

The global financial crisis and its impact on the work of the UN system

Chair of the High-Level Committee on Programmes

Juan Somavia, Director-General, International Labour Organization



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FOREWORD

As the international community faces one of the gravest financial, economic and social threats in our lifetime, the UN System Chief Executives Board for Coordination (CEB) has come together to analyze the relevant aspects and mobilize for action to confront the impact of the crisis in the areas of work of each of its members.

The Executive Heads of all UN agencies, funds and programmes, the World Bank, the International Monetary Fund and the World Trade Organization, under the leadership of the United Nations Secretary-General, met in Paris on 4-5 April 2009 and decided to pool together their mandates, knowledge, expertise and means of action to take bold initiatives.

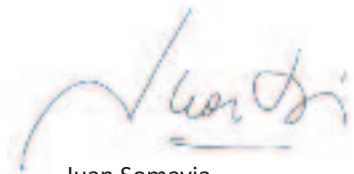
The CEB High-Level Committee on Programmes (HLCP) developed a broad system-wide approach that served as the basis for reflection and decision by the Executive Heads. As the senior-most programme managers, the members of the HLCP have a unique position in making key contributions to the policy and programme coherence across the multilateral system as well as the ability to mobilize their organizations for a comprehensive response to the crisis.

At its meeting in Geneva on 26-27 February 2009, the HLCP discussed extensively a preliminary version of this paper, submitted by the Chair, on the basis of a very rich set of contributions by all agencies. The CEB Paris meeting resulted in a robust exchange of views during which CEB members endorsed the course of action proposed by the HLCP and supported the various initiatives for joint action contained in the Issue Paper prepared by the Chair of the HLCP.

The Executive Heads produced a CEB Communiqué on the UN System's response to the financial and economic crisis which is attached as Annex to this paper. The Communiqué highlights the impact of the financial and economic crisis on people - and in particular the most vulnerable - and commits the inter-agency system to policy coherence and to international policy coordination for a quick, multifaceted and effective response to the crisis worldwide.

For its part, the HLCP is fully committed to the task ahead in facing these unprecedented economic, social and environmental challenges. We are resolved to deploy all resources and capacities to succeed for people, in each community and in every country affected by this unfolding crisis.

As the current Chair of the HLCP, I have the highest confidence in the UN System's ability to work collaboratively and effectively, and with a sense of urgency that this situation necessitates. I thank all who have contributed so boldly and enthusiastically to this comprehensive and coherent plan of action.

A handwritten signature in blue ink, appearing to read 'Juan Somavia', with a horizontal line underneath the name.

Juan Somavia
Chair, HLCP
Director-General, International Labour Organization

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INTRODUCTION

1. This paper has been prepared for the consideration of CEB by the Chair of HLCP as a result of the discussions held by HLCP at its meeting of 26 and 27 February 2009 on the impacts of the global financial and economic crisis. It reflects a revised version of the Issue Paper¹ for that discussion, on the basis of a very rich set of contributions provided by CEB member organizations. The compendium² of contributions received is also available to CEB.

2. The multi-dimensional nature of the crisis and the span of actions and initiatives being taken by multilateral institutions confirm the interrelations and potential for synergies across CEB member organizations. None of them has the mandate for, or is equipped to, deal with the crisis in all its facets. Responding to the crisis requires a coherent and comprehensive strategy rallying together the knowledge, experience, strengths and capacities of the entire system and enhancing the inter-actions and cooperation that will allow for the multilateral system to contribute a bold, comprehensive and coherent response to the crisis in its multiple dimensions, globally, regionally and nationally.

3. Importantly, the multilateral system is called to act with unprecedented rapidity, efficiency and efficacy, addressing not only the immediate challenges of the unfolding crisis, but taking the opportunity to uphold its long-term values and contribute effectively to build a better future for the peoples of the world.

¹ CEB/2009/HLCP -XVII/CRP.1

² CEB/2009/HLCP -XVII/CRP.1/Add.1

THE CRISIS AND ITS CONSEQUENCES

4. The world is in a global financial, economic and social crisis spreading and evolving at high speed. The channels of transmission are very rapid and multiple; from bank credit, finance and capital flows to a fall in demand affecting output, exports and prices, onto exchange rates, current account and fiscal positions. It is impacting upon the real economy and quickly becoming a global jobs crisis. All countries are affected by a severe global downturn characterized as the worst in over 60 years.

5. Most developed countries have entered into recession and a significant slowdown is underway in emerging economies and developing countries. The economic prospects for this year are the worst in modern economic history, pointing to stagnation or even recession in the world economy in 2009. World trade and foreign direct investment, among the most powerful engines of economic growth and development, are expected to contract.

6. The crisis affects people first and foremost through employment and work, incomes and earnings, prices; soon through services. If action is not taken urgently, it can be devastating for the most vulnerable and voiceless. The achievement of the MDGs is at risk. Poverty and hunger are increasing and major reversals in hard won gains will likely be seen. Employment has declined sharply in many countries and is likely to decline further throughout 2009. The purchasing power and quality of life are being eroded for the majority. Children, women, the working poor and people already at a disadvantage will be hit first. Migrants and refugees will be under pressure for further displacement. Social frustration, tensions and instability are on the increase.

7. As developed countries turn to addressing their own national issues arising from the crisis, protectionism and inward-looking attitudes may prevail and the availability of resources for development may be further curtailed. Moreover, with higher levels of unemployment in developed countries, the flow of remittances from migrant workers to their countries of origin is likely to decline, affecting millions of households directly.

