Morocco and the Syrian Arab Republic, and was less than 10 per cent in Algeria, Lebanon and Tunisia.[31] Studies on the implications of the global financial crisis indicate that poverty rates might increase should further decreases occur in income, remittances, public expenditure and foreign aid and further increase occur in unemployment rates.

Figure III. Human Development Index
(*Selected ESCWA member countries*)



Source: United Nations Development Programme, December 2008.

[30] Ibid.

[31] League of Arab States, Arab Monetary Fund, *Joint Arab Economic Report*, 2008.

5. *Impact on foreign direct investment flows*

32. A considerable improvement in the climate for investment in the Arab countries and an increase in the investment flows in some of those countries were recorded over the recent years. Five per cent of the world investment flows went to the Arab region in 2007. Those flows exceeded the aid received by Arab developing countries.[32] The FDI in the field of employment is important as it contributes to capital formation in the receiving countries, which in turn contributes to the creation of employment opportunities in two phases, namely the establishing process and the production process. One of the manifestations of the economic globalization can be seen in the increase of the ratio of FDI to gross capital formation, a phenomenon that has been experienced by both poor and rich Arab countries. That phenomenon is attributable to the fact that FDI is no longer a means for only opening new markets for multinational companies but also for achieving productivity merits for those companies in a global system of production and export, in addition to their role in transferring technology, bridging the gap between local savings and development requirements and providing employment opportunities in national markets.

33. The change that took place in the methods adopted for granting loans and the overall reassessment of the credit risks have eroded confidence in the global economy, leading to adverse impacts on FDI. Since the fourth quarter of 2007, the economic growth rate decelerated significantly in the developed countries which are considered one of the fundamental agents of FDI. As a result, FDI flows regressed in 2008 by 10 per cent from FDI levels of 2007.[33]

6. *Impact on unemployment levels*

34. The impact of the global financial crisis on unemployment levels is expected to be more acute in the Arab region than in other developing economies, for the following reasons:[34]

(a) A large number of Arab countries rely on exports of crude mineral resources, precisely petrol and phosphate, the prices of which fell by record rates over a few months. The global demand on cotton and textile exports, which constitute a high percentage of the exports of countries of the Nile basin, the Syrian Arab Republic and Tunisia, also decreased;

(b) Some Arab countries were affected by the retraction of real estate demand occurring particularly in the GCC countries, Jordan and Egypt;

(c) The demand for global transport and tourism industry has regressed, threatening tourism revenues in Arab countries and revenues generated by air and Suez Canal transit fees. The shaken confidence in the future of the economy caused an unprecedented collapse in some Arab financial markets where the stock market index fell by more than 55 per cent in 2008 in Amman and Cairo and by a higher percentage in Dubai. On the other hand, the impact on the stock markets of Casablanca and Tunisia were not significant owing to the low share of foreigners in those markets;

(d) In addition to the expected increase in local unemployment due to the decline in production and employment in the production sectors, employment opportunities for migrant Arab workers in all receiving markets are also expected to decrease.

35. For all the above-mentioned reasons, the global financial crisis is expected to trigger a regression in employment levels in the Arab countries bringing the increase in the number of unemployed to a minimum

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[32] Arab Labour Organization (ALO), Addendum of ALO Director General report: *Global Economic Crisis and its Effects on Arab Labor Markets*, Arab Labor Conference, thirty-sixth session, Amman, 5-12 April 2009, p. 169.

[33] Op. cit. in footnote 4.

[34] Op. cit. in footnote 32, p. 172.

of 3.6 million during 2009 and 2010. The implications of the crisis aggravate the employment conditions in two ways, the first being the dismissal of some or all employees at the time of collapse of institutions or when moving their centre of operations, and the second being the reduction of employment opportunities for new comers to the work market.[35]

B. IMPACTS OF THE CRISIS ON WOMEN IN THE ARAB REGION

36. According to the Arab Human Development Report of 2005,[36] the economic participation of Arab women, which did not exceed 33.3 per cent of women aged 15 and beyond, remains the lowest in the world, while the world average reached 55.6 per cent. The participation of Arab women compared to that of men did not exceed 42 per cent and is also the lowest in the world while the world average is at 69 per cent. Women workers are more concentrated in service sectors, with the exception of low income economies where women work in conditions dominated by poverty. The sectoral distribution of women participation in the workforce (see figure III) shows that the service sector absorbs the majority of the women workforce. It should be noted that the service sector in the Arab economies tends to have low productivity and job earnings due to the high share of the Government and informal sectors in the service workforce. Experiences in the Arab countries indicate that women are most likely to be the first to lose their jobs in the time of economic regression and the last to obtain employment in the time of recovery.

