

Full Contributions

E-discussion on the Impact of the Global Financial and Economic Crisis (June 3 -24, 2009)

[Facilitator's Note: Please find below contributions by Mr. Peter Söderbaum, Ms. <https://webmail.undp.org/OWA/redirect.aspx?C=3f232d40d2a74caab0112ce18785c259&URL=http%3a%2f%2fwww.undp.org%2f> Fatou Leigh, Ms. Mireille Linjouom, Mr. Michel Disonama, Mr. Philip Dobie, Prof. Stephany Griffith-Jones, Ms. Victoria Chisala, Ms. Annie Demirjian, Mr. Kasirim Nwuke, Ms. Shulamith Koenig, Mr. Mutanda Kankolongo, and Mr. Sering Falu Njie. Thank you all very much for your contributions]

1. [Need for Democratized and Pluralistic Economics](#)
2. [Sub-Saharan African Countries with Diversified Economies and Development Partner's Roles](#)
3. [Case in the Democratic Republic of Congo \(DRC\)](#)
4. [Root Cause of the Crisis and Ways Forward](#)
5. [Integration of Environmental and Social Issues](#)
6. [Policy Brief Paper on "Reforming Governance of International Financial Regulation: Have the G20 done enough? \[Please see attached Word document\]](#)
7. [Redesigning of Strategic Focus and Aid Instruments](#)
8. [Regulatory Reform Gaps in East European and CIS Countries](#)
9. [Core Development Challenges in Africa](#)
10. [Human Rights Perspective](#)
11. [More Harmonized Intervention: Case in the Democratic Republic of Congo](#)
12. [Aid and the Global Economic Crisis](#)

June 19, 2009

Mr. Peter Söderbaum, Malardalen University [E-mail Address](#)

1. Need for Democratized and Pluralistic Economics

I would like to raise two points. One is that we should deal with the financial crisis and the ecological and social crisis simultaneously. What I refer to as 'monetary reductionism' is a major problem.

The other point is that economics needs to be democratized and pluralistic. Neoclassical economics is science in some sense but at the same time ideology. The monopoly position of neoclassical economics (neoclassical economists) at most university departments of economics

globally can therefore not be defended. Neoclassical economics is just one approach. We need competing theoretical and ideological perspectives as part of a pluralist strategy.

Best regards,

Peter Söderbaum,

Professor emeritus ecological economics, Mälardalen University, Västerås, Sweden

Ms. Fatou Leigh, UNDP-Kenya [Email Address](#)

2. Sub-Saharan African Countries with Diversified Economies and Development Partner's Roles

In contribution to the discussion below, I would like to add that there is growing evidence that countries in sub-Saharan Africa (SSA) that have diversified economies have been less hit by the financial crises –diversified economies both in terms of their products for exports as well as markets. For instance in 2004/05/06, Kenya's main trading partner for its export was the USA. With the emergence of the crises, Kenya's traded its exports mainly with Uganda, Tanzania and Europe. There was also significant trade with other African countries. With the crises, Kenya's exports are not falling as being manifested in many other countries in SSA, instead it is increasing. I must add that the sustainability of its increasing exports would again depend on the depth and spread of the crises but in the meantime, a buffer is being created for the economy. (Impact of the crises is being felt in lower ODAs, remittances, GDP).

Linking from the point above there is significant gains to be realized by exploring and developing trading potentials between SSA and African countries in particular. Issues on regionalization and developing common markets come to bear.

Finally, I would agree that development partners (DPs) should ensure that the Paris and Accra Declarations are implemented. This would require a medium to long term plan as institutional issues will need to be addressed. To begin with DPs can start by enhancing the predictability of resource flows. Even if absorptive capacity is considered, there is usually a big gap between what is pledged and what is disbursed. Importantly, at our own country levels, we should like to improve on transparency and accountability. Confidence is earned. Development partners may give us resources to spend but to rely on our governments' systems would require that we have transparent and accountable procurement, financial management and audit systems. IT is therefore a priority that credible systems are developed. Countries in SSA should also take the lead in their own country strategies and consequently harmonized partners' interventions.

Best regards,

Fatou Leigh

Economic Advisor, UNDP-Kenya

Tel: 254 20 762 5282

Fax: 254 20 762 4463

Email: fatou.leigh@undp.org

Website: www.ke.undp.org

Ms. Mireille Linjouom, UNDP-Democratic Republic of Congo [Email Address](#)

3. Case in the Democratic Republic of Congo (DRC)

My answer will be around the brief analysis on the impact of the international system intervention to address the current situation in DRC and an opportunity for UNDP to enhance its role of advocacy support to the Government.

1. Development partners responses and DRC economic perspective

In response to the current situation, several development partners catalyzed financing for proposed emergency operation to mitigate the impacts of the financial crisis on DRC. In early March 2009, IMF approved a disbursement of USD \$195.5 million to DRC under the Rapid Access Component of the Exogenous Shocks Facilities in order to help mitigate the impact of the terms of trade shock on the economy and facilitate the economy's adjustment to the shocks. The World Bank agreed to provide an emergency grant of USD \$100 million to the DRC Government to cover immediate costs associated with the delivery of basic social services. African Development Bank planned to disburse USD \$8 million to invest in an important agriculture production unit in Kinshasa.