THE NEED FOR AN INTERNATIONAL COORDINATED RESPONSE

8. The current crisis is global and originates in the developed world. Governments around the world are taking unprecedented action to avert the collapse of the financial system. Much of the focus to date has been on stabilizing financial markets, restoring credit liquidity and reactivating the economy. In a number of developed and emerging economies, financial rescue measures have been complemented with the announcement of aggressive fiscal measures in the form of lower taxes and higher government spending. The amount of the fiscal packages is often without precedent.

9. Nevertheless, while it is commendable that countries have reacted so quickly, the impact of the measures has been limited to date. Lack of international coordination obviously diminishes the overall effect of the stimulus measures. But it also makes individual countries reluctant to move faster than their trading partners, given the international linkages. As a result, practical implementation of the stimulus packages may not achieve the intended results in the short-term.

10. Developed countries are able to afford rescue and stimulus packages, either from their own fiscal space or by tapping the financial market. Economies of developing countries, while being hit through the combined effects of lower international trade, dramatic cuts in foreign direct investment, and rapidly falling migrant remittances, are seldom in a position to afford such measures on their own. Some do not have fiscal space but can access financial markets. Others have to resort to IMF or other international funding. LDCs can only rely on international aid, at a time where ODA may become even scarcer.

11. Still, no measures have been deployed with a view to ensuring that the gap between countries does not increase even further as a result of the varying capacities to respond to the crisis. If these structural issues are not addressed, global imbalances and inequalities will intensify and a reversion to the “status quo” would be only a matter of time before another major systemic crisis hits.

12. The responses to the crisis need, first, to be coordinated internationally. And second, they need to address the fundamental imbalances in the global economy, including market failures as well as the development, food, education, health, employment, shelter, social and environmental gaps that preceded the crisis. In short, the challenge is to respond to the crisis while paving the way for a more sustainable economy.

13. Deep structural imbalances intensified during the latest phase of globalization. Social progress as measured by MDGs, widespread aspirations for social and economic betterment, employment and decent work, access to quality services and human wellbeing were frustrated by slow progress. Major economic and financial imbalances in savings, investment and consumption prevailed. In spite of major wealth creation through global exchanges in goods and services, social progress and human welfare in broad terms was lagging. Inequalities persisted and grew.

14. Before the financial crisis becomes a human crisis, it is imperative to address the needs of people most at risk and to mobilize and make quickly available additional concessional financing for the poorest countries, to avoid a forced pro-cyclical adjustment and to preserve the hard-won gains in growth, poverty reduction, and macroeconomic stability in the face of the global downturn.

15. Building a fair and inclusive globalization allowing for sustainable economic, social and environmental development benefiting all is a challenge still ahead of us. Human rights, democracy, social justice and peace need to be preserved and stimulated at all costs. At the same time, the capacity of governments to design, afford and implement the right policies, while coordinating them with international partners, is crucial.

16. The multilateral system has a unique contribution to make in this regard and the crisis should be seen as an opportunity to pool together and deploy its best capacity to assist the world in confronting the crisis, accelerating recovery and pave the way for a better future. Policy coordination and coherence are of the essence: coordination of responses in time; coherence across measures; commonality of views on moving out of the crisis. This is the time for inclusive multilateralism. Strengthening the links between the Bretton Woods Institutions and the UN system is key to an effective and coherent response to the crisis.

KEY AREAS FOR POLICY COHERENCE

17. Discussions at HLCP grouped the several dimensions of the crisis and their impact in key policy areas, highlighting the connections within and across them. They also recognized the need to identify the gaps that have to be addressed. The eight key priority areas are:

- finance;
- trade;
- employment, production and aggregate demand;
- environment;
- food security;
- social services, empowerment and protection of people;
- humanitarian, security and social stability, and;
- international cooperation for development.

18. Though fixing the financial system is a pre-condition to re-launch economic activity and contain and mitigate the effects of the crisis on people, action in several inter-connected areas needs to be taken from the outset. Finance is linked to trade and in turn, both affect employment, production and aggregate demand. In a world threatened by environmental degradation and climate change, any response to the crisis needs to take environmental issues on board as an opportunity to change patterns of production and consumption and to make the investment required for a sustainable approach that can reconcile economic, social and environmental aspects.

19. Responses to the crisis should not just be seen as piecemeal measures to be rolled out temporarily, only to revert back to “business as usual” as soon as possible. There is a need for structural changes in critical areas of international, regional and national action. Moreover, inter-connectedness across areas is a powerful reason for pursuing objectives in one area while enhancing results in the others. This brings the themes of systemic coherence and multilateralism to the forefront more than ever. Global coordination efforts could facilitate not just global outcomes but clearer policy approaches at regional, sub-regional, national and local levels.

20. There are a number of policy actions that can most effectively be implemented at the national level and a number of them that ideally should be globally coordinated, but there are also a significant number of responses that can most effectively be undertaken at the regional level. Integrating the regional dimension is therefore essential in the broader response to the crisis. The right mix of national, regional and global responses will be needed to confront the crisis as well as prevent and control impacts of crises in the future.

21. Various joint UN system initiatives for immediate response to the crisis based on a sustainable development approach have been identified by HLCP as priority areas for impact of multilateral action, under the responsibility of volunteering agencies. Some of them are new and some others build on on-going initiatives which gain new importance, focus and spin as a response to the crisis, calling for joint action by a group of multilateral agencies most directly concerned. Each proposal is briefly described by lead agencies in a separate box.

