

## **ISSUES NOTE – ECOSOC 2009 OPERATIONAL ACTIVITIES SEGMENT**

### **Panel on “The current economic, food and climate change crises and their effects on the achievement of the MDGs: the role of UN system’s support to national efforts”**

**10:30 am – 1:00 pm, 15 July 2009, Geneva**

#### **I. Purpose of the panel**

The global food, climate change and economic crises have multidimensional impacts on development. The focus of the panel will be UN development system’s support to countries in addressing these impacts while staying on track towards realizing their national development priorities, and the Internationally Agreed Development Goals, including the Millennium Development Goals. This panel aims to inform the Council of the progress and challenges of the UN system in response to the crises, thereby facilitating the Council’s decision-making in this regard in line with the 2007 triennial comprehensive policy review of the General Assembly (GA).

As a starting point, the panel will discuss the unique contribution that the UN can make in addressing the development needs of programme countries at their request in the context of current crises. Building on country and agency experiences, the panel will also discuss how UN can deliver best results in helping countries to keep advancing towards development goals, considering the challenges and opportunities the UN faces in this regard. Finally, the panel will be expected to come up with a set of forward looking proposals for moving towards a coherent and effective UN system response in supporting concrete country-led outcomes at country and/or regional levels. It will also reflect on how these responses can draw guidance from the broad principles established by the UN General Assembly in its comprehensive policy reviews of UN system’s operational activities such as on national ownership and leadership, coherence, effectiveness and efficiency.

The panel will consist of policy-makers of programme countries as well as representatives of UN specialized agencies, regional commissions and UN Country teams.

#### **II. Background**

The world is entering a major economic downturn caused by the financial crisis in the mature markets. This crisis aggravates the challenges in tackling the global food crisis and climate change and cast a shadow over the timely achievement of the MDGs.

##### **The Multidimensional impact of crises**

The achievement of MDGs is at risk. Progress towards the MDGs so far has been to a large extent attributable to the improved economic growth and relatively low inflation that characterized much of the period since 2000. However, with the economic recession, these hard-won gains are likely to be reversed. Employment has dropped sharply. Large-scale migration due to job losses has been seen in many export-oriented developing economies, combined with rising social frustration, exclusion and instability. Increasing poverty is likely to follow, with the most vulnerable and disadvantaged groups to be affected most severely.

Financing for development is under pressure. According to the latest revised UN forecasts, growth of per capita GDP is expected to drop to zero on average for all developing

countries, down from 4 per cent in 2008. Developing country export will see a dramatic deceleration as a result of the shrinking demand in the advanced economies. Remittances, as the most important capital inflow, will plunge. Private portfolio and bank lending flows to developing countries have already fallen sharply. FDI is also expected to plummet. The World Bank projects that private capital flows to developing countries will fall from \$1 trillion in 2007 to around \$600 billion in 2009<sup>1</sup>. As major developed economies are mired in recession, risks for reneging on aid commitments remain high.

Environmental sustainability is of growing concern. The erratic rainfall patterns and decreasing crop yields caused by climate change have already contributed to food insecurity and increased hunger. There is increasing evidence that climate change alters the path and rate of economic growth and exacerbates poverty. The economic crisis is likely to slow down national efforts and international commitment in combating climate change and increase hazardous human activities.

The food crisis may be worsened by the economic recession. FAO estimates that high food prices caused the number of hungry people in the world to soar by 115 millions and that the financial and economic crisis could drag some 100 million more persons into chronic hunger<sup>2</sup>. As of May 2009, thirty one countries are in a situation of food crisis requiring emergency assistance (twenty are in Africa, nine in Asia and the Near East and two in Central America and the Caribbean). Many analysts are of the view that the food prices will remain relatively high due to the unsolved structural factors. At the moment, average food prices are still 24% higher than in 2005. Those hardest hit by the food crisis, for example, the poorest, landless and female-headed households are also the least able to cope with the economic crisis.

### **Vulnerabilities and special needs of developing countries**

Developing countries, with heavy dependence on export, remittances, FDI and aid are particularly vulnerable to the economic crisis. For example, according to IFAD, *Dominican Republic* has seen a decrease of 10 per cent in remittances, which implies a decrease of 26 per cent in income for smallholder rural households<sup>3</sup>. In general, developing economies are ill-prepared for the economic and social consequences of the economic crisis. In the absence of a well-established social safety net, the impact of the crisis on people's well-being can be disastrous.

Developed economies can afford large-scale rescue and stimulus packages, either from their own fiscal space or going to the financial market. However, many developing economies cannot afford such measures on their own, either because of limited fiscal space or sharp increases in external borrowing costs.

The absence of necessary capacity to develop and implement policy responses to social and economic challenges remains a major barrier. For example, all developing countries need to take stock of the imbalances in their economies and whether they have space to use fiscal and monetary policies. However, in reality, many developing economies lack the capacity to do so. In particular, the absence of an effective public finance management system hinders their ability to

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<sup>1</sup> Weathering the Storm: Economic Policy Responses to the Financial Crisis, World Bank, November 2008

<sup>2</sup> FAO Director General's address at the World Grain Forum in Russia, 6 June 2009

<sup>3</sup> Seminar on "The Global Financial Crisis and the Rural Sector in Latin America: Options for IFAD Engagement"

undertake massive public investments. The rising migration and social tensions as a consequence of economic downturn challenge governments' ability to ensure social stability.

Developing countries are also poorly resourced to address both the intermediate impact and long-term structural factors of the global food crisis. Poorest countries are still dependent on food aid. Low-Income Food-Deficit Countries may need to reduce development budgets and divert foreign exchange away from other essential imports in order to secure adequate and affordable food supplies. Technical and policy support is in high demand to formulate country-specific action plans for food security interventions.