In that context, the growth rate is expected to improve in the medium term. Economic growth should pick up to 6.5% over the period 2010-11 thanks to the recovery of the activity in the mining sectors and construction. The budget policies and monetary should be carried out carefully to avoid any expansion of the monetary base. Foreign exchange rate is expected to average FC 850 against USD 1 in 2009 and the forecast inflation will average 15% in 2010 and 12% at the end of the programme.

The balance of the current transactions is expected to reach 35% of the GDP by the end of 2009 as compared to 24% of the GDP in 2008. However, the level of the international reserves will improve by USD \$280 million at the end of December 2009, corresponding to a 2.9 million week imports value.

The DR Congo is still over indebted and is still struggling with debt service payments. External debt amounted to some USD \$12 billion (104% of GDP) as of December 2008 of which multilateral and bilateral were respectively estimated at USD 4 billion (37% of GDP) and USD \$8 billion (62% of GDP). The debt sustainability analysis shows that despite both the stabilization of the security situation and the strengthening of macroeconomic and structural policies, the indicators of foreign debt will continue to exceed the thresholds of reference without support of the HIPC Debt Initiative.

2. *How UNDP Could Respond to the Crisis?*

The current discussions between DRC authorities and the IMF for a new economic program is an opportunity for UNDP to enhance the advocacy support to the government. Based on the two pillars of the country program, Poverty reduction and good governance, UNDP's interventions could focus on the following:

- Supporting the government, through policy advocacy in effective policy design as well as in building capacity at the national and local levels. With regard to policy advocacy, the potential entry point would be the PRSP and MTEF processes, thematic groups, and aid coordination mechanisms. UNDP would assist in identifying key constraints for development that would be addressed in the next PRSP-II, prioritizing key areas for maximum development impact and proposing most effective policies particularly for reducing poverty and achieving MDGs, public sector capacity building training program and structural reform of public service.
- Playing the role of a catalyst in areas that are led by other agencies such as coordinating UN engagement with national authorities where UNDP can use its strategic position to ensure policy attention to key issues such as agriculture, mining, environment sector.
- Building capacity of the steering committee in charge of monitoring and implementing the Economic Programme by strengthening the leadership role of the Office Prime Minister Office. This action would catalyze efforts made in key areas of reforms and enable the country to reach the Completion Point under Enhanced HIPC Debt Relief Initiative.
- Strong Advocacy for the set up of an inter-ministerial MDG committee, including development partners such as the World Bank, IMF, WHO, UNICEF, among others, to provide technical support and regular monitoring of progress against agreed key performance indicators.

Providing effective support to aid coordination and aid effectiveness through policy advocacy centered around three key areas:

- (i) Analysis of DRC's aid cartography
- (ii) Review of mechanisms and instruments for the implementation of programmes
- (iii) Review of the functioning of aid architecture.

Mireille Linjouom
Economic Advisor, UNDP-DRC
Email: mireille.linjouom@undp.org

June 22, 2009

4. Root Causes of the Financial Crisis and Ways Forward

Q: How can the system of global economic governance be best strengthened for the future?

The multiple financial crises of these last years knew the same scenario: the banks lent massively to speculators benefitting from high allowances for risk. It is important to treat this true cause of the crises by the following:

- 1. To restore the moral risk:** It is urgent to suspend refunding of the State in financial crisis and procedure of resolution of bankruptcy, so that the creditors must support the losses coming from their own risks, the banks cease lending “eyes closed” to speculators, and the countries in crisis can be raised without having debt to compensate their “torturers”.
- 2. To widen the traceability of the international financial transactions:** The current opacity of the international financial transactions is one of major handicaps and avoids knowing clearly “which done what and with aim”. It is thus urgent to guarantee the traceability of the financial transactions, from their origin to their liquidation. It would be enough for example to have, at world level, a single coding, “widened ISIN” to all international financial transactions.
- 3. To found a public control of the clearing companies:** Without real control, like currently, the companies of clearing can become a veritable channel of international financial criminality. It is important and urgent to found a public control while placing these organizations under the democratic control of an international public authority (UN for example).

Version française

Les multiples crises financières de ces dernières années ont connu le même scénario : les banques ont prêté massivement à des spéculateurs profitant de primes de risque élevées. Il est important de traiter ces vraies causes de ces crises par les mesures suivantes :

- 1. Rétablir l’alea moral :** Il est urgent de **suspendre** des remboursements des Etats en crise par des procédures de **résolution de faillite**, afin que les créanciers supportent les pertes provenant de leurs propres risques, que les banques cessent de **prêter les yeux fermés** à des spéculateurs, et que les pays en crise puissent se relever sans avoir à s’endetter encore davantage pour indemniser leurs « bourreaux ».
- 2. Elargir la traçabilité des transactions financières internationales :** L’opacité actuelle des transactions financières internationales est un handicap majeur et empêche de savoir clairement « qui y fait quoi et dans quel but ». il est donc urgent de garantir la traçabilité des opérations financières, depuis leur origine jusqu’à leur liquidation. Il

suffirait par exemple de convenir au niveau mondial **d'une codification unique, sorte de « ISIN élargi » à toutes les transactions financières internationales.**