37. In addition, female family providers in both rich and poor countries are the most affected group by the financial crisis. While the world average of female-headed households is 9.42 per cent, the average in the Arab countries is 12.5 per cent.[37] Following are the implications on the Arab women of the global financial crisis.

1. *Impacts on the labour market*

38. Available data on women employment in the Arab region indicate low rates of participation in economic activities in general, taking into account the inaccuracy of those data, in particular with regard to women participation in the informal sector for which no clear statistics exist.

(a) Women employment in the public sector: The public sector, in particular the central Government sector, polarizes a high percentage of economically active females in most Arab countries. Women ratio in the public sector workforce reached about 49 per cent in Jordan and 30 per cent in the Syrian Arab Republic in 2000, about 45 per cent in Egypt and 21 per cent in Tunisia in 2001, and 35 per cent in the Sudan in 1997. Discrimination favouring men over women in employment opportunities, salaries and other benefits is less practiced in the public sector than in the private one. In addition, the public sector provides, in many instances, better wages and salaries than those provided by the private sector, in particular for females without high education. Furthermore, the working conditions which are supported by laws and ensure employment stability and incentives for women, including health and social insurance, are generally better in the public sector than those in the private sector. Therefore, the impact of the financial crisis on women working in the public sector is expected to be generally limited;

(b) Women employment in the private sector:

(i) Industrial sector: Women participation is high in the industrial sectors experiencing an increase in industrial exports with intense use of average skilled and low cost workers, such as clothing, textiles, leather, and food products. That sector suffered retraction as a result of

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[35] Op. cit. in footnote 29.

[36] United Nations Development Programme, *The Arab Human Development Report 2005: Towards the Rise of Women in the Arab World.* Available at: www.undp.org.

[37] United Nations Statistics Division. Available at: www.unstats.un.org.

lower global demand for its products due to the financial crisis, therefore causing dismissal of a high percentage of its female workforce;

(ii) Agricultural sector: In many Arab countries, a high percentage of women work in the field of agricultural products. With the lower global demand for those products, including fruits, flowers and vegetables, agricultural exports are expected to decrease, threatening more women with unemployment;

(iii) Service sector: A large decrease in demand for international travel, tourism and overall transport services was recorded in the last months of 2008 and the beginning of 2009. It will affect significantly the performance of that sector and its women workers in the Arab countries due to the fact that the service sector polarizes the greater share of the Arab female workforce;

(iv) Informal sector: There is no accurate data on the informal sector in the Arab countries. However, the information available indicates high numbers of workers in that sector comprises own-account workers in small or unregulated businesses and paid workers without contract or incentives, including temporary workers. That is attributable to the difficult economic conditions faced by most Arab countries, namely low investment rates, relatively poor contribution of the private sector in the domestic product, and insufficient new employment opportunities for the numbers of new comers to the job market. Also, some business owners, particularly in small budget enterprises, who prefer not to abide by the rules, resort to the informal sector with a view to reduce production costs and increase competitiveness. Given the high costs of living and the need for an additional source of family income, the informal sector polarizes female workers, in particular those without education or with limited skills. Often women are self-employed in small enterprises in the areas of cleaning, sales, tailoring and food.

2. *Impact on the wealth and investments of women*

39. The impact of the global financial crisis on the wealth and investments of Arab women is contingent to the volume of those investments in the local and international financial markets, particularly in the United States and Europe, and the extent to which Arab stock markets were affected by the financial crisis. That impact on the Arab stock markets varied between countries and was manifested clearly in those with strong ties to the global financial markets. Stock market indices in the region fell by an average of 50 per cent. Securities market indices in the GCC countries fell by 30 to 60 per cent during the fourth quarter of 2008.[38]

40. The savings of Arab women were adversely affected as a result of successive interest rate reductions introduced by Governments in order to encourage investments under the global financial crisis.

3. *Impact on credit lines granted to Arab women*

41. Among the critical impacts on women in the Arab region is the decrease of resources of microfinance institutions (microcredit) due to retraction of international financial assistance and aid. In 2006, those institutions lent more than 133 million people of whom 85 per cent were women. Therefore, decreasing the resources of those institutions will reduce access of women to financing micro-projects in order to contribute to spending on their families.

