

Informal Summary

Coordination Segment 2009 Economic and Social Council

Panel discussion on “*The impact of the financial and economic crisis on sustainable development, particularly their social implications*”
United Nations Office, Geneva, 13 July 2009

Chair: H.E. Mr. Somduth Soborun, Vice-President of ECOSOC
Panelists: Mr. Juan Somavia, Director-General ILO
Mr. Harsha V. Singh, Deputy Director-General, WTO
Ms. Helen Clark, Administrator, UNDP
Mr. Antonio Maria Costa, Executive Director (UNODC)
Ms. Noeleen Heyzer, Under-Secretary-General of the United Nations and Executive Secretary of ESCAP
Ms. Hilde Johnson, Deputy Executive Director (UNICEF)

Ms Helen Clark, Administrator of the United Nations Development Programme (UNDP) stressed that the economic crisis would provoke an alarming decline in social conditions in the developing world. Furthermore she pointed out that those least responsible for the crisis, meaning the poorest and most vulnerable, stood to bear the brunt of its effects.

She acknowledged that forceful policy actions at national and international level had already prevented the collapse of the global financial system. However, for many developing countries those decisions had not translated into concrete realities. It was only now that the full impact of the crisis was being felt, particularly in sectors relating to exports, investment and remittances.

Ms. Clark explained that a decline in revenue consequently reduces the ability of national governments to respond to their peoples' needs, at a time when social protection was most required. She noted that without proper interventions, the toll on human development, and particularly human suffering, will be felt for years to come in developing countries.

As recognized at the UN conference on financial and economic crisis, it was imperative to scale up and coordinate the UN action. There is also a need for adequate support to be provided for the UN development system's crisis response. Providing the right type of support will prevent sliding back the Millennium Development Goals, and risking the progress already achieved. Ms. Clark elaborated on the programmes UNDP has undertaken, notably in designing appropriate programmes and policy responses on how to protect the most vulnerable through social protection initiatives.

Furthermore, she noted that the compounding of recent food and energy crises, climate change, as well as the influenza pandemic points out the inter-connected challenges we were faced with. In particular, these challenges threatened to overwhelm the already limited capacity of poor

countries. It therefore reminded us of the importance of developing the critical capacity to make nations and communities more resilient to shocks in the longer term. It also pointed to the importance of integrated approach to dealing with multiple and interlinked challenges.

With the ever-present challenge of climate change, work on implementing greener economies was critical for the wellbeing of all. She stressed that now was the time for countries to invest part of their budget in green technologies and appropriate infrastructure for a low-carbon route to development.

To conclude, Ms. Clark stressed the need for the international community to honour its commitment to achieving the MDGs by 2015. To do so, ODA pledges must be met to support low-income countries through the current crisis. That way the worst fears regarding the impact of the global recession on human development could be averted.

Mr. Juan Somavia, Director-General of the International Labour Organization (ILO) explained that although we often talk and promote sustainable development, we were still very far from that paradigm. Instead the economic system of the past decade lacks logic, and for that reason we were now faced with a global crisis. The consequence was that we were now backsliding in the Millennium Development Goals and the middle classes were increasingly feeling the negative impact of the crisis.

A global situation necessitated global solutions. And we will not be able to come out of this global crisis without realising and acknowledging our interconnectedness. Mr. Somavia stressed that now we faced a whole range of complex issues; we weren't simply going through a financial crisis, but also a food and inequality crisis. Inequality was also born from the set of policies we undertook. Salaries, he described, were going down as capital and profit were rising. It was time to balance out economic, social and environmental policies.

Mr. Somavia stated that the time had come for urgent implementation of policies that can rectify these imbalances. Employment and social protection should be the central preoccupation of governments, as they were the people's agenda. People are increasingly concerned about their household income and their ability to maintain themselves during these crises. But above all they want their voices to be heard.

So how do we move forward now? Sustainable development was the best approach but it must be in a global context. Mr. Somavia explained that we have experienced the economic crisis together, and the failings of past policies. With this in mind we must go down a different path both at the national and international level.

Coordination, he said, should be viewed as essential by both governments and agencies. Not much can be accomplished unless coordination takes place and leadership was present. And the Economic and Social Council (ECOSOC) and the whole United Nations system were we can look for such coordination. To conclude, Mr. Somavia acknowledged the importance of ECOSOC in the following years. It had the potential of producing much more, particularly as it had the mandate in both economic and social spheres. As this mandate exists, we now needed the political will and decisions to make sustainable development realizable. He furthermore insisted

that this was the right place and time to realise such goals.