Developing countries suffer most from the negative impacts of climate change. This is due to the economic importance of climate-sensitive sectors (for example, agriculture and fisheries) for these countries, and to their limited human, institutional, and financial capacity to anticipate and respond to the direct and indirect effects of climate change. In general, the vulnerability is highest for least developed countries (LDCs) in the tropical and subtropical areas. For example, in *Ethiopia*, where the agricultural sector contributes 47 percent of the country's GDP and more than 80 percent of its exports, negative climatic impacts on crop and livestock production could result in a nationwide food shortage and greatly hinder the economy<sup>4</sup>.

## UN System-wide response to the crises

### **Economic crisis**

The UN development system endorsed a system-wide approach in addressing the economic crisis. In the meeting of the High-Level Committee on Programmes (HLCP) of the Chief Executives Board (CEB) in February, UN organizations underscored that none of UN organizations has the mandate for, or is equipped to treat the crisis in all its facets. The meeting adopted a roadmap to draw on the collective strength of each UN organizations to alleviate the impacts of the crisis in their respective areas of action.

A work programme on key areas of policy coherence is now being designed. This will build on work at two levels: first, in-depth analysis and proposals for action in the respective policy coherence areas such as finance, trade, employment and development cooperation; Second, development of the specific policy proposals in the various areas into an integrated cross-sectoral policy product to support Member States.

These UN system-wide “crisis response” measures will be translated into an action plan to ensure coherence, coordination and joint implementation at country level. This may lead to cooperative action as well as more precise policy guidance for United Nations Resident Coordinators and agency representatives in countries.

The system-wide approach has been further refined in the CEB meeting of April where UN System Chief Executives agreed on nine joint initiatives to assist countries and the global community to confront the crisis.

At country-level, United Nations Country Teams (UNCTs) have also been assisting governments in responding to the crisis and addressing its impact. For example, in Indonesia, the UNCT has helped the government to put in place a Monitoring System on the Impact of the

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<sup>4</sup> International Food Policy Research Institute, Perceptions of Stakeholders on Climate Change and Adaptation Strategies in Ethiopia

Economic Crisis on the Poor and Vulnerable. The United Nations System in Cambodia is working closely with the government to design an effective social protection system aimed at safeguarding Cambodia's most vulnerable from economic and other shocks.

### **Global food crisis**

The multi-faceted impact of rising food prices underscored the need for collaborative action. On 29 April 2008, CEB established a High-Level Task Force (HLTF) on the Global Food Crisis, under the leadership of the Secretary-General which brought together the Heads of the United Nations specialized agencies, funds and programmes, Bretton Woods institutions and relevant parts of the UN Secretariat to provide a unified response to the food crisis.

UN system-wide work on food crisis has been advanced within the "Comprehensive Framework for Action" agreed among the members of the HLTF. The Framework defines the UN system common position on actions to be implemented to deal with the crisis and to improve food and nutritional security at national, regional and global level, with a focus on two fronts – in the immediate term, resolving emergency food problems; and in the long term, promoting agricultural production and productivity. Within the framework, a large number of activities have been undertaken by UN agencies individually or collectively. In 2009, the HLTF is focusing on supporting effective action in countries, advocating for funds, inspiring a broad engagement by multiple stakeholders and improving accountability of the international system.

Programme countries have turned to the UN development system for assistance in coping with the food crisis. For example, in Mozambique, the UNCT was asked to advise the Government on strategies to respond to the rising food prices. It accordingly suggested measures to address the crisis in specific areas.

### **Climate change**

With the growing recognition of the relevance and importance of climate change to development, an increasing number of UN organizations pursue intervention in this area. These multiple processes require strengthened coordination at both strategic and operational levels. At the strategic level, the United Nations Framework Convention on Climate Change defines the scope of UN system's intervention. At the operational level, CEB has served as the coordination framework for the UN system in this regard.

UN agencies have clustered their work around a number of major issues/sectors identified in response to the United Nations Framework Convention on Climate Change negotiation process. Coordination on key issues is being strengthened, with existing mechanisms, for example, those on energy, water and oceans, assuming responsibility to integrate issues of climate change in their work. The United Nations Development Group (UNDG, which is in charge of supporting UN system's work at the country level) is used for making the connection between the global and the country levels.

At country-level, UNCTs are undertaking integrated and coordinated actions in support of countries' climate change priorities. Addressing climate change has become one of the key outcomes of the United Nations Development Assistance Frameworks (UNDAFs) and related country programmes in many programme countries. For example, in Armenia the UNDAF (2005-2009) includes agreed action on climate change. The UNCT in Thailand established the Thematic Working Group for Environment (TWGE) to ensure coordination among UN agencies' interventions in the area of environment. Various types of inter-agency initiatives have been

launched to support the achievement of results on climate change as endorsed in the UNDAFs and country programmes.

### **III. Suggested questions to be addressed in the debate:**

The panel will start with presentations by panelists, followed by questions and answers. Panelists are encouraged to limit their presentations within 7 minutes. It is recalled that the focus of the panel is the work of the United Nations system.

Panelist may wish to consider the following key questions:

1. How can the UN system best support programme countries in their response to the crises and in realizing national priorities and plans to achieve the MDGs: what lessons can be learned from recent successful and less successful experiences?
2. How should the UN system further improve coherence at the headquarters, regional and country levels in order to improve its support in the context of the crises?
3. What are the challenges (institutional, financial, capacity, or operational) that the UN system faces in helping countries to address the impact of the crises? How can these challenges be addressed by UN system and Member States?