FINANCE

22. Beyond the various rescue packages put in place to recapitalize distressed banks and stabilize the financial systems as well as the fiscal stimulus to reactivate economic activity, global policy coherence within the multilateral system is also called for in a certain number of other areas of finance.

23. There is a widely shared agreement on the urgent need for a thorough reform of the global financial architecture. This is now on the agenda, mainly through the G20 action plan. The big challenge ahead is to connect the financial reform with the multi-dimensional response required to confront the global crisis which has gone far beyond the financial sphere alone.

24. As the financial crisis spreads to developing countries with potentially dramatic consequences, mobilizing resources and putting at their disposal the relevant policy packages to help them combat the impacts of the crisis is an economic, social, political and moral imperative. Active counter-cyclical macroeconomic policies like public investment programmes and innovative private-public partnerships in order to boost economic demand and help vulnerable countries is an essential requirement. The need for policy options and a second opinion from other parts of the system in terms of financial policy advice to countries is considered critical.

25. In the face of the present credit crunch and heightened mistrust of traditional financial market players, finance has to recover its essential function, which is to nurture productive investment and trade. Microfinance, which in times of crisis has proved more resilient than commercial banks, should be strengthened in order to overcome credit restriction and provide financial services to the poor. Areas of critical concern are credit access for the viability of small and medium enterprises, aid for trade as well as liquidity for trade finance.

26. Another relevant aspect is international exchange rate management, as the currencies of some countries are coming under downward pressure due to continuing currency speculation. Speculation, seen as one of the roots of the present financial meltdown, also needs to be addressed, together with financial sector regulation, and global monetary coordination.

27. Urgent coordinated action needs to be undertaken to stabilize the global financial system and make it more robust and sustainable in the long-run. The rules and regulations that will have to be established need to consider the global inter-connectedness of banking, monetary and financial systems. But a broader view is indispensable and therefore, the opportunity should not be missed for a wide-ranging reform that puts the financial system at the service of the real economy and people, and not the other way around.

TRADE

28. International trade is being seriously affected by falling income and decreasing demand, in particular in developed countries. Global trade negotiations are stalled and protectionism is looming. Protectionist moves could trigger a retaliatory spiral which could exacerbate the downward cycle. Resisting protectionism and avoiding an aggravation of the current crisis is an imperative today.

29. For the first time in 27 years, global trade is expected to fall by 9 per cent this year. Developing countries that are highly dependent on exports are bearing the brunt of this contraction in terms of rising unemployment and poverty. Trade will play a key role in the recovery process and its finance should be part of all stimulus packages. The conclusion of the Doha Round would mean more and better rules to regulate multilateral trade.

30. Tightening trade finance has become a major issue. All sectors of the economy are being deeply affected. Warnings were underscored against the dangers of lack of trade finance for agricultural investment, trade and development, rendering vulnerable all countries whose main export revenue is based on natural resources and commodities, as well as those that need credit to finance their food imports. This has obvious implications for the fight against poverty and hunger. The fact that the mid-2008 food crisis preceded the current turbulence only exacerbates the situation. Aid for trade continues to be of the highest priority.

31. The dampening demand for the manufactured exports of developing countries, pulls down industrial investment, innovation and production in the face of declining availability of credit due to risk aversion fuelled by the current economic climate. Respect for property rights and intellectual property can be of considerable help.

32. Price volatility is also constraining the capacity of developing countries to manage their economies due to dependence on food, fuel and energy imports. It is for this reason that the IMF proposes to strengthen its surveillance functions with regard to the changes in commodity prices as well as promoting the orderly reduction of global imbalances.



Lead Agencies

UNCTAD
WTO

Cooperating Agencies

UNIDO
World Bank

TRADE

Fighting protectionism through conclusion of the Doha Round and strengthening aid for trade initiatives and finance for trade.

Keeping the multilateral trading regime open and transparent is the way forward to recovery. It is also an essential component in the fight against protectionism which risks aggravating the current global financial and economic crisis, in particular for developing countries. In that regard, the completion of the Doha multilateral trade negotiations is an imperative. Aid and finance for trade continue to be of the highest priority. The Aid for Trade initiative is critical for generating the additional, predictable, sustainable and effective financing that developing countries, in particular the least developed and other low-income countries, need to build their supply side response capacity. So it is absolutely vital that existing Aid for Trade commitments and also pledges for additional finance are not only kept but also are made available immediately. These are essential instruments to help developing countries continue to benefit from trade agreements in the current crisis. ■

EMPLOYMENT, PRODUCTION AND AGGREGATE DEMAND

33. The intertwined impact of the financial turmoil on decreased consumer and business confidence as well as exports, is ultimately a downward spiral typical of a sustained recession, with less spending and less earning both domestically and internationally feeding back into each other, impacting severely on jobs and incomes. .

34. This calls for urgent action by governments to launch countercyclical measures in the form of fiscal stimulus packages to break out of this vicious circle. Government spending is the most effective way to boost employment, production and aggregate demand given an environment where, unless the right measures are taken, 50 million additional job losses are estimated as a result of the current crisis by the end of 2009 as compared to the end of 2007. Strengthening domestic demand is vital in the face of declining external demand and well-designed fiscal policy appears to be the most viable option.