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[38] The World Bank. Available at: www.worldbank.org.

4. *Impact on migrant workers' remittances*

42. According to the World Bank estimates, the amount of remittances sent by migrant workers to their developing countries will decrease to 304 billion dollars in 2009 from about 328 billion dollars in 2008.[39] Many Arab countries rely on remittances sent by their citizens working abroad and large numbers of families consider those remittances their basic source of income. A cut of that source of income as a result of the global financial crisis will affect the living of large groups of people in the Arab countries and cause further burden to the women providers in particular.[40]

IV. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

43. Countries around the world took a set of measures to address the global financial crisis including expanding Government financial policies in order to reinvigorate economic growth, create employment opportunities, invest in infrastructure and social protection programmes, including unemployment protection systems, training programmes for unemployed, social services and safety nets (such as monetary remittances, aid and public works programmes).

44. The financial crisis provided an opportunity for Governments to change the existing macroeconomic policy framework, redirect resources to the productive sector and move away from speculation. In that regard, investing in achieving gender equality even at the time of crisis is smart economics. Therefore, it is important to encourage initiatives by public and private sectors for supporting women during the financial crisis, through giving investment priority to safety nets, infrastructure, microfinance and small and medium-sized enterprises.

45. The role of women as effective players in the economic field should be bolstered. Measures should be taken to raise women's income, promote their capacity to start free businesses in general without limiting these businesses to small and microprojects.

46. On the other hand, Governments should offer assistance in credits granted to women, particularly with regard to financing microcredit which plays a critical role in the informal sector where large numbers of women work. An effective monitoring of social spending should be performed in order to meet the needs of women and vulnerable groups during the crisis. Methods of collecting data and using sex-segregated data should be improved in order to assess the different impacts of the financial crisis on women and men.

47. The global financial crisis may be a real opportunity to restructure the ill-oriented safety net programmes, in order to free more resources for the poor and those most affected by the crisis. When designing economic stimulus programmes, due attention should be given to address constraints and bottlenecks hindering long-term growth. Investing in the elimination of those bottlenecks can help creating employment opportunities and bolstering short term consumption while promoting possible post-crisis growth.

48. Taking gender into consideration in the development process requires giving due attention to the empowerment of women as it contributes considerably to addressing the implications of the global financial crisis on the Arab economies. Increasing the productivity of women and opportunities for their economic participation through employment or self-employment is among factors adding new and effective productive capacities to the national economy. It also helps reducing poverty and many other negative phenomena afflicting Arab societies, the most important of which is child labour and over-population. Achieving that

[39] Ibid.

[40] Op. cit. in footnote 29.

goal requires giving women opportunities equal to those given to men, strengthening their capacity and offering them economic and political opportunities.

B. RECOMMENDATIONS

49. Following are some suggestions aimed at promoting the role of women in addressing the global financial crisis:

(a) Providing a comprehensive, accurate and updated database to monitor the magnitude of impact on women of the global financial crisis;

(b) Offering financial and technical support to the economic sectors most affected by the financial crisis, in particular sectors polarizing large numbers of women, such as export oriented industries and service sectors;

(c) Facilitating microcredit operations because microprojects are very important in combating poverty, with emphasis on the most needy geographical areas and most affected sectors, according to specific conditions of each country;

(d) Supporting programmes for raising Arab women's productivity in both public and private sectors, provided that this is done in the context of an integrated plan for human resources development, according to specific conditions of each country;

(e) Strengthening the role of Arab financing funds in supporting financing programmes and institutions targeted at women;

(f) Integrating gender in Governments budgeting in the countries of the region;

(g) Making employment opportunities available for women through self-employment in order to open more areas for the participation of women in small and medium-sized enterprises and support industries that supply highly competitive sectors;

(h) Encouraging business incubators for the establishment and support of small businesses targeting women;

(i) Giving women and men equal opportunities to access resources and have control over them;

(j) Making social security programmes effective under the global financial crisis;

(k) Empowering women in the informal sector;

(l) Revising legislations that discriminate against women and that can exacerbate the impacts of the global financial crisis on them;

(m) Strengthening the principle of the responsibility of companies and business owners towards society in general and women in particular.