- 3. Instaurer un contrôle public des sociétés de clearing** : Sans contrôle réel, comme c'est le cas actuellement, les sociétés de clearing peuvent devenir des puissants canaux de criminalité financière internationale. Il est important et urgent d'instaurer un contrôle public **en plaçant ces organismes sous le contrôle démocratique d'une instance publique internationale (Nations Unies par exemple).**

Mr. Philip Dobie, UNDP [Email Address](#)

5. Integration of Environmental and Social Issues

Peter Söderbaum brings up two related issues: the need to deal with the financial, economic and social crises simultaneously, and the hegemony of neo-liberal economics.

There is an urgent need to integrate environmental and social issues into our economic planning approaches, including the response to the current global crisis. Integrating the management of the economic, environmental and social elements of development was the basis behind the concept of sustainable development adopted by the world at the Earth Summit in 1992. All these years later many of the crises that we are facing – climate change, disappearing water resources, high food prices, land degradation, migration from dry and degraded parts of the world, conflict over resources – have much to do with our global failure to shift towards a sustainable form of development. We are now faced with a choice. Do we wish to fight our way out of this global recession only to return to business-as-usual? Or, will we recognize that to do so will soon fail when we repeat all of our mistakes? With political will, there is an ideal opportunity to invest in a sustainable recovery, including the generation of millions of “green” jobs, investment in efficiency and reducing waste.

Neo-liberal economics have certainly not helped the quest for sustainable development. In the past, little effort has been made to assign a value to the environment, therefore effectively setting its value at zero, with inevitable consequences. However, David Pearce and his co-workers set out over 20 years ago to demonstrate that conventional environmental tools, such as cost-benefit analysis, could be used to analyze the need to invest in environmental management. More recently, Nicholas Stern demonstrated convincingly the likely future costs of climate change. Many economic valuations and Stern's macro-level report point to the same conclusion: it is often more cost-effective to invest in environmental management now than to spend to mitigate the effects of environmental degradation later. The joint UNDP/UNEP Poverty Environment Initiative (PEI) is working with a number of countries to demonstrate on the basis of evidence that environmental management contributes to poverty alleviation while environmental degradation causes impoverishment. On this basis, a pragmatic and practical case can be made for investing in environmental management. (www.unpei.org)

What can UNDP do? Through its Environment and Energy Group UNDP will respond to the challenges of climate change, support the reduction of greenhouse gas emissions and help poor countries to adapt to the effects of climate change. UNDP is already an advocate of “green” recovery, and will continue to provide practical advice to countries on how to integrate

environment into their development strategies and plans. UNDP will help to build capacities so that economic planners better understand the value of the environment. Given the reality that the poorest countries of the world are highly dependent on natural resources for current livelihoods and future opportunities, the case for managing those resources must be made. However, for us to do this effectively will require us to be much better integrated internally. We still tend to think in our silos. This discussion is going out on the networks of the MDGs, Democratic Governance and Poverty. But not Environment. Of necessity we need to discuss matters within our networks and it would be impossible to draw everyone into each discussion. However, the UN will make a huge mistake if it corporately fails to understand that resource limitations are already having local and global effects, and climate change will make matters worse. Any discussion on the future of the global economy will make little sense in the long run without taking into account the environment, as Peter Söderbaum so helpfully pointed out.

Philip Dobie
Director, UNDP/UNEP Poverty-Environment Facility
Tel: +254 20 762 2057
Website: www.unpei.org

June 23, 2009

Prof. Stephany Griffith-Jones, Columbia University [E-mail Address](#)

6. Policy Brief Paper on “Reforming Governance of International Financial Regulation: Have the G20 done enough? [Please see the text box below for the original paper]

As a contribution to the debate, please find attached a recent Policy brief I wrote with Kevin Young on reforming financial governance. Hope this is helpful. [See attached].

Best,

Stepahny
Professor Stephany Griffith-Jones
Executive Director
Initiative for Policy Dialogue
Columbia University
818 International Affairs Building
420 West 118th Street, MC3355
New York, NY 10027

Reforming Governance of International Financial Regulation; Have the G20 Done Enough? (Hewlett IPD Policy Brief 1)

By Stephany Griffith-Jones and Kevin Young

Following the worst financial crisis in a generation, the effectiveness of regulation of

international finance has been called into question. The global institutions which provide the international standards and rules for the world had also been profoundly undemocratic through their exclusion of developing countries. Following the crisis, and the G20's reaction to it, significant reforms have taken place to include members from developing countries for the first time in regulatory financial bodies. In what follows, we will examine these reforms and suggest further improvements that would not only improve governance but also serve to make financial regulation more effective for the future.

The critique of past governance

In the years before the current global financial crisis, critique of the composition of global financial regulatory institutions was widespread. In 2002, the United Nations International Conference on Financing for Development produced what was known as the Monterrey Consensus. Among the many points agreed by over fifty Heads of State and two hundred Ministers of Finance, Foreign Affairs, Development and Trade was that the institutions of global financial governance such as the Bank for International Settlements, the Basel Committee on Banking Supervision and the Financial Stability Forum should "...enhance their outreach and consultation with developing countries..." and should "...review their membership to allow for adequate participation of developing countries." The lack of developing country representation had before and since been critiqued extensively by various academics and NGOs around the world. While the Bank for International Settlements expanded its membership somewhat¹, institutions such as the Financial Stability Forum (FSF) and the Basel Committee on Banking Supervision (BCBS) continued till recently to exclude any formal participation from developing countries.

Because of the BCBS's important and authoritative role in setting the international banking standards for the world, it received the lion's share of the critique. Networks of academics and NGOs also advocated for the reform of the international regulatory institutions more widely. The Committee's exclusion of developing countries, it was pointed out, distorted and biased the policies designed, making them both ineffective in general and contrary to the interests of the developing world.² Even the former Director of the UK Financial Stability Authority, Howard Davies, pointed out the massive discrepancy between financially significant countries and membership on the Basel Committee, and argued that membership should be revised.³

Problems the Old System Generated

Deficiencies in the governance of the international financial regulatory institutions generated a number of weaknesses in regulation. While the system of informal information sharing, coordination and communication witnessed some advances, the formal regulatory policies pursued were inadequate. There was a strong set of incentives to promote the financial

¹ Not only did the BIS expand its central bank membership, in 2006 it also included central bank governors from developing countries (Mexico and China) on its Board of Directors.

² See for example Stephany Griffith-Jones and Avinash Persaud, "The Pro-cyclical Impact of Basle II on Emerging Markets and its Political Economy" in Joseph Stiglitz and Jose Antonio Ocampo (Eds.), *Capital Market Liberalization and Development* (Oxford: Oxford University Press, 2008).

³ See Howard Davies, "A Review of the Review", *Financial Markets, Institutions & Instruments* Vol. 14, No. 5 (December 2005), pp. 247-252.

services sector that competed with the focus to manage risks within it. Especially countries such as the US and UK with extensive and sophisticated financial sectors had an incentive to protect their booming and profitable financial sectors. By under-regulating, systemic risk was allowed to build up. Many of the approaches taken, such as the drive toward quantitative, model-driven, and fundamentally microeconomic approaches to risk reflected a confidence that large banks could measure risk parameters themselves. Several major developing countries were much more skeptical of such approaches, their feasibility and effectiveness, and were fearful of the pro-cyclical dimensions of the regulations developed (i.e. their capacity to exacerbate swings in the economic cycle). If they had had a seat at the BCBS table, their positions may have well improved decision making and policy design.

Recent Reforms: Important Steps in the Right Direction

In the midst of the recent global financial crisis, there have finally been significant expansions of the memberships of the global financial regulatory institutions. These reforms demonstrate that under the right conditions of critique, global financial regulatory institutions can be pressured to reform their memberships.⁴ In the context of a major crisis in the core countries, the collaboration of developing countries is needed to resolve the dilemmas of both legitimacy and effectiveness of these institutions. Following the Washington G20 Summit in November 2008 which encouraged the international financial standard setting bodies to review their governance, a number of important institutions expanded their memberships, particularly to developing and emerging countries. Table 1 summarizes these changes in the public regulatory institutions.

Table 1: Recent Membership Reforms since the G20's Call for Reform

Global Financial Regulatory Body	Previous Membership	Previous Membership From Developing Countries	Time of Expansion	Expansion to Include Members from:
IOSCO	Australia, France, Germany, Hong Kong, Italy, Japan, Mexico, Netherlands, Canada, Spain, Switzerland, UK, USA.	Mexico	February 2009	Brazil, India, China
BCBS	Belgium, Canada, France,	None	March	Australia, Brazil,

⁴ See David Held and Kevin Young, “Global Financial Governance: Principles for Reform” *LSE Ideas: Special Report on the Financial Crisis* (London: London School of Economics and Political Science, March 2009) pp. 13-18.

⁵ Private international standard-setting bodies such as the International Accounting Standards Board also expanded their membership, committing to an expansion from 14 to 16 members, and guaranteed some greater geographical diversity on its Board.

⁶ Values of gross domestic savings are only available for end-2005; they represent gross domestic savings in US dollars. Source: World Bank World Development Indicators.

Values, for total reserves in US dollars, and exclude Gold holdings, from end 2007. Source: World Bank World Development Indicators.

	Germany, Italy, Japan, Luxemburg, Netherlands, Spain, Switzerland, Sweden, United Kingdom, United States.		2009	China, India, Korea, Mexico, and Russia.
FSF/B	Australia, Canada, France, Germany, Hong Kong, Italy, Japan, Netherlands, Singapore, Switzerland, UK, USA.	None	March 2009	Argentina, Brazil, China, India, South Korea, Mexico, Russia, Saudi Arabia, Turkey, Spain, European Commission

Early in 2009, the Technical Committee of the International Organization of Securities Commissions Organization (IOSCO), which before had no developing country members aside from Mexico, expanded its membership to include Brazil, India, and China.⁵ In March, approaching the deadline set by the G20 for reform, two more expansions occurred. First the Basel Committee on Banking Supervision expanded its membership to include developing countries for the first time, adding Brazil, China, India, South Korea, and Mexico in addition to Australia and Russia. As Figure 1 illustrates below, this closed a remarkably large gap in the degree of representation in the Committee in terms of the countries which supervise the largest 50 banks in the world. However, countries with relatively smaller banks are still not adequately represented, which means that banking regulation may continue to reflect excessively interests of large banks. Shortly thereafter the Financial Stability Forum increased its membership to include the entire G20, plus Spain and the European Commission, and has since been renamed the Financial Stability Board, to reflect that it would be given additional powers. This expansion of membership was also significant, as shown by Figures 2 and 3 below which illustrate that, measured both in terms of world savings and world reserves, the Financial Stability Board now has much more equitable representation than its predecessor.

Figure 1: Percentage of Top 50 Banks (by Market Capitalization) With Regulators Represented in the Basel Committee, March and April 2009

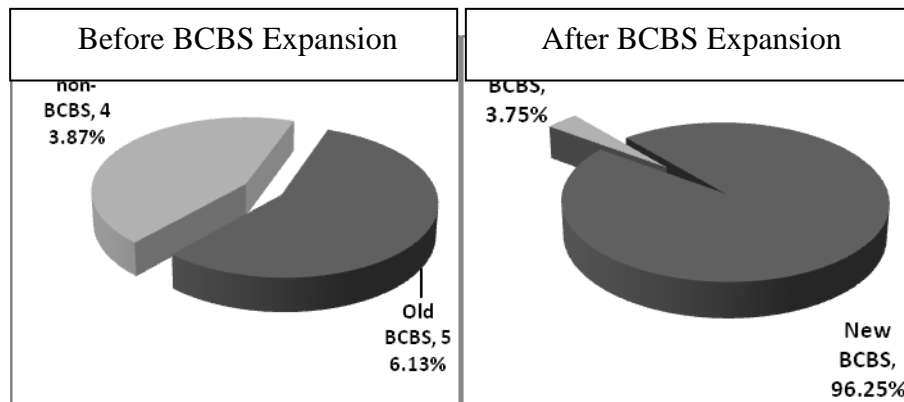
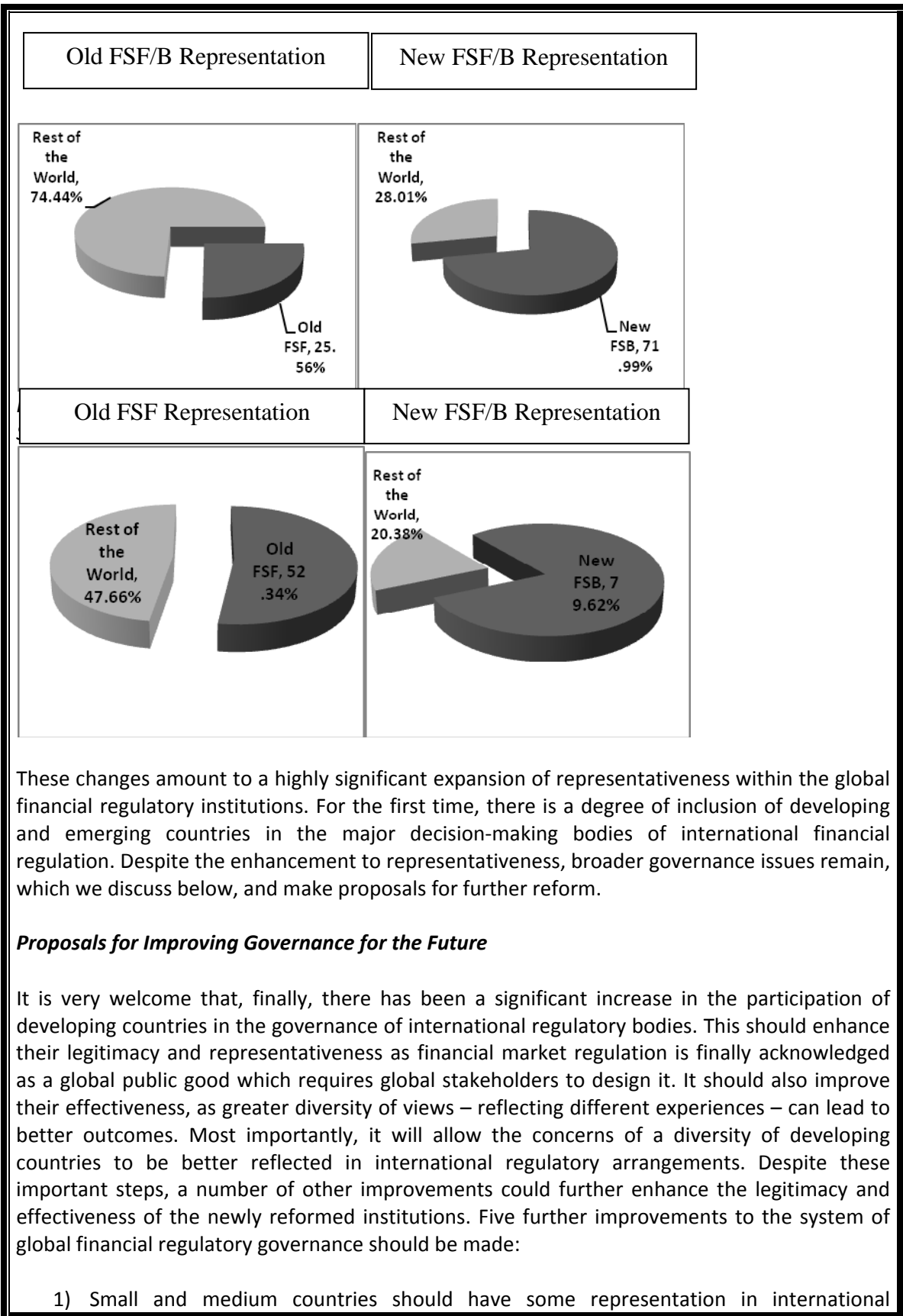


Figure 2: Representativeness of the Financial Stability Forum/Board Measured by World Reserves⁶



These changes amount to a highly significant expansion of representativeness within the global financial regulatory institutions. For the first time, there is a degree of inclusion of developing and emerging countries in the major decision-making bodies of international financial regulation. Despite the enhancement to representativeness, broader governance issues remain, which we discuss below, and make proposals for further reform.

Proposals for Improving Governance for the Future

It is very welcome that, finally, there has been a significant increase in the participation of developing countries in the governance of international regulatory bodies. This should enhance their legitimacy and representativeness as financial market regulation is finally acknowledged as a global public good which requires global stakeholders to design it. It should also improve their effectiveness, as greater diversity of views – reflecting different experiences – can lead to better outcomes. Most importantly, it will allow the concerns of a diversity of developing countries to be better reflected in international regulatory arrangements. Despite these important steps, a number of other improvements could further enhance the legitimacy and effectiveness of the newly reformed institutions. Five further improvements to the system of global financial regulatory governance should be made:

- 1) Small and medium countries should have some representation in international

regulatory bodies. This will firstly ensure that their concerns (e.g. of simpler regulations, as well as of ensuring greater regulatory power of smaller countries over large international banks, via for example host country regulations) are heard. Secondly, since in many of these countries the financial sector is relatively smaller, their financial regulators may be more functionally independent and less at risk of capture by financial interests. Finally, regulation would reflect less exclusively the interests and preferences of large banks, and be more appropriate for regulating smaller banks. Small and medium countries could be represented in international regulatory bodies on a rotating basis, for example, based on three regions (e.g. Asia, Africa and Middle East, as well as Latin America and the Caribbean).

- 2) Attempts could be made to include some forms of representation from non-financial stakeholders, such as unions, and non-financial corporations in international, as well as national, financial regulatory bodies. This would help balance their concerns, needs and perspectives (focused on sustained growth, employment, and long term financial stability) with those of the financial industry which are more unilaterally focused on short-term financial profits.
- 3) Financial regulatory bodies should be made accountable to established forms of political representation. This may include some system of accountability to national parliaments by national regulators and, reflecting international financial interdependence and globalization, should include accountability of international regulatory bodies to multilateral democratic institutions such as the United Nations.
- 4) Given that some developing countries now for the first time have a place in key international regulatory bodies such as the FSF/B and the BCBS, it seems desirable to have a technical secretariat created by developing countries to serve them. This secretariat could prepare or commission studies, provide a forum for debate amongst developing countries and help – where relevant – to define developing country positions on regulatory issues and needs, especially those that require international and/or developed country action. Measures to introduce some international regulation of the carry trade might be an example of this. Developing countries have benefited greatly from the support of the Group of 24 (G-24), which helps them develop their positions in relation to IMF and World Bank matters; a similar body, possibly linked to the G-24, could be created for international regulatory issues, to help develop developing country positions at the FSF/B, BCBS, and other relevant bodies.
- 5) The design and creation of a global financial regulator is one of the main institutional challenges that the international community faces after the global financial crisis. Such an institutional structure would be consistent with the fact that capital and banking markets have very large parts that operate at a global level. For the domain of the market to be consistent with the domain of the regulator, and thus avoid regulatory arbitrage between countries and financial centers, it is a highly desirable option to work toward. By pooling and sharing their power internationally regulators would be increasing their joint control over global financial markets, so those can better serve public policy goals. This would help to make costly financial crises less likely in the future, when financial markets are sure to be even more global, more sophisticated,

and even more difficult to contain and regulate than today.

Ms. Victoria Chisala, UNDP-Ethiopia [Email Address](#)

7. Redesigning of Strategic Focus and Aid Instruments

Dear Colleagues,

Please allow me to offer my thoughts on the global financial and economic crisis:

1. Re-Evaluate and Redesign UNDP Strategic Focus

UNDP's strategic focus was designed on the international environment at a point in time. This needs to be evaluated quickly and therefore a rapid response is essential. What are the needs now? Clearly, we may need to address the following:

Employment and income generation

While developing countries, particularly in Asia, had benefitted from outsourcing in areas of manufacturing, these areas are experiencing high levels of unemployment due to a decline in demand of a number of consumer goods. The high levels of unemployment need to be addressed and alternative found.

Social security

Larger numbers of people are unable to get jobs and therefore some social security measures will have to be developed where none had existed prior. In developing countries, the situation is exacerbated by the high dependency ratio. Cash transfers and other innovative measures would have to be developed to address the situation

Support to productive sectors

A large part of development assistance in the last decade has been concentrated in the social sectors (education, health, water and sanitation). While these services are important, it is important to provide investment in the productive sectors including agriculture, manufacturing (for the local market) and infrastructure.

2. Re-design of Aid Instruments

Given the risk of reduction of official development assistance (ODA), there is a need to redesign our programmes for maximum impact. The Executive Board has provided guidelines for participation in pooled funds [DP/2008/36]. This movement towards sector wide approaches is an important development that needs to be embraced given the resource constraints. In addition, UNDP needs to come up with other innovative ideas for the prompt delivery of aid. Concentration of resources in limited areas should be considered in line with the principle of division of labour among UN agencies

3. Taking a lead in international development discourse

UNDP needs to take a lead in the world of ideas that form the basis of development policy and practice. More importantly, this has to be in-house and not outsourced, in order to reflect the values that we as the United Nations stand for. Consideration of heterodox approaches to national and international financial management needs to be taken. In particular, African governments have expressed their disillusionment with the 'Washington Consensus' type policies and I quote:

*'A few months ago, the Prime Minister of the UK publicly declared that the Washington Consensus, which is the other term used to describe neo-liberal orthodoxy, is over and we need a new one.....While there may have been a neo-liberal consensus among major donors, **there was never any such consensus in Africa...** I think that replacing the Washington consensus with a new consensus is likely to be difficult and time consuming. We therefore have to settle for a lesser objective-that of creating space for various alternatives.'* Prime Minister of Ethiopia, Meles Zenawi, Regional Bureau for Africa meeting, June 2009.

Are we, as UNDP able to offer concrete alternatives and options?

Victoria Chisala, PhD
Programme Specialist
Development Assistance Group (DAG)
United Nations Development Programme
P.O. Box 5580, Addis Ababa, Ethiopia

June 24, 2009

Ms. Annie Demirjian, UNDP Bratislava [Email Address](#)

8. Regulatory Reform Gaps in East European and CIS Countries

Dear Stephany,

Thank you very much for sharing with us your concise and well thought out policy paper on '**Reforming Governance of international financial regulations**'. What surprised me most about the new regulatory bodies and the membership of developing countries is the absence of East European and & CIS countries. As you are aware the economic and financial crisis is hitting the region the hardest and we feel the worst is yet to come in terms of higher unemployment, bankruptcies and social unrest.

UNDP's Democratic Governance Practice at the Bratislava regional centre is preparing to address the regulatory reform gaps in the region and compiling a body of knowledge and best practices. We recognize that the challenges are huge and not only in the financial sector but others as well. To start with, we need to address the institutional/organizational capacity in the region to address these issues. OECD/SIGMA ([Support for Improvement in Governance and Management](#)) has done work in this area but in light of the crisis we need to develop new instruments and help build the national capacities.

I welcome your comments.

Annie Demirjian
Practice Leader
Democratic Governance, UNDP Bratislava

Mr. Kasirim Nwuke, UNECA [Email Address](#)

9. Core Development Challenges in Africa

The crisis will end - sooner than later. It is more a structural than systemic crisis in many parts of Africa and its worst impacts are yet to be seen in many countries of the region. The core development challenges of the region remain yet the tone and tenor of the discussion do at times suggest that the development challenges will be gone once the crisis is over.

I think we should see the crisis as one of the many challenges facing developing countries and reduce the amount of resources devoted to discussing it. We need to tame the "CNN-effect (or BBC-effect" or fire-brigade) on development practice and be more deliberate in our approach. There is too much incestuous inbreeding of ideas. Way too much in scarce intellectual resources has been devoted to this crisis.

It will end sooner than later. All crises come to an end. It is just a matter of time. Meanwhile, the core challenges - of reaching the targets of the MDGs in general, of poor human development indicators, poor infrastructure, climate change, etc remain.

Best,

Kasirim
Audi Alteram Partem

Ms. Shulamith Koenig, People's Movement for Human Rights Learning [Email Address](#)

10. Human Rights Perspective

Dear Mr. Disonama,

Please see attached that speaks for itself [[on human rights learning and economic crisis and GA resolution on HR learning](#)]. If the MDGs are about people, people must know human rights as a way of life. They are the ones who will participate in the decision that determines their lives guided by the holistic framework of human rights -- there is no other option but the lack of inclusion and misunderstanding of the indivisibility and interconnectedness.

It is time we all join to make sure to implement what the attached resolution calls for.

With respect and thank you for your attention,

Shulamith Koenig

PDHRE
People's Movement for Human Rights Learning
526 W. 111th Street Suite 4E, New York, NY 10025
Tel: +1-212-749-3156
Fax: +1-212-666-6325
Email: pdhre@igc.org
Website: www.pdhre.org

Mr. Nelly Mutanda Kankolongo [Email Address](#)

11. More Harmonized Intervention: Case in the Democratic Republic of Congo

The United Nations has certainly an incontestable added value and capacity to provide advice and support to strengthen nations' capacities. But with the financial and economic crisis, there is an urgent need to transform this value to more pragmatic interventions in the field. UNDP, as a development partner for countries, should combine interventions in governance and development, in particular fight against poverty and achievement of the MDGs, so that support in the institutional field (support for reforms, capacity building of beneficiaries and the structures or institutions, etc ...) is effectively complete by concrete support in the field of development (environment, micro finance, community development, etc ...) as a response to this crisis.

In the DRC under the Governance Programme 2008-2012, at the request of the Country Office, the Economic Governance component initiated a mission to evaluate the consequences of the international financial crisis on the mining province of Katanga (mining province of South Eastern DRC). This study will serve as a baseline for support that UNDP will provide in this province with the International Trade Center (ITC). To maximize the impact of the interventions UNDP has collaborated with ITC facilitating value added improvements in the business environment through advisory support to the mining sector. This partnership has provided the Government of the DRC with significant support and advice in the management of mining contracts when the mining sector in 2008 underwent an unprecedented drop in mineral commodity prices on the markets. At the same time the Government of the DRC considered reexamination of previously signed mining contracts. Such partnerships can anticipate, provide institutional support and consider possible development oriented solutions in the context of crises. The impact study of the international financial crisis in Katanga creates an opportunity to support deliberations by the Provincial Government on "post-mining," combining with the support of the FAO which has an incontestable added value in agriculture. All this enables the United Nations to provide support with more pragmatism and inclusiveness.

More partnership and consistent synchronization of institutional support and development activities could enable the United Nations in general and agencies in the field in particular to assist countries. Several studies conducted or requested by UNDP in the field of development

for example could now be response to help some countries to begin diversify their economy. Technical support could also be provided to regional economic organizations. Furthermore, partnership with other technical and financial partners such as the World Bank and the IMF by providing expertise in the reforms that could be conducted is another way to use our added value.

Nelly Kankolongo
Programme Specialist
Governance Unit

PNUD – Kinshasa (RDC)

Mobile: (+243) (0) 81 512 0 518

Website: <http://www.undp.org.cd>

Mr. Sering Falu Njie, UN Millennium Campaign [Email Address](#)

12. Aid and the Global Economic Crisis

The United Nations Millennium Campaign would like to share an analysis showing that since the inception of aid (overseas development assistance) almost 50 years ago, donor countries have given some \$2 trillion in aid. And yet over the past year, \$18 trillion has been found globally to bail out banks and other financial institutions. The amount of total aid over the past 49 years represents just eleven percent of the money found for financial institutions in one year. The UN Millennium Campaign is urgently calling on rich countries gathering at this week's high-level summit on the economic crisis to make no further excuses that they lack resources and to urgently deliver on their aid commitments.

"The stark contrast between the money dispersed to the world's desperately poor after 49 years of painstaking summits and negotiations and the staggering sums found virtually overnight to bail out the creators of the global economic crisis makes it impossible for governments to any longer claim that the world can't find the money to help the 50,000 people who are dying of extreme poverty every day," said Salil Shetty, Director of the United Nations Millennium Campaign. "This is a straightforward question of political will. Rich countries' priorities will become crystal clear at this week's summit on the economic crisis, where we hope they will finally deliver on the aid they have repeatedly pledged but not delivered to those who need it most."

Worse still, the global economic crisis is expected to further impact the delivery of aid to poor countries at a time when the need is greatest. Already, the consequences of the crisis, caused by the richest people in the richest countries, are being disproportionately borne by poor countries. According to the Food and Agriculture Organization, the economic crisis has resulted in 100 million more people going hungry, taking the total number of hungry people in the world to a staggering one billion. At the same time, only \$9.4 billion of the \$28.3 billion -- less than a third -- pledged at the Gleneagles Summit in 2005 to be delivered to Sub-Saharan Africa by 2010, has actually been delivered.

The Millennium Campaign believes any discussions of a new financial architecture must be inclusive of the voices and needs of the poor. The Campaign is therefore calling on donor countries to immediately and unconditionally do the following:

- Urgently agree to a timetable to accelerate delivery of their aid commitments.
- Make rapid progress toward achieving the Paris Declaration and Accra Agenda to simplify and streamline aid, including a clear timetable for implementation of existing commitments.
- Reduce and/or eliminate all trade-distorting agricultural subsidies.
- Ensure that poor countries are fully represented in all decision making bodies and in the restructuring of the global financial infrastructure.

The Millennium Campaign is calling on poor countries to immediately do the following:

- Ensure that national development policies and plans are pro-poor and focused on women and excluded groups.
- Prioritize expenditures on the Millennium Development Goals.
- Ensure accountability and transparency in the management of public money.
- Prioritize domestic resource mobilization.

Best regards, Falu

Sering Falu Njie
Deputy Director, Policy
United Nations Millennium Campaign