Mr. Antonio Maria Costa, Executive Director of the United Nations Office on Drugs and Crime (UNODC) emphasized the need to protect the most vulnerable in times of economic difficulty from criminal intentions or acts.

He stressed the importance of supporting governments in developing countries to establish the rule of law, fostering sustainable development and socio-economic growth. These, he said, were indispensable factors in reducing countries' vulnerability to drugs, crime and terrorism.

Mr. Costa furthermore pointed out the dilemma of globalization: on the one hand, in the past decade the world economy has expanded at an impressive rate, but at the same time, illicit activities have spread beyond national borders, becoming international threats. Mr. Costa added that the spread of crime during a time of economic crisis worsens the world situation. Therefore, the link between poverty and crime should not be underestimated: "greater poverty means greater vulnerability to smuggling and trafficking."

The Executive Director of UNODC recommended strengthening the cooperation of all relevant United Nations system organizations and underlined the need for shared responsibility. For example, UNODC was already working with Interpol, DPA and DPKO to prevent crime and other acts of violence from derailing peace keeping efforts and peace building processes. Cooperation with other partners was of equal importance, such as UNICEF and UNHCR to reduce the vulnerability of children and refugees, as well as Habitat in crime prevention in run-down neighbourhoods.

Ms. Noeleen Heyzer, Executive Secretary of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) described the difficulties of realizing sustainable development during economic recessions. Governments now are faced with the dilemma of alarming unemployment rates, an increase in poverty and income insecurity. To illustrate her point she used the Asia-Pacific region as her prime example.

Despite the economic recession, she explained, ESCAP was supporting its member states to adopt an agenda for inclusive and sustainable development in the economic, social and ecological sectors. Furthermore ESCAP was gathering information regarding development deficits and inequalities in the region. Ms. Heyzer pointed out that this economic and trade crisis threatened the job and income security of at least 24.8 million inhabitants in the region. The most vulnerable were those that were already poor and workers (mostly women and migrants) in the informal sector. As Asia and the Pacific region included five of the main remittance-receiving economies in the world (Bangladesh, China, India, Pakistan and the Philippines) the region was suffering strongly from the decline of remittances.

Ms. Heyzer introduced two inter-linked policy responses promoted by ESCAP in dealing with the social implications of the economic crisis:

- First, developing the foundation for social protection must be seen as an economic investment rather than a social cost

- Secondly, fiscal stimulus packages must be engendered and recognise the role of women, particularly in the manufacturing and agricultural sectors where women play a significant role.

The range of policy responses that have been initiated by governments in the region, demonstrated just how diverse Asia is. Excluding China, developing countries in the region faced a reduction in export earnings, remittances and the collapse of their service sectors. Unless there was a chance of financial and economic recovery in sight, these countries will become increasingly dependent on foreign aid and other donations.

She emphasized that green technology provided a new opportunity for these countries to become leaders in the current climate change debate. Taking a greener approach for future economic performance was an investment both socially and politically. Green technology uses environmental resources more productively, maintaining or restoring environmental quality and ecological integrity, while meeting the needs of all people. But implementing this agenda required certain financial flows and governmental actions in favour of open trade policies.

Ms. Heyzer stressed that the economic crisis must be used as an opportunity to move from individual country responses to a more integrated and coordinated regional approach. Public-private partnerships (PPP) should be used to mobilize still untouched resources and encourage the business sector to support environmentally-friendly technologies. Ms. Heyzer concluded by noting that ESCAP provided countries with a forum to share experiences regarding development activities in the region, thereby, providing participants the possibility to coordinate effectively and reinforce national emergency infrastructure.

Mr. Harsha Vardhana Singh, Deputy Director-General of the World Trade Organization (WTO) stated that according to the World Bank global output would fall by 2.9% in 2009 compared to the previous estimate of 1.7%, making the effects of the economic crisis far worse than originally anticipated. OECD also released a picture of greater decline of GDP for many developed countries and there will be a decline in international trade (now estimated at 10% by the WTO).

What did this represent? This forecast indicates that recovery is expected to be weak, and thus aggravates social conditions, particularly concerning the fulfilment of various Millennium Development Goals. If this crisis continues in 2010, some parts of the world economy will have the same GDP level as 2006, effectively showing that there has been no progress in three years.

The crisis has demonstrated very clearly the need for nations to work together. The multiple inter-linkages between crises (food, economic, commodity prices) signify that no one country can deal alone with these problems. To respond to these challenges, certain policy measures need to be taken, prioritizing regulatory mechanisms, capacity building and safety nets, and strengthening green growth. Special emphasis needs to be placed on international trade, as it was the engine of sustained economic growth. Furthermore, Mr. Singh stressed the importance of curbing protectionist measures, despite the tempting decisions of taking such measures.