35. In the current context of decreasing investment and production, rising unemployment as well as wage cuts and loss of income, the nature and content of fiscal stimulus packages becomes extremely important, if we are to reactivate production, prevent poverty from increasing further and protect the most vulnerable who commonly bear the brunt of such crises. Expansive fiscal stimulus should be sufficiently large, targeted and sustained. Government investment should go first and foremost into those areas that are employment-intensive and should actively support the integration of jobless into the labour market through active labour market programmes such as employment subsidies, job-search assistance and training. This is the most direct way to ensure that aggregate demand does not erode any further.

36. Tailored interventions are required in different sectors of economic activity. In each of them, reactivation can give preference to employment intensive activities, including infrastructure, provision of services and new products being boosted through stimulus packages and fiscal policies. It is vital to secure investment in agriculture, in rural infrastructure, research and extension services to ensure sustainable global food security and alleviate poverty. Manufacturing, housing and related infrastructure are a key engine out of this crisis, with multiplier effects on job creation, particularly in developing countries. Investment in social infrastructure can counter the weakening of services which have been hit hard in terms of jobs and incomes, while at the same time help create and maintain the social protection that is more necessary than ever. The impact of in-

creased unemployment on the ability to pay for education, health care and other social services can be alleviated through temporary employment schemes.

37. Business and investors must be encouraged and supported to redirect their entrepreneurial efforts towards new productive and innovative undertakings, in particular through small enterprises. Incentives to retain workers and create new jobs could be preferably used for greening the economy thus protecting at the same time the environment and people.



A GLOBAL JOBS PACT

Boosting employment, production, investment and aggregate demand, and promoting decent work for all.

A Global Jobs Pact is needed to revive the economy and tackle the looming job and social crises. Emphasis on jobs comes from evidence that it will not be possible to reactivate the economy in a sustainable manner unless greater emphasis is placed on Decent Work for women and men. Countries are striving for what is embodied in the ILO's Decent Work Agenda, which has become even more relevant and urgent in response to the crisis. The crisis is an opportunity to promote innovative patterns of inclusive and job-rich growth. The four pillars of the agenda – employment and enterprise development, social protection, rights at work and social dialogue – can and should be usefully mainstreamed in every response to the crisis, adapting them to specific situations in countries at all levels of development. To help developing countries cope with the crisis, a counter-cyclical global jobs fund could be established. A Global Jobs Pact would comprise a vision and a set of principles and an integrated policy package covering the various dimensions of the Decent Work Agenda. It is to be submitted to the International Labour Conference in June 2009 to governments, employers and workers, and to the international multilateral system for endorsement and cooperation. ■

Lead Agency

ILO

Cooperating Agencies

FAO

IMF

IMO

ITU

**UN Regional
Commissions**

UNDP

UNEP

UNFPA

UNIDO

UNWTO

UPU

WIPO

World Bank

ENVIRONMENT

38. Facing such an acute economic downturn, there is a real risk that governments, business and other economic actors and multilateral agencies sacrifice their commitment to fight climate change and environmental degradation for economic survival and funding more immediate priorities. However, government responses to the crisis so far have provided reasons for optimism and environmental investments are increasingly seen as a solution to addressing short-term concerns over aggregate demand, jobs, and economic recovery as well as laying the foundation for a sustainable, low-carbon economy in the future. But environmental pressure in many developing countries and countries with economies in transition may be most acute.

39. Under the GEI, a direct and immediate response to the financial and economic crisis, is a “Global Green New Deal” (GGND). In Poznan, the UN Secretary-General called for such a global deal that would work for all nations in the face of both climate change and the global economic downturn – managing the crisis requires massive global fiscal stimulus and a large part of that spending must be an investment in a green future, which fights climate change, creates green jobs and spurs green growth. Negotiations in the way to Copenhagen at the end of 2009 will have to take this into consideration. A GGND would require governments to allocate an agreed percentage of the stimulus funds to environmental sectors.



On-going initiative

Lead Agency

UNEP

Cooperating Agencies

FAO

ILO

**UN Regional
Commissions**

UN-DESA

UNDP

UNESCO

UN-HABITAT

UNIDO

WFP

WHO

WIPO

WMO

World Bank

GREEN ECONOMY INITIATIVE

Launch a Green Economy Initiative to promote investment in long-term environmental sustainability as part of stimulus and recovery expenditure and to put the world on the climate-friendly path.

The Green Economy Initiative (GEI), which UNEP has launched amidst the financial and economic crisis in close collaboration with sister agencies of the United Nations, aims to assist governments and businesses to significantly increase investment in the environment as a new engine for sustainable economic growth, job creation and poverty reduction. It has three components: (i) Green Economy report – an analysis of how public policy can help markets accelerate the transition towards a green economy; (ii) The ‘Economics of Ecosystems and Biodiversity’ partnership, which focuses on valuation issues and (iii) The Green Jobs Initiative, which highlights on the potentialities in job creation in a context of a more environment- friendly economy. This initiative can render benefits in the long term, assuring policy coherence of the UN system towards incorporating these important issues in the policy advice at the country level. ■

FOOD SECURITY

40. Hunger is on the increase across the developing world with tens of millions more people facing food insecurity and malnutrition. The economic downturn is exacerbating the impact of the food crisis, which brought the total number of hungry close to one billion - one in six persons – and with a child dying of hunger every six seconds. Food prices remain volatile and may spike again as droughts and floods and climate-related events affect harvests.

41. Wealthy nations are encouraged to expand and sustain their response to the food crisis, as part of a wider partnership that includes Governments, civil society, the private sector and the UN, committed to reaching the outcomes in the Comprehensive Framework for Action.



*On-going High-Level
Task Force*

Lead Agencies

**FAO
IFAD
UN
WFP**

Cooperating Agencies

**All organizations
within the
Task Force**

GLOBAL FINANCIAL SITUATION AND FOOD SECURITY

Ensure food security by strengthening programmes to feed the hungry and expanding support to farmers in developing countries.

In the Comprehensive Framework for Action (CFA), the main objectives are to: (i) mobilize sufficient, sustained and predictable funding for the world's anti-famine mechanisms; (ii) ensure that humanitarian food is exempted from any export bans, extraordinary taxes or imposed restrictions; (iii) invest in farmers' organizations, small scale agriculture, processing and marketing to enable millions of newly marginalized people to become resilient in the face of economic and climatic shocks, to foster growth, create jobs in the rural economy, and to avoid sinking deeper into poverty and hunger; (iv) reflect the interests of women in food security strategies, with interventions that bring direct benefit to women farmers; (v) adjust trade and tax policies to ensure that markets better meet the need of lower-income countries; (vi) expand social protection systems in developing countries; and (vii) ensure that all assistance, particularly multilateral support, is offered in a transparent manner, well coordinated, effective and responsive to national priorities of the recipient countries and the needs of their most vulnerable populations. ■

SOCIAL SERVICES, EMPOWERMENT AND PROTECTION OF PEOPLE

42. Social protection is in urgent need. The economic downturn is already having several implications in the provision of social services and social protection programmes, particularly in developing countries. Fiscal tightness arising from the need for economic stimulus packages to counterbalance the negative effects of financial constraints are already affecting the possibility of weak public structures to face the growing needs for safety nets, and ways of protecting the population from the effects of the major meltdown.

43. During the present crisis, it is more necessary than ever to ensure access to basic social services in the areas of food, education, health, water and sanitation, housing and minimum welfare for the most needy. Enhanced results can be achieved by combining essential components of social services focusing on targeted groups like the rural poor, migrants, workers in the informal economy, the working poor, children, women, migrants and youth. Innovative fiscal policies and financing mechanisms for such services will be required, including micro-finance which in times of crisis has proved more resilient than commercial banking. Efficient delivery is of the essence, calling for new integrated policy approaches.

44. Direct income support can help reduce poverty, and conditional cash benefits, if properly administered, can enhance human capital and education. Empowering people through education, vocational training and skills development, plus support to science and technology, can equip people to be more resilient and emerge from the crisis. Health concerns are also on the table even more urgently than before. Demand on public health services will increase with the crisis and governments must be supported to bear this additional demand, by upgrading deteriorating social protection systems.

45. The provision of social benefits to unemployed workers is being urgently demanded, both in the developed and the developing world. The crisis is not only deteriorating unemployment rates but also is bringing about worsening conditions of work, safety and health, jeopardising welfare, especially among the most vulnerable groups. The financial crisis is also resulting in deteriorating pension systems which will have long-term effects for present and future generations. The scarcity of well-designed basic social security packages for workers in the developing world is of particular worry as public structures are in some cases extremely weak, after a long period of deregulation and weakening of the State's role.



A SOCIAL PROTECTION FLOOR

Establish a social protection floor by ensuring access to basic social services and empowerment and protection of the poor and vulnerable.

Lead Agencies

ILO
WHO

Cooperating Agencies

FAO
IMF
OHCHR
UN Regional
Commissions
UNAIDS
UN-DESA
UNDP
UNESCO
UNFPA
UN-HABITAT
UN-HCR
UNICEF
UNODC
UNRWA
WFP
WMO
World Bank

This global crisis is likely to have dramatic social and health effects. In crisis conditions, social security benefits and public health services act as social, health and economic stabilizers, thereby curtailing the potential social and economic depth of the recession, through avoiding poverty and stabilizing aggregate demand. The international community should advocate and support the development of a social protection floor to protect people during the crisis, and thereafter. The definition transcends the mandate of any individual UN agency, so a coherent system-wide approach is needed. A social protection floor could consist of two main elements: (a) Services: geographical and financial access to essential public services (such as water and sanitation, health, and education); and (b) Transfers: a basic set of essential social transfers, in cash and in kind, paid to the poor and vulnerable to provide a minimum income security and access to essential services, including health care. ■

HUMANITARIAN SECURITY AND SOCIAL STABILITY

46. Although not necessarily obvious at first sight, with a crisis now hitting the real economy and virtually all spheres of society, the world as a whole could rapidly become a much more dangerous place to live in. This, in turn, could exacerbate the overall impact of the crisis and hamper recovery plans, feeding back more humanitarian, security and social instability and leading the world into a worrying vicious circle.

47. This will require concerted action of international scope. Hence, while defining and implementing the financial, economic, trade and other measures to mitigate the crisis, decision-makers will therefore need to pay due attention to its short, medium and long term impact on the world's humanitarian, security and stability situation.

48. On the humanitarian side, a widely shared view is that it would indeed be unacceptable when so much is being spent to rescue financial institutions not to show the same determination in rescuing the most vulnerable. The fragility of failed states and conflict areas can rapidly deteriorate in the crisis context.

49. The impact of the crisis on the stability of families, communities and societies could also be severe. As the crisis deepens, social cohesion will be put at test. Migration flows, refugees and internally displaced persons are likely to increase, creating further pressures in receiving and sending countries, with the dangers of a resurgence of discrimination and xenophobia and risks of social unrest. Massive layoffs combined with poor social protection coverage or food prices still at unprecedented high-levels in domestic markets, could lead to situations of despair and frustration. Terrorism, human trafficking and criminal and illicit activities as well as rejection of economic and political systems associated with the crisis could emerge.



HUMANITARIAN, SECURITY AND SOCIAL STABILITY

Emergency action to protect lives and livelihoods, meeting humanitarian needs and shoring up security and social stability.

Lead Agency

WFP

Cooperating Agencies

IAEA

ILO

OHCHR

UNHCR

UNICEF

UNODC

UNRWA

WHO

WMO

UNFPA

In times of crisis, multilateral advocacy and action in support of the voiceless and vulnerable is not only a humanitarian imperative; it is an investment in human security, economic recovery, social stability and peace. Hunger and deprivation can create risks of unrest, migration, cross-border crime, and other threats to security. By preparing for and responding to humanitarian crises and needs, we reduce these risks, while promoting resilience, self-reliance, and recovery. Elements of an emergency action plan should include, inter alia, the following elements: (i) calling on nations to create a human rescue package as part of financial and economic stimulus plans, to support the proposed “Vulnerability Fund”, to fulfil their commitments on ODA, and to scale up assistance to meet growing humanitarian needs; (ii) sustaining life-saving assistance programs for millions hungry and vulnerable people – mostly women and children, refugees and displaced people, smallholder farmers, rural and urban poor – in urgent need of food and nutrition, safety nets, water, medicines, shelter, protection, and livelihood support; (iii) mobilizing full funding for assessed humanitarian needs and the UN and other humanitarian appeals; and (iv) ensuring access for humanitarian deliveries and the safety and security of humanitarian workers worldwide. ■

INTERNATIONAL COOPERATION FOR DEVELOPMENT

50. In translating all above policy responses into development action, development policy in itself has to remain true to the values, commitments and objectives proclaimed internationally throughout the last two decades. The fundamental values and principles of development assistance and international cooperation must be honoured and applied. Human rights need to be at the centre of development assistance. Consistency across all organizations between the normative and the operational, remain crucial. Convergence of policies between the global, regional and national is key for success.

51. More than ever, efficiency gains from avoiding duplication and overlapping work and, above all, from preventing contradictory and uncoordinated action, are imperative and urgent. Equally, identifying and addressing policy gaps within the multilateral system is of great significance. Most particularly, at country level, Delivering as One needs to expand and improve its scope and effectiveness. The principles of aid effectiveness and the Doha commitments on financing for development have assumed special importance, in particular with ninety UNDAFs developing over the next three years.

52. Funding requirements of international organizations are at risk. This would severely jeopardize development aid and assistance and would make the achievement of the IADGs, including the MDGs, even more elusive, at the time that developing countries and most particularly LDCs are in most dire exposure and need.

53. A major concern is that the crisis will most probably affect current levels of ODA. Strategic and effective advocacy to maintain or even increase ODA flows in time of financial downturn is critical and urgent. Solidarity will become of the essence.

54. The Vulnerability Fund being proposed by the World Bank appears as a good instrument and strongly supported to bring about all the international community, the Bretton Woods Institutions and the overall UN system to work together and to deliver concrete actions on the ground. The CEB should consider an inclusive governance to the Vulnerability Fund to accomplish such common objectives.



Lead Agencies

**UNDP
World Bank**

Cooperating Agencies

**All relevant agencies
primarily those with
presence in
countries**

ADDITIONAL FINANCING FOR THE MOST VULNERABLE

*Effective advocacy and establishment of frameworks
for additional financing for the most vulnerable
including through the World Bank-proposed
Vulnerability Fund.*

Governments need to maintain and if possible increase their existing commitments with regard to ODA. Taking into account the global nature of this crisis, they must not create stimulus in one country at the expense of existing budgetary support in another. Countries with limited fiscal space will need urgent additional financing in the form of concessional resources. In this regard, the HLCP welcomes the initiative taken to launch the Vulnerability fund (VF) as a concept and an advocacy tool. The HLCP decides to recommend the Vulnerability Fund (VF) to the CEB for full political endorsement. The HLCP recommends a forceful statement at the G20 meeting and from the CEB reiterating such support in light of the outcome of the G20 meeting. To demonstrate its commitment to addressing the crisis in a fully coherent and effective manner, the HLCP proposes that a joint World Bank-UN system mechanism be devised for the common articulation and implementation of the VF. High priority should be given to UNDG and UN Country Teams to support the capacity of governments to manage the crisis. ■

THE WAY FOWARD



Lead Agency

- a) IMF
- b) UN/DESA

Cooperating Agencies

All Agencies

MONITORING AND ANALYSIS

- a) Strengthening macroeconomic and financial surveillance and implementing an effective economic early warning system;*
- b) Urgently establish a UN system-wide vulnerability monitoring and alert mechanism to track developments and report on the political, economic, social and environmental dimensions of the crisis.*

There is an urgent need to take swift and synchronized actions to improve existing global monitoring and reporting systems using economic, financial and sustainability indicators, based on but not limited to official statistics, which will: (i) provide insight in vulnerabilities in the global economy at large (including financial sectors) and serve that way as early warning systems; (ii) identify which countries and population groups within these are most at risk to swings in the global economy; (iii) monitor and provide insight into how stimulus packages are being spent and financed and into the distributional effects of these; (iv) signal effectiveness of measures taken and provide information to facilitate decision-making to correct course when needed; and (v) set new micro and macro -prudential standards for improved monitoring of the stability of the financial systems in collaboration with the International Accounting Standards Board (IASB) and regulatory agencies.

The UN system, in collaboration with Member States and relevant international agencies, could lead the coordination and development of such systems that should contribute to improved accountability of global public action. ■

55. A coherent response by the multilateral system to the crisis is an ambitious task. CEB is well placed to mobilize such a response and make it “a source of strength for the system and each of its members, using it as an instrument for the highest level expression of system-wide coherence” as agreed in the CEB review. CEB encompasses the collective capacity of the system and can play a catalytic role in coherently addressing concerted cross-sectoral responses to the crisis as a high and urgent priority of multilateral cooperation.

56. The world economy is in a state of great uncertainty and many did not see this crisis coming. It is clear that existing early warning systems have been insufficient. The global economy will need better surveillance and monitoring mechanisms to identify economic and financial threats on the horizon. In addition we will need to be able to better monitor the human impact of the crisis, so as to alert the world of increasing and deepening vulnerabilities.

57. The collective knowledge and statistical capacity of the system needs to be pulled together for the monitoring and analysis of the evolution of the crisis and of measures being adopted in the key policy areas.



TECHNOLOGY AND INNOVATION

Innovating the way out of the financial and economic crisis.

Human kind has always turned to technology for solutions in the face of global threats and challenges. In the present crisis, technology, innovation and creativity will be critical in creating opportunities for economic renewal leading to a more innovative, eco friendly and sustainable world. So, as the global economy enters what appears to be a prolonged recession, one important way out of the crisis is to encourage the development of innovative new products and services that can yield, inter alia , new jobs and economic growth. A new initiative should be launched to address the global challenges exacerbated by the financial and economic crisis by, inter alia, developing technological infrastructure to facilitate the promotion and access to innovation for sustainable development. ■

Lead Agencies
**ITU
UNIDO
WIPO**

Cooperating Agencies
**All interested
Agencies**

58. The crisis, multifaceted and severe as it is, presents a painful but excellent opportunity to put the capacity and commitment of the system to the test. It compels multilateral institutions and multilateralism as a whole, to tackle development challenges more creatively and effectively. More recourse to South-South cooperation can support and complement international aid. Knowledge sharing and capacity building become crucial. Emphasis on innovation and better spread and use of science and technology as well as ICTs may open up new avenues to address the hardship of the crisis. A global engagement in this regard is essential for effective and coherent policy formulation and operational action at country level.

59. The contributions of all CEB organizations to the preparation of this overview paper on the crisis and the identification and prioritization of concrete initiatives for joint action as agreed by CEB show unanimous agreement and conviction that policy coordination across the system is possible and an absolute necessity.

60. Each of the initiatives will be further conceptualized and developed under the commitment of one or two lead agencies with recognized expertise in the area, who have volunteered to take up the responsibility of guiding the work of a group of participating agencies most directly concerned. As approved by CEB the respective lead agencies and cooperating agencies will establish a framework for action in each area.

61. The policy implications should be useful for adaptations to regional and country level. On this basis, HLCP and UNDG will work together and establish a task team as proposed by UNDP, to translate UN system -wide “crisis response” measures into an action plan to ensure coherence, coordination and joint implementation at country level. This should lead to cooperative action as well as more precise policy guidance for Resident Coordinators and agency representatives in countries.

62. As demonstrated by the contributions made to this paper, practically all member organizations of CEB are analyzing the issues and deploying intense activity in a wide range of dimensions of the crisis. The effort required is therefore to connect the dots in the various areas, scale up responses, review the implications and impact of actions on one another and maximize policy synergies. Broadening and sharing the knowledge and reconsidering the various policy approaches in the light of an integrated and coordinated response to the crisis will allow for the development of more relevant and effective policy tools and better impact and results from multilateral action.

63. Time will be of the essence. The crisis is unfolding and aggravating daily. Any significant and useful response will have to be extremely rapid.

64. The commitment of the Executive Heads of all UN agencies, funds and programmes, the World Bank, the IMF and the WTO, to work intensively and urgently on this matter is eloquently expressed in the Communiqué issued by the CEB.

CEB COMMUNIQUÉ

5 APRIL 2009

PARIS, FRANCE

We, the United Nations System Chief Executives, are meeting at a time of the worst global financial and economic crisis since the Great Depression of the 1930's. What began as a collapse of the US sub-prime mortgage market has quickly spread through global financial markets impacting the real economy, undermining consumer and business confidence and triggering further contraction in demand. World trade is falling and commodity prices have declined sharply. The world faces multiple financial, economic and social crises compounded by vulnerability from earlier food and energy crises. Livelihoods of rural and urban poor families are deteriorating rapidly. Jobs are being lost everywhere at an alarming pace. The crisis will affect all countries with a serious and disproportionate impact on the poorest. Accelerating trends of climate change present unprecedented new risks and demand a fundamental reorientation of production and consumption patterns. It is imperative that we turn this crisis into an opportunity for a sustainable future.

We welcome the historic decisions of the recent G-20 Summit and the commitment of \$1.1 trillion of additional resources to address the crisis. We underscore the central importance of a truly global stimulus, strengthened financial regulation and oversight to prevent recurrence of the crisis and the need for coordinated policies to ensure that all available resources for stimulus have the maximum global impact. We welcome the strong emphasis of the G-20 on assisting developing countries on keeping opening trade, and on the additional financing for trade. However, specific commitments to additional resources are also required to assist the poorest, while avoiding the risk of resuming a cycle of unsustainable indebtedness.

The social effects of the crisis are already disturbing and could worsen. If action is not taken urgently, it can be devastating for the most vulnerable and voiceless, with growing social insecurity and displacement of people. The achievement of the MDGs is at stake. Progress in reducing poverty and hunger in developing countries is being set back. The 850 million people already suffering from chronic hunger in 2006 will increase to around one billion in 2009. The middle class in many countries is being weakened. The vulnerable groups, children, women, youth, elderly, migrant and people with disabilities, are hit the strongest.

Even before the onset of the current financial crisis, significant challenges existed in terms of food, education, health, water and sanitation, housing and minimum welfare for the most needy. Poverty and deprivation define the lives of too many.

In the face of this crisis, the multilateral system must deploy all its resources and capacities in a rapid and effective response to the unfolding crisis, while upholding the principles, values and goals to which the international community has committed. Open economies and societies must be defended to avoid the risk of reverting to inward-looking policies, protectionism and even xenophobia. Human rights, democracy, social justice and peace must be preserved.

CEB underlines the risk of a reduction in development assistance at this time and the need to ensure that all efforts are made to prevent a global economic crisis becoming a humanitarian and security crisis of potentially immense proportion. The CEB reiterates that the commitments made earlier to increase ODA must be met. This means that donors will deliver at least \$300 billion in aid over the next two years.

International policy coordination is crucial. The crisis is multidimensional and calls for policy coherence at global, regional and national levels. It is impacting countries differently and requires policy responses specific to national priorities. We call upon stakeholders to build on the current momentum of intensified multilateral cooperation in order to promote a fully inclusive framework of global governance.

The capacity of governments to design, afford and implement the right policies, while coordinating them with international partners, must be strengthened. The multilateral system plays a central role in articulating and delivering a global and coherent response to the crisis, and in translating it into action at the country level. At the country level, United Nations and IMF/WB representatives should work together in a joint and complementary approach to the crisis.

We, the United Nations System Chief Executives, are determined to take decisive and urgent action. In view of the multiple facets of the crisis and our collective mandates and responsibilities, we have agreed on nine joint initiatives. This common commitment is designed to assist countries and the global community, to confront the crisis, accelerate recovery and build a fair and inclusive globalization allowing for sustainable economic, social and environmental development for all, while facing the future in a spirit of conviction of the need for transformational change:

1. **Additional financing for the most vulnerable:** advocating and devising a joint World Bank – UN system mechanism for the common articulation and implementation of additional financing, including through the World Bank proposed Vulnerability Fund.
2. **Food Security:** strengthening programmes to feed the hungry and expanding support to farmers in developing countries.
3. **Trade:** fighting protectionism, including through the conclusion of the Doha round and strengthening aid for trade initiatives and finance for trade.
4. **A Green Economy Initiative:** promoting investment in long-term environmental sustainability and put the world on the climate-friendly path.
5. **A Global Jobs Pact:** boosting employment, production, investment and aggregate demand, and promoting decent work for all.

6. **A Social Protection Floor:** ensuring access to basic social services, shelter, and empowerment and protection of the poor and vulnerable.
7. **Humanitarian, Security and Social Stability:** Emergency action to protect lives and livelihoods, meeting hunger and humanitarian needs, protecting displaced people and shoring up security and social stability.
8. **Technology and Innovation:** developing technological infrastructure to facilitate the promotion and access to innovation.
9. **Monitoring and Analysis:**
 - Strengthening macroeconomic and financial surveillance and implementing an effective economic early warning system;
 - Urgently establish a UN system-wide vulnerability monitoring and alert mechanism to track developments and report on the political, economic, social and environmental dimensions of the crisis.

Policy coherence and coordination are essential. Promoting coordination of strengthened financial oversight and of economic stimulus packages will enhance their overall effectiveness; and providing relevant policy advice on countercyclical policies will contribute to protecting people, accelerating the way out of this crisis and preventing its recurrence.

Members of the UN System Chief Executives Board for Coordination (CEB)

- Secretary-General, United Nations (UN)
- International Labour Organization (ILO)
- Food and Agriculture Organization of the United Nations (FAO)
- United Nations Educational, Scientific and Cultural Organization (UNESCO)
- International Civil Aviation Organization (ICAO)
- World Health Organization (WHO)
- World Bank
- International Monetary Fund (IMF)
- Universal Postal Union (UPU)
- International Telecommunication Union (ITU)
- World Meteorological Organization (WMO)
- International Maritime Organization (IMO)
- World Intellectual Property Organization (WIPO)
- International Fund for Agricultural Development (IFAD)
- United Nations Industrial Development Organization (UNIDO)
- World Tourism Organization (UNWTO)
- International Atomic Energy Agency (IAEA)
- World Trade Organization (WTO)
- United Nations Conference on Trade and Development (UNCTAD)
- United Nations Development Programme (UNDP)
- United Nations Environment Programme (UNEP)
- United Nations High Commissioner for Refugees (UNHCR)
- United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)
- United Nations Children's Fund (UNICEF)
- United Nations Population Fund (UNFPA)
- World Food Programme (WFP)
- United Nations Office on Drugs and Crime (UNODC)
- United Nations Human Settlements Programme (UN-HABITAT)
- United Nations Regional Economic Commissions *
- Joint United Nations Programme on HIV/AIDS (UNAIDS) *
- United Nations University (UNU) *

CEB Issue Paper: The global financial crisis and its impact on the work of the UN system

* Ad hoc members