Mr. Singh pointed out that a careful approach must be taken in the area of international trade, as

any action taken may have major repercussions on other global concerns, thus intensifying the current economic crisis.

He said it was noteworthy that at present there were a number of countries undertaking trade liberalization or similar measures, nevertheless, protectionism measures are double the number of market opening measures. Lowering these figures in favour of trade openings was crucial for the speed of recovery. Mr. Singh concluded by reiterating WTO's call for an early and ambitious conclusion to the Doha Round, thus increasing market access and trade flows necessary to meet the needs of developing countries.

Ms. Hilde Johnson, Deputy Executive Director of the United Nations Children's Fund (UNICEF) insisted that country-level decisions must take into consideration global dimensions. Now was the time to do more, and to do it better. She outlined the general impacts of the crisis, such as the decline in global economic output and governmental budgets, and named those bereaved: women and children. The financial and economic crisis, she explained, comes at a time of food insecurity and thus we will observe three major trends in the world situation:

- More hunger
- More diseases, violence and stress
- More child labour and less education

Ms. Johnson stressed that the most vulnerable countries should not be hit again, and it was therefore imperative for developed countries to continue sending aid. She noted that if there was one point in time when aid should increase, it was in a time of crisis. She further highlighted that social protection should be regarded as a national priority, especially as the current crisis threatens achievements made and was undermining global efforts to reach the Millennium Development Goals.

Some governments, such as Brazil, China and Indonesia, were consciously stepping up their efforts to protect their vulnerable populations and have enforced social protection programmes. This crisis, she explained, should be used as an opportunity to create more resilient systems and to build health-related, educational and social protection programmes to mitigate the economic crisis and prepare for future challenges.

Ms. Johnson welcomed the \$20 million for agriculture provided by the Group of Eight to tackle the complexity of the crisis. However, three things had to be kept in mind:

- We must help countries to find their way to protect social and economic gains
- Identify where gaps are present
- Funds should be provided, whether contributed through the Vulnerability Facility and the Rapid Response Mechanism of the World Bank or other bilateral funding for programmes and resources.

She concluded by highlighting the importance of more knowledge about where, when and how people will be hit by an economic recession. To do so will leave enough time for governments to respond appropriately during and after the crisis. Therefore, gathering valuable information will allow for an early warning mechanism and other related systems to be implemented.

Interactive Dialogue

Delegations agreed on the importance of global coordination to deal with the economic and financial crisis. The UN, and particularly the Economic and social Council should ensure better coordination and coherence. It was noted that there was a need for a strong United Nations, with better regional mechanisms to deal effectively with the crisis in a global manner to have a practical transformational change.

A global way out of the crisis could be achieved through transfer of resources, transfer of technology, market access and various other mechanisms. The world needed consistency between regional, national and international measures; moreover, promises and decisions from countries of the North needed to be more effective, particularly with regard to aid effectiveness.

Several delegations from developing countries urged developed countries to help them find their way out of the crisis; they also called for quicker delivery on the commitments from countries of the North.

Several delegations expressed their concern over the possible negative impact of the financial crisis on the achievement of the Millennium Development Goals. One delegation remarked that the specialized agencies should be called upon to coordinate their efforts better in responding to the challenges raised by the crisis, in particular, the ILO to deal with social aspects of the crisis which were going to be increasingly evident.

In their responses to questions raised, panellists highlighted the UN system-wide response to the crisis, and stated that financing issues were crucial and that green growth would pay off in the long run. One panellist challenged the view that the developed world wished to push for a green economy and that the developing world was resisting. His view was that developing world indeed supported a green approach as being useful for the future. In addition, transformational change was important, particularly in terms of ethics.

Another panellist stressed that it was time to focus on a strategy that would address poverty reduction, together with closing the gaps in disparities, as well as the issue of sustainability. It is a huge human challenge, but this is also a worthwhile human journey. The importance of ensuring greater intra-regional markets, as well as greater South-South markets was underlined. Countries that never created crises of this nature did not have to pay the price.

In response to a question from one delegation on the issue of protectionist measures, Mr. Singh referred to a WTO report that studies both trade-restricting and trade-distorting measures. He noted that the economy was already moving towards recovery because several leaders and organizations had come together as never before.

The importance of counter-cyclical macroeconomic measures and the need for measures to reduce inequalities was also stressed. There was a global need for commitment by rich countries as well as middle-income countries to deliver financing to the poorest